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Pensions



Exploratory qualitative research into the early experiences of the Minimum Income Floor (MIF)

October 2024

DWP Minimum Income Floor (MIF) Research

DWP research report no. 1075

A report of research carried out by Ipsos MORI on behalf of the Department for Work and Pensions.

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Executive Summary

Universal Credit (UC) is a single monthly benefit payment for people in or out of work. The in-work self-employed is a largely new claimant group for the Department for Work and Pensions (DWP) having been previously supported by HM Revenue and Customs (HMRC) through tax credits. Under the UC self-employment system, some payments are calculated using an assumed level of earnings called a Minimum Income Floor (MIF), which is calculated individually for each claimant. This study aimed to explore how self-employed UC claimants make decisions about work and how they understand and respond to their MIF.

A qualitative approach was undertaken to this study. A total of 40 in-depth interviews were conducted with self-employed claimants by telephone, including 30 UC claimants who had a MIF applied to their claim and were earning above or below their MIF level, and 10 claimants where a MIF had previously been applied but was no longer. The sample also comprised a mix of claimant demographics, including age, gender, age of children, and health.

The self-employed claimants who took part in this study were mixed in terms of sector, length of self-employment, and reasons for self-employment. Claimants fell into three groups in terms of their reasons for self-employment, which included 'lifestyle' for example, caring responsibilities, where claimants are self-employed to work around their personal circumstances; 'entrepreneurs' who want to grow a viable business from an interest or gap in the market; and 'norm for sector' where claimants are self-employed based on the sector they work in. Most claimants in the sample were self-employed due to their lifestyle.

While awareness of the MIF was high, overall knowledge of Universal Credit rules, how the MIF worked in practice¹ and the consequences of earnings falling below this was very limited². Overall, claimants were aware they had a "target" to meet, that their MIF was determined by a calculation of their expected hours of work and the National Minimum Wage, and that earnings were reported monthly.

Claimants were more likely to understand what would happen to their UC claim if they earned above the MIF, but more confused about the consequences of earning below the MIF³ or if their earnings were to fluctuate above and below. This lack of awareness is likely to affect responses to the MIF. Claimants gained information on UC and the MIF from their work coach at the initial interview, but also through friends and family, internet searches and external organisations, such as Citizen's Advice Bureau. The information received

¹ Lack of understanding has been identified as a wider issue across Universal Credit and is not specific to claimant understanding of the Minimum Income Floor. Recent research found that awareness of UC rules varied and that some claimants do not understand key features of UC. (Universal Credit Full Service Survey, June 2018).

² Under the rules of UC self-employment if a person is in gainful self-employment in an assessment period and their earned income is less than their earnings threshold (the MIF) they are treated as having earned income equal to the MIF. This means they will be awarded the same amount of UC even though earnings have fallen below the MIF. Payments are not topped up.

³ An individual's MIF level is stable and UC payments are consistent where claimants earn below the threshold, meaning if a claimant's income falls below the MIF they will always receive the same UC payment.

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from DWP was described as 'inconsistent' and work coaches were thought to lack confidence in their explanation.

Most claimants were open to receiving advice in relation to their business. Claimants can lack a clear idea of how to move forward with their work and look beyond their current circumstances or work choices. Claimants were keen for more support on running a business, growing a business (beyond simply increasing hours), managing tax affairs and budgeting, but wanted this to be delivered by individuals with experience of self-employment.

Overall the MIF was perceived to have a limited effect on the behaviour of claimants who participated in this study. Lack of understanding of how the MIF worked and a focus on their work and personal circumstances meant that the MIF was rarely at the forefront of claimants' minds. Claimants who fell consistently below the MIF were often self-employed due to their 'lifestyle' or they were 'entrepreneurs' just starting out in business. Importantly, claimants wanted to increase their earnings, but were mixed in terms of how likely they thought they were to be able to do this in the future. Fluctuating incomes were common for the self-employed and created difficulties for managing the MIF and other aspects of UC rules.

There was evidence of the MIF helping to change behaviours and grow earnings. Examples were noted of claimants increasing the amount of time they worked (and therefore earnings) to meet or exceed their MIF level, and this was mainly noted by those earning above their MIF. In these cases, their MIF was useful in motivating and encouraging claimants to work a little longer if their monthly earnings seemed lower than usual. Where the MIF was motivating claimants to increase their earnings, they were aware of what their MIF level was, monitored their income and kept their MIF in mind throughout the process. In these cases, their MIF was also seen as achievable and claimants had the opportunity and ability to increase their earnings as needed.

Several claimants were no longer claiming UC due to reasons such as a change of circumstances, earning above the UC threshold, or having assessed the MIF to be unattainable and signed off as a result. Subsequent outcomes in relation to work or income were not explored in this study.

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List of abbreviations

CAB	Citizens Advice Bureau
CTC	Child Tax Credit
DWP	Department for Work and Pensions
ESA	Employment and Support Allowance
GSE	Gainful self-employment
HMRC	HM Revenue & Customs
JSA	Jobseeker's Allowance
MIF	Minimum Income Floor
NEA	New Enterprise Allowance
UC	Universal Credit
WTC	Working Tax Credit

1 Introduction

This report outlines findings from a qualitative study undertaken with self-employed Universal Credit (UC) claimants to explore how claimants understand and respond to the Minimum Income Floor (MIF). The research was undertaken by Ipsos MORI on behalf of the Department for Work and Pensions (DWP).

This chapter of the report introduces the research and provides an overview of the approach taken, detailing the background to the study, aims and objectives and the research design.

1.1 Study background

Universal Credit is a single monthly benefit payment for people in or out of work. It replaces several existing benefits including: income-related Jobseeker's Allowance, income-related Employment and Support Allowance, Income Support, Housing Benefit, and Working and Child Tax Credits. Universal Credit is being introduced in stages across the UK.

The in-work self-employed is a new claimant group for DWP having been previously supported by HM Revenue and Customs (HMRC) through tax credits. As such, claimants will have less experience of interacting with DWP and limited experience of a conditionality regime. Around 500,000-700,000 individuals are expected to be self-employed as their main form of employment in UC when it has fully rolled out and eligible tax credit claimants have migrated onto UC.

All self-employed UC claimants who are expected to seek work undertake a test for gainful self-employment, which checks that their self-employment is their main employment, the earnings from it are self-employed earnings, and the work is organised, developed, regular and in expectation of profit. As a part of the test, claimants are asked to provide evidence such as, records of sales and purchase, cash flow projections or a business plan. If claimants started a new business or a new form of self-employment within 12 months of being found gainfully self-employed they may be eligible for a start-up period lasting up to a year, during which payments are based on monthly earnings and claimants have quarterly contact with their work coach to check on the progress of their self-employment.

Under the UC self-employment system, payments are calculated using an assumed level of earnings called a Minimum Income Floor (MIF)⁴. The MIF is calculated using the National Minimum Wage for a claimant's age group, multiplied by the number of hours the claimant can reasonably be expected to look for and be available for work. It also includes a notional deduction for tax and National Insurance. If claimants earn above their MIF level, then UC payments are based on actual earnings. If claimants earn below it, then the

⁴ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/selfemployment-and-the-gig-economy/written/46282.pdf>

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MIF is used to work out their UC payment⁵. This represents a change from the tax credit system, which bases payments on annual income and hours worked. The tax credit system does not set a MIF, so self-employed claimants who previously claimed Working Tax Credit and/or Child Tax Credit will have no previous experience of a MIF.

1.2 Study aims

This study aimed to explore how self-employed UC claimants make decisions about work and how they understand and respond to the MIF. Specifically, the research sought to understand:

- How the MIF informs the behaviours of self-employed UC claimants.
- How the MIF affects decisions on pursuing or continuing self-employment.
- How the MIF affects choices about the type of self-employed work carried out.
- What the barriers to achieving the MIF are and how these could be overcome.
- How claimants perceive the MIF to affect decisions on business growth.

This research provides DWP with an initial insight into the behaviours of self-employed claimants in relation to UC rules on self-employment, specifically the MIF. The study does not provide an evaluation of the MIF and as such conclusions cannot be drawn on how well the MIF is working.

1.3 Research design

A qualitative approach was undertaken to this study. Qualitative research aims to explore experiences in-depth and to understand how and why issues occur and does not seek to be statistically representative.

The design was small-scale and exploratory. A total of 40 in-depth interviews were conducted with self-employed claimants by telephone between 15th January and 1st February 2018. Interviews lasted for approximately 45 minutes. The sample was organised into two groups:

- 30 claimants who were currently claiming, had the MIF applied to their claim and were either earning above or below the MIF level (15 of each); and
- 10 claimants where the MIF used to be applied but was no longer, including those who were no longer claiming UC and those claiming UC but not as self-employed (5 of each).

⁵ Where a gainfully self-employed UC claimant's monthly earnings are below their monthly MIF level, the MIF level is taken into account in assessing the claimant's Universal Credit payment (after the UC taper and any work allowance). This means that if a claimant's earnings are below the MIF that DWP have calculated for the claimant, DWP will use the claimant's MIF to work out a claimant's Universal Credit award instead of their actual earnings.

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The sample also comprised a mix of claimant demographics, including age, gender, age of children, and health. The achieved sample profile is outlined in appendix A.

Claimants were purposively selected from a sample provided by DWP of self-employed claimants who currently had, or previously had, the MIF applied to their claim between August and November 2017. Participants were recruited to take part using specialist recruiters and guided by a screening questionnaire designed with DWP to ascertain eligibility and to check key quotas (as set in the sample profile).

The interviews were undertaken by Ipsos MORI researchers using a discussion guide agreed with DWP. The interview data was analysed using a robust inductive framework approach, as part of which the data was synthesised thematically and interrogated for patterns and relationships, as noted outputs are not statistically representative.

2 Context of Self-Employment

The self-employed claimants who took part in this study were mixed in terms of characteristics, including a mix of sector, length of self-employment, reasons for self-employment and demographic characteristics, such as age and gender.

This chapter provides an overview of the characteristics of claimants who took part in the research, outlining details of their self-employment, reasons for being self-employed, future plans and their Minimum Income Floor (MIF) level. The characteristics of claimants were found to affect their response to the MIF and growing their business and as such provide useful context.

2.1 About Self-Employment

Claimants worked in a range of sectors including: construction, cleaning, cosmetics, floristry, social work, IT and performing arts. Within these sectors claimants mainly worked as owners or partners in small businesses, but there were also examples of freelancers and sub-contractors working as labourers and drivers for example.

Small business owners usually preferred to work alone rather than employ others in their business. This was based on previous bad experiences with employees, concerns about making the business too complex in terms of administration and tax, and because they enjoyed or felt comfortable delivering the day to day tasks of the business and wanted to continue. There were some exceptions with claimants planning to take on an employee in the future to maximise client opportunities and grow the business, but claimants often felt nervous about taking this step.

Freelancers tended to have a specific skill set, for example web-development and industrial design. Claimants described finding it hard to find secure full-time employment, with their contractors preferring to employ them ad hoc. Sub-contractors in the sample mainly worked in construction and performing arts industries. Those in construction used the same company for work and had stable self-employment, whereas those in performing arts, such as musicians and actors/actresses, had gaps in their contracts where they struggled to find work.

The length of claimants' self-employment varied, ranging from those who were new to self-employment, to those who had been self-employed for most of their career. For example, a female 45+ business partner, who set up her self-employment three years ago and a male claimant 45+ who worked as a self-employed carpenter for 35 years.

There were examples of claimants moving between self-employment and employment, for example a web developer who was employed for a period of five years, before moving back in self-employment and a carer who moved from employment to self-employment and now plans to become employed again. Reasons for these shifts included, converting self-employment into full-time employment; using self-employment to gain experience and develop skills, and a change in personal circumstances, such as health or childcare needs. There were no examples in our sample of claimants working as self-employed and

supplementing this with employment. The reasons given for this included wanting to focus on their self-employment and perceived barriers to employment.

We spoke to claimants from a mix of ages ranging from 18 to 63; this spread of ages reflected the sample design.

2.2 Reason for Self-Employment

In line with recent research undertaken on self-employment with people claiming Working Tax Credit⁶, this study found that claimants broadly fell into three groups in terms of their reasons for self-employment. This included 'lifestyle', 'entrepreneurs' and 'norm for sector'. Lifestyle refers to claimants who chose self-employment to work around their personal circumstances; entrepreneurs aimed to grow a viable business from an interest or gap in the market; and norm for sector were self-employed because of the industry they worked in.

Within our sample, lifestyle was the largest group followed by entrepreneurs and then norm for sector. It is important to note these categories are not mutually exclusive, with some claimants falling into multiple groups. For example, claimants choosing self-employment to work around their lifestyle, while also striving to build their business as an 'entrepreneur'.

2.2.1 Lifestyle

Claimants often became self-employed to take account of their personal circumstances and their individual needs. Examples of personal circumstances included: childcare, other caring responsibilities, physical and/or mental health conditions and age.

Many of the claimants we spoke to became self-employed to help manage their childcare responsibilities. Self-employment was seen as better suited to looking after children, especially for single parents, as a result of the flexibility it provided in working hours and the ability to work from home. Specifically, it was said to enable parents with school-aged children to take their children to and from school, manage childcare during the school holidays and any periods of sickness.

Similarly, the flexibility of self-employment was a pull factor for those who had other caring responsibilities, such as caring for a partner or child with a disability or health condition, where it was seen as essential to be available on demand as needed.

Our sample included claimants with health conditions, including both physical and mental health conditions such as physical disabilities, illness and depression. Living with a health condition was said to create barriers to work, with claimants noting difficulties finding employment or being unable to fulfil and continue in employment. For example, a dog trainer living with a physical illness struggled to return to employment after being unwell, as they suffered pains at work and felt this could not be accommodated. They enjoyed the benefits of being self-employed which allowed them to work around their condition.

⁶ DWP/Ipsos MORI: Self-employment Working Tax Credit Claimant Survey and Qualitative Follow-up Research (2017)

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Self-employment was said to offer flexibility to those with health conditions, allowing claimants to choose and flex their working hours and place of work to manage their condition and any sudden changes to their health. Employers were generally said to be unable to provide the flexibility needed. Furthermore, when claimants left employment they could feel they lacked the qualifications or experience to secure employment elsewhere and as such self-employment became the only option open to them.

Age was perceived as a barrier to employment meaning claimants felt they had little choice but to become self-employed. This was felt particularly strongly when older age was coupled with a physical disability. For example, a 63-year-old window cleaner with a physical disability felt 'trapped' in self-employment with no alternative but to push their business, as they saw few opportunities available to them in employment.

Lifestyle claimants generally had a lower level of work expectation, although not always. The hours worked by claimants in this group ranged from 8 to 35 hours a week. The length of time claimants had been self-employed varied according to their circumstance. For those with health conditions, self-employment was seen as the most likely future work option, whereas for those with young children this was more mixed with a number planning to move into employment when their children were older.

Case Study 1: Male, 31-34, above MIF level

The claimant lives with his 13-year-old daughter, his wife passed away seven years ago. Previous employment included being a delivery driver and working in retail.

The claimant decided to move to self-employment as a taxi driver in the gig economy three years ago for the flexibility of working hours and the independence. Being a single parent, the flexibility was important for this claimant around childcare responsibilities, such as school drop off and pick up, school holidays and sick leave.

He has found self-employment to be a shock, in terms of dealing with compliance. Struggling with financial management he would like to have more information or advice on tax administration for example.

His earnings fluctuate seasonally and the busy times can correlate with his daughter's school holidays so struggles to balance that, stating that; *"I have a kid and don't want to be going out all the time"*.

Despite this he is always looking for new ways to increase his earnings, thinking of where to go, times he is working and making sure he is motivated.

There are concerns about the future as he does not know whether to renew his licence at a cost of £300 as the company he works for may not have the right to operate in London soon.

2.2.2 Entrepreneur

Self-employment was very much a choice for entrepreneurs, rather than simply a result of their circumstances, with claimants motivated by the opportunity to develop a business; enter a sector of interest; utilise their specialist skills; increase their experience; and grow their income.

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The prospect of starting a business or seeking work in a sector they wished to be involved in was the main reason claimants gave for becoming self-employed. For example, a female aged 45+ started a business with a partner in delivering fragile and 'unusual' packages, always found this interesting and noticed a gap in the market. Claimants also noted identifying a new opportunity while they were employed and setting up as self-employed to increase their earnings and prospects rather than working for someone else.

Case Study 2: Male, 16-30, above MIF level

The claimant is a father of two children aged three and one and previously worked in property maintenance and hairdressing. He has no qualifications just work experience from previous employment.

After working in property maintenance for someone else, he saw a gap in the market to do this for himself and earn more money. In July 2016 he set up his own handyman business knowing that he just needed tools and the scope to build a client base.

"It was a conclusion I came to myself, as I knew what you could charge as a handyman, you can charge anything up to £200 a day"

His business covers 'a bit of everything' except gas and electrics.

The business is going well and he uses Universal Credit (UC) as a "top up" for his earnings. His income drops around Christmas time.

He is hoping to extend the business and move into new areas, for example, property development.

Entrepreneurs were generally confident about the development of their business and this was the same whether they were above or below the MIF level. Claimants were determined to continue their line of work and wanted to make their business a success. Certainly, for those who were below the MIF or not claiming anymore they had the attitude 'to make it work'. A carpenter for example who was below the MIF by more than £700 was confident in his ability to get customers and build up enough of a base for his business to be a success (and eventually stop claiming UC), with a plan to start a wood recycling centre in the local community.

There were examples of claimants falling into the lifestyle and entrepreneurs group, where claimants chose to be self-employed to fit around their personal circumstances, but were also committed to growing a successful business in a sector of choice. For example, an engineer who became self-employed after having triplets and started a business as a web-developer and a film editor who suffered from acute migraines but continued in their career as a freelancer by moving to self-employment. This group of people were still eager to grow their business despite their circumstances, for instance the web developer described partnering with another developer to boost his business.

Entrepreneurs were mixed in terms of their length of self-employment, with some self-employed for a short while having recently just completed their start-up period, and those who had been self-employed for over 10 years. There was a trend that those who had been self-employed for an extended period, had either children or a health condition, highlighting the cross over in reasons behind self-employment.

2.2.3 Norm for sector

The decision to be self-employed was also driven by the type of industry or sector the claimant worked in. Self-employment was often seen as the norm for the sector, with claimants believing they had little choice but to be self-employed given their profession. Examples included a taxi driver, market stall trader, electrician, musician, carpenter, and construction worker.

Within this group, claimants described either running their own business, for example, having a market stall; freelancing directly for clients after building up a client base; or working as a sub-contractor. Claimants working in the building and construction sectors were often working as sub-contractors and often referred to the business managing their work as their employer, although they note having control over their hours and selecting which jobs to work on.

Those who were self-employed due to their sector generally were above the MIF level. Fluctuations in income for this sector were generally more predictable and less extreme, except for those in the performing arts industry, where work could be infrequent.

Case Study 3: Female, 45+, above MIF level

The claimant worked as a self-employed musician in an orchestra and as a teacher since she was 19. She began her career touring, but after having children focused more on teaching as she did not like to be away for long periods of time.

She started to claim UC in March 2017 after separating from her husband as this caused a drop in her income. Now on UC she would prefer to be employed as it offers more stability but there are few employment opportunities in her line of work.

Her earnings fluctuate according to the school terms, which is when she teaches the most. Since moving onto UC, she has switched to being paid in advance rather than in arrears to improve cash flow as she was previously experiencing issues with late payment of invoices.

She has made efforts to improve her income by offering trial lessons to children and demonstrations and playing in concerts at the weekend. Once her children are older she plans to return to playing in the orchestra.

Despite her recent financial difficulties, she wishes to stay in her line of work, but would prefer to do so as an employee.

2.3 Future plans for self-employment

Claimants were asked about their future plans in relation to their self-employment and in particular the likelihood of increasing their income. Claimants were mixed in terms of how likely they were to grow their business and the desirability of doing so given their personal circumstances. The sample included those who:

- **Were eager to increase their income and grow their business.** There were examples of claimants being confident about growing their self-employment in the future. This included those who had a plan or business idea to pursue; those who were confident in building their client base, for example through marketing; and

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those developing new products or costing structures, for example selling new things and charging more. Examples of this included an IT consultant preparing to create a new website and logo, a podiatrist advertising in the local newspaper and parish newsletter, a handyman looking to enter the property development market and a greetings card designer looking to develop higher value products. Entrepreneurs were most likely to have this optimism, but it was not exclusive to them. Some who felt they were stuck in self-employment and were below the MIF still had an enthusiasm that they could increase their earnings, although this was less common. Importantly, most claimants said they wanted to sign off UC and believed this would happen in the future.

- **Wanted to keep their workload and income at its current level to manage their personal circumstances.** Claimants often organised their workload around their personal circumstances and they wanted to maintain this going forward, especially those who were self-employed for lifestyle reasons. This might mean working part-time or working outside office hours, for example in the evening. In these cases, claimants wanted to earn as much as they could, but their circumstances presented barriers to this in the shorter term, for example childcare/caring responsibilities and health issues as outlined previously. Specifically, older claimants nearing retirement age were usually not interested in growing their business even when they were below the MIF level. Barriers are discussed in more detail in chapter four.
- **Were pessimistic about opportunities to grow their earnings in the future.** Claimants who felt that they could not grow their businesses associated this with competition in the market and low demand for their product or service, coupled with personal circumstances. This group were generally below the MIF level, but felt there was limited scope for growing their income in the future, due to barriers to increasing earnings (outlined in chapter four). Desire to grow the business also depended on claimants' employment plans. For some self-employment was a 'stop-gap' to manage short-term personal circumstances, following which they planned to move into employment. Examples of this included a carer who was building up experience to move into a managerial role in the future and a single parent who worked as a cleaner but planned to become employed once her child moved to secondary school. In these cases, claimants were less likely to invest in growing the business.

There were no examples of claimants supplementing their income with employment or with the intention of doing so in the future.

2.4 MIF Level

In line with the sample design set out for this study, our sample included claimants who fell above and below their MIF level. Within these groups our sample included those who fell *below* their MIF by £100, between £100 and £700 and below by more than £700 and those who were *above* their MIF by £100, between £100 and £350 and above by more than £350.

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Of the claimants falling below their MIF in our sample most missed their MIF by over £100 and just over a third by more than £700. For those above their MIF, around a third earned up to £100 above and a third for those between £100 and £350 and those above £350.

It should be noted that the MIF data was taken from the sample provided by Department for Work and Pensions (DWP) of self-employed claimants subject to MIF between August and November 2017, rather than data collected as part of the study. The sample included three months of data on a claimant's monthly earnings and their MIF level. This data is taken from the third month.

Please note, the pattern of falling above and below the MIF level noted here is not statistically representative of this claimant group, but reflects the purposive sampling design agreed for this study. However, while quotas were set on the MIF level (above and below), health conditions and number of children, beyond this claimants were selected at random.

Patterns were noted between earnings and reasons for self-employment in our analysis. Those who fell into the category of 'entrepreneur' and 'norm for the sector' tended to earn above their MIF level (according to the three months of sample data provided by DWP), whereas those who were self-employed due to 'lifestyle' factors were more mixed – falling above and below. Notwithstanding, there were variations in earnings across all groups. Please note, this is based on qualitative analysis and seeks to provide context to our sample. It is not statistically significant.

Aside from this, no clear patterns were identified in characteristics between claimants by earnings, sector, length of self-employment or age.

3 Experiences of the MIF

This section of the report explores claimants' experiences and understanding of the rules of Universal Credit (UC) self-employment, with a specific focus on the Minimum Income Floor (MIF). It considers awareness and knowledge of the MIF, sources of information and interaction with the work coach and business support.

3.1 Claimants' awareness and knowledge of the MIF

Claimants in the research had been made aware of the MIF during their initial interview with the work coach, although there were a couple of exceptions where claimants said they became aware of the MIF later in their UC claim. In one instance the claimant recalled the work coach informing them of the MIF as their start-up period ended and another said they became aware during the research interview. In this latter case, the claimant consistently earned above the MIF and had limited contact with Department for Work and Pensions (DWP) as their earnings were collected through HM and Custom's (HMRC) RTI PAYE system. Hearing about the MIF could be a shock especially for those with incomes below their MIF and those transitioning from a start-up period.

'I didn't know about the start-up period and then at the end of the year then they told me [about the MIF].' (Below MIF, no health condition, 31-44)

While awareness of the MIF was high at the point of interview, overall knowledge of how the MIF worked in practice and the consequences of earnings falling below their MIF was very limited⁷. Claimants were aware:

- **They had an income level to meet**, sometimes described by claimants as a "threshold" or "target", which some recalled by name referring to the 'floor income' or similar.
- **What their MIF level was**, although the precision and accuracy with which this was recalled varied with some claimants providing figures, such as £1,048 or £1,500⁸ and others being unable to provide a figure.

'They did say that there is a threshold – I can't remember what it is now. But they told me that if I earned below it I'd only get a certain amount and if I earned above it there's a maximum⁹ I can get.' (Above MIF, no health condition, aged 16-30)

⁷ Lack of understanding has been identified as a wider issue across Universal Credit and is not specific to claimant understanding of the Minimum Income Floor. Recent research found that awareness of UC rules varied and that some claimants do not understand key features of UC. (Universal Credit Full Service Survey, June 2018).

⁸ The example figure provided of £1,500 is inaccurate and provided as an example of awareness.

⁹ By 'maximum' the claimant was referring to a level of income above which UC entitlement would be lost.

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- **The MIF was based on a calculation.** Claimants either thought the MIF was based on a flat-rate according to their circumstances or more likely a calculation derived from the national minimum wage and the number of hours they needed to work.
- **They had to submit their monthly earnings and how to do so.** Claimants described being required to submit earnings monthly, initially by telephone and latterly online. Online submission was preferred as these were said to be easier than reading details out on the telephone.

Claimants were more likely to understand what would happen to their UC claim if they earned *above* their MIF, with some claimants quoting the number of pence in the pound or a percentage they keep above their MIF level.

'I know there's a base pay and something like 60p of every £1 I earn gets removed or something, I think 67p.' (Above MIF, no health condition, aged 31-44)

Claimants were much more confused about the consequences of earning *below* their MIF or if their earnings were to fluctuate above and below the MIF. While some claimants understood that if they earned less than their MIF level their UC would not be topped up, overall, there was much less clarity about this. Claimants usually assumed there would be a consequence to falling below their MIF level, but were unclear what that would be and others suggested they had no knowledge at all¹⁰.

'I can never remember what it is, I do know that if I earn less than a certain amount that's how they work out what I claim.' (Below MIF, no health condition, 16-30)

'I found it a bit complicated. I didn't find it straightforward at all... [always had to earn] at least £1,100 a month, if not there would be problems... [if earned below], they just said it would affect your UC. I'm not clear on what they said, I think they just said it might affect your Universal Credit. It wasn't clear what they would do, if they'd suddenly stop it or if there'd be a review.' (Above MIF, no health condition, 31-44)

Claimants were also unclear what the impact would be of taking time off through sickness, if they took a holiday, or if their income fluctuated so that their income dipped above and below their MIF from month to month.

Although there was a marked lack of clarity amongst claimants about how the MIF worked across the sample, claimants earning over their MIF had a better understanding than those earning below. There were no other patterns of claimant understanding of the MIF by age, gender, other demographic information or reason for being self-employed.

The calculation of an individual's conditionality was generally poorly understood by claimants. Claimants were unclear how the number of hours they were expected to work was calculated and how personal circumstances were factored into the UC calculation, such as having children, disability or a working partner. While most accepted their level of

¹⁰ The earnings threshold (the MIF) is stable and UC payments are consistent where claimants earn below the threshold, meaning if a claimant's income falls below the MIF they will always receive the same UC payment.

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conditionality, others considered their hours to be set too high given their individual circumstances and this affected how they viewed their MIF – seeing it as unobtainable and lacking legitimacy.

In addition, claimants also lacked awareness and understanding of the following aspects of UC self-employment:

- **How the UC payment was calculated** and as noted the link between this and their MIF.

'I just don't understand how the payment works, there's no graph or anything saying if you earn this amount. You constantly don't know how much to put towards your rent.' (Above MIF, no health condition, aged 31-44)

- **How the upper earnings threshold of UC worked** and when they would be signed off UC.
- **The start-up period rules**, such as how long it lasted and what would happen after the start-up period ended.

3.2 Interaction with the work coach

3.2.1 Receiving information about UC and the MIF

Mostly, claimants obtained information about UC and the MIF from their work coach. This was the main source of information. Claimants described having an initial interview with the work coach who may or may not have taken them through how UC, self-employment and the MIF worked. There was a general feeling that work coaches were still getting to grips with the rules surrounding UC and the MIF and that they were feeling their way.

'I [claimant] didn't have a clue about claiming...she [work coach] was having to pause every couple of minutes to say, "oh I don't know what that means".' (Above MIF, no health condition, 16-30)

Claimants recalled asking the work coach questions, such as, what would happen to their UC if their income regularly fluctuated, or if they are off sick or take a holiday, but overall did not feel they received clear responses.

There was limited recognition of receiving the Universal Credit Self-Employment Information Guide¹¹; although a few claimants recalled receiving written information. The general feeling was that the guide was complicated and claimants found the language and terminology difficult to understand. However, communication research often shows that people rarely fully read information leaflets or if they do recall is limited¹².

'Gave it a glance over.' (Below MIF, no health condition, 16-30)

11 The guide is available via the claimant's journal and can be accessed as needed by claimant.

12 <https://www.gov.uk/government/publications/stopping-tax-credits-and-the-transition-to-universal-credit-qualitative-research-to-explore-the-customer-experience>

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Claimants also noted calling the UC contact centre and found them equally unable to provide clear information about UC and the MIF. In some cases, the information given was said to be contradictory to that given by the work coach. For example, a self-employed carer described receiving conflicting information about childcare from the service centre and Jobcentre, leading them to contact Citizens Advice Bureau (CAB) for information and help.

Due to difficulties understanding UC self-employment, claimants sought information and advice from elsewhere in some instances. This included friends and family, general internet searches and the CAB. One claimant said the local Housing Benefit officer had given them a comprehensive and clear description of how UC and the MIF worked. In one instance a claimant asked the CAB to act as an advocate in helping them to argue their case over changing their conditionality level and reducing their required number of hours.

3.2.2 Receiving business support

Experiences of any business support received by claimants from the work coach was also explored as part of the interview. The expectation is that DWP do not offer such specialist support, except for the New Enterprise Allowance (NEA), rather this would be provided by other agencies. Work coaches are trained to help claimants identify areas of support and external sources, for example from the voluntary sector and Government.

Following the initial interview, there was usually a requirement to keep in touch with the work coach, although this varied considerably. Contact with work coaches (following the start-up period where this had been applied) varied from monthly to three-monthly, or was on an ad hoc basis when either the work coach or the claimant felt the need to get in touch. Some claimants continued to receive occasional emails from the work coach asking them how they were getting on.

'She did email every couple of weeks [initially] just to check how I was doing [but hear little lately].' (Above MIF, no health condition, 16-30)¹³

Where business advice had been sought from work coaches it included:

- A leaflet on how to build a business.
- How to write a CV.
- Information on how to work out business profits.
- Providing a listening ear and someone to talk to about the business.
- Referral to a business specialist attending the Jobcentre.

'They had no information whatsoever. They referred me to a lady that comes in every two weeks, and she only had certain things. For self-employed that would be very helpful...Hard to arrange support - hard to arrange an appointment or find things that applied...and I was raring to go.' (Below MIF, health condition, 45+)

¹³ As noted DWP policy is not to provide support outside of start-up, but to allow claimants to focus on developing their business.

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Views on the support offered was mixed. Mostly, claimants were disappointed that they had either not received any business support or did not consider that work coaches had sufficient knowledge to advise them on self-employment. However, there were exceptions with claimants finding it useful to have a listening ear.

'They did more than enough. Just knowing that someone is there really is really helpful.' (Above MIF, health condition, aged 16-30)

Overall, it was new businesses that were provided with business support, usually in the form of leaflets about self-employment, tax affairs but also help with travel to interviews to help kick-start the business. Businesses were disappointed that support had only been available during the start-up period and had been keen for it to continue.

Although not universal, claimants were mostly keen for more support on running a business, growing a business and managing tax affairs. Typically, claimants that wanted business support asked for help with:

- How to manage the administrative aspects of a business.
- Managing the tax affairs of the business and calculation of profits.
- How to build a business and gain new clients.
- Increasing earnings and managing fluctuating incomes.
- The most effective ways of marketing a new business.

'Definitely would have liked advice, especially in tax admin. Even simple things like, if you go online and here's a programme on how to input your finances and the tax year - just the basics.' (Above MIF, no health condition, 31-44)

However, there was an overwhelming view that to be useful business support needed to be of a high quality and should be delivered by individuals who understand how self-employment works.

Case Study 4: Female, 31-44, below MIF level

The claimant is a single parent of two children aged six and ten. She has been self-employed since July 2016 as a children's party entertainer but is hoping to incorporate wedding entertainment into her business.

She works 25 hours a week, as per her work expectation due to caring responsibilities. She has not worked for an employer for 11 years because of the same caring responsibilities, self-employment caters for this as well as her childcare.

The claimants noted receiving conflicting advice from the Jobcentre about how UC worked with childcare. For example, she was told that as self-employed she is not eligible for a work coach. The claimant began to have meetings with CAB to better understand how her benefits would work moving to UC and being self-employed.

"[MIF] gives you something to aim for, but when you haven't run your own business before and you haven't got a work coach, it's really hard."

4 Claimant responses to the MIF

This section of the report details claimant responses to their Minimum Income Floor (MIF). It begins with an overview of research participants' responses to their MIF and then explores responses to the MIF from the perspective of key groups in our sample, including: those who are below their MIF and claiming, those who are above their MIF and claiming, and those who are no longer claiming Universal Credit (UC) as a self-employed person with a MIF. The experiences of those with fluctuating incomes is also explored.

It is important to note that these findings are based on a small-scale exploratory qualitative study and are not statistically representative of the UC self-employed population. Qualitative analysis was undertaken across the sample and by key characteristics, including by MIF level, demographic characteristics and reason for self-employment. Analysis was not undertaken according to UC award as this data was unavailable to the research team.

4.1 Overview of claimant responses to the MIF

Overall the MIF was perceived to have a limited effect on the behaviour of claimants who participated in this study. Limited understanding of how the MIF worked and a focus on their work and personal circumstances meant that the MIF was rarely at the forefront of claimants' minds. Although claimants wanted to maximise their earnings, they generally had no clear plan of how they would achieve this, either from their current self-employment and/or other work. They were primarily focussed on maintaining their current level of income and few were confident of growing their business in the short-term.

For those consistently earning above their MIF, there were examples of claimants increasing the amount of time they worked (and therefore earnings) to meet their MIF level. In these cases, the threshold provided a useful motivating factor and encouraged claimants to work a little longer if their monthly earnings seemed lower than usual. For most of these claimants in the sample however, the level of their MIF was incidental as they had a guaranteed level of earnings.

Claimants who fell consistently below their MIF were often self-employed due to their 'lifestyle' or they were 'entrepreneurs' but just starting out in business. Their circumstances were often characterised by change, such as relationship breakdown, ill health, bereavement and redundancy and they were more likely to be older (aged 45+) and finding self-employment increasingly difficult.

Claimants falling below their MIF also tended to have a very poor understanding of how UC and the MIF worked in practice. Financially they were not managing, often becoming deeper in debt by not paying bills and rent and borrowing from friends and family. While there was a desire to earn more, they felt unable to because of caring responsibilities, an absence of child care facilities, the seasonal and fluctuating nature of their work, and dependency on a single employer.

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Claimants often reported fluctuating incomes, which were said to be a result of short-term contracts and the ad hoc nature of the work which could be seasonal or weather dependent for example. There were also examples of incomes fluctuating due to the way invoices were paid, which could be irregular. Fluctuating incomes had considerable impact on UC payments as some months earnings appear very high and in other months very low. Financial issues were common based on the fluctuations, with bills and rent not being paid and increasing indebtedness. Overall there was said to be little opportunity to find additional work, due to limited work opportunities or because they were already working as many hours as they could. There were examples of claimants considering giving up their self-employment and looking for permanent work because of the difficulties, but no examples of claimants taking on employment in addition to self-employment to increase their income.

Reflecting our sample design, several claimants were no longer claiming UC. These included those who changed benefits following a change of circumstances, such as a health issue or maternity; those who temporarily earned above the UC earnings threshold and were signed off (and chose not to sign back on); and those who considered that the MIF would be unattainable and so it was financially more effective to relinquish their self-employed status. This research did not explore subsequent outcomes in relation to work or income.

4.2 Earning below the MIF level and claiming Universal Credit

Claimants earning below their MIF were mixed in terms of type of self-employment and more likely to be self-employed due to their 'lifestyle'. They were also more likely to be aged 45+ and to have a health condition and have a reduced work expectation. Of the claimants falling below their MIF in our sample most missed the level by over £100 and just over a third by more than £700 in the data provided by the Department for Work and Pensions (DWP). A few claimants had earnings that fell around their MIF level.

For claimants whose earnings fell around their MIF level (sometimes slightly above and sometimes slightly below), meeting their MIF was said to be relatively easy. There was some confusion around how UC and the MIF operated and the effect of earning below their MIF was not well understood. For the most part, their earnings were said to be sufficient for them to live, with UC providing additional support when their earnings were slightly lower. There was minimal interest in growing their business in the future and they did not feel financial pressure to do so, with claimants either looking to retirement or wanting to spend more time with their family.

'I don't know, I just know I have a target to hit of about £800 a month and I don't fall that short of it. I don't have any understanding of it, no one speaks to me about anything.' (Below MIF level, no health condition, 31-44)

Claimants whose earnings were considerably lower than their MIF level (from £100 to £700 plus below) tended to either be starting out as newly self-employed or were 45+ and

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finding self-employment increasingly more difficult¹⁴. They were more likely to be 'lifestyle' businesses. Typically, their UC claim had come about because of a change in circumstances, such as illness or disability, relationship breakdown, bereavement or through a child custody order. This group also had very little understanding of the rules of UC and how the MIF operated and this meant claimants were less likely to respond to it.

'They have never mentioned earning below the level.' (Below MIF, health condition, 45+)

Where earnings were low and consistently below their MIF, claimants described finding it hard to manage financially, even where earnings were within £100 of the MIF level. Claimants described being unable to pay bills, meet their rent commitments or buy food. They managed by borrowing from family, spending any limited savings they might have, or went without.

'They just put it in my journal, this is what you're getting. No explanations, no nothing. And it's quite stressful as when you do get a bad month you think "How much are they going to pay me this month? Am I going to be able to pay my rent, to eat?'" (Below MIF, 45+)

There was an example of a claimant in this group feeling motivated by the MIF, a lifestyle self-employed individual whose earnings were usually within £100 of their MIF level. In this case, they were aware of their MIF, focused on achieving it and confident and able to engage with their contractor for additional hours to help them reach their MIF level. Notwithstanding, they noted the limited scope to do much more given they primarily worked for one business.

'I pester my employer every five minutes to increase everything... I've pulled out all of the stops. It is beneficial, but also stressful, it does feel stressful to get to that target but to me it's not unrealistic to get to that goal. I can't do any more right now, because I work for the same person. I don't know if what I do here will manage to generate that. By setting it at the upper end it does motivate you.' (Below MIF, no health condition, 31-44)

Although claimants wanted to maximise their income, several barriers were noted to earning more and mostly claimants who fell below their MIF felt unable to grow their business significantly in the immediate future and felt their earnings were to an extent out of their control. The barriers noted included:

- **Personal circumstances, such as caring for children/partner or having a health condition.** Claimants often suggested they were unable to increase their hours and earn more due to personal circumstances that limited their hours and the type of work they could do (this was the case for those with full and reduced work expectations). As an example, one claimant explained that she cared for her partner who was unable to work due to a long-term health condition. The claimant was expected to work 35 hours a week, but felt unable to do so due to her caring

¹⁴ Claimants in a start-up period (which can last up to a year) do not have the MIF applied to their claim.

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responsibilities¹⁵. Personal circumstances were noted as the main barrier to increasing earnings across the sample.

- **Working for a single employer.** Some claimants only worked for a single employer and were therefore dependent on one source for their income. This was often the case for those who were self-employed as it was the 'norm for sector', those who were new to self-employment and finding it difficult to expand their client base, and those who lived in rural areas where there are limited opportunities to work for other people.
- **Distractions in running a business due to problems with the UC claim and disputes with DWP.** Typically, disputes arose amongst claimants that were consistently earning below the MIF. Disputes related to perceived errors with the UC payment and disagreements regarding their work expectation and their MIF level with many thinking the latter was unattainable given their personal circumstances. The process of raising a dispute was said to be a complicated and protracted process, often interfering with the process of running and trying to grow their business. Consequently, while they were already finding it difficult to reach their MIF level, the dispute process was exacerbating the issue and further reducing the amount of time they could spend working.
- **The fluctuating / seasonal nature of self-employed work.** The unpredictable nature of self-employment was also noted as a barrier. This is discussed in more detail in section 4.4 of this chapter.

4.3 Earning above the MIF level and claiming Universal Credit

Claimants earning above their MIF were a diverse group in terms of personal circumstances, age, gender, conditionality and type of self-employment (including 'entrepreneurs', 'norm for sector' and 'lifestyle').

Of the claimants exceeding their MIF in our sample around a third were over the threshold by up to £100 and the same for those between £100 and £350 and over £350 or more. Given the small sample size and the purposive nature of selection, it is not possible to be definitive about demographic differences across claimants who were regularly earning above their MIF level. However, there was a tendency for those earning up to £100 above their MIF to be more likely to have health conditions and have a 'lifestyle' approach to self-employment (perhaps suggesting reduced conditionality). By contrast, those regularly earning more than £100 over their MIF level were less likely to have health conditions and either be 'entrepreneurs' or self-employed as it was 'norm for the sector'¹⁶.

¹⁵ It should be noted that work expectations can be flexed by a work coach to accommodate caring responsibilities. We do not have data on the circumstances of this case.

¹⁶ This data is based on a small sub-sample of claimants and is not representative of the wider UC self-employed claimant group.

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Claimants earning above their MIF level fell into two groups in terms of their response to the MIF. Those who were not motivated by their MIF to increase their earnings and those who were motivated to maintain or increase their earnings.

4.3.1 Not motivated to increase their earnings as a result of the MIF

Most of this group of claimants said their MIF had not had any effect on their working patterns or behaviours because they did not find it difficult to consistently earn over the MIF level. Despite initial concerns about whether they would meet their MIF level, they were no longer thinking about it. This was often because they were working on permanent self-employed contracts with businesses that guaranteed specific hours of work and remuneration. For example, one claimant explained how they worked for a courier company as a self-employed driver on a permanent 30 hours contract which they undertook over three days, leaving time to care for their partner who was unwell.

Claimants often expressed a desire to grow their business and for some this was felt strongly, but this was based on an entrepreneurial spirit and a desire to increase their earnings for their own sake, rather than being a result of the MIF directly.

'My motivation is that you want to earn as much as you can as everybody does, don't they?' (Above MIF, no health conditions, 31-44)

Although these claimants were not currently concerned about their overall level of earnings and ability to meet their MIF level on a regular basis, they were nevertheless concerned about how long they could continue and expressed concerns about the state of the market, business competitiveness and where their work was contract-based, their ability to continuously generate business.

A few claimants were also concerned about their ability to meet their MIF when their circumstances changed and their work expectation increased in the future, for example, when their health improved or their children were older. There was some fear of the unknown but as this was usually some time away, their focus was much more on maintaining their business.

4.3.2 Motivated to maintain or increase their level of earnings as a result of the MIF

There were examples of the MIF acting as a motivator to maintain a steady level of earnings or increase them. The MIF was said to provide a clear earnings level to aim for which was motivating and changed claimants' attitudes, often more so than tax credits. Claimants considered ways to increase their earnings, such as working for more hours or increasing their prices.

'I understand why you have to have a minimum income...I make sure that I will never do it [fall below MIF] you know I put the extra hours in in the evening. Anything really.' (Above MIF, health condition, 16-30)

Claimants usually described keeping an eye on their earnings across the month and if they looked as though they were lower than usual, they would try to work a few extra hours or days towards the end of the month to ensure earnings were above their MIF level. The intention was not always to grow the business but to maintain a steady income and earn

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more where possible. There were also examples of claimants who would work through sickness to maintain their overall income.

'I stress a bit towards the end of the month and try to do a bit extra, but I always make my target.' (Above MIF, no health condition, 31-44)

However, although the MIF provided an incentive to work, it was said to place a degree of pressure on claimants, which could cause concern. Concern was mainly focused on what would happen if they fell below their MIF with claimants lacking awareness of what this would involve.

Case Study 5: Male, 16-30, above MIF level

The claimant lives at home with his partner and five children. Previous employment included working in factories and labouring. The claimant is now a self-employed bricklayer sub-contracting to another company which he refers to as his boss.

Since starting his self-employment three years ago, not much has changed in his working practices, and his income always fluctuates around Christmas time due to bad weather conditions or site closure.

When he first started his self-employment he claimed Working Tax Credit (WTC), since then he has moved on to UC. Because of this, there have been changes in the way he addresses changes in his income. He describes a fear of not meeting his MIF level, and because he is always above it he is determined to keep in that way. Therefore, when there is bad weather which prevents him to work during the week he now works at the weekend to make up for lost time – something he did not do under WTC.

"When I was on WTCs I wouldn't have to worry about working weekends, now I'm having to work extra days, I only get one day off a week rather than having Saturday and Sunday off"

He has a future goal of becoming a carpenter as he feels he will then earn enough money to stop claiming UC and will not have to work at the weekend.

Case Study 6: Male, 45+, above MIF level

The claimant is married with two children aged 18 and 15. They previously worked as a taxi and bus driver but suffered an accident leaving him with a hole in his spinal cord. This accident prevented him working in his previous roles.

Whilst he was off work he decided to attend college to gain a qualification and experience in IT consultancy. Since then he set up his own business in 2006 working a 16-hour week, as per his conditionality, in IT repair and consultancy. Being self-employed allows him to work around his disability by deciding his work hours and his ability to work from home.

Before claiming UC, he received WTC. Since then he feels his attitude has changed towards his work, stating that he now puts more effort into making a profit and working longer hours due to the MIF.

"My attitude has changed, because when you are on tax credits you don't push yourself as hard because you knew you would get tax credits. Whereas with the UC it forces you to do

more. So, in some ways it has made me pull my socks up a bit. Which I think is a good thing for people...After a time you're like what's the point in working because I know I will get the benefit anyway [before on WTC]. It has made some people like myself put more effort in."

Initially he was worried about the MIF, not meeting it and implications of not doing so, but now he views it as a good thing.

To manage meeting the MIF he now works longer hours, increased his prices and sought out new ways of advertising his business.

Demand for his services usually decreases in the summer period and he is anxious of how this will impact his UC claim. To manage this, he is trying to postpone certain projects for clients until that period, alternatively he will use the time to focus on improving the business for example creating a new website. As his wife also earning an income, he feels he can deal with being under his MIF for two months, but after that he would struggle.

4.4 Claimants with fluctuations in income and the MIF

Fluctuating earnings were widespread among claimants and seen as one of the main aspects of being self-employed. Income fluctuations were said to be inevitable, partly because of short-term contracts but also due to the ad hoc or seasonal nature of the work. Fluctuations meant income might dip below their MIF level for a couple of months and then be above for the remainder of the year and the change to income could be quite pronounced. Fluctuations were noted for both those below and above their MIF.

'In February I have seven days of work, but in March I might not have any, and in April I might have 20 days.' (Above MIF, no health condition, aged 31-44)

'The work dips a bit around Christmas and that, and takes a while to get back to normal, takes a while to pick back up.' (Above MIF, no health condition, aged 16-30)

In addition, invoices, payments and expenses were not distributed evenly throughout the year. Invoices were often paid in bunches so that earnings in some months can appear to be very high and in others very low which makes financial budgeting difficult.

'Over Christmas, because my wife got paid slightly early, it meant that we didn't get any money in January [because it took us over the MIF level]; it's just not very flexible'. (Above MIF, no health condition, 16-30)

Claimants were aware of the need to manage variations in their income, but nevertheless still found it hard to do this effectively. Claimants noted trying to forecast their income based on previous patterns and to organise work around this, for example, booking contracts during quieter periods and saving money when they had a good month. Despite this, there was little evidence of being able to save for leaner times as normal incomes were generally only just above the MIF level.

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Claimants managed by using their savings, cutting back spending, borrowing from family and friends and not paying bills.

There were also examples of claimants being signed off UC as result of increased earnings due to temporary fluctuation, for example, holiday cover. Once income normalised claimants were required to make a new claim which was time-consuming¹⁷ and meant there was a gap in their income while their claim was being processed. Overall, the rules of UC self-employment were not thought to take account of the inevitable fluctuation in income of self-employed individuals. Specifically, the monthly MIF level was not thought to take account of longer periods of earnings fluctuations.

Case Study 7: Male, 16-30, above MIF level

The claimant lives with wife and two children aged five and two, has been self-employed for three years as an electrician working with commercial and domestic clients. The appeal of being self-employed was to work closer to home as previously worked away a lot. Self-employment allows him to manage his time better and have a healthier work life balance.

His business is performing well and has steadily grown over the years. There was a quiet period around 6 months ago at which point he claimed UC. Now he has an employee and is looking to hire another as the work is coming in.

Although his business is doing well now, there are frustrations over his UC payment as his work can fluctuate according to season and different clients. There is also the issue for invoicing and expenses. The claimant describes his finances as complex, lacks confidence in understanding the MIF and UC calculations and is worried about getting calculations wrong given past overpayments on tax credits. As a result, he takes a day off every month to 'sit down and work it out' before submitting his income.

He struggles to understand how the MIF works for 'people like me', as it does not make considerations to how his earnings can differ on a monthly basis. He therefore gets nervous on how much UC he will get paid and whether he is filing his monthly income correctly.

4.5 No longer claiming Universal Credit

Our sample included claimants who previously claimed UC as a self-employed claimant and had the MIF applied to their claim but where this was no longer the case, either because they ended their claim or because they had changed benefit. The main reasons given for this included:

- **A change in personal circumstances.** In these cases, claimants changed benefits or stopped claiming because of a change in circumstance, such as health issues or maternity. Claimants were not aware of the MIF prior to the interview and were uncertain whether they would return to self-employment given UC self-employed

¹⁷ If a claimant has claimed UC before, they will usually be able to re-claim by signing into their account and following the process to re-claim. This is quicker and easier than making a new claim from the beginning.

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requirements (such as the MIF) when their circumstances changed, preferring to find employment given the likely need to work part-time. This is in line with UC policy intent.

- **Closure of the UC claim¹⁸.** As previously noted there were examples of claimants no longer claiming as they exceeded the earnings threshold due to fluctuating incomes. In these instances, claimants made the decision not to make a new claim, but rather to try and manage without benefits due to the 'hassle' associated with claiming and a general dislike of being on benefit.
- **As a response to the MIF specifically.** There were examples of claimants '*signing off*' due to the MIF as they felt it was unattainable given their work and earning patterns which were low and fluctuating. Examples include a specialist teacher and a dancer. After leaving they stopped claiming as self-employed: claimants either tried to manage financially without benefit, or they changed status and claimed UC as an unemployed or employed person when they secured work for short periods. While claimants managed financially, they noted being unable to invest or grow their business due to limited income.

Case study 8: Female, 16-30, no longer claiming UC

The claimant is a self-employed dance teacher and performer who began the MIF process at the start-up stage and was supported by a work coach in developing her business.

She struggled to reach her MIF level because her income fluctuated between school holidays and would also depend on opportunities for her to perform.

The low income resulted in her struggling to keep up with costs, such as travel, which meant she missed auditions. As a performer, her low income led to her missing out on events and shows that had the potential to provide her with greater opportunities within the industry.

She felt that her inconsistent income made the MIF level unattainable and decided to stop claiming UC because of the stress she felt trying to reach the MIF.

She considered employment but only has experience within the performing arts industry, which made it difficult for her to find other suitable job roles. Despite the low income from self-employment she remains passionate about dance and is keen to continue to pursue self-employment without UC.

¹⁸ The claim is closed when the award is zero, for example, because the household income is too high (exceeded earnings threshold).

5 Key Findings

This chapter of the report outlines the key findings from the study.

About self-employment

The self-employed claimants who took part in this study were mixed in terms of their characteristics and included a mix of sector, length of self-employment, reasons for self-employment and demographic characteristics, such as age and gender. The research found that claimants broadly fell into three groups in terms of their reasons for self-employment: 'lifestyle' claimants chose self-employment to work around their personal circumstances; 'entrepreneurs' wanted to grow a viable business from an interest or gap in the market; and 'norm for sector' were self-employed as a result of the sector they worked in.

Claimants wanted to increase their earnings as far as possible, but were mixed in terms of how likely they thought they were to be able to do this in the future. This included: those who were eager to increase their income and grow their business and felt confident in doing so; those who simply wanted to keep their workload and income at its current level to manage their personal circumstances; and those who were more pessimistic about opportunities given the nature of their business and their circumstances. Importantly, most claimants said they wanted to sign off Universal Credit (UC) and believed this would happen in the future.

Experiences of UC self-employment and the MIF

While awareness of the Minimum Income Floor (MIF) was high, overall knowledge of how the MIF worked in practice and the consequences of earnings falling below the MIF was very limited¹⁹. Overall, claimants were aware they had a level of earnings to meet, that the level of the MIF was determined through a calculation based on their circumstances and the National Minimum Wage and that earnings should be reported monthly.

Claimants were more likely to understand what would happen to their UC claim if they earned above their MIF, with claimants quoting the number of pence in the pound or percentage kept above the MIF level. Claimants were much more confused about the consequences of earning below their MIF or if their earnings were to fluctuate above and below their MIF. Claimants also lacked awareness of how UC payments are calculated; the upper earnings threshold; and start-up period rules.

The calculation of expected hours of work was generally poorly understood by claimants. While the level set was broadly accepted, others considered the hours set to be too high given their individual circumstances and had raised a dispute.

Mostly, claimants obtained information about UC and the MIF from their work coach at the initial interview. Friends, family, internet searches, the Department for Work and Pensions

¹⁹ Lack of understanding has been identified as a wider issue across Universal Credit and is not specific to claimant understanding of the Minimum Income Floor. Recent research found that awareness of UC rules varied and that some claimants do not understand key features of UC (Universal Credit Full Service Survey, June 2018).

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(DWP) contact centre and external organisations such as Citizen's Advice Bureau and Housing Benefit officers provided additional information and support. There was limited recognition of being given the Universal Credit Self-Employment Information Guide; those that had read it found it difficult to understand.

It was usually businesses previously in a start-up period that described receiving support. However, claimants did mention receiving leaflets, help writing a CV and a general 'listening ear' from their work coach. Not all businesses wanted support, but most were open to receiving advice in relation to their business. Certainly, those who received support during their start-up period were keen for it to continue. However, there was an overwhelming view that business support should be of higher quality and delivered by individuals with experience of self-employment. Claimants can lack a clear idea of how to move forward with their work from either their current self-employment and/or other work and to look beyond their current circumstances. Claimants were keen for more support on running a business, growing a business, managing tax affairs and budgeting.

Response to the MIF

Overall the MIF had limited effect on the behaviour of claimants who participated in this study. Limited understanding of how the MIF worked and a focus on their work and personal circumstances meant that the MIF was rarely at the forefront of claimants' minds. Although claimants wanted to maximise their earnings, they were often focused on maintaining their current level of income and few were confident of growing their business in the short-term or had clear plans for adapting their work choices to grow earnings from other work.

There was evidence of the MIF helping to change behaviours and grow earnings. There were examples of claimants increasing the amount of time they worked (and therefore earnings) to meet or exceed their MIF level, and this was mainly noted by those earning above the MIF. In these cases, having a MIF level was useful in motivating and encouraging claimants to work a little longer if their monthly earnings seemed lower than usual.

Claimants who fell consistently below their MIF in our sample were often self-employed due to their 'lifestyle' or they were 'entrepreneurs' but just starting out in business. Their circumstances were often characterised by change, such as relationship breakdown, ill health, bereavement and redundancy and they were more likely to be older (aged 45+). These claimants tended to have a very poor understanding of how UC and the MIF worked in practice. Financially they were not managing, often becoming deeper in debt and while there was a desire to earn more, barriers were noted to achieving this, including: caring responsibilities, childcare, fluctuating work, and being dependent on a single employer.

Fluctuating incomes were common for the self-employed and created difficulties for managing their MIF and other aspects of UC rules.

Several claimants were no longer claiming UC. These included those who changed benefits following a change of circumstances, such as a health issue or maternity; those who temporarily earned above the UC earnings threshold and were signed off (and chose not to sign back on); and those who assessed the MIF to be unattainable and signed off as a result - seeing little point continuing with their claim. While claimants managed financially

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after they signed off, they noted being unable to invest or grow their business due to limited income.

Conclusions

Overall claimants found the rules around UC self-employment and the MIF to be complicated and demonstrated a limited understanding. This lack of knowledge is likely to affect responses to the MIF as claimants were unclear what the consequences of falling below their MIF were. This was particularly the case for those who were below their MIF level. Work coaches were the main source of information and the extent and quality of the information provided was said to be inconsistent and work coaches were thought to lack confidence in explaining this.

Claimants wanted to earn more and to sign off UC, but highlighted multiple barriers to doing so. These barriers often related to the reason why claimants were self-employed, with most of our sample choosing self-employment due to their lifestyle and personal circumstances, such as having children or being in poor health. Given this, claimants often felt there were limits to how much they could work and how much more they could earn.

When thinking about increasing earnings, claimants mainly thought about increasing their hours of work and would need support to help them think about alternative approaches to growing their business or alternative work choices. There were a number of areas where claimants would benefit from additional support, including ways to grow their business (beyond simply increasing hours), managing administration and tax, budgeting and techniques to manage fluctuating incomes. Claimants could also be reticent to take on staff due to concerns about making the business more complex administratively and this also presented a block to growth.

Where the MIF was motivating claimants to increase their earnings, they were aware of what their MIF level was, monitored their income and kept their MIF in mind throughout the process. The MIF was also seen as achievable and claimants had the opportunity and ability to increase their earnings as needed. For example, speaking to their contractor to push for more hours or working longer hours. Not all claimants had the ability to do this, either due to practical and personal barriers or because they lacked confidence and know-how. Entrepreneurs and norm for sector were often in a better position to increase their earnings, due to the nature of their work and their business acumen.

Appendix A:

Appendix 1: Qualitative methodology

This section provides more detail on the qualitative methodology.

Design

The study comprised a total of **40 depth interviews** with self-employed claimants. The interviews were conducted via telephone and lasted approximately 45 minutes.

Interviews were conducted between 15th January and 1st February 2018.

Claimants were recruited in two groups:

- 30 claimants who were currently claiming and had a MIF applied to their claim and were either earning above or below their MIF level (15 of each); and
- 10 claimants who used to have a Minimum Income Floor (MIF) applied but were no longer, including those who were no longer claiming UC and those claiming UC but not as self-employed (5 of each).

The research sample also comprised a mix of claimant demographics, including age, gender, age of children, and health. The achieved sample profile is outlined below in Table A1.

Sample

Claimants were purposively selected from a sample provided by Department for Work and Pensions (DWP) of self-employed claimants with a MIF applied to their claim between August and November 2017. After an opt-out letter was sent to claimants, participants were recruited to take part using specialist recruiters and guided by a screening questionnaire designed with DWP to ascertain eligibility and to check key quotas.

Fieldwork

The interviews were undertaken by Ipsos MORI researchers using a discussion guide agreed with DWP. The interview data was analysed using a robust inductive framework approach, as part of which the data was synthesised thematically and interrogated for patterns and relationships.

Claimant interviews were guided by a topic guide. The topic guides were developed in discussion with DWP and were designed to reflect the aims and objectives of the study.

Analysis

Interviews were all recorded (with informed consent being gained from respondents) using encrypted digital recorders in line with data protection. Recordings were either transcribed verbatim or researchers wrote detailed notes, listening back to recordings to ensure no data was lost. The data generated from these interviews were systematically managed using the framework approach. This approach supports case and theme-based analysis. The analytical stage involved working through summaries, drawing out the range and

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diversity of experiences and views, identifying similarities and differences, and interrogating the data to explain emergent patterns and findings.

Our analytical approach is inductive, building upwards from the views of respondents while keeping the research objectives firmly in mind throughout. We work iteratively and collaboratively with our fieldwork team contributing to analytic outputs from the outset. We distinguish between two interrelated phases of analysis – data management and interpretation.

At the data management stage, we review, sort, label and synthesise the raw data; and at the interpretation stage we interrogate the data using a content analysis approach which allows us to map the data, drawing out key themes and patterns (including differences by sub-group).

Please note: qualitative research is used to map the range and diversity of different type of experiences rather than indicate the prevalence of any one particular experience; as such numerical language is not used and findings are not aimed to be statistically representative.

Table A1: Achieved interviews

	Currently claiming and had the MIF applied to their claim		Used to have the MIF applied to their claim but no longer	
	Above MIF level	Below MIF level	No longer claiming	Still claiming UC
Total interviews	15	15	5	5
Long-term health condition				
- Yes	5	6	2	2
- No	10	9	3	3
Age of children				
- None	1	6	2	2
- Pre-school	3	5	3	3
- Primary	3	2		
- Secondary	3	2		
- Mixed	5	4		
Age of claimant				

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- 16-30	3	2	1	2
- 31-44	6	5	2	1
- 45+	6	8	2	2