

Universal Credit Policy Briefing Note 11

Extending conditionality under Universal Credit to working claimants: setting a new conditionality threshold

1. Introduction

- a) Under current benefit rules, claimants of some out of work benefits, most notably Jobseekers Allowance (JSA) have to meet various conditions in return for benefit payments.
- b) Although JSA is an unemployment benefit, a number of claimants who receive it are engaged in some paid work. This can only be for a few hours a week and the JSA regime rightly requires these claimants to look for and take up more substantive employment rather than continuing to rely on out of work support from the state.
- c) Entitlement to JSA ends as soon as a claimant's income reaches a certain level, which can be as little as £70 a week. After that point, the individual may be able to claim in work benefits, such as tax credits, as well as other financial support from the State, such as Housing Benefit, with no work-related conditions attached.
- d) Under Universal Credit, we will remove the separation between in work and out of work benefits, and we believe we should also extend conditionality so as to encourage or push Universal Credit claimants who are earning over £70 a week to work more and reduce their dependency on benefits.
- e) Within Universal Credit we will set an earnings threshold. Any claimant earning above that level would fall into the no conditionality group. This note sets out how we intend to define the threshold which determines who can be subject to conditionality under Universal Credit and how we will ensure that this reflects a claimant's circumstances.
- f) This note, and the related Policy Briefing Note 12, Work search and availability requirements for Universal Credit claimants, set out our framework and rules for applying conditionality under Universal Credit. We will in due course provide further details of the regime we will implement under this framework.

2. Policy intent

- a) The idea of conditionality within the benefits system is not new. As early as 1911 a claimant could be disqualified from claiming unemployment insurance benefit if they refused a suitable job offered to them. Over the past century, the idea of conditionality has evolved to apply to a greater

number of benefits and benefit claimants, reflecting the Government's view that claimants have not just rights but also responsibilities.

- b) Evidence shows that conditionality can reduce the claimant count and encourage people to move into work. Macro-economic analysis suggests that, in the year following the introduction of JSA, the fall in claimant unemployment was 240,000 higher than it would have been if JSA had not been introduced, and that this has resulted in a permanently lower level of unemployment of about 0.8 percentage points. Evidence also shows that by moving lone parents from Income Support to JSA their increased conditionality has led to an increase in lone parent employment.
- c) Our intention in extending conditionality is to continue this historic trend to increase activation within the benefits system. Setting the threshold higher up the income spectrum will enable us to encourage or push claimants, including some of those working a few hours a week, to work more and reduce their dependency on benefits. This will enable us to apply full work-related conditionality, where we consider that appropriate.

3. Defining the conditionality threshold

- a) We intend to define in regulations a new, higher "conditionality threshold". Claimants falling above this threshold will be in the "no work related requirements" group. Claimants falling below this threshold could face full work-related conditionality, for as long as they continued to receive Universal Credit.
- b) We will define this new conditionality threshold in terms of gross taxable pay per benefit unit. For single claimants this means their gross taxable pay; for joint claimants this means their combined gross taxable pay.
- c) Setting the threshold in terms of gross taxable pay will make it easy for claimants to understand what is required of them, and will ensure that conditionality is focused on those not earning as much as we might expect them to. It will also be straightforward to administer.
- d) For most claimants it will be straightforward to assess whether they fall above or below the conditionality threshold. For claimants with fluctuating or variable earnings however, we will develop rules to determine whether a claimant falls above or below the threshold. We anticipate that any such judgement will be based on an average of their recent earnings history and information that the claimant provides about their current employment status.

4. Setting the level of the threshold: an expectation of full-time work wherever appropriate

- a) Under current benefit rules we expect any JSA claimant without caring responsibilities or health conditions to be actively seeking and available for

full-time work. We will maintain this expectation to look for full-time work under Universal Credit.

- b) We do not believe it is appropriate to require anyone to earn more than the National Minimum Wage, or to work longer than full-time. We therefore intend to set the maximum threshold for a single claimant at the level of earnings that would be accrued by working full-time at the National Minimum Wage.
- c) If we take full-time to mean 35 hours, the maximum conditionality threshold for an individual would be set at £212.80 at current rates. This means that if an individual earns over £212.80 per week before tax, they will be in the no conditionality group.

5. A personalised threshold that reflects a claimants circumstances

- a) For some claimants it would not be appropriate to expect them to work full-time, and for those claimants their conditionality threshold will be lowered in line with their personal circumstances.
- b) Lone parents with children between five and 12, for example, will only be expected to look for work that is compatible with school hours. Similarly, couples with young children will be able to nominate a principal carer who will be treated as a lone parent for conditionality purposes. We have also made clear that individuals with caring responsibilities would only be expected to look for work that is compatible with their caring requirements, while claimants with work-limiting health conditions may also only be expected to work part-time.
- c) The number of hours we expect a claimant to be available to work for will be set in line with legislation and recorded in their Claimant Commitment which they will be required to accept as a condition of entitlement at the start of a claim, and which we will update as their circumstances change. The published Policy Briefing Note¹², Work search and availability requirements for Universal Credit claimants, sets out the framework we anticipate putting in place to govern how hours requirements will be placed on claimants.
- d) The National Minimum Wage also varies according to age. Currently:
 - over 21 year olds are entitled to £6.08 an hour;
 - 18-20 year olds are entitled to £4.98 an hour; and
 - 16-17 year olds are entitled to £3.68 an hour.
- e) We therefore propose that claimants will face a personalised conditionality threshold which we intend to define in regulations as: the earnings that they would accrue working at the National Minimum Wage for the number of hours they are expected to be available for work as set out in their Claimant Commitment.

- f) Apprentices can, if they are aged under 19 (or over 19 but in the first year of their apprenticeship), be paid at a lower rate of £2.60 an hour. As apprentices must generally be employed for 30 hours a week we intend to exempt apprentices from conditionality, even where their earnings would be below their conditionality threshold.

6. A threshold for couples that reflects their circumstances

- a) Just as an individual's conditionality threshold will reflect their circumstances and capabilities, so a couple's conditionality threshold should reflect both members' individual circumstances and capabilities.
- b) We therefore intend to define in regulations a conditionality threshold for joint claimants as the sum of what would be their two individual thresholds. This means that the maximum threshold for couples without caring responsibilities or health conditions would be the level of earnings that would be accrued by both members working full-time at the National Minimum Wage.
- c) Couples with young children, other caring responsibilities or with health conditions that reduce the number of hours we expect them to work would face a lower conditionality threshold, in line with their circumstances.
- d) Couples earning below their conditionality threshold would then both be subject to conditionality, in line with their personal circumstances and capabilities. This means that where both members of a couple had the capacity to increase their hours and earnings, both would face conditionality. Where one member of a couple was already working full-time however we would not anticipate applying further work search conditionality to them.
- e) Couples with combined earnings above their conditionality threshold would both be out of scope of conditionality, regardless of the composition of their earnings.

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