

EXPLANATORY MEMORANDUM TO
THE UNIVERSAL CREDIT (WORK-RELATED REQUIREMENTS) IN WORK
PILOT SCHEME AMENDMENT REGULATIONS 2015

2015 No. [XXXX]

1. This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.
2. **Purpose of the instrument**
 - 2.1 This affirmative instrument supports the introduction of a pilot scheme to test approaches of supporting Universal Credit claimants who are in low-paid work to increase their earnings. The piloting powers are time limited for a period of three years. The learning will inform the model of support that is implemented nationally under Universal Credit.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
 - 3.1 None.
4. **Legislative Context**
 - 4.1 These regulations create a framework for the pilot scheme under Section 41 of the Welfare Reform Act 2012¹. Section 41 allows the Secretary of State to use any of the regulation making powers under Part 1 of the Act to make provision for the purpose of testing (amongst other propositions) the extent to which that provision likely to promote people remaining in work or obtaining more work or better paid work).
 - 4.2 Section 41 does not expand the Secretary of State's regulation making powers but allows existing powers to be applied in limited ways in order to test their effect. They can make provision that is restricted to a limited geographical area or to a particular class of claimant or to claimants selected by certain criteria or on sampling basis.
 - 4.3 The scheme created by the Welfare Reform Act 2012 and supporting regulations provides for claimants who are in the All Work Group to be subject to work search requirements and work availability requirements under section 17 and 18 of the Act. For claimant already in work this means that they must be available for more work or better paid work and take any steps required by DWP to find such work.
 - 4.4 Currently, there is a provision in regulation 99(6) of the Universal Credit Regulations 2013² that suspends those requirements where people reach a certain level of earnings broadly equivalent to the amount that would exclude entitlement

¹ <http://www.legislation.gov.uk/ukpga/2012/5/section/41>

² <http://www.legislation.gov.uk/uksi/2013/376/regulation/99>

to a jobseeker's allowance. Under the pilot scheme created by these Regulations the suspension will be lifted for claimants chosen at random. The claimant will then become subject to the same obligations (including the same limitations and safeguards) as claimants who are not in work and will have to comply with such reasonable requirements as the Department may impose.

- 4.5 The level of earnings at which the suspension in regulation 90(6) applies is currently discretionary but these regulations amend that provision to specify the amount in order to create a more certain framework for the pilot scheme to operate in.

5. Territorial Extent and Application

- 5.1 This instrument applies to Great Britain.
- 5.2 The pilot will not operate in Northern Ireland and no reciprocal agreement is required.

6. European Convention on Human Rights

- 6.1 The Minister for Welfare Reform and Minister for Employment have made the following joint statement regarding Human Rights:
- 6.2 In our view the provisions of the Universal Credit (Work-Related Requirements) In Work Pilot Scheme and Amendment Regulations 2015 are compatible with the Convention rights.

7. Policy background

- What is being done and why

- 7.1 Through the delivery of Universal Credit we will, for the first time, be supporting and engaging people who are on low incomes or who live in low-income households to help them increase their earnings and progress in work.
- 7.2 This is a significant welfare reform that we are able to realise through the implementation of Universal Credit and that will help us reduce welfare dependency, tackle in-work poverty and raise independence.
- 7.3 These regulations provide an opportunity to ensure people get the help and support they need and that will help them increase their earnings.
- 7.4 When Universal Credit was initially launched there was insufficient knowledge as to what kind of intervention was likely to be most effective. Provision was therefore made in regulation 99(6) of the Universal Credit Regulations to suspend full conditionality when people reached an earnings level that was considered sufficient (which in most cases would be equivalent to the earnings that would take them out of the entitlement to a jobseeker's allowance). The intention was that ultimately that provision would be completely revoked. The current suspension is expressed as a discretion but in these regulations we are amending it to create a more certain legal framework for the pilot scheme to operate in.

- 7.5 The provision being tested by the pilot scheme is the lifting of the suspension, so that people are made subject to the requirement under sections 17 and 18 of the Welfare Reform Act 2012 and supporting regulations.
- 7.6 The legal framework for the pilot scheme is intentionally quite broad and flexible. The Secretary of State is permitted to make random selections on different occasions and, on any particular occasion, to narrow the selection to a particular geographic area. This will allow the trial to proceed in phases.
- 7.7 Claimants will be notified in writing when selected for participation and when exiting the scheme. Exit and re-entry to the scheme based wholly on changes of earnings will not be notified and it is intended that the effect of earnings changes will be explained to participants at the outset.
- 7.8 Whilst there is extensive national and international evidence on the types of effective interventions that can help unemployed people find work, there is very limited evidence on the types of interventions or support that can deliver earnings progression.
- 7.9 To ensure we can deliver effective labour market focused support to this new group of claimants in the future, we are committed to delivering a number of trials that will enable us to build a robust understanding of the types of approaches we can use.
- 7.10 The particular actions that claimants may be required to take will be determined by the Secretary of State, subject to the limitations prescribed in the Universal Credit Regulations 2013. However, for the purposes of determining what is most effective the DWP will be trying out different sets of requirements on different groups of claimants selected for the pilot.
- 7.11 Claimants who fail to comply with requirements without good reason will be subject to the normal sanctions regime under sections 26 or 27 of the Welfare Reform Act 2012.
- 7.12 The approach we are taking to in-work progression trials has been influenced significantly by responses we received to an open consultation that we ran between January 2013 and March 2013. Drawing directly on the responses, we have developed a strategy that looks to test a range of propositions which fall under four general themes:
- **The support we can offer** - including looking at who is best placed to provide effective support; what types of digital support can help people progress and what are the role of skills and other provision
 - **The role of employers** - exploring how we can best work with employers to drive progression and to get employers to shape our approaches.
 - **The impact of conditionality** – including exploring what impact that applying conditionality to people in-work has and how this affects earnings progression.

- **Using financial levers** - exploring whether additional financial levers, over and above the inherent incentives in Universal Credit, can drive earning progression.
- 7.13 Maximising opportunities to deliver robust trials, both inside and outside of Universal Credit, is a key element of our approach. This will provide a rich range of evidence and learning across a number of different groups of individuals and help inform the delivery of the large-scale randomised controlled trials in Universal Credit. This instrument is drafted so that, throughout the trials, no in-work claimants will be subjected to stronger conditionality than that found in the out-of-work regime, and all wider protections and safeguards will apply.
- 7.14 Ultimately, the evidence from these trials will be used to inform decisions of the types of national support that we may want to make available to this group in the future.
- Consolidation
- 7.15 Informal consolidated text of instruments is available to the public free of charge via ‘The Law Relating to Social Security’ (Blue Volumes) on the Department for Work and Pensions website at <http://www.dwp.gov.uk/publications/specialist-guides/law-volumes/the-law-relating-to-social-security/> or the National Archive website legislation.gov.uk. An explanation as to which instruments are maintained on each site is available [here](#).

8. Consultation outcome

- 8.1 We have engaged extensively with a wide-range of stakeholders to inform and directly shape our test and trial strategy for in-work progression. Our Call for Ideas event in 2013 provided over 350 different responses alone. A summary of the responses was published on www.gov.uk³.
- 8.2 Key respondents to the Call for Ideas included:
- A range of local and national employers including those who joined round table events led by Charlie Mayfield (Chairman of the UK Commission for Employment and Skills);
 - employer representative bodies including CIPD, CBI and the UK Commission for Employment and Skills;
 - voluntary organisations including the London Voluntary Service Council
 - disability groups including Remploy and Seetec;
 - Local Authorities including Wiltshire County Council and Greater Manchester;
 - service providers including Working Links, Learn Direct and Reed and Accenture
 - a range of Government departments and delivery organisations.

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/205004/summary-of-ideas.pdf

- 8.3 All responses from major stakeholders were broadly supportive with no significant views against the proposals.
- 8.4 Responses recognised that the Department could impose mandatory requirements (designed to encourage activity that leads to progression). Many responses emphasised that financial sanctions should be a last resort, and that requirements shouldn't push claimants into the next available job, but should allow them to focus on finding roles that represented genuine progression.
- 8.5 Building on these comments, these regulations now seek to trial the provision of a range of support for in work claimants whose household earnings are below the household conditionality earnings threshold and whose individual earnings are also below their individual conditionality earnings threshold, backed by mandatory requirements.
- 8.6 In accordance with section 173(1) of the Social Security Administration Act 1992, the Social Security Advisory Committee has agreed that proposals in respect of these regulations should not be referred to it.

9. Guidance

- 9.1 Trial specific Learning and Development products will be delivered prior to the introduction of each trial.
- 9.2 Advisors will be provided with trial specific procedural guidance and be supported to deliver and understand the intention of the trial. Guidance will include methods of recording data which will form the basis of evaluation.
- 9.3 Claimants selected in the treatment group of each trial will be given notice that they are required to participate, a description of the scheme and what is expected of them and the consequences of failing to participate.

10. Impact

- 10.1 There is no impact on business or civil society.
- 10.2 As this is a pilot, there is no impact on the public sector.
- 10.3 Impact Assessments have not been separately prepared for these Regulations. However, an assessment has been made of the impact of the introduction of Universal Credit and has been published on 10 December 2012 on the GOV.UK [website](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220177/universal-credit-wr2011-ia.pdf)⁴. This also covers information concerning the Department's obligations regarding its Equality Duty.

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220177/universal-credit-wr2011-ia.pdf

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 The evaluation approach will be specifically designed for each trial to ensure that all appropriate data monitoring and collection is undertaken. Guidance will be issued for each pilot to ensure that claimants who are clearly not appropriate to the pilots will not be mandated even if they are assigned to the treatment group of any randomised controlled trial.

12.2 We will continually monitor and evaluate the pilots to establish the impacts of the policy on claimant outcomes. Any evaluation will likely consist of analysis of administrative data and management information (MI) plus research with customers, intervention delivery staff and any other key stakeholders. Wherever possible we will monitor the outcomes of the protected groups for each pilot, to ensure that no one is unfairly disadvantaged or treated unequally.

13. Contact

Kevin Jones at the Department for Work and Pensions Tel: 0191 216 8118 or email: kevin.jones@dwp.gsi.gov.uk can answer any queries regarding the instrument.