EXPLANATORY MEMORANDUM TO

THE UNIVERSAL CREDIT (ADMINISTRATIVE EARNINGS THRESHOLD) (AMENDMENT) REGULATIONS 2023

2023 No. 7

1. Introduction

1.1 This explanatory memorandum has been prepared by Department for Work and Pensions and is laid before Parliament by Command of His Majesty.

2. Purpose of the instrument

2.1 This instrument increases the Administrative Earnings Threshold (AET) from the current level, which is £494 per calendar month (PCM) for an individual and £782 PCM for a couple. This instrument amends regulation 99(6) of the Universal Credit Regulations 2013 to raise the AET to £617 PCM for an individual and £988 PCM for a couple from 30 January 2023.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Extent and Territorial Application

4.1 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is Great Britain.

4.2 The territorial application of this instrument (that is, where the instrument produces a practical effect) is Great Britain.

5. European Convention on Human Rights

5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

6. Legislative Context

6.1 Regulation 99 of the Universal Credit Regulations 2013 (S.I. 2013/376) sets out the circumstances in which work search and work availability requirements may not be imposed on Universal Credit (UC) claimants. Paragraph (6) of regulation 99 provides that such requirements may not be imposed when a person has a certain level of earnings, this is known as the Administrative Earnings Threshold (AET).

7. Policy background

What is being done and why?

7.1 The original policy intent of UC was to not only support out of work claimants to move into employment, but also to support working claimants to progress and increase their earnings. We are therefore raising the AET to help UC claimants progress in work by extending intensive work coach support to more UC claimants on low incomes.

7.2 The design of the AET, a set earnings threshold, reflects the fact that UC is designed around earnings rather than hours worked, which aligns with the policy intent of providing all claimants earning less than the AET (regardless of the NMW/NLW status) with regular work coach appointments providing tailored support. As young people under 25 are not entitled to the adult National Living Wage (NLW), these workers may have to work more hours in order to reach the AET.

7.3 Where a UC claimant is subject to all work-related requirements, the AET is used to determine which conditionality regime the claimant is allocated to. UC claimants are placed in the Intensive Work Search (IWS) regime if they are earning less than their AET or placed in the Light Touch regime if they are earning at or above their AET but below their Conditionality Earnings Threshold (CET). Those in the IWS regime are required to accept a Claimant Commitment agreeing work search requirements and work availability requirements as well as work preparation and work-focused interview requirements.

7.4 Departmental analysts have estimated that this change to the AET will bring approximately 130,000 claimants into the IWS regime from the Light Touch regime (17% of Light Touch claimants).

7.5 Work coaches will provide regular on-going tailored support to these claimants, who will be able to access a comprehensive range of training and skills provision based on their needs. Work coaches will be aiming to support claimants to access opportunities to increase their earnings. This might be by increasing their hours, progressing in their current role/sector, or switching careers. Work Coaches will have discretion to tailor support to the circumstances of each claimant.

7.6 As detailed above, all claimants who move into the IWS regime can have labour market conditionality applied – Work Focused Interview (WFI), Work Preparation, Work Search and Work Availability – and could be subject to sanctions if they do not comply with these requirements.

7.7 The type of activities a claimant is required to undertake will be based on their capability and personal circumstances, making them realistic and achievable. Furthermore, work search expectations will differ for each claimant depending on their individual circumstances to a maximum of 35 hours. Work coaches may limit the number of hours a claimant is available for work and / or is expected to be engaged in work related activity to reflect caring responsibilities or health conditions, for example.

Explanations

What did any law do before the changes to be made by this instrument?

7.8 The current Administrative Earnings Threshold (AET) is £494 Per Calendar Month (PCM) for individual claimants and £782 PCM for couples. This is equivalent to an individual working 12 hours per week at the National Living Wage (NLW) or a couple working for 19 hours per week at the NLW.

Why is it being changed?

7.9 Those in the Light Touch conditionality group do not routinely receive support from a work coach, although they can volunteer to see a work coach. These claimants can legally be required to attend Work Focussed Interviews and undertake Work Preparation Requirements activities. However, the current policy means that this does not happen in practice, as those claimants do not regularly interact with a work coach. Raising the AET mean that approximately 130,000 claimants in the Light Touch group will now benefit from the intensive support provided in the IWS regime.

What will it now do?

7.10 This SI will amend regulation 99(6) of the Universal Credit Regulations 2013 to raise the AET to £617 PCM for single claimants and £988 PCM for couples from 30 January 2023. This is equivalent to an individual working 15 hours per week at the NLW or a couple working for 24 hours per week at the NLW.

7.11 Claimants affected by this change will be required to review and agree a new Claimant Commitment with a work coach. This will involve agreeing to appropriate work search activities, which will be revised and updated regularly.

8. European Union Withdrawal and Future Relationship

8.1 This instrument does not relate to withdrawal from the European Union

9. Consolidation

9.1 Informal consolidated text of instruments is available to the public free of charge via the 'National Archive' website: www.legislation.gov.uk. Informal consolidated text of instruments is available to the public free of charge via the 'National Archive' website: www.legislation.gov.uk.

10. Consultation outcome

10.1 The Department presented the draft Regulations to the Social Security Advisory Committee (SSAC) on 09/11/2022

11. Guidance

11.1 No new guidance will be published externally as this is an extension of an existing regime on the Universal Credit. Guidance for work coaches on how to implement the rise in the AET will be issued internally.

12. Impact

12.1 There is no, or no significant, impact on business, charities, or voluntary bodies.

12.2 The measure has an impact on the Department, with an estimated cost of over £40 million per year. There is no significant impact on the wider public sector.

12.3 A full Impact Assessment has not been prepared for this instrument because this SI (Statutory Instrument) relates to an existing threshold within Universal Credit, and the change has limited or no significant impact on businesses, charities, or voluntary bodies.

13. Regulating small business

13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

14.1 The instrument does not include a statutory review clause.

15. Contact

15.1 Francesca Galli at the Department for Work and Pensions Telephone: 0300 0867998 or email: francesca.galli@DWP.GOV.UK can be contacted with any queries regarding the instrument.

15.2 Victoria Hogan, Deputy Director for Employment Policy, at the Department for Work and Pensions can confirm that this Explanatory Memorandum meets the required standard.

15.3 Mel Stride Secretary of State at the Department for Work and Pensions can confirm that this Explanatory Memorandum meets the required standard.