EXPLANATORY MEMORANDUM TO

THE UNIVERSAL CREDIT (ADMINISTRATIVE EARNINGS THRESHOLD) (AMENDMENT) REGULATIONS 2022

2022 No. 886

1. Introduction

1.1 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 instrument increases the Administrative Earnings Threshold (AET) from the current level, which is £355 per calendar month (PCM) for an individual and £567 PCM for a couple. We plan to amend regulation 99(6) of the Universal Credit Regulations 2013 to raise the AET to £494 PCM for an individual and £782 PCM for a couple from 26 September 2022.

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 territorial extent of this instrument is Great Britain.

4.2 The territorial application of this instrument 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 current AET is equivalent to an individual claimant working 8.62 hours per week earning the National Living Wage (NLW). The current AET for couples is equivalent to them working 13.77 hrs per week between them earning the National Living Wage (NLW).

7.2 When Universal Credit (UC) claimants earn more than their Conditionality Earnings Threshold (CET) they move into the Working Enough conditionality group, where no conditionality requirements are applied, and the claimants do not regularly interact with a work coach. The CET is a flexible threshold which is calculated based on the number of hours an individual claimant can reasonably be expected to undertake work or work-related activities based on their circumstances. In most cases, it is set at the rate equivalent to working 35 hours at the NLW, but this can be adjusted to take account of health conditions or caring responsibilities.

7.3 Where a UC claimant is subject to all work-related requirements, the Administrative Earnings Threshold (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 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. Whereas those in Light Touch are not required to comply with work search requirements or work availability requirements.

7.4 This instrument will support UC claimants to progress in work by extending work coach support to more UC claimants on low incomes. Work coaches provide regular on-going tailored support, and claimants will be able to access a comprehensive range of training and skills provision based on their needs.

7.5 Departmental analysts have estimated that this change to the AET will bring in an estimated additional 114,000 claimants into the IWS regime from the Light Touch regime (16.5% of Light Touch claimants). This change will require impacted claimants to review and agree a new Claimant Commitment with a work coach, agreeing appropriate work search requirements which will be revised and updated regularly.

7.6 The policy intent is to support those who find themselves in low income to help them access opportunities to increase their earnings. This might be by increasing their hours, progressing in their current role/sector, or switching careers.

8. European Union Withdrawal and Future Relationship

8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

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

10. Consultation outcome

10.1 The Department presented the draft Regulations to the Social Security Advisory Committee (SSAC) on 26/01/2022 and a clearance letter to proceed with the change was received on 04/02/2022.

11. Guidance

11.1 Official guidance for Universal Credit will be published both internally and on gov.uk in time for the legislation coming into force.

12. Impact

12.1 The measure has an impact on the Department, with an estimated cost of £25 million this financial year, £51 million in 2024/25 and £53 million in 2025/26. year. There is no significant impact on the wider public sector.

12.2 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 Regulations do not include a statutory review clause.

15. Contact

15.1 Hayley Scriven at the Department for Work and Pensions Telephone: 07388387994 or email: Hayley.Scriven1@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 Baroness Stedman-Scott, Minister for Work and Pensions (Lords) at the Department for Work and Pensions can confirm that this Explanatory Memorandum meets the required standard.