

Labour market regimes

First published: 17 September 2015 (version 1)

Last updated: 21 September 2016 2015 (Version 3)

Contents

[Policy overview](#)

[Labour Market regimes](#)

[Work Related Requirements](#)

[Claimant Commitment](#)

[Earnings rules](#)

[Conditionality Earnings Threshold](#)

[Administrative Earnings Threshold](#)

[Regime examples](#)

Policy overview

Universal Credit helps to make sure that work pays and more work pays. Improved Incentives and work-focused support foster independence, personal responsibility and promote self-sufficiency. Claimants keep more of what they earn and getting a job and/or increasing earnings is the best choice for individuals and families. The labour market regimes supports Universal Credit through outcomes focused on:

- activation and movement into work, to keep people close to the labour market and move them back into work as quickly as possible
- retention and prevention, to ensure people remain in employment
- progression in work, to ensure that people increase their earnings and ultimately become independent from the state

Conditionality

A claimant's circumstances will place them in a particular conditionality group and an associated Labour Market regime which defines the level of support they can expect to receive.

Conditionality groups

The conditionality group that a claimant is placed in will determine what they need to do to find work (if this is appropriate), what is required of them in relation to their Universal Credit payment and the activities agreed on their Claimant Commitment.

The allocation to a group is dependent on the individual's circumstances but it can also be affected by the individual's or household's overall earnings.

There are four legal conditionality groups. These are:

- All Work-Related Requirements
- Work Preparation Requirements
- Work-Focused Interview Requirements only
- No Work-Related Requirements

Labour Market regimes

On making a new claim, every claimant is automatically allocated to a regime based on their individual and household circumstances. Different members of the household could be in the same or different regimes. The regime with the lowest conditionality intensity will always apply. As claimants' circumstances change throughout their time on UC they will move between regimes.

It is important when talking to claimants, we don't discuss regimes or groups but focus on tailoring each individual journey so the claimant receives specific support and knows what they are required to do to receive Universal Credit.

The alignment of the four Conditionality Groups and 6 Labour Market regimes is described in the table below.

Click on each regime title for more information on the aim of each regime; the type of claimant characteristics we can expect to be allocated to that regime; the work related requirements that can be set and the framework for each regime.

Legal Group (Conditionality)	Labour Market Regime	Descriptor
No work related requirements	Working enough	Claimants whose earnings are over the individual or household Conditionality Earnings Threshold (CET) OR; self-employed and Minimum Income Floor(MIF) applies
	No work related requirements	Claimants not expected to work at present. Includes claimants too sick to work or limited capability, over State Pension age, with significant caring responsibilities / severely disabled person for at least 35 hours and lead carers with a child under 1 year old
Work focused interview only	Work focused interview only	Claimants expected to work in the future but are currently nominated lead carers for children. This includes care of a child 1 year old or over, and under 3 years old
Work preparation	Work preparation	Claimants expected to work in the future, but not expected to look for work at this stage. This includes those assessed as having limited capability for work (LCW) and those who are the lead carer for a child 3 years old or over and under 5 years old
All Work Related Requirements (in all cases earnings must be below either the individual or household conditionality earnings threshold)	Light touch	Claimants with individual or household earnings above the Administrative Earnings Threshold (AET) but earnings are not enough to take them above the relevant individual or household conditionality earnings threshold (CET)
	Intensive work search	Claimants not working and those working but earning very low amounts, and expected to take intensive action to secure work or work more. Including claimants with a health condition and a current fit note who have not yet been assessed by the WCA process. Claimants self-employed and the MIF does not apply

[Back to Contents](#)

Work Related Requirements

Legislation sets out what types of requirements can and cannot be applied to claimants. Within these parameters, the actual requirements imposed and support available must be flexible and tailored.

There are times where the claimant's circumstances are such that both work search and work availability requirements must be switched off completely for a period of time.

Key principles:

- requirements are always tailored and current - to encourage the claimant to 'own' their claim;
- requirements constantly changing, they need to be up to date within current regime – not only at regime changes
- claimants must understand the steps to take in order to be compliant;
- claimants need to understand the consequences of not meeting requirements

The table below sets out the four main types of work-related requirements that can be imposed on claimants:

<p>Work focused interview requirements are for any or a combination of:</p> <ul style="list-style-type: none"> • assessing prospects for remaining in or finding paid work • coaching claimants to remain in or find work • identifying training or educational opportunities • determining whether a claimant is in gainful self-employment 	<p>Work availability requirements are:</p> <ul style="list-style-type: none"> • to ensure the claimant is available for work • able and willing to immediately take up paid work, more work or better paid work • able and willing to attend a job interview
<p>Work search requirements include:</p> <ul style="list-style-type: none"> • carrying out work searches • making job applications • creating and maintaining online job profiles • registering with employment agencies • obtaining references 	<p>Work preparation requirements include:</p> <ul style="list-style-type: none"> • attending a skills assessment • improving personal presentation • participating in an employment programme or training • creating a CV • developing a business plan

Decide a claimant's capability and personal circumstances, including exploring health and caring responsibilities, while exploring work history, job goals and skills / abilities with the claimant. This enables the finding of core circumstances, producing a set of requirements tailored to the needs and circumstances of each claimant, to make them realistic and achievable.

The requirements a claimant are required to meet are clearly set out in their [Claimant Commitment](#) (CC). The CC and the process of acceptance should support strong monitoring and compliance of requirements.

More information on Work Related Requirements can be found in the 'Setting Requirements and Claimant Commitment guidance [under development]

Claimant Commitment

The CC is a contract between the individual and the State. It is important the claimant understands that accepting their CC is a condition of entitlement. In the

case of joint claims, both eligible claimants within a household will be required to accept an individual CC to receive Universal Credit.

Claimants in each regime will have a CC, reflecting tailored messages relevant to their regime, the work related requirement expectations and personal circumstances. It is a device for setting out and getting the claimant to own what they need to do in return for receiving Universal Credit.

The claimant's CC must be reviewed on a regular basis to ensure it is up to date and reflects the work related requirements that are still appropriate to the claimant's individual circumstances. When the claimant's requirements are changed, the CC should be updated and the claimant must be asked to accept the revised CC.

Monitoring of work-related activities set within the CC should be moved forward via a mixture of channels with a strong emphasis on digital channels, for example, using the journal, to-dos.

How claimants are coached and supported to achieve their tailored requirements is set out under each regime.

More information on the Claimant Commitment can be found in the 'Setting Requirements and Claimant Commitment Chapter [under development]

[Back to Contents](#)

Earnings rules

A Conditionality Earnings Threshold (CET) and an Administrative Earnings Threshold (AET) are introduced to determine the requirements placed on individuals who are in work and earning, or are in a household with earnings. This ensures claimants are allocated to the correct regime relevant to their individual earnings or the household earnings.

Conditionality Earnings Threshold

CET ensures that claimants earning above a certain level will not be asked to carry out work-related activity for example, placed in the No work related requirements regime. The CET is calculated on an individual basis, by multiplying the National Minimum Wage (NMW) by the hours a claimant would normally be expected to undertake work related activity (up to a maximum of 35).

The number of hours a claimant is expected to undertake is flexible, determined by their individual circumstances such as health, caring responsibilities or other circumstances. Claimants earning less than the CET may be asked to carry out relevant actions to increase their earnings.

The CET for a household is a combination of the individual expected CET of each of the adults (joint claimants or including an ineligible partner of a claimant) in the household and varies between different households. In a couple household, if one of the adults earns above the household CET, both claimants are placed in the working enough regime, regardless of if they are both working or not.

So for example: for claimants with expected hours of 35 hours a week the CET will be:

- for an individual = £National Minimum Wage (NMW) x 35 x 1 and
- for two adults in a household = (£NMW x 35) + (£NMW x 35)

If a single claimant has earnings above their individual CET, they fall into the Working enough regime

For claimants with expected hours of less than 35 their CET will be their expected hours multiplied by their individual NMW.

To calculate the monthly figure this is then multiplied by 52 and divided by 12. The calculation should be rounded down to the nearest £1.00 in favour of the claimant when allocating to the regime:

For example, if NMW= £6.70, the calculation would be:
£6.70 multiplied by 35 = £234.50pw multiplied by 52 = £12194.00 divided by 12 = £1016.16, rounded down, the final figure is £1016

NB. The above rounding will be defined in the UC Regulations as part of the 2015 Miscellaneous Amendments package.

All monetary amounts are subject to annual uprating. NMW is uprated in October each year.

Administrative Earnings Threshold

AET has been introduced to ensure that only claimants on no income or a very low income, below AET will receive intensive support. The AET is set at an individual / household level. This threshold has been set at £338 per month for an individual and £541 for a household.

Unlike the CET, the individual / household AET are static amounts, not variable. Both amounts are based on gross taxable pay. AET will need to be amended every April as part of the annual uprating of benefits. The AET does not apply to self-employed earnings.

Claimants will be subject to the light touch regime if their individual or household earnings are above these amounts, but below the CET, for example:

- A single claimant with gross earnings at or over the AET but below their CET
- A claimant in a household with total gross household earnings above the household AET but below the household CET. This applies equally to both claimants in the household regardless which of them is working. For example, one claimant could be not working at all OR be working with earnings below the AET.

In the case of a couple each will be treated on an individual basis but household earnings can also impact which regime each is allocated to.

Regime examples

[Click here to view regime examples](#)

[Back to Contents](#)