

Labour market regimes

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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 (LM) regimes support Universal Credit through outcomes focused on:

- 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 sustained 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, and the framework of what can be expected of them.

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
- the type of activities that the claimant can be set as part of 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 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 LM regime based on their individual and household circumstances, such as:

- their fitness for work
- amount of earnings
- age of the youngest dependent child.

The claimant's regime will also be automatically re-assessed and updated each time a change in circumstance is reported.

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 Universal Credit they will move between regimes.

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

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. This includes: <ul style="list-style-type: none"> claimants with limited capability for work related activity following the Work Capability Assessment (WCA) over State Pension age significant caring responsibilities for severely disabled person for at least 35 hours lead carers with a child under 1 year old
Work focused interview	Work focused interview	Claimants expected to work in the future but are currently nominated lead carers for children. This includes: <ul style="list-style-type: none"> lead carers where the youngest child is aged one lead foster carers and in some cases their partner carer
Work preparation	Work preparation	Claimants expected to work in the future, but not expected to look for work at this stage. This includes: <ul style="list-style-type: none"> those assessed as having limited capability for work (LCW) following the WCA lead carer where the youngest child is aged 2
All Work Related Requirements	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. This includes: <ul style="list-style-type: none"> claimants with a health condition and a current fit note who have not yet been assessed by the WCA process.

		<ul style="list-style-type: none"> • claimants self-employed and the MIF does not apply. • lead carers whose youngest child is aged 3 - 4 will be moved to the Intensive work search regime
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Labour Market regime override

The claimant's LM regime is automatically re-assessed and updated each time a change in circumstance is reported. Currently the Service does not recognise the whole range of personal circumstances which might change a claimant's allocation to a particular LM regime. For this reason the LM regime can be changed manually.

All 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. See work-related requirements and the labour market regimes.

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.

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 • research child care provision and costs.

Work related requirements for claimants with a health condition or disability

When a claimant reports they have a health condition or disability, they do not have to look for work or be available for work for the duration of their medical evidence (fit note) for up to the first 14 days after it is reported.

Outside of the 14 day switch off period, a claimant who continues to provide a fit note can be set work search requirements and asked to apply for a job, where this is reasonable based on their health condition. For more information when supporting claimants with health conditions see Health and Work Conversation Techniques under Health.

See ongoing contact.

Increased support for 18 to 24 year olds

Claimants in this age group receive interventions tailored to their individual needs in the first 9 months of the claim, these include:

- a referral to the National Careers Service in England within 3 months of the start of their claim
- Basic skills training (or ESOL training)
- referral to a voluntary work experience placement for 2 to 8 weeks
- referral to sector based work academy placement, referral to a traineeship or other work-related training
- support to take up an Apprenticeship

Claimant's commitments

The claimant commitment is a contract between the individual and the State. It is important the claimant understands that accepting their commitments is a condition of entitlement. In the case of joint claims, both eligible claimants within a household are required to accept individual commitments to receive Universal Credit.

Claimants in each regime have commitments 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 commitments are reviewed regularly, ensuring they are up to date and reflect the work related requirements appropriate to the claimant's individual circumstances. When the claimant's requirements are changed, commitments are updated and the claimant must be asked to accept the changes.

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

Claimant coaching and support to achieve tailored requirements is set out under each regime.

Expected hours

The [expected hours](#) of work-related activities that the claimant is required to do each week is used to calculate their earning threshold. The Service defaults to the **maximum** expected hours of work-related activities per week for the relevant LM regime.

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 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.

The expected hours of a lead carer can be reduced where one or more of the following are relevant:

- difficult travel time to a childcare provider, for example poor public transport links to taking and picking up the child from childcare provision
- a health condition and the claimant is awaiting the health assessment
- part-time or temporary caring responsibilities for someone
- lack of childcare availability in the claimant's area that is suitable for the needs of the child

The CET can be temporarily reduced if the claimant's circumstances change, for example where a child is recovering from an injury or illness and the parent may have hospital appointments and the child requires more support.

If a single claimant has earnings above their individual CET, they are allocated to the working enough regime

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

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)

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.

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

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.

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 allocated 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](#)

Flexible Support Fund

The Flexible Support Fund (FSF) is a locally managed budget to supplement existing services and tailor support to the needs of individuals in the local area. FSF awards are discretionary and aimed at improving a claimant's job prospects, subject to eligibility.

Claimants are eligible for FSF from and including the first assessment period if they have:

- proved ID verification, including Habitual Residency Test where relevant
- attended their First Commitments Meeting
- accepted their claimant commitment.

Claimants can be considered for a FSF payment if allocated to any of the following Labour Market regimes:

- Intensive work search
- Work preparation
- Work-focused interview
- No work related requirements

The most commonly used awards are:

- training and education
- barriers to work
- travel expenses