

Labour market regimes

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Policy overview

Universal Credit helps to make sure that work pays - and more work also pays.

Improved incentives and work focused support promote independence, personal responsibility and encourage self-sufficiency. A claimant keeps more of what they earn and getting a job and increasing earnings is the best choice for individuals and families. Labour market 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 individual circumstances places them within a particular conditionality group and an associated Labour Market regime. This 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 into which a claimant is placed determines:

- 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 work-related activities the claimant can be set as part of their Claimant Commitment

Allocation to a conditionality group is dependent on the claimant'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
- Work Focused Interview only
- No Work Related Requirements

Labour Market regimes

A claimants and their partner, if applicable, are both allocated to a regime independently based on their own individual circumstances.

This means that members of a couple may be allocated to different regimes.

If a claimant's circumstances mean that they fall into more than one regime, the regime with the lowest conditionality is applied.

A claimant's regime is re-assessed and updated each time a change of circumstances is reported.

The alignment of the 4 conditionality groups and 6 Labour Market regimes is described in the following table:

Legal group (conditionality)	Labour Market regime	Descriptor
No work related requirements	Working enough	A claimant whose earnings are over the individual or household Conditionality Earnings Threshold or, gainfully self-employed and the Minimum Income Floor applies.
	No Work Related Requirements	A claimant who is not expected to work at present. This includes: claimants with limited capability for work related activity following the Work Capability Assessment over State Pension age significant caring responsibilities for a severely disabled person for at least 35 hours lead carers with a child under 1 year old
Work focused Interview only	Work Focused Interview	A claimant who is expected to work in the future but are currently nominated lead carers for children.

		This includes: lead carers where the youngest child is aged 1 lead foster carers and in some cases their partner carer
Work Preparation	Work Preparation	A claimant who is 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 following the Work Capability Assessment 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 but earnings are not enough to take them above the relevant individual or household Conditionality Earnings Threshold
	Intensive Work Search	A claimant who is not working and those working but are earning very low amounts and expected to take intensive action to secure work or work more. This includes: claimants with a health condition and a current fit note who have not yet been assessed by the Work Capability Assessment process. claimants gainfully self-employed and in the Start-up Period lead carers whose youngest child is aged 3 - 4 will be moved to the Intensive Work Search regime

Labour Market regime override

It is important that a claimant is placed in the correct Labour Market regime for their circumstances so that they are not asked to do anything that would be unreasonable for them.

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

A manual override is required in the following circumstances:

- apprentices - hourly wage rate less than the National Minimum Wage
- tailoring the Conditionality Earnings Threshold
- over State Pension Credit age

- friends and family care in the first year - only for a child age 1 or above (if the child is aged under 1 details should be recorded to trigger No Work Related Requirements)
- adoption in the first year - only for a child age 1 or above (if the child is aged under 1 details should be recorded to trigger No Work Related Requirements)
- self-employed - gainfully self-employed, in the Start-up Period or where the Minimum Income Floor is applied
- pregnancy - 11 weeks before the expected date and 15 weeks after the date of confinement
- earnings - temporary changes to earnings
- caring for 35 hours or more for a severely disabled person(s) - where the claimant does not qualify for the carers addition
- foster carer - in all cases
- partner foster carer in exceptional circumstances – see Foster carers
- student Income - full time students (see Students: eligibility, conditionality and student income)
- where an additional payment of earnings (such as a bonus payment) would change the regime and the work coach has used discretion to disregard the earnings
- where earnings from a job that has ended are disregarded

Note: A claimant who has been found to be gainfully self-employed must have a manual override applied to ensure they stay in the correct regime, regardless of the amount of their earnings. A claimant in the Start-up Period is placed in the Intensive Work Search regime. This ensures they stay in the correct regime and are assigned to their work coach, even if their or their partner's earnings take them above the Administrative Earnings Threshold which could otherwise move them into Light Touch. Gainfully self-employed claimants with the Minimum Income Floor applied have a manual override to place them in the Working Enough regime.

See self-employment for more information on self-employment and Labour Market regimes.

The reason for the override on the Service **must** be recorded. Appropriate tasks and reminders must be set and overrides must be removed when they no longer apply.

All Work Related Requirements

Legislation sets out what types of requirements can and cannot be applied to a claimant. Within these parameters, the actual requirements imposed and the support available must be flexible and tailored. See Work-related requirements and the Labour Market regimes.

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

<p>The table below sets out the four main types of work-related requirements that can be imposed on claimants 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 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 on 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 English for Speakers of Other Languages training
- referral to a voluntary work experience placement for 2 to 8 weeks
- referral to a sector-based work academy programme placement, referral to a traineeship or to other work-related training
- support to take up an apprenticeship

Claimant Commitment

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

In each conditionality regime, a claimant will 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 to ensure they are up to date and reflect the work-related requirements appropriate to their individual circumstances. When the claimant's requirements are changed, commitments are updated and the claimant must be asked to accept the changes.

The monitoring of work-related activities must be moved forward through 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

A claimant's expected hours are the number of hours of work-related activities they are expected to undertake.

A claimant's expected hours must be determined by their individual circumstances and their allocated regime. They must also be tailored to take into account any health conditions and caring responsibilities they might have.

If a claimant is the lead carer for children, the maximum expected hours will be limited depending on the age of their youngest child. See Work-related requirements for claimants with children.

The expected hours of a claimant can also be reduced if one or more of the following circumstances apply:

- the lead carer has difficult travel time to a childcare provider or school
 - for example, poor public transport links when taking and collecting the child
- the claimant has a health condition and is waiting for a Work Capability Assessment
- the claimant has 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

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

Earnings rules

The Conditionality Earnings Threshold and an Administrative Earnings Threshold are used to determine the requirements placed on individuals who are in work and receive earnings, or are in a household with earnings. This ensures that a claimant is allocated to the correct regime relevant to their individual earnings or the household earnings.

Conditionality Earnings Threshold

The Conditionality Earnings Threshold (CET) ensures that a claimant earning above a certain level will not be asked to carry out work-related activity – for example, when placed in the No Work Related Requirements regime.

The CET is calculated on an individual basis by multiplying the National Minimum Wage (NMW) or National Living Wage (NLW) by the hours a claimant would normally be expected to undertake work related activity up to a maximum of 35.

A claimant 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. This will vary 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.

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 or NLW.

Example:

For claimants with expected hours of 35 hours a week, the CET will be:

- for an individual – NMW or NLW x 35 x 1, and
- for two adults in a household – (NMW or NLW x 35) + (NMW or NLW x35)

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

All monetary amounts are subject to annual uprating. The NMW or NLW is usually uprated in April each year.

Administrative Earnings Threshold

The Administrative Earnings Threshold (AET) has been introduced to ensure that only claimants on no income or a very low income (below the AET) will receive intensive support. The AET is set at an individual and household level. This threshold has been set at:

AET rates	2020-21	2021-22
Single	£343.00	£345.00
Couple	£549.00	£552,00

Both amounts are based on gross taxable pay and the AET must be amended every April as part of the annual uprating of benefits. The AET does not apply to self-employed earnings.

A claimant will be allocated to the Light Touch regime if either their individual earnings or if in a couple their household earnings, are above the relevant threshold 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 may not be working at all or be working with earnings below the AET)

Self-employed earnings do not count towards the AET.

Flexible Support Fund

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

Claimants are eligible for Flexible Support Fund from and including the first assessment period if they have:

- proved identity verification – including the Habitual Residence Test where relevant
- attended their First Commitments Meeting
- accepted their Claimant Commitment.

A claimant can be considered for a Flexible Support Fund payment if allocated to any of the following Labour Market regimes:

- Intensive Work Search
- Work Preparation
- Work Focused Interview only
- No Work Related Requirements

The most commonly used awards are:

- training and education
- barriers to work
- travel expenses