To:	UC Programme Board Members	From: Graeme Connor

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Date: 24th September 2019

cc: Trevor Huddleston

Tom Younger

UC Employment Impacts

Issue: This note sets out the current plans for UCFS employment impacts evaluation, the driver behind those plans, and the nature of the strategic choices around the direction of those plans. It also presents the current UC employment outcomes.

Summary
- Subject to risks around data availability and quality we plan to present the employment impact of UC Full Service in February 2020.
- Monthly movements into employment outcomes data shows that around 10% of those not in employment on the intensive regime move into work each month and this has increased by around 2 percentage points over the last year.

Recommendations:
You accept the proposed approach, timetable and associated risks.

Introduction

1. Knowing whether UC is having a positive impact on people moving into work, is fundamental to evaluating whether UC is achieving the benefits outlined in the business case.

2. The UC business case incorporated benefits of £8bn per year which were based, in part, on UC leading to an increase in employment by 200k. Therefore, evaluating whether UC is getting more people into work is fundamental to evaluating the BC benefits.

3. In order to rigorously assess the employment impacts of UC, the evaluation needs to compare UC and legacy claims made at the same time. However, the time-frame for doing this is limited to claims made in the period from 2017 to mid-2018, whereas the business case benefits from the increase in employment are lagged, and are not expected to kick-in until well after 2020.

4. The UC datasets are very rich and contain potential to generate a wide range of   new insights. For claims made after 2018 it will no longer be practical to compare UC outcomes with legacy, but it will be practical to explore the drivers of UC outcomes in greater detail than may have been possible with our legacy datasets.

5. Chart 1 shows the proportion of UC claimants entering work by conditionality group. Whilst this will not control for key outcome drivers it does enable the Department to monitor on a regular basis the key outcomes from Universal Credit. Annex A contains a broader set of measures on worklessness and sustained employment.

Chart 1
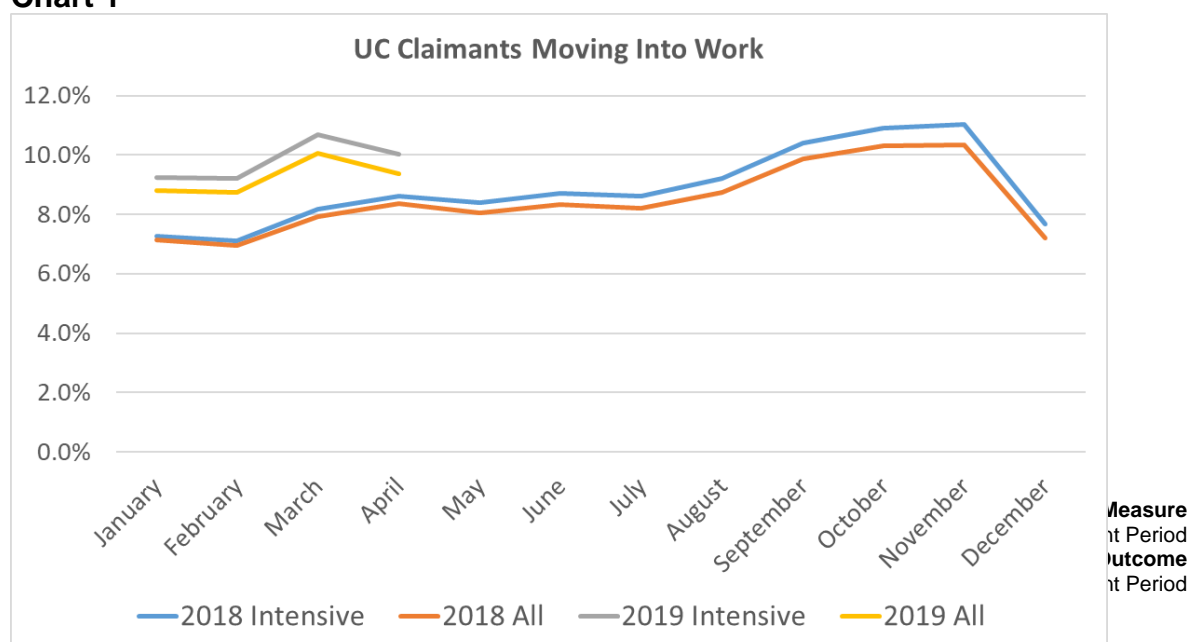
Approach for Evaluation

6. The lag in the Business Case benefits make it difficult to identify employment impacts in the next year. This would be the case no matter how rigorous our analytical approach.

7. We plan to carry out a rigorous comparison of the outcomes for 2017/18 cohorts of UC and legacy claimants. This may be based on propensity score matching (PSM) or an equivalent econometric technique.

8. The assumptions which underpin the Business Case, together with the expected lag, suggest that we may not expect to see an impact, particularly for those not subject to the intensive regime. However, the earlier work looking at the UC live service caseload did detect a significant impact.

9. This approach has a number of advantages:

   a. It heads off political criticism that we are hiding the impact of UC Full Service;
   b. It exploits data from the one period in which we have a potential counter-factual;
   c. It might head-off similar but less robust analysis produced by external bodies from publicly available data.

10. We plan to use the outcome of the PSM work as an anchor for subsequent analysis. For example, we can compare UC into work outcomes (as shown in chart 1) in the PSM period and, if they see significant changes after 2017/18, we can use this as an indicator of the overall UC employment impacts. By this stage the availability of a greater range of data might enable us to specify UC employment impacts directly from the UC data.

11. From mid-2020 we seek to undertake a broader macro-UC evaluation. By around 2020 a number of other potential datasets will come into play. As UC becomes the main working age benefit, larger sample sizes will mean we can produce richer analyses from datasets such as the Family Resource Survey, Labour Force Survey (ONS plans permitting) and Understanding Society. Although the absence of a counter-factual will prevent us from definitively identifying the scale of UC impacts at this stage, these datasets give us considerable opportunity to identify the drivers behind the broader outcomes for UC.

Timetable

12. Any timings are indicative, and there are significant dependencies on the provision of RTI data from HMRC and on some quite strict staffing assumptions. However, if adopted this proposal we think the following timings might be practical:

   I. Impact of baseline UCFS impacts for JSA alike cases by February 2020;

      – We are developing and checking the evaluation datasets, which we plan to have ready by the middle of September. This pulls together data from tax records, benefit claims, sanctions, employment programmes;

      – Converting data into a format which can be used by Stata and testing that the Stata code runs as required: by late-October;

      – Testing a simple fixed-effects model which we can use as a validation for the Propensity Score Model (PSM): by mid-November;

      – Developing a baseline specification for the PSM model: mid-December;

- Testing different specifications e.g. removing the 'legacy-alike' filters: by late January;

- Finalising results for presentation: by mid-February;

This timetable will be monitored through regular monthly checkpoints with HMT and DWP colleagues.

II. Ingesting legacy RTI data; DWP are working with HMRC to ingest the RTI data for people who claimed a UC equivalent legacy benefit between 2014-2018. This is a complex task, and its successful completion is essential for the evaluation of employment impacts for non-JSA groups. The data is complex so there will be a substantial work to complete when the data arrives. If we assume that the data arrives by the **end of October**, then the following timetable will apply;

- Getting approvals for accessing the data: mid-November

- Testing aggregated data: mid-December

- Testing we understand the structure of the data: mid-December

- Testing match to legacy benefits; mid-January

III. Impact of baseline UCFS for another out of work group (maybe ESA WRAG) cases by late 2020;

- Developing the benefit datasets, and matching on the evaluation data: mid-March

- Converting data into a format which can be used by Stata and testing that the Stata code runs as required: by mid-April;

- Testing a simple fixed-effects model which we can use as a validation for the Propensity Score Model (PSM): by end May

- Developing a baseline specification for the PSM model: end-June

- Testing different specifications e.g. removing the 'legacy-alike' filters: by end-August

- Finalising results for presentation: by end-September

IV. Impact of baseline UCFS for an in-work group by spring 2021

V. Parallel to this we could expect to have delivered a published impact of self-employed outcomes by the end of 2020.

<u>Risks with the proposal</u>

13. There are a number of risks with this approach:

- Deliverability e.g. if RTI is not available for all claimants.
- It is not practical to identify any impacts from the UC-only macro-evaluation;
- We cannot create a robust link between the UC-legacy analysis and the later UC-only work.
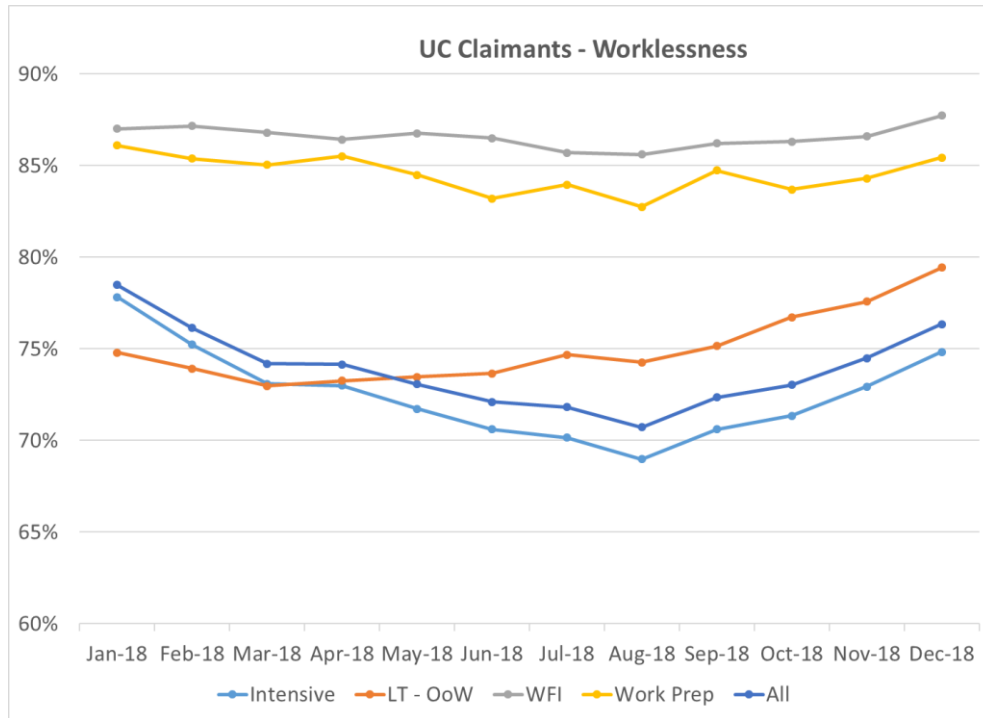
Recommendation

14. You accept the proposed approach, timetable and associated risks.
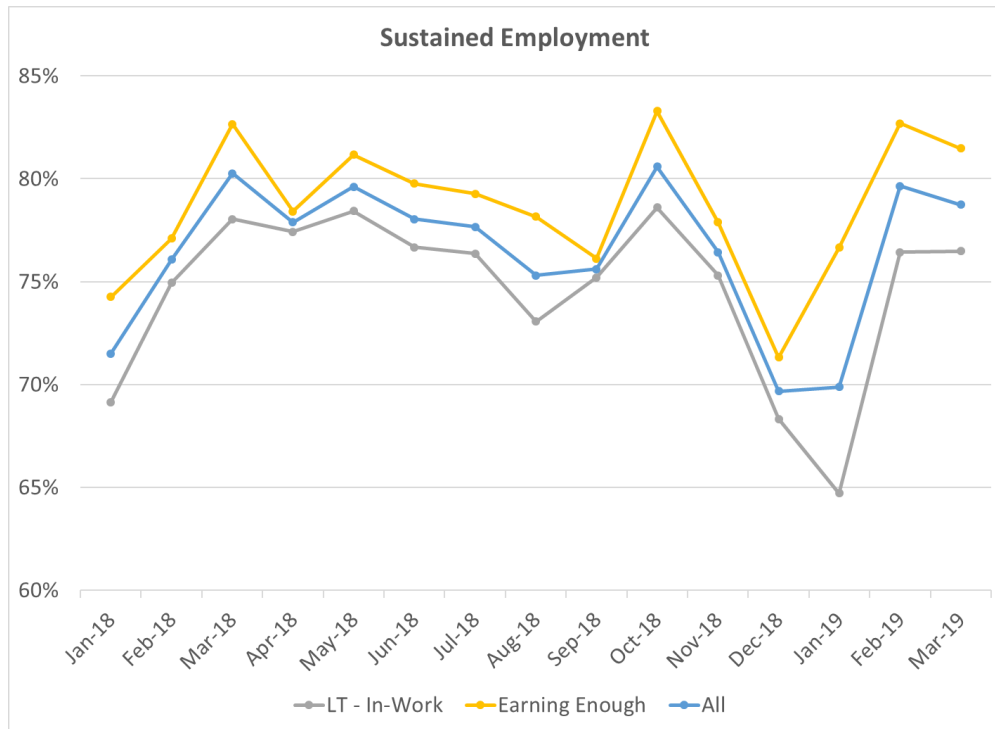
Annex A

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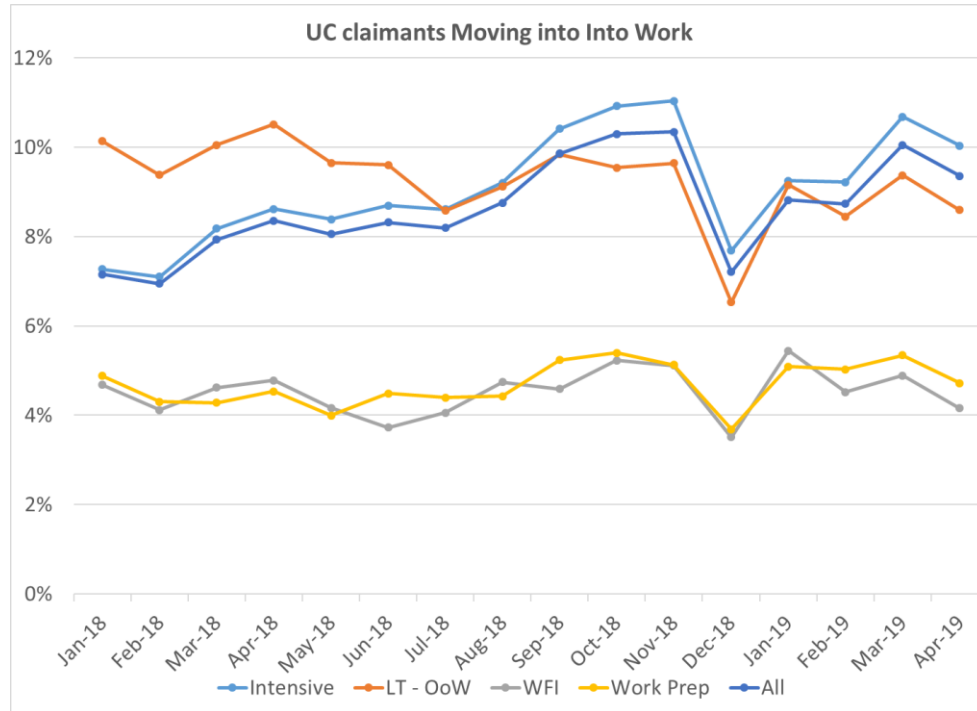
In Scope of Measure
No Evidence of Earnings in 'Base' Assessment Period
Positive Outcome
Evidence of Earnings (including self-employment) in the next Assessment Period

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UC Claimants - Worklessness

In Scope of Measure
No Evidence of Earnings in 'Base' Assessment Period
Negative Outcome
No Evidence of Earnings in any of the next 5 Assessment Periods

Sustained Employment

In Scope of Measure
Movement Into Work in the 'Base' Assessment Period, as Definied By the 'Into Work' Measure
Positive Outcome
Evidence of Earnings in the next 2 Assessment Periods as well (i.e. 3 full Assessment Periods with Evidence of Earnings Upon Moving Into Work)