

## Draft Equality Analysis for Raising the Administrative Earnings Threshold (AET)

<b>Title</b>	Raising the Administrative Earnings Threshold (AET) Equality Analysis
<b>Version</b>	V10
<b>Author</b>	
<b>Approver</b>	
<b>Owner</b>	
<b>Date Completed</b>	01/08/2022

### Introduction

1. This document records the analysis undertaken by the Department to enable Ministers to fulfil the requirements placed on them by the Public Sector Equality Duty (PSED) as set out in section 149 of the Equality Act 2010.
2. The PSED requires the Minister to pay due regard to the need to:
  - a. eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
  - b. advance equality of opportunity between people who share a protected characteristic and those who do not; and
  - c. foster good relations between people who share a protected characteristic and those who do not.

The Protected characteristics are:

- age
- disability
- gender reassignment
- pregnancy and maternity
- race
- religion or belief
- gender
- sexual orientation; and
- marriage and civil partnership

3. In undertaking the analysis that underpins this document, where applicable, the Department has also taken into account the United Nations Convention on the Rights of Persons with Disabilities (UNCRPD), and in particular the three parts of Article 19 which recognise the equal right of all disabled people to live in the community, with choices equal to others, and that the Department should take effective and appropriate measures to facilitate full enjoyment by disabled people of this right and their full inclusion and participation in the community.
4. The Department has also taken account of the United Nations Convention on the Rights of the Child (UNCRC), in particular Article 3 which requires the best interests of children to be a primary consideration; ensure the child such protection and care as is necessary for his or her well-being and that the institutions, services and facilities responsible for the care or protection of children shall conform with the standards established by competent authorities and at the forefront of a decision-maker's mind when making a decision which may have an impact on children.

## **Background**

5. The original policy intent of UC is to not only support out of work claimants to move into employment, but also to support working claimants to progress and increase their earnings.
6. When 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 National Minimum Wage (NMW), but this can be adjusted to take account of health conditions or caring responsibilities.
7. Claimants earning under the CET with the lowest earnings are in the Intensive Work Search group (where full conditionality requirements apply). Claimants with higher earnings, but below the CET, are in the Light Touch group. Before 2015, claimants in the Light Touch group often received some form of work coach support, although there was provision for work search and work availability requirements to be switched off if a claimant's weekly earnings (or a couple's combined weekly earnings) were at a level where the Secretary of State was satisfied that requirements should not be imposed.
8. In 2015, reg 99(6) of the UC Regulations was amended to remove the Secretary of State's discretion and set out in legislation that requirements must be switched off when a claimant was earning over the Administrative Earnings Threshold (AET). The introduction of the AET formalised the boundary between the Intensive Work Search

group and the Light Touch group. This created a more certain legal framework for the In-Work Progression Randomised Control Trial (RCT)<sup>1</sup>, where DWP was testing different forms of conditionality with working UC claimants.

9. The AET was based around the Jobseekers Allowance (JSA) rates of benefit. It was implemented as a set earnings level to ensure it was transparent and simple for DWP staff and claimants to understand. In 2015, it was equivalent the earnings of a single claimant working 12 hours at the NMW, and 19 hours for a couple<sup>2</sup>. This link to the JSA rates has not kept pace with increases in the NMW or the introduction of the National Living Wage (NLW). As a result, the number of hours of work at the NWM/NLW needed to move above the AET has declined over time.
10. The design of the AET, a set earnings threshold, reflects the fact that UC is designed around earnings rather than hours worked. Young people under 23 who are not entitled to the NLW along with those on a lower NMW will have to work more hours in order to reach the AET, which aligns with the policy intent of providing all claimants earning less than the AET (regardless of the NMW/NLW status) with regular work coach appointments providing tailored support.
11. The current AET for a single claimant is £355 (PCM) and £567 (PCM) for couples. This is equivalent to a single claimant earning the NLW working around 8.62 hours per week and one partner in a couple claim working 13.77 hrs per week.
12. UC claimants earning above the AET are placed in the Light Touch conditionality group meaning they do not routinely receive support from a work coach, although they can ask or choose to see a work coach.

### **The Proposed Change**

13. This SI will amend regulation 99 (6) of the Universal Credit Regulations 2013 to raise the AET to £494 for single claimants and £782 for couples from 26 September 2022. This is equivalent to an individual working 12 hours per week at the NLW or both claimants in a couple working a total of 19 hours per week at the NLW. Increasing the threshold to these levels would bring the AET back to a similar level to when it was set out in legislation in 2015, with respect to the NMW.

### **Analysis of impacts**

14. The impact of raising the AET on claimants with protected characteristics are addressed below. Where possible, we have included information on the sanctions rates in the Intensive Work Search regime for claimants with protected characteristics; this data is only available for age and gender.

---

<sup>1</sup> [Universal Credit: in-work progression randomised controlled trial - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/universal-credit-in-work-progression-randomised-controlled-trial)

<sup>2</sup> Rounded from 11.71 and 18.64 hours.



## Age

15. ONS 2020 population estimates that of the UK working age population, 16.9% are aged between 16-24, 52.1% are between 25-49, and 31.0% are 50-64<sup>3</sup>.
16. For those who would remain in the Light Touch Group, 5% are 16-24, 72% are 25-29, and 23% are 50-64. For those who would move into the IWS Group, 12% are 16-24, 67% are aged 25-49, and 21% are 50-64<sup>4</sup>.
17. Young people are most impacted by this change. As previously highlighted, young people under 23 not entitled to the NLW, along with those on a lower NMW, will have to work more hours in order to reach the AET if they are earning NLW/NMW rates. This explains why the proportion of young people that will be in the IWS group is higher than in Light Touch, and means that more young people will be in scope of sanctions. However, young people make up a small proportion of the Light Touch caseload, therefore, a relatively small proportion of people affected by the policy are young. We know that young people face challenges finding employment and progressing, and that regular, tailored work coach support can help mitigate these.
18. The sanctions rates for the Intensive Work Search regime, broken down by age, are set out in the table below<sup>5</sup>. The sanction rate for young people under the age of 25 is higher than for other age groups, with the latest sanction rate at 11.78% for 16-19 year-olds and 15.25% for 20-24 year olds.

	February 2020	May 2020	April 2021	August 2021	January 2022	February 2022	March 2022	April 2022	May 2022
16-19	5.47%	1.39%	0.18%	2.19%	8.56%	8.51%	9.96%	11.32%	11.78%
20-24	5.47%	1.46%	0.28%	2.29%	10.79%	10.93%	12.69%	14.66%	15.25%
25-29	3.51%	0.91%	0.20%	0.99%	5.47%	5.80%	7.11%	8.67%	9.25%
30-34	2.74%	0.75%	0.15%	0.72%	4.13%	4.36%	5.56%	6.81%	7.39%
35-39	2.26%	0.61%	0.13%	0.60%	3.26%	3.42%	4.40%	5.41%	5.83%
40-44	1.70%	0.52%	0.11%	0.50%	2.74%	2.88%	3.60%	4.54%	4.79%
45-49	1.34%	0.35%	0.10%	0.41%	2.27%	2.48%	3.12%	3.79%	4.01%
50-54	1.02%	0.29%	0.08%	0.33%	2.02%	2.19%	2.70%	3.30%	3.54%
55-59	0.79%	0.26%	0.08%	0.26%	1.60%	1.76%	2.18%	2.70%	2.87%
60-65	0.51%	0.18%	0.06%	0.18%	1.13%	1.24%	1.53%	1.87%	1.99%
Over 65	..	..	..	..	0.22%	0.28%	0.27%	0.35%	0.49%

<sup>3</sup> Analysis of population estimates tool for UK, Office for National Statistics, 2021.

<sup>4</sup> Analysis of internal UC data, February 2022.

<sup>5</sup> [Benefit sanctions statistics to April 2022 \(experimental\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/benefit-sanctions-statistics-to-april-2022-experimental)

Unknown/ Missing	..	..	..	..	..	..	..	..	..
Total	2.73%	0.73%	0.15%	0.88%	4.31%	4.50%	5.49%	6.57%	6.95%

19. UC is designed around earnings rather than hours worked, with the policy intent being to provide more regular support to claimants earning under that threshold (regardless of hours worked). We know that young people face particular challenges with regards to finding employment and progression, and regular, tailored work coach support can help mitigate this.

20. We engage at a personal and individual level with all of our claimants, tailoring the support we give and any conditionality requirements to the specific circumstances of the young person in question, whether they are struggling with health conditions/disabilities or other circumstances.

## Disability

21. 23% of the UK working age population report having a long-term disability<sup>6</sup>.

22. 4% of claimants who will leave the Light Touch group as a result of the rise in the AET have a declared health condition and/or disability<sup>7</sup>. The calculation of the number of claimants in Light Touch with a health condition/disability is based on the number of people who are either: (a) awaiting a work capability assessment, (b) assessed as having limited capability for work (LCW), or (c) assessed as having limited capability for work-related activity (LCWRA). Under this definition of disability, it appears as if people with disabilities are less affected by this policy.

23. Raising the AET will therefore result in more claimants with health conditions/disabilities being in the IWS regime. This means that if they fail to comply with work-related requirements without good reason they will be liable for a sanction. However, we know that people with health conditions/disabilities often have varied and complex needs when it comes to finding work, which regular work coach support can help with.

24. In common with the general approach in relation to conditionality, any support will be tailored to an individual's circumstances.

25. Sanctions data is not available on disability for the UK working age population or Universal Credit claimants.

## Gender reassignment

<sup>6</sup> Analysis of population estimates tool for UK, Office for National Statistics, 2021.

<sup>7</sup> Analysis of internal UC data, February 2022.

26. We have no evidence or reason to suspect that this change will disproportionately affect anyone with the protected characteristic of gender reassignment. Data is not available on gender reassignment for the working age population or Universal Credit claimants.

### **Marriage and civil partnership**

27. We have no evidence or reason to suspect that this change will disproportionately affect anyone based on the protected characteristic of their marriage or civil partnership.
28. 41% of those who will move into IWS as a result of the AET rise are in a couple contract, compared to 46% of those who will remain in Light Touch<sup>8</sup>. Current data is unable to link this to marriage and/or civil partnership.
29. Claimants in couple contracts may not all be required to undertake activities associated with being in the IWS regime. If a claimant has characteristics that mean they could fall into more than one regime, the regime with the lowest conditionality will always apply. The work coach will ensure they are allocated to the regime that is appropriate to their circumstances.

### **Pregnancy and maternity**

30. We have no evidence or reason to suspect that this change will disproportionately affect anyone with the protected characteristic of pregnancy or maternity.
31. 58% of those who will move to IWS as a result of the AET rise are parents, compared to 68% of those who will remain in Light Touch. 26% of those who will move to IWS are lone parents, compared to 30% who will remain in Light Touch<sup>9</sup>. The application of conditionality for pregnant women and parents with young children will be in line with the existing approach (for example, after 29 weeks of pregnancy, claimants will be moved to the No Work Related Requirements regime).

### **Race**

32. We have no evidence or reason to suspect that this change will disproportionately affect anyone based on their race.

### **Religion or belief**

33. We have no evidence or reason to suspect that this change will disproportionately affect anyone based on their religion or belief. Data is not available on religion or belief for the working age population or Universal Credit claimants.

---

<sup>8</sup> Analysis of internal UC data, February 2022.

<sup>9</sup> Analysis of internal UC data, February 2022.



## Sexual orientation

34. We have no evidence or reason to suspect that this change will disproportionately affect anyone based on their sexual orientation. Data is not available on sexual orientation for the working age population or Universal Credit claimants.

## Sex

35. 49.9% of the UK working age population are male, and 50.1% are female<sup>10</sup>. Within the current Light Touch group, 63% are female. Of those who will move from Light Touch to IWS as a result of the AET rise, 60% are female compared to 63% who will remain in Light Touch<sup>11</sup>.
36. Women are therefore impacted by this change more than men, with more women being brought into scope of sanctions. The sanction rate among women is generally lower than the sanction rate among men, as per the table below<sup>12</sup>. As explained above, the policy intent is to provide all claimants earning less than the AET (regardless of their characteristics) with regular work coach appointments providing tailored support.

	February 2020	May 2020	April 2021	August 2021	January 2022	February 2022	March 2022	April 2022	May 2022
Male	3.70%	0.96%	0.21%	1.19%	5.79%	6.02%	7.32%	8.70%	9.23%
Female	1.37%	0.38%	0.07%	0.43%	2.21%	2.34%	2.91%	3.52%	3.69%
Unknown/Missing	..	..	..	..	..	..	..	..	..
Total	2.73%	0.73%	0.15%	0.88%	4.31%	4.50%	5.49%	6.57%	6.95%

## Evidence Summary

37. We cannot identify the following protected characteristics from the UC data set readily available to analysts at this time: gender reassignment, pregnancy and maternity, race religion or belief and sexual orientation. .

## Communications

38. We will communicate the rise in the AET through national press coverage, highlighting the positives for in-work progression support, alongside the government providing greater financial incentives to progress with changes to the UC taper and Work Allowances introduced in December 2021.

<sup>10</sup> Analysis of population estimates tool for UK, Office for National Statistics, 2021.

<sup>11</sup> Analysis of internal UC data, February 2022.

<sup>12</sup> [Benefit sanctions statistics to April 2022 \(experimental\)](https://www.gov.uk/government/statistics/benefit-sanctions-statistics-to-april-2022-experimental) - GOV.UK ([www.gov.uk](https://www.gov.uk))

39. We will also use social media and case study examples to highlight where progression support has benefitted UC claimants. There are some good examples from the in-work progression proof of concept running in South Yorkshire that can be drawn on.
40. We will provide advice and guidance to work coaches, and run an internal communications campaign, to ensure that operational staff are fully aware of the policy change, the rationale, and how best to support impacted claimants.
41. After the AET rise is implemented, claimants newly brought into IWS will be contacted by a work coach to arrange a claimant commitment review meeting. This first meeting with the work coach will be crucial in explaining the change of conditionality regime, what this means for the claimant, and to ensure that the claimant commitment is tailored to reflect their circumstances.

## Sign Off

Name of person who carried out this analysis	[REDACTED]
Date analysis completed	30/06/2022
Name of Senior Responsible	[REDACTED]
Date assessment was signed	02/8/2022