

Universal Credit – earnings policy

Summary

This explains the policy for encouraging claimants to find work, more work or better paid work

Content

Universal Credit is intended to make sure that claimants are better off if they take a job or increase the hours they work.

Universal Credit Work Allowance and Earnings Taper

So that claimants understand how their earnings will impact on their Universal Credit award, there is a simple system of Work Allowances and a single Earnings Taper rate:

- the Work Allowance is the amount a household can earn before their Universal Credit award is affected
- there are different levels of the Work Allowance depending on the circumstances of the household
- each household will only have one Work Allowance
- once people earn more than the Work Allowance, their Universal Credit will be reduced by an Earnings Taper rate of 65%
- the Earnings Taper rate will mean that many people in work will receive more support than in the current system

Work-related requirements

Different thresholds have been introduced to determine the requirements placed on individuals who are in work and receive earnings, or are in a household with earnings. This determination ensures claimants are allocated to the correct Labour Market regime relevant to their individual earnings or the household earnings.

Claimants are expected to be looking for work up to an expected number of hours each week. This is called the Conditionality Earnings Threshold (CET).

Once the claimant has achieved earnings equivalent to CET they are considered to be within the 'working enough' regime and their conditionality group and the work-related requirements placed on them will change.

Joint claims

If a claimant is part of a couple, each partner's individual CET will be combined to form a household CET.

Where the household earnings reach the household CET (either through one or both claimant's earnings) the household is considered to be 'working enough'. Both members of the couple will be placed in the 'working enough' regime and their conditionality group and the work-related requirements placed on them will change, assuming they remain entitled to Universal Credit.

Administrative Earnings Threshold

The Administrative Earnings Threshold (AET) has been introduced to ensure that only claimants on no income or very low income will receive intensive support.

The current AET has been set at £338 per month for a single person and £541 for couple based on gross taxable pay. From February 2015 the AET is likely to be defined in the Universal Credit regulations and be linked to the Jobseeker's Allowance (JSA) rate. Unlike the CET, the individual/household AET are static amounts that are not variable.

The AET will need to be increased each April in line with JSA rates (where the JSA rate has been updated).