



# Citizens Advice response to the Work and Pensions Select Committee consultation on In Work Progression

May 2019

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## About Citizens Advice

Citizens Advice provides free, confidential and independent advice to help people overcome their problems. In 2017-18, we helped 2.6 million people face to face, over the phone, by email and web chat. We provide support in over 2,000 locations in England and Wales.

Over the last 12 months (up to the end of March 2019) we have helped over **570,000** people with almost **1.4 million** benefits issues, including over **230,000** issues relating to Universal Credit (UC). In the past 12 months we have helped nearly **5,000** people with UC issues relating to conditionality and their claimant commitment.

Over the last 18 months we have also [published several reports](#) on Universal Credit based on our client data, insights from frontline advisers, and interviews with clients.

The geographical scope of this response covers **England and Wales**.

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## 1. Introduction

1.1 The introduction of Universal Credit (UC) represents one of the biggest changes to the benefits system in recent times. Citizens Advice support the principles of UC - to simplify the benefits system and ensure that work always pays.

1.2 One of the key changes under UC is in relation to conditionality - receipt of benefits on the basis of fulfilling requirements to prepare for and look for work. Under the legacy benefits system, certain groups of claimants on out-of-work benefits have been subject to conditionality. UC expands this approach, as claimants in work - as well as out of work - may be subject to conditionality, with requirements to increase their income either through increasing their hours or seeking higher paid work. As of March 2019, 250,000 claimants of UC were 'working - with requirements.'<sup>1</sup>

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<sup>1</sup> [Universal Credit, monthly experimental official statistics to 14 March 2019](#)

1.3 However, there is currently a lack of evidence to demonstrate the effectiveness of benefit conditionality in supporting people to secure sustainable employment, whether in or out of work. This is particularly the case for certain groups, such as disabled people and people with long-term health conditions and people with childcare responsibilities, who will often face specific barriers to entering, staying and progressing in the workplace.

1.4 To help people increase the number of hours they work, Government must ensure that they receive appropriate and tailored support under UC. This requires reviewing how conditionality is set for different claimant groups who are in work, as well as ensuring people have security of income.

### **Summary of recommendations**

**Recommendation 1: The DWP must explore options to consistently remove the barrier of the upfront cost of childcare for low-income parents. The Government should consider the recommendations made by the Treasury Select Committee in 2018 to explore paying the childcare element of Universal Credit directly to providers, or else to pay parents in advance.**

**Recommendation 2: DWP should continue to systematically test and review in-work conditionality - including the application of sanctions - to see whether it delivers sustainable employment outcomes for claimants. In particular, DWP should look at how it affects claimant groups who are more likely to face barriers to work, including: a) people who are caring for children, b) disabled people and people with long term health conditions.**

**Recommendation 3: Sanctions should only be used as a last resort and we do not believe they are appropriate for disabled people and those with health conditions. As part of plans to review how conditionality is set, the Government must test the effectiveness of the wider health and work policy programme in supporting these claimants to increase their income from work.**

**Recommendation 4: The DWP should consider moving the process of drawing up and agreeing a claimant commitment back until after the initial claim has been established. This would allow the claimant commitment to become a more collaborative, supportive and tailored process for the claimant, and set the foundation for a positive ongoing relationship with their work coach.**

**Recommendation 5: The DWP should regularly review how claimant commitments are being set by work coaches - including how discretion is applied - to assess their effectiveness in supporting people to move into and stay in work.**

## **2.1 What barriers do people face to progressing in work, either by working more hours or increasing their pay?**

2.1 A key feature of UC, and in-work conditionality in particular, is to help specific groups of workers earn more. By definition, everyone affected by the policy will be on low incomes. Many will have some form of caring responsibilities - for instance the UC business cases assumes that once roll-out is complete, lone mothers will work 78 million more hours each year.<sup>2</sup> Others claimants will include disabled people or people with long-term health conditions. These groups often face specific barriers to in-work progression - if UC is to fulfil its objective on enabling people to work, then it must take these differences into account.

### ***The availability of suitable work***

2.2 The most obvious barrier to progression in work is whether there is more or better paying work available. The UC business case states 'on the demand side, it is implicitly assumed that everybody can find a job that allows their preferred number of hours.'<sup>3</sup> Our evidence suggests this is not the experience of a substantial number of low paid workers.

2.3 When we asked a mixture of Tax Credit and UC claimants what action they would take if they had to earn an extra £100 a month, over 1 in 4 (26%) said they would definitely not be able to increase their income from work. Common reasons given were not being able to progress into better paid work with a current employer (38%) or increase their hours (29%). Respondents also said that there were a lack of higher paying roles in their sector (25%) or limited local employment opportunities (25%).<sup>4</sup> This suggests that for a significant proportion of claimants, there are limited opportunities for progression in the job they currently do or their wider sector.

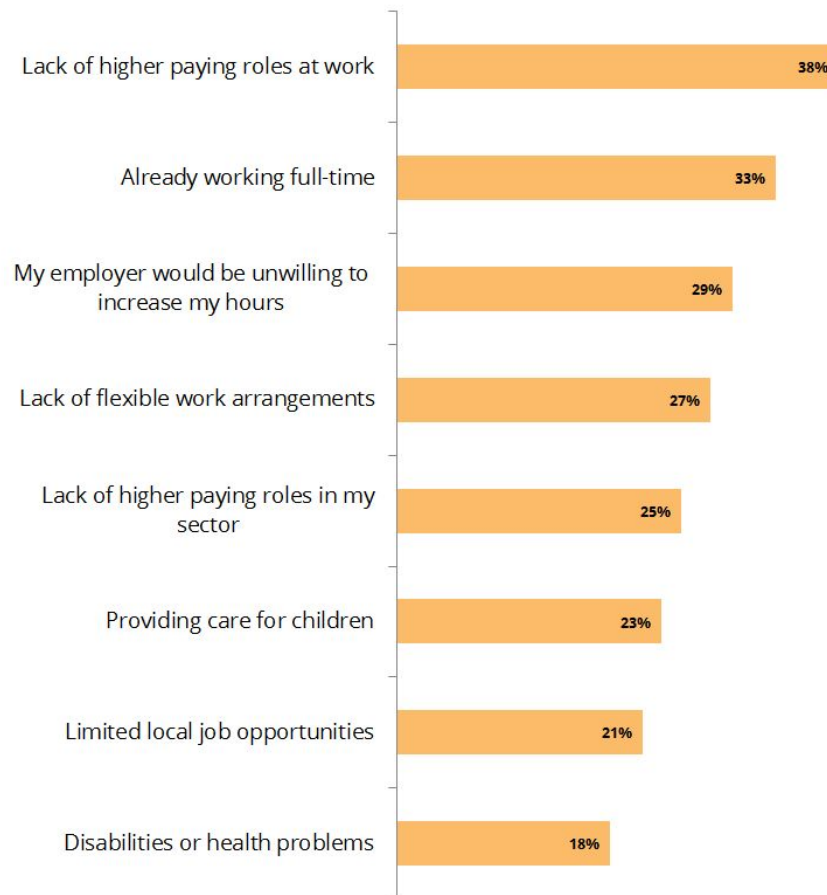
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<sup>2</sup> The National Audit office, [Rolling Out Universal Credit](#) (2018). In-work conditionality is only one of several elements of Universal Credit expected to contribute to this change

<sup>3</sup> DWP, [Universal Credit Full Business Case Summary](#) (2018)

<sup>4</sup> Citizens Advice, [Universal Credit and Modern Employment: Work Incentives](#) 2018

**Figure 1: Reasons given by those who felt they would not be able to increase their income from work:**



*Source : YouGov survey of 877 working Tax Credit and Universal Credit claimants between January 25th and February 7th 2018.*

2.4 Many of the people who felt they couldn't earn more from work listed barriers beyond their job itself. Around one in 4 (27%) listed a lack of flexible work arrangements (27%) or child caring responsibilities (23%) as reasons. Previous research we have conducted with working parents has shown that difficulty finding childcare which is both affordable and suitable can have serious effects on parents' ability to progress in work<sup>5</sup>. UC claimants can claim 85% of childcare costs, however, the need to pay for these bills in advance and the complexity of evidencing the costs for reimbursement can present an additional barrier for many parents to taking up more work.<sup>6</sup>

<sup>5</sup> Citizens Advice, [Enabling Working Parents](#) (2015)

<sup>6</sup> Citizens Advice, [Response to the Work and Pension Select Committee inquiry into childcare costs under Universal Credit](#) (2018)

**Recommendation 1: The DWP must explore options to consistently remove the barrier of the upfront cost of childcare for low-income parents. The Government should consider the recommendations made by the Treasury Select Committee in 2018 to explore paying the childcare element of Universal Credit directly to providers, or else to pay parents in advance.**

2.5 In addition, claimants may be reluctant to move to a nominally higher paying job if it means changes to stability of income. Polling conducted by Citizens Advice in 2016 found that receiving a steady income (92% of respondents) is just as important to people when looking for a job as their level of pay (93% of respondents).<sup>7</sup> The feeling of security that comes from being certain you will be able to pay cover your outgoings each month can have more value than receiving more money overall throughout the year.

2.6 The research above indicates that there may be many working UC claimants who will feel that they are unable to increase their income - either because there are no opportunities in the local labour market, the potential financial costs of working more are too large, or because changing work patterns will disrupt their lives in other ways. We are carrying out research to understand further the drivers and incentives for working claimants on UC, the results of which we will share later this year.

### ***Disabled people and those with long-term health conditions***

2.7 Disabled people and people with long-term health conditions face particular barriers to maintaining employment or progressing in work. Around half (52%) of disabled people are in paid employment, compared with 82% of people without an impairment or health condition.<sup>8</sup> In 2016, we published analysis showing that the disability employment gap tends to be greater for disabled people who face additional disadvantages such as living in a region with low employment rates or having low qualifications.<sup>9</sup>

2.8 Any policy approach must take into account the multiple and compounding disadvantages that disabled people often face in accessing or progressing in employment - particularly those on very low incomes. For example, disabled people tend to have lower level qualifications than the workforce overall and are less likely to be retained in low-wage, low-qualification sectors.<sup>10</sup> Employment

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<sup>7</sup> Citizens Advice, [The Importance of Income Security](#) (2015)

<sup>8</sup> ONS, [A08: Labour market status of disabled people](#), February 2019

<sup>9</sup> Citizens Advice, [Working with a health condition or disability](#), August 2016

<sup>10</sup> Citizens Advice, [Halving the disability employment gap](#), April 2017

rates vary significantly across different types of health condition, with people with mental health conditions, sight loss or severe learning difficulties particularly likely to be disadvantaged.<sup>11</sup>

2.9 Disabled people also face additional barriers to staying in work. Our analysis shows that disabled people are twice as likely to fall out of work as people who do not have a work-limiting condition.<sup>12</sup> We helped more than 30,000 clients with an impairment or long-term health condition with issues relating to employment in 2018, who were more likely to seek advice on issues relating to sick pay and dismissal. Our advisers told us that disabled clients seeking advice on dismissal broadly fall into two groups:

- Those who acquired their impairment or condition or who experienced a worsening of a health condition, and who have struggled to get the necessary reasonable adjustments from their employer so that they can continue to work;
- Those who have experienced situations where they were told that adjustments would be made for their condition when they started a role, but were dismissed when adjustments weren't made and they struggled.

### **3. What role, if any, should conditionality or sanctions play in encouraging and supporting in-work progression?**

3.1 In-work conditionality is a fundamentally new policy, both in the UK and internationally, with little evidence on its long term effects. It is possible that these new requirements may help people to progress in work, but they may also be financially disruptive and difficult for claimants to understand. Citizens Advice therefore welcomes the government's approach of testing major changes such as in-work conditionality prior to rolling them out.<sup>13</sup>

3.2 As mentioned above, the DWP have conducted an initial study into the effects of in-work conditionality regimes in UC. This found that people who were subject to some form of in-work conditionality increased the number of hours they spent working after one year. However, the independent review found no statistically significant difference in earnings between those in the 'minimal support group' (for whom all work search actions were voluntary) and those in the 'moderate' and 'frequent' support group (who had mandatory work search

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<sup>11</sup> House of Commons Library, [People with disabilities in employment](#), February 2019

<sup>12</sup> Citizens Advice, [Halving the disability employment gap](#), April 2017

<sup>13</sup> DWP, [Universal Credit: in-work progression randomised controlled trial: Findings from quantitative survey and qualitative research](#), September 2018

requirements).<sup>14</sup> DWP's impact assessment did find statistically significant differences in earnings, but these were very small - members of the 'frequent' and 'moderate' support group earned £5.25 and £4.23 more per week than the minimal support group respectively.<sup>15</sup>

3.3 More analysis is needed into the effects of in-work conditionality. Importantly, we need to understand the long-term impact of in-work conditionality in enabling people to increase their earnings and stay and progress in work. In addition, there is a need to understand the wider impact of this policy, including any effects on claimants' health and financial and emotional wellbeing.

3.4 Evidence from studies on out-of-work conditionality show that sanctions not only cause considerable hardship to individual claimants, they can also fail in their aim of increasing economic activity. A recent longitudinal study by the University of York concluded that, "welfare conditionality within the social security system is largely ineffective in facilitating people's entry into or progression within the paid labour market over time."<sup>16</sup> The study also found that such sanctions could lead to a substantial minority of claimants disengaging from the welfare system entirely. Other studies have shown that when people do move into work under threat of receiving a benefit sanction, they often take lower quality jobs than they would have otherwise done.<sup>17</sup>

3.5 Furthermore, the financial impact of sanctions may actively reduce claimants ability to seek more or higher paying work. Both the studies above and reports from our advisers suggest that receiving a sanction can cause a range of negative impacts, including poorer mental and physical health and deterioration of relationships. When we asked clients who had experienced sanctions in 2015 how it had affected them, 55% said they had cut back on food and 28% said they stopped stopped paying gas, electricity or water bill - just 1% reported that their immediate response was to begin formal work.<sup>18</sup>

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<sup>14</sup> DWP, [Universal Credit: in-work progression randomised controlled trial: Findings from quantitative survey and qualitative research](#), September 2018

<sup>15</sup> The difference between the two studies may be due to the Impact Assessments larger sample size. DWP, [Universal Credit: In Work Progression Randomised Control Trial - Impact Assessment](#), (2018)

<sup>16</sup> University of York et al, [Welfare Conditionality: Sanctions, Support and Behaviour Change](#), May 2018

<sup>17</sup> G. Berg and J. Vikstrom. "Monitoring job offer decisions, punishments, exit to work, and job quality." *Scandinavian Journal of Economics* (2014); Arni, P. et al (2009) "How Effective are Unemployment Benefit Sanctions?" Centre for Economic Policy Research.

<sup>18</sup> Citizens Advice clients who have sought face-to-face or web advice about a JSA or ESA sanction. Fieldwork March-September 2015, n=255.



3.6 As we have highlighted previously, groups such as disabled people and people with long-term health conditions are more likely to face barriers to moving into and progressing in work. Coupled with the extra costs disabled people face, estimated to be an average of £583 a year<sup>19</sup>, the use of sanctions is likely to cause financial detriment to this group of claimants in particular.

**Recommendation 2: DWP should continue to systematically test and review in-work conditionality - including the application of sanctions - to see whether it delivers sustainable employment outcomes for claimants. In particular, DWP should look at how it affects claimant groups who are more likely to face barriers to work, including: a) people who are caring for children, b) disabled people and people with long term health conditions.**

**Recommendation 3: Sanctions should only be used as a last resort and we do not believe they are appropriate for disabled people and those with health conditions. As part of plans to review how conditionality is set, the Government must test the effectiveness of the wider health and work policy programme in supporting these claimants to increase their income from work.**

#### **4. The current implementation of in-work conditionality**

4.1 Since the policy is in its early stages, we currently have little evidence about how work conditionality is currently being implemented and whether it has been productive. Over the last year, our local offices saw 584 clients with issues in relation to in-work conditionality, out of 5,000 who had issues with conditionality more generally. The few cases which advisers have raised with us relate to the beginning of the process - the signing of the claimant commitment, which sets the claimant's responsibilities, including actions they must carry out in order to receive a UC payment.

4.2 We have recently conducted an analysis of the claimant commitment more generally, as part of our submission to the Social Security Advisory Committee's recent inquiry on the topic. We reviewed over 600 individual cases submitted by advisers in the Citizens Network, detailing the problems people we help have with the claimant commitment.<sup>20</sup> Most of the issues our advisers report arise from an inappropriate commitment that hasn't been tailored to meet the

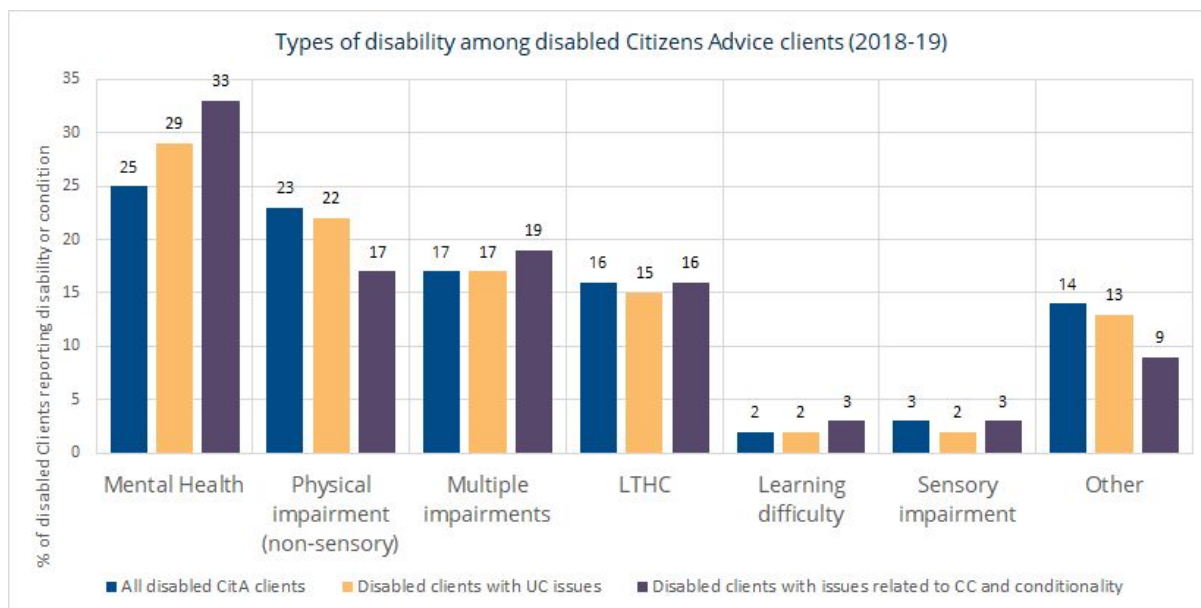
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<sup>19</sup> Scope, [The Disability Price Tag](#) (2019)

<sup>20</sup> Analysis based on 13 in-depth adviser interviews, 570 evidence form reports from advisers regarding clients affected by UC conditionality and/or the claimant commitment (including sanctions), and 45 in-depth case note reviews of Citizens Advice UC clients experiencing problems with an inappropriate claimant commitment.



claimant’s personal circumstances. In particular, our case records show that a disproportionate amount of people who had issues with their claimant commitment, or conditionality more generally, have learning disabilities and/or mental health conditions.



4.3 Our evidence also suggests that some people are being placed in the wrong conditionality groups. Most concerning we have seen people in vulnerable circumstances being inappropriately assigned to the ‘all work related requirements group.’ The vast majority of these cases involve disabled people, but we have also seen cases affecting carers, people on probation and parents with very young children.

4.4 Our also research with UC claimants suggests that there are challenges with people understanding their claimant commitment. 2 in 5 of the people we help tell us they don't understand how work search activity they are expected to do,<sup>21</sup> and almost half (45%) saying they do not know how to ask for changes to their claimant commitment.<sup>22</sup>

4.5 It appears that some clients are agreeing to an inappropriate claimant commitment partly because they do not understand the process, but also because they fear that their initial payment of UC will be delayed if they do not sign and agree to to the commitment right away. As one advisor commented: "People are signing claimant commitments without taking on board whether they can actually fulfil the requirements, people in vulnerable positions are signing up to things they might not be able to do."

<sup>21</sup> Citizens Advice, Universal Credit full service monitoring survey, Nov 2017 - May 2018, N=569

<sup>22</sup> Citizens Advice, Universal Credit full service monitoring survey, Nov 2017 - May 2018, N=588

4.6 Signing an inappropriate claimant commitment under stress not only makes it likely that claimants will fail to undertake the activities they have committed to, it also inhibits the establishment of a trusting and supportive relationship with their work coach. Advisors report that some clients experience a deterioration in their mental health and wellbeing due to the stress of being subject to excessive work-related requirements.

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**Recommendation 5: The DWP should regularly review how claimant commitments are being set by work coaches - including how discretion is applied - to assess their effectiveness in supporting people to move into and stay in work.**