



House of Commons  
Work and Pensions Committee

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**In-work progression  
in Universal Credit:  
Government Response  
to the Committee's  
Tenth Report of Session  
2015–16**

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**Fourth Special Report of Session  
2016–17**

*Ordered by the House of Commons  
to be printed 19 July 2016*

## Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Department for Work and Pensions and its associated public bodies.

### Current membership

[Frank Field MP](#) (*Labour, Birkenhead*) (Chair)

[Heidi Allen MP](#) (*Conservative, South Cambridgeshire*)

[Mhairi Black MP](#) (*Scottish National Party, Paisley and Renfrewshire South*)

[Ms Karen Buck MP](#) (*Labour, Westminster North*)

[Neil Coyle MP](#) (*Labour, Bermondsey and Old Southwark*)

[John Glen MP](#) (*Conservative, Salisbury*)

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[Steve McCabe MP](#) (*Labour, Birmingham, Selly Oak*)

[Craig Mackinlay MP](#) (*Conservative, South Thanet*)

[Jeremy Quin MP](#) (*Conservative, Horsham*)

[Craig Williams MP](#) (*Conservative, Cardiff North*)

### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

Committee reports are published on the [publications page](#) of the Committee's website and in print by Order of the House.

Evidence relating to this report is published on the [inquiry page](#) of the Committee's website.

### Committee staff

The current staff of the Committee are Adam Mellows-Facer (Clerk), Margaret McKinnon (Second Clerk), Rod McInnes (Committee Specialist), Rachael Savage (Committee Specialist), Libby McEnhill (Committee Specialist), Andrew Wallace (Senior Committee Assistant), Alison Pickard (Committee Assistant), and Jessica Bridges-Palmer (Media Officer).

### Contacts

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## Fourth Special Report

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The Work and Pensions Committee published its Tenth Report of Session 2015–16, *In-work progression in Universal Credit*, (HC 549) on 11 May 2016. The Government's response was received on 13 July 2016 and is appended to this report.

In the Government response, the Committee's recommendations appear in ***bold italicized*** text and the Government's responses are in plain text.

## Appendix: Government response

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### Introduction

1. The Government welcomes the 10th Report of Session 2015–16, following the Committee's inquiry into in-work progression in Universal Credit. In that report, the Committee noted that,

*“The Department for Work and Pensions (DWP)’s intention to introduce an employment support service for in-work claimants of Universal Credit (UC) holds the potential to be the most significant welfare reform since 1948.”*

2. The Committee's report is supportive of this Government's ambition to support people progress in work and increase their earnings. It also welcomes the current approach of building a strong evidence base for interventions through a series of trials to ensure that a future in-work service is effective in realising these ambitions. The report contains a series of recommendations which are addressed in this response.

3. The reforms brought about through Universal Credit are transformational. They ensure that it always pays for a claimant to work and to increase their earnings. These changes sweep away the complexity of the legacy system, with Universal Credit's gradual taper ensuring that financial support is withdrawn at a consistent and predictable rate as a claimant's earnings grow, removing the perverse incentives which encourage individuals to restrict their hours and pay.

4. Supporting people to progress in work is crucial to enabling individuals to fulfil their potential, improving life-chances and supporting economic growth through improvements in productivity.

5. In addition to the new incentives described above, Government will be pro-actively supporting and encouraging claimants who are in low-paid work, or in low income households, to earn more, become more self-sufficient and, ultimately, independent of the welfare state. This is the first time that any Government has sought to help people in this way, and it is crucial that we develop a strong understanding of what works in supporting people to progress.

6. The suite of trials that we are undertaking are part of a test and learn strategy which aims to deliver this evidence. The core work strands include a large-scale In-work Progression Randomised Control Trial (RCT), delivered by Jobcentre Plus to test an active

labour market approach to progression, and a range of externally led trials. These external trials will test alternative ways of working with individuals and employers to support progression.

7. Clearly, Government is only part of the answer: employers, voluntary and social sector organisations, external providers and other agencies, all have an important part to play and are central to our on-going test and learn approach. As we move forward, we expect to do more to engage external organisations and explore different approaches to supporting people to increase their earnings and fulfil their potential.

8. In the meantime it is crucial that we allow these trials time to deliver. Progression can take time, and to ensure that we get the strongest evidence from the trials, we need to allow time for individuals to be supported, results to accrue, and analysis and evaluation to be completed. We anticipate having findings from the existing suite of external trials from Summer this year, with full outputs from our large-scale RCT due in early 2018.

### The Government's response to the recommendations

***We recommend the DWP regularly publish basic information about the nature and outcomes of its pilot. The first such publication should, at the latest, coincide with the Government response to this Report. (Paragraph 23)***

9. Following a successful proof of concept stage, which provided assurance that the trial was deliverable, the RCT is now rolling out nationally. We anticipate that we will have recruited the necessary 15,000 participants by early Autumn this year. We will then continue to support claimants for a further year in the trial, up to Autumn 2017.

10. A substantial programme of evaluation has been put in place as part of the trial, which includes qualitative research with employers, Jobcentre Plus staff and claimants; a large-scale quantitative survey of claimants; and analysis of earnings progression outcomes.

11. Evaluation outcomes will necessarily take time to be delivered, and a final report is due in early 2018. We want to publish information once it is fully assured and when we are able to present a comprehensive understanding across the research and analysis of administrative data, to ensure that what we are presenting is a robust representation of what is actually happening and what is likely to happen in the future.

12. At the same time we understand the Committee's and others' desire to see early findings from the trial and to respond to this we commit to publishing an additional interim update on progress in the trial in early 2017.

13. We also note the Committee's concern that there is a lack of easily-accessible information available to the public about the nature and scope of the trial. To address this we will be looking again at how we present and disseminate this information to both the public and participants in the trial and will seek to have a dedicated information page on Gov.uk which provides details of the trial background and design in place by Summer 2016.

***If the policy is to be successful, and achieve its great potential, we recommend the DWP direct the best of its welfare reform talent at developing the service. As part of its wider assessment of in-work progression, we recommend the DWP test more flexible forms of contact in addition to face-to-face interviews and draw more widely on voluntary, community and private sector-led support. It should also consider broader measures of progress alongside earnings and clarify any plans or timescales to incorporate financial bonuses in in-work schemes. (Paragraph 30)***

14. Developing an in-work service in Universal Credit is a high priority for DWP, and we are investing significant resource in developing and testing approaches to progression.

15. By its very nature, it will take time to build detailed evidence; our in-work strategy commenced in 2013 with a Call for Ideas and extensive engagement with employers and external stakeholders. That work led to the development of four key aims:

- i) Identifying the most effective method and level of support;
- ii) Understanding how employers can best support progression and how employer best practice can be promoted;
- iii) Identifying the most effective financial levers to drive claimant behaviour without substantial adviser intervention;
- iv) Understanding the effect of mandating compliance, setting requirements and imposing conditionality.

16. The RCT represents a significant step in testing what works, building on what we already know about the effectiveness of active labour market interventions delivered by Jobcentre Plus.. Its primary aim is to support earnings progression, but the evaluation will also seek to measure broader measures of progression, including longitudinal attitudinal data and information about the activities individuals are carrying out to support their progression.

17. While the RCT is primarily focussed on identifying the most effective method and level of support and understanding the effect of conditionality, our suite of external trials delivered in partnership with Goals UK, Timewise, and through the Futures Programme, will provide evidence on the role of employers and other actors outside of government. Again, while income progression is a critical success factor in these trials, it is not the only objective. These trials will also support employers to open up progression opportunities for people in part time work, help individuals to make fundamental changes to their attitudes to work and progression as an intermediate step to increasing earnings, and support employers and individuals to increase productivity and take-home pay through the redesign of job roles.

18. Despite this already sizable programme of trialling, we recognise that there is still more to do. As the committee notes, understanding the contribution that the *voluntary, community and private sectors* can make is crucial, and it has been part of our longer term plan to build on the findings of the existing trials by further engaging with these sectors.

19. As the Committee also notes, we will want to test alternative forms of contact and support, both to improve the fit with claimants' lives, and to ensure that we are developing services which are effective and deliverable at scale. The RCT itself will provide early insight here as it includes scope to tailor contact to individuals' needs.

20. Digital modes of delivery are a particularly important channel and we are already looking at developing a small trial of an IT-based support platform with in-work claimants.

21. The role of financial levers in supporting progression is an important factor that the Department will be testing in this coming year. We are particularly interested in understanding and improving the effectiveness of our communication to claimants of the financial benefits of progression, including the impacts of the taper and removal of the '16 hour' cliff-edge and will be seeking to develop the evidence base in this area.

22. The test and learn approach means that, even as our new core offer is implemented, we will continue to look at ways of improving it through further evaluation and trialling, to ensure that we are supporting claimants in the best and most cost-effective ways.

***We recommend the DWP uses its pilot to evaluate fully:***

- ***the skills, experience and training needs of Work Coaches;***
- ***and the number of Work Coaches required to deliver a full in-work service.***

***This assessment should be used to estimate the budget required to provide such a service. (Paragraph 46)***

23. Our Work Coaches play a key role in the success of this trial, and we have a substantial programme of learning and on-going support to ensure that they are able to deliver it. Equally, the suite of trials we are running will help us further develop the Work Coach role to support in-work claimants.

24. Given the centrality of Work Coaches to the delivery of the trial we already have in place a strand of qualitative research which focuses specifically on their capability and capacity. This will include, as the Committee recommends, building our understanding of the skills, experience and training needs of work coaches, as well as learning from work coaches themselves about the best ways of supporting individuals to progress, so that successful practices can be built into the design of our future in-work offer.

25. As well as helping us to develop the evidence base about what works, a fundamental aim of the RCT is to support the business case for a core in-work offer in Universal Credit. The evaluation, alongside measuring the impacts of the interventions, will also account for the costs of delivering it and the staffing requirement needed. Only by doing this can we develop a robust understanding of what the offer should look like, what staff resource will be needed to deliver it (and at what cost), and what impacts it is likely to have on progression.

***We recommend the Department publish the number and rate of in-work sanctions, by claimant characteristics and JCP district, on a quarterly basis from autumn 2016. (Paragraph 58)***

26. This is the first time that any country has made a significant commitment to supporting people to seek to increase their earnings in work through the welfare system, and it is crucial that we build a robust evidence base.

27. We know that active labour market regimes help people into work, so it is important that we test their efficacy in helping people to progress their earnings. The possibility of a sanction, used appropriately and as a last resort, is available as a tool to support the reasonable mandatory activity that is an integral part of the conditionality being tested in the RCT. It is only through this type of trial that we will be in the position to understand what works best with this group.

28. The final report of the trial is due in early 2018, and this will include data on sanctions in the trial. We will also include headline information about sanctions in our interim report in early 2017. We want to publish information once it is fully assured and we want to present a comprehensive picture of our analysis and research to ensure that what we are presenting a robust understanding of what is actually happening and what is likely to happen in the future.

29. In addition, DWP analysts plan to release further information on Universal Credit, including sanctions, once there is sufficient information available and it has been thoroughly quality assured.

***We recommend the DWP publish more comprehensive guidance for Work Coaches on applying in-work conditionality. This guidance should incorporate how to account for individual circumstances relating to skills, confidence, health, caring responsibilities, access to both care and transport, and the availability of additional local work, in setting in-work conditions. We further recommend the guidance sets out circumstances when it would be appropriate and constructive to take into account input from an employer in establishing the reasonable conditions of a Claimant Commitment. (Paragraph 59)***

30. Work Coaches play a critical role and we are investing in accreditation for them to be able to better support our customers in this changing environment. Many of the skills that work coaches develop and utilise when working with out-of-work claimants are equally applicable to in-work claimants.

31. We have put in place a substantial programme of learning and on-going support for Work Coaches to ensure that they are able to deliver the RCT. All coaches receive face-to-face L&D prior to their participation in the trial. The learning focuses on both the technical delivery steps and the transformational change of delivering in-work progression interventions.

32. This involves building capability through case study modules, examining soft skills required for effective engagement and coaching with low earning claimants, and ensuring that there are clear expectations to support and propel earnings progression, tailored for each claimant dependent upon their circumstances.

33. In addition, a team of specialist Integrity and Operational Support Managers is in place, monitoring and assessing ways to continuously optimise trial delivery . Their activity includes: supporting the on-going delivery and learning process; working with operational staff across the Jobcentre network and Service Centres to embed a quality, consistent service; continuing to build confidence and capability; and ensuring Trial integrity and compliance.

34. A central principle of the interventions being delivered through the trial is that they are tailored to the individual. Work Coaches will work with claimants to build an understanding of their individual circumstances, including their skills, confidence, their current employment situation, their family and caring circumstances, and any other factors which have an impact on their ability to progress.

35. We do not believe that, under normal circumstances, employers should have a direct involvement in helping to set the reasonable requirements in a Claimant Commitment. However, it is clear that the conditions and circumstances of an individual's employment are a very important part of the context of that individual's ability to progress and the route of their progression. We would therefore expect that this should be part of the discussion between a Work Coach and claimant in setting reasonable requirements and considering the options for progression.

36. In addition, Work Coaches, supported by their Employment Adviser colleagues, will have a good understanding of the local labour market and the availability of progression opportunities in different sectors, and will be able to use this knowledge to further support the claimant in exploring their progression options.