

Employer Guide

to Universal Credit

November 2021

Introduction

As Universal Credit continues to roll out, more and more individuals and employers are benefitting from the improvements it brings. The recently published Business Case shows that Universal Credit will deliver a £34 billion boost to the economy over the next ten years, and increase the number of people in work by 200,000.

Universal Credit is enabling more people than ever to enter the workforce, and to have more flexibility in their working lives once they do. It removes the rules that may have stopped people from starting work or doing additional hours in the past, helping your business to react quickly and efficiently to changes in demand.

This guide will help you understand what Universal Credit means for you and your employees who are receiving it, helping your business to grow, improve productivity and compete on a larger scale.

“Universal Credit gave me the flexibility to work part-time and take on additional hours without the stress of thinking this would stop my benefit straight away.”

Nayim – Lancashire

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“Knowing that Universal Credit is always there ready to pay if my hours reduce or I lose the job has given me the confidence to take the job on.”

Paul - Margate, Kent

1. How Universal Credit helps employers

Universal Credit provides support for people who are working and earning a low income, as well as for those looking for a job. By the time it is fully in place it is expected that around 8.5 million people will be claiming Universal Credit, and many of those will be in work.

As an employer you may already have some employees who are Universal Credit claimants, and you are likely to have more in the future.

The information in this guide is intended to help you:

- make best use of the opportunities that Universal Credit brings your business.
- support your employees with accurate and useful information.

Universal Credit claimants will be more open to short-term work or flexible hours. Universal Credit payments adjust automatically as earnings change, so people can take on temporary, part-time or additional work without needing to work out what it means for their benefits.

- Universal Credit removes the old ‘16 hour’ rule as payments are based on earnings rather than the number of hours worked.
- Claimants can even accept full-time seasonal work for up to 6 months without needing to close their Universal Credit claim.
- Entry-level jobs, which are often crucial to starting a working life, will be more attractive to a broader range of candidates. Claimants can take a chance on a new career because Universal Credit supports them as they take their first steps into work.
- Universal Credit provides more generous childcare support, providing families with greater confidence to change their hours or take up job offers they may have previously thought not possible due to childcare commitments.

By making it easier for people to vary the number of hours they work each week or take a temporary job, Universal Credit can help provide your business with a more flexible workforce. People claiming Universal Credit also receive tailored help as part of the job application process, such as training in digital and budgeting skills that can be of invaluable benefit to your business in the longer term. And Universal Credit encourages people to progress in work and make the most of their potential, equipping you with a skilled and ambitious workforce.

For much more information about Universal Credit and how it works visit www.understandinguniversalcredit.gov.uk



“Universal Credit aims to make the benefit more flexible, so it is always better to work. Having no specific maximum working hours in a week before the benefit is cut means that people can increase their hours, undertake overtime, and ultimately make themselves more financially independent.”

Ciara Pryce
Group Services Director, VGC Group



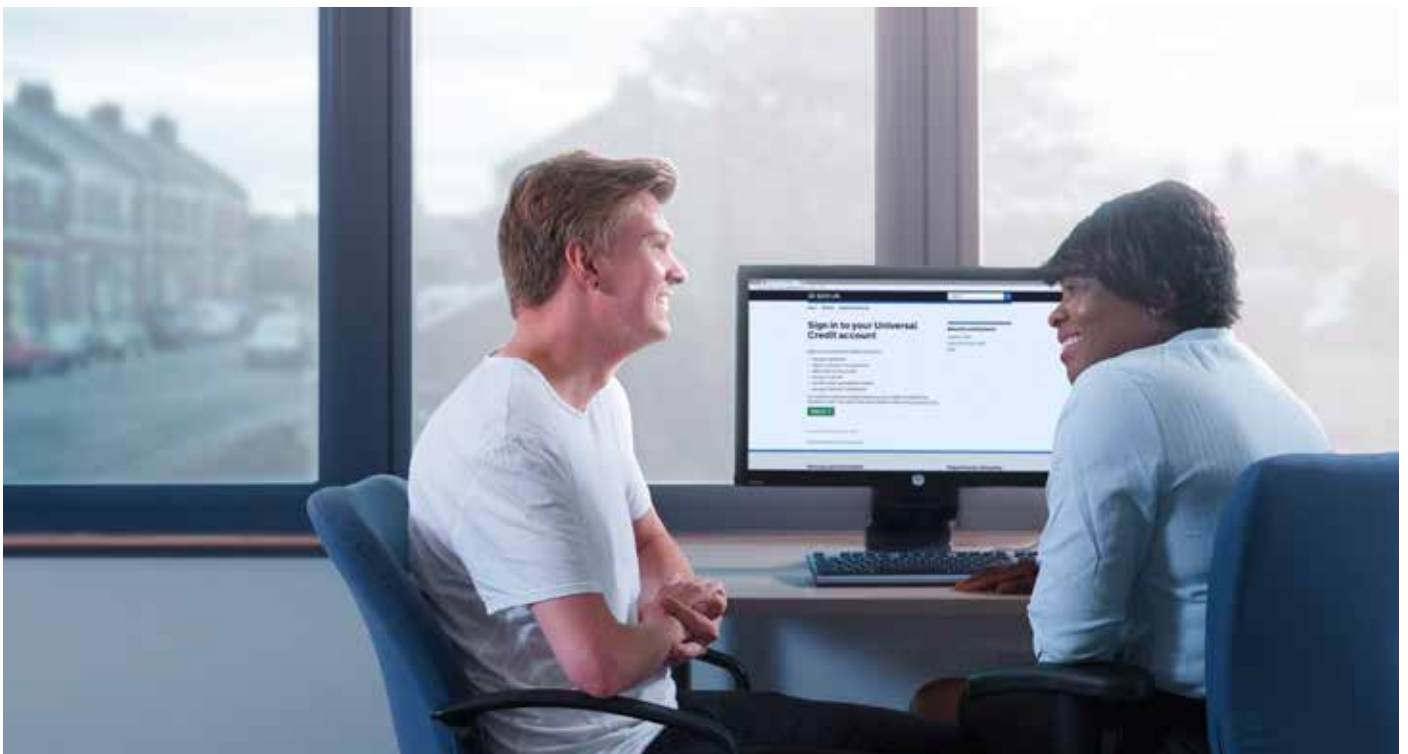
Universal Credit for HR and payroll staff

Universal Credit can help at every stage of the recruitment and employment process.

Recruitment

Universal Credit helps you in your recruitment process because it:

- provides better prepared applicants - jobseekers will receive job preparation, digital and budgeting skills and will be financially more ready for the world of work, coming from a monthly payment system.
- provides a wider pool of applicants - Universal Credit claimants will be more open to short-term, part-time or irregular work.
- only reduces gradually on starting work - jobseekers will be more willing to take work because they usually won't lose all their benefits at once (the '16 hour rule' has gone).
- helps with childcare, even before taking up a job offer - working parents can claim back up to 85% of paid out registered childcare costs, up to a monthly limit of £646 for one child, or £1108 for two or more children. This will allow experienced returners to the labour market to work around their childcare commitments.



Managing your workforce

Universal Credit helps you to manage natural peaks and troughs within your business. Universal Credit claimants on your workforce will be able to:

- be flexible about their hours - employees won't have to worry about losing their benefit or their claim being closed; any change in earnings will mean their Universal Credit adjusts automatically. They can accept offers of overtime or more hours, helping you to avoid the overheads associated with recruiting and training new staff.
- increase to full-time hours - employees will be able to do this, for example over the busy Christmas period. They will be automatically notified if their higher earnings mean their Universal Credit stops, but if their hours reduce within 6 months it's easy for them to get Universal Credit again.
- accept any bonuses offered - although a bonus could temporarily reduce or stop an employee's Universal Credit payment, it's easy for them to get Universal Credit again.

Payroll

The PAYE information you send to HMRC is forwarded to DWP to be taken into account when calculating a claimant's next Universal Credit payment. You only need to provide the information once.

It's crucial that employers file accurate and timely PAYE information. Incorrect or late information could result in claimants not receiving the Universal Credit payment they are expecting.

2. How Universal Credit works

This section provides an overview of the features of Universal Credit that are of most relevance to employers. For more detail about specific elements, or to find out how Universal Credit works from your employees' perspective, visit www.understandinguniversalcredit.gov.uk.

How earnings affect Universal Credit payments

The amount of Universal Credit that your employees receive depends on their individual circumstances. It can include help with housing costs and childcare. It is usually paid monthly, and the exact amount is calculated every calendar month.

People may continue to receive Universal Credit even when they are in work, depending on their earnings. The amount of Universal Credit they get will automatically respond to changes in their earnings. It is calculated based on their take home pay, after tax and other deductions.

Depending on their circumstances, some people will be able to earn a certain amount without it affecting their Universal Credit payments at all. This amount is called a Work Allowance

If someone has a Work Allowance, for every £1 they earn above that amount, their Universal Credit payment will be reduced by 55p. If they don't have a Work Allowance, this will apply to all of their earnings.

If someone earns enough to no longer receive Universal Credit, their claim will be paused automatically. If their earnings go down in a subsequent month, it is easy for them to re-start their Universal Credit claim. Their claim will only stop entirely if they have received no Universal Credit payments for 6 months.

There are no limits to the number of hours people can work and still receive Universal Credit – the only thing that affects their Universal Credit payment is the amount they earn.

Pay cycles

Universal Credit is paid each calendar month. Claimants are paid on the same day each month – if their first payment was on 7 March they will always be paid on the 7th of the month. If this falls on a weekend or bank holiday they will be paid on the last working day before that date.

There may be times when some employees have an extra payday from work during a calendar month. For example, if your employee is paid every 2 weeks, they will usually get 2 payments from earnings in a month. But because calendar months are longer than 4 weeks, sometimes they will get 3 payments from earnings in a single month.

In these months their earnings will be higher than usual, and this could result in their Universal Credit payment being reduced for that month. It may be the case that their extra payment means they earn enough that month to receive no Universal Credit payment at all.

If the smaller Universal Credit payment means they are having trouble paying their bills and household expenses, they can speak to their work coach or call the Universal Credit helpline to talk about the help that may be available.



What is expected of claimants

If someone is working and still receiving Universal Credit payments they may be asked to increase their hours, look for ways to progress in their current workplace, or search for additional work with a different employer. You may find that your employees want to discuss how they can increase their earnings. You may wish to consider how you might respond to such a request. If you aren't able to give them opportunities to increase their earnings they may need to look for work elsewhere.

In some cases Universal Credit claimants may contact their work coach at the jobcentre for support, and this may result in them being invited to attend a meeting at the jobcentre. These meetings will focus on supporting the claimant to help increase their earnings. No-one will be required to attend a meeting at a jobcentre at a time when they should be at work.

Moving from tax credits to Universal Credit

If someone is claiming tax credits but has a change of circumstances, this could mean that they are no longer able to claim tax credits and will claim Universal Credit instead.

In time, tax credits will no longer be available, and people receiving them will move to Universal Credit. Tax credit claimants will be given plenty of notice and further information before this change takes place.



“We at Women into Construction have worked closely with DWP since our inception 10 years ago, and we are especially keen to support women on Universal Credit who are interested in construction, to gain work and build a career in this interesting and well-paid industry.”

Kath Moore MBE, MD
Women into Construction CIC



3. Further support and information

Universal Credit is just one of the ways in which Jobcentre Plus can help you meet your recruitment and business needs. For the more information and useful links visit www.gov.uk/government/publications/how-jobcentre-plus-can-help-employers.

You can also find a more detailed version of the information covered in this brochure at: www.gov.uk/government/collections/universal-credit-information-for-employers.



“I’m a charity worker. Universal Credit is 20 times better for me as it means I don’t need to sign off and on many times a year...”

Michael - London

For more information visit:
www.understandinguniversalcredit.gov.uk