From the Chair

23 February 2018

Alok Sharma MP
Minister for Employment
Department for Work and Pensions
Caxton House
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Universal Credit employment impact

In your letter of 6 February, you kindly sent the Committee details of work carried by Neil Couling’s team for Baroness Hollis on the employment impact of Universal Credit. I would be very grateful if you would address some queries about this study.

Under the heading “Increased financial incentives to move into work” you suggested that UC would result in 150,000 additional people in employment. You explained that this figure was reached by

Combining academic evidence on people’s responses to previous welfare system reforms, and with Department’s Policy Simulation Model [PSM]. The PSM was used to estimate changes in gains from work and disposable income […] for different groups due to the introduction of Universal Credit.

1. Now that the roll-out of Universal Credit is at a much later stage, have any subsequent studies validated or otherwise given practical indications of these effects? Have you updated the PSM to reflect practical circumstances?
2. Please could you give an examples of the academic evidence used to produce this analysis?

Under the heading “Increases due to additional conditionality”, you explain that using “evidence of the employment impacts from trials of labour market interventions”, Universal Credit will result in around 50,000 additional people in employment.

3. Please could you provide additional detail of how you derived the figure of 50,000? What are the confidence intervals or other margins of error for this estimate?

Under "A smoother and simpler transition into work under Universal Credit", you estimate that 60,000 extra people will move into Universal Credit. This is based on "research and evaluation of similar reforms in the past". The research you referred to is from 2009, evaluating a programme running from 2004-2007.¹

¹ [Website link]
4. As above, please could you provide additional detail of how you derived the figure of 60,000 and the confidence intervals or other margins of error for this estimate?

5. Were there no more recent studies, which might better reflect the conditions of today’s economy and labour market, on which to base this analysis? How might this affect the accuracy of your research?

Finally, under “Supporting evidence”, you cite DWP’s September 2017 research showing that UC claimants were four percentage points more likely to be in work within six months of making a claim.

6. Is a four percentage point increase in line with the figures produced in your research for Baroness Hollis?

7. In all the figures cited in this letter, have you made an estimates of differential effects for different claimant groups (lone parents, disabled people and so on)?

Many thanks, and I look forward to receiving your response,

Rt Hon Frank Field MP
Chair