

# **NEIL COULING CBE, DEPARTMENT FOR WORK AND PENSIONS – WRITTEN EVIDENCE (EUC0132)**

## **The economics of Universal Credit**

I hope you found my evidence in support of your inquiry into the economics of Universal Credit on 2 June 2020 useful.

During my exchange with Lord Livingston of Parkhead surrounding conditionality and sanctions, I committed to writing to the Committee with information surrounding relevant research that had been conducted into the subject.

Before turning to the research, I would like to reiterate that our latest data (to November 2019) shows that only 2.38% of Universal Credit claimants subject to conditionality had a reduction in payment due to a sanction. This is the near lowest on record.

We are also committed to improving how Universal Credit operates and have already made improvements to this area which include:

- In November 2019, we reduced the maximum length for a higher-level sanction from three years to six months.
- The first stage of a proof a concept took place last year which tested giving claimants a written warning instead of a sanction when a claimant first fails to attend an appointment without good reason. This stage focused on the process and the communications with claimants. We are in the process of evaluating the results.

There is a broad body of evidence from international studies that indicates that benefit systems supported by conditionality are effective at moving people into work and that sanctions are an important part of conditionality. Transitions into work typically increase following a sanction.

The Department has strong, high-quality UK-specific evidence, gathered through the use of Randomised Control Trials, that shows conditionality is effective at supporting people into employment (reports 1, 2, and 3 in annex).

Underpinning this, the Universal Credit Extended Gateway Evaluation (report 4 in the annex) showed that 72% of claimants agreed that the potential for sanctions meant claimants were more likely to conduct work search.

Throughout the research it is important to note that it examines the effect of someone who has actually been sanctioned, rather than the behavioural effect on those that are never sanctioned. Given the evidence we have on conditionality in general, it is **likely some of the effect might be attributable** to the sanctions associated with conditionality. Therefore, we need to be mindful to consider not just those sanctioned, but everyone's response within the benefit system (report 5 in annex).

I hope you find the above useful, and I wish the Committee well with the inquiry's next steps.

## **Annex – Reports into benefit conditionality and use of sanctions**

**1. DWP: Weekly Work Search Review Trial, July 2018**

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/721910/weekly-work-search-review-trial.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/721910/weekly-work-search-review-trial.pdf)

**2. DWP: Jobseeker's Allowance Signing Trials, January 2015**

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/398803/jsa-signing-trials.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/398803/jsa-signing-trials.pdf)

**3. DWP: Jobseekers Allowance intervention pilots quantitative evaluation, 2006**

<https://webarchive.nationalarchives.gov.uk/20130314010347/http://research.dwp.gov.uk/asd/asd5/rrs-index.asp> (Takes you to the Index – RR382)

**4. DWP: Universal Credit Extended Gateway Evaluation**

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/481865/universal-credit-extended-gateway-evaluation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/481865/universal-credit-extended-gateway-evaluation.pdf)

**5. Journal of Applied Econometrics: How effective are unemployment benefit sanctions? Looking beyond unemployment exit**

<https://onlinelibrary.wiley.com/doi/abs/10.1002/jae.2289>

*5 June 2020*