



# The impact of the Administrative Earnings Threshold (AET) on working Universal Credit recipients

## Insights briefing Citizen's Advice Scotland

Quarter 2 2024-25

### Aims

- > Little is known about the impact of significant changes introduced in the last two years to the Administrative Earnings Threshold (AET). This paper presents insights drawn from our unique advice provision data, reports from frontline advisers and two in depth telephone interviews with Universal Credit recipients.

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### Overview of the Scottish Citizens Advice network

- > Citizen's Advice Scotland (CAS) is Scotland's largest provider of independent advice through its network of 59 Citizen's Advice Bureaux (CAB). Set in the context of the wider design of Universal Credit (UC), these findings can help inform policy making in this area.
- > More than 2 million people visit our online advice pages every year. In financial gain alone, that ploughed over £140m back into local communities across Scotland. Ours is advice that changes lives.
- > CABs help nearly 200,000 people every year giving us a real insight and understanding. We support people many others don't. This gives us a unique perspective and a unique ability to identify what needs to change.
- > Social security dominates the advice work being delivered by our network. 50% of all advice work carried out in Quarter (Q) 2 of 2024-2025 related to benefits. UC represented 30% of that work. The network supported 10,965 people with a UC enquiry in Q2 alone.
- > 10% of those we supported with UC during Q2 are living in remote areas, giving us insight into the experience of people living in remote places assessing the benefit.

## Summary

- > Since May 2024, most working recipients of UC must work the equivalent of 18 hours per week at the minimum wage, couples the equivalent of 29 hours per week between them, before they can be treated as in work for the purposes of conditionality. Three increases to this threshold (the AET) since September 2022 mean that more people in work are subject to their benefit being sanctioned.
- > This can have a detrimental impact on people with caring responsibilities and health conditions.
- > People who are paid weekly or four weekly face the dual challenge of appearing at some points in a year to have failed to earn enough, while at others to have received two wages in one month, reducing benefit entitlement.
- > Households in receipt of means tested support administered outside of the UC system, such as Council Tax Reduction and school clothing grants, can find themselves losing this support if they are able to increase their earnings.

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## Who we support with advice about Universal Credit and what that tells us

More than half of people seeking UC advice from us (61%) are living in areas with the highest level of multiple deprivation. The interaction between inadequate income, health, caring and the need for work that is flexible shapes the experiences of those we support of accessing Universal Credit.

Those we support with UC have complex lives and are frequently combining work with caring responsibilities. 38% of all those that we supported with UC this Q are recorded as having a caring responsibility. Of those we supported with managed migration, that proportion rises to 64%. 45% of all clients that we supported with managed migration in Q2 are recorded as caring for an adult or child with a disability.

Many others are sustaining employment while managing health needs. 26% of our UC clients in Q2 were recorded as being either part-time, full-time or self-employed, while 31% were recorded as being unable to work for health reasons. 42% of those we support with UC are recorded as having a health condition.

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## The Administrative Earnings Threshold (AET)

In May 2024, the AET was increased to £892 per monthly assessment period for single claimants and to £1,437 per assessment period for couples. This is approximately double the number of hours that were required in 2022.

Many employers and employees have adapted to sixteen hour working weeks, the threshold used to determine eligibility for lone parents accessing the legacy Tax Credits system.

## Impact of increasing minimum hours

The change to minimum hours can particularly impact women who are lone parents, people whose circumstances are in flux, and those with health conditions, The impact on people already dealing with disruptive change is evident in Sharon's experience below.

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Sharon works 16 hours a week for £12 an hour. Her Work Coach had placed pressure on her to either work more hours in her existing job, find a second job, or a better paid job. Sharon was advised by her Work Coach that she must earn at least £892 to continue to qualify for UC and that she is in the "all work requirements" category. Sharon risks being sanctioned if she refuses to sign a claimant commitment reflecting this. Sharon has three children aged five, eight and eighteen. Her employer can only offer her a Saturday afternoon shift. Sharon has recently separated due to domestic abuse and lacks childcare access.

For people with young children or children with additional needs, increasing working hours can place a strain on family life.

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Christy and her partner Michael are struggling to meet their AET. Christy is a carer for their disabled son and Michael is full-time self-employed. He earns £1200/month and is in his first year of self-employment. He is having to attend weekly appointments at the JobCentre during which he is pressed to find more work. Michael has therefore started to work six days a week. He feels that he has no time with his family and that his relationship with his children is suffering.

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Julie attended her local CAB for support to challenge a decision not to award her ADP. Julie lives with depression and a physical disability. It was quickly evident to her adviser that Julie had not provided complete information to enable a decision maker to accurately evaluate eligibility. Julie explained that due to impaired manual dexterity she is unable to use knives or handle hot pans and crockery. She revealed that she struggles to remember to take her medication, and her husband needs to prompt her. She disclosed that she experiences urinary incontinence she explained that she had been too embarrassed to admit this on her ADP application. She has since attended her GP and is waiting for further tests. As the conversation continued, this pattern of incomplete information having been provided on the application appeared across activities and descriptors. Julie stated that alongside the psychological barriers to explaining her difficulties, she struggles with understanding some information and that using the Internet causes her great stress. The CAB reassured Julie that there was no sense in which she has been dishonest and that "the form can be confusing".

## Loss of additional means-tested support

The financial precarity that is already a feature of low paid work can be compounded by a loss of vital additional means tested support as earnings increase. Fluctuating levels of access to benefit with local criteria, such as Council Tax Reduction and school clothing grants, can cause acute financial distress. When additional childcare requirements and travel costs are accounted for, increasing hours of work can leave people worse off financially. The ways in which these factors converge is illustrated by Jane's experience below.

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Jane works 15 hours per week. She is having to engage with weekly calls from JCP to discuss increasing her earnings. She secured an extra 5 hours overtime each week, but this is not a contractual arrangement and may be temporary according to the needs of her employer. Jane is a single parent caring for two children aged 7 and 11 years. She applied for a school clothing grant, but her application was not successful because in her last UC assessment period she earned £850, over the earnings limit that applies in her area (£795 monthly). The extra hours have also taken Jane over the limit for free school meals (also £795 monthly). Jane's youngest child has complex needs and Jane is in receipt of Child Disability Payment (CDP) to reflect this. Her son is undergoing a CALMHS assessment. Jane is unable to find suitable childcare for her son due to the intensity of his needs, in particular his behavioural presentation. The only option open to Jane is to report a change of circumstances in respect of CDP; if her child's care needs are found to have increased, uplifting the CDP award rate, then she will be relieved of the expectation to earn more.

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## Earnings payment cycles

People who are paid weekly or four weekly face the dual challenge of appearing at some points in a year to have failed to earn enough, while at others to have received two wages in one month, reducing benefit entitlement. This is because monthly assessment cycles for UC do not align with these types of pay cycles. This can cause levels of distress that negatively impacts health.

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Sarah works eighteen hours weekly, a working week which allows her to manage her health conditions. Sarah is paid weekly, meaning that in four months of the year she appears have earnings below the AET, while in another four months she appears to have been paid twice in the assessment period. She was advised that she will have find more work, submit fit notes and be assessed under the Limited Capability for Work process, or arrange to be paid monthly and not weekly. Sandra is considering whether it is worth working at all.

## Impact on Council Tax Reduction

Loss of, or significant changes to, Council Tax Reduction, has been a cause of real hardship for those paid weekly or fortnightly even prior to changes to the AET.

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Andrea loses her entitlement to Council Tax Reduction (CTR) every time she has five weekly pay days in a month. Andrea and her husband have a joint claim for UC. Andrea earns £220 a week while her husband cares for their son who has significant care needs. Assessed on a weekly basis, the couple are entitled to a CTR of around £60 a month, but when five paydays fall within their UC monthly assessment period, Andrea's earnings take her over the threshold for CTR that month and she has to reapply for CTR for the following month.

## The case for further research

Very little research has been conducted into the efficacy of increases to the AET. In August, the DWP published an analysis of research conducted between 2017 and 2020, prior to the increases.<sup>1</sup> The analysis concluded that “on average, men and younger claimants appear to benefit more from entering UC in the Intensive regime than women and older claimants.” It was beyond the scope of the research to explore this, or indeed to explore what might have driven increases in earnings where they were found. Increases in earnings attributed in the research to the effect of the AET clustered around younger men starting their UC claim with earnings just under the AET.

The research did not consider the extent to which increases in earnings resulted in overall household income gains. The authors conclude that “the ‘optimal’ value of the AET is not known”.<sup>2</sup> The complex interaction between earnings, pay cycles and means tested benefits administered outside of UC is pertinent here.<sup>3</sup> The House of Lords Secondary Legislation Scrutiny Committee voiced these concerns, observing that “without proper evaluation, there is a risk of certain groups of claimants being disadvantaged, particularly those in part-time work who also claim benefits because they have health issues or caring responsibilities.”<sup>4</sup>

<sup>1</sup> [Universal Credit and earnings progression: evidence from a regression discontinuity design - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/458887/Universal_Credit_and_earnings_progression_evidence_from_a_regression_discontinuity_design.pdf)

<sup>2</sup> [Universal Credit and earnings progression: evidence from a regression discontinuity design - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/458887/Universal_Credit_and_earnings_progression_evidence_from_a_regression_discontinuity_design.pdf)

<sup>3</sup> [cliff-edges-and-precipitous-inclines-research-report.pdf \(bath.ac.uk\)](https://www.bath.ac.uk/~ee123/cliff-edges-and-precipitous-inclines-research-report.pdf)

<sup>4</sup> [House of Lords - Second Report - Secondary Legislation Scrutiny Committee \(parliament.uk\)](https://www.parliament.uk/houseoflords/secondary-legislation-scrutiny-committee/reports)





## Our Recommendations

- > No further increases of the AET to be considered pending a full evaluation of impact.
- > Greater flexibility concerning when the AET applies and the appropriate level to set it at for the individual. Such flexibility should also introduce a “grace” period to support those with fluctuating earnings. This would involve an amendment to the Universal Credit (Administrative) Earnings Threshold Regulations by secondary legislation and changes to accompanying Decision Makers Guidance.
- > A compassionate approach that accounts for individual lives in context in contrast to a punitive approach. This means encouraging engagement with appropriate support rather than administrative compliance. This is achievable through robust guidance for work coaches and for individuals claiming Universal Credit, empowering both parties when agreeing claimant commitments.
- > A statutory obligation should be introduced to the Universal Credit Regulations 2013 so that work coaches must prioritise the best interests of the child, as outlined in Article 3 of the UN Convention on the Rights of the Child, when agreeing a claimant commitment.
- > The ability to “adjust” UC awards to account for the impact of being paid weekly, fortnightly or four weekly. This is already in place to support monthly earnings cycles affected by weekends and bank holidays.
- > Abolish the five week wait and either introduce upfront payments, with individual choice about payment periods provided, or new claim grants. Both could be achieved within the parameters of a monthly assessment periods and could be considered on a targeted basis.



# Appendix 1

## Insights: Adrienne's experience

We interviewed Adrienne, a lone parent who works in a local branch of a major supermarket. She explained the very real challenges being experienced by working parents in receipt of Universal Credit, and the stigma that they are carefully navigating.

Adrienne was working sixteen hours weekly for the National Minimum Wage while acting as the sole carer of her thirteen-year-old son. She was contacted by her local JobCentre during a weekend in mid-June 2024 while with her father and her son. Adrienne recalled that her son clearly comprehended his mother's anxiety. Adrienne was advised by the caller that she will need to increase her hours to at least eighteen a week or take on additional work. She was advised that until she increases her earnings, she could be referred for a sanction if she fails to engage with regular appointments at the JobCentre to demonstrate that she is taking active steps to increase her earnings.

Although she did not fully understand what this means for her, Adrienne was concerned enough to respond. She spoke with her father, upon whom she relies for childcare, and her employer. She was able to obtain additional hours, but she is still receiving distressing fortnightly calls from the JobCentre. She describes being "hassled", although she had fulfilled what was asked of her. This is because Adrienne is paid four weekly, which means that in some UC monthly assessment periods she appears not to be earning enough. At the time of interview, Adrienne was very concerned about a temporary dip in her earnings due to an accident that necessitated the loss of a days pay. In other assessment periods, occurring twice every year, Adrienne appears to be being paid twice in one assessment period and loses benefit. She struggles during these months, frequently having to borrow from family or friends. Adrienne described anxiety and disrupted sleep induced by the expectation of a call from the JobCentre or a reduction in earnings, causing both increased contact from JCP and financial hardship. Adrienne feels as though she is being "punished" for being in work and that her expectation is that the agency should "leave people who are working alone".

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