

Universal Credit and employers: frequently asked questions

This guidance explains what Universal Credit will mean for employers and their employees.

Details

This guidance answers questions on topics including:

- preparing claimants for Universal Credit
- recruitment
- childcare and families

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1. Introduction

This information is compiled from questions asked by national employers and Subject Matter Experts at Universal Credit events around the country.

2. What are the benefits of Universal Credit for employers?

Claimants can be flexible about working more hours or ad hoc additional hours because Universal Credit has no restrictions on the number of hours worked.

It is designed so that it automatically responds to fluctuations in earnings, and allows claimants to keep receiving Universal Credit, making work pay.

3. How are claimants informed that Universal Credit is based on income, not hours worked?

There is a range of information available for claimants to help them prepare for the changes Universal Credit brings, including advice on www.nidirect.gov.uk and from Jobs and Benefits Office.

Work Coaches also explain the changes at their interview when they make a claim and at regular follow-up meetings.

4. How do Work Coaches help claimants increase their earnings and become more financially independent?

Work Coaches will explain the new rules and reassure claimants that they will be better off working more. They will encourage claimants to discuss with their employer how they can increase their chances of earning more, for example by improving their skills, which may help them take on more responsibilities.

We are working with employers and employer organisations to understand the most effective methods to support people to stay and progress in work.

5. How is the information employers supply to Her Majesty's Revenue and Customs (HMRC) linked to the Department for Communities (DfC)?

When a claimant is accepted as eligible for Universal Credit their identity is verified and the Universal Credit system sends an electronic message to HMRC.

HMRC systems mark the individual's record as being a Universal Credit claimant and automatically pass Pay As You Earn (PAYE) data supplied by any employer in relation to that individual to DfC.

6. How quickly does the information employers supply to HMRC get transferred to DfC?

Employers should supply their Pay As You Earn (PAYE) information to HMRC on or before the day employees are paid.

PAYE information relating to Universal Credit claimants is sent by HMRC in real time. You may have seen this referred to as Real Time Information or RTI.

HMRC sends relevant data on Universal Credit claimants to DfC on a daily basis (4 times a day). This means the information supplied will be with DfC on the same day or on the next day, at the latest.

7. What happens if Real Time Information (RTI) data is submitted late?

If RTI data is submitted late this could mean that your employees receive too much or too little Universal Credit, and a possible increase in contact for you.

You could also risk receiving a penalty if you fail to submit PAYE details on time. For more information see the Running Payroll guidance on GOV.UK.

8. What happens when someone on Universal Credit starts work?

The claimant needs to inform DfC that they have started work. DfC records this and the Pay As You Earn (PAYE) in real time system sends the relevant PAYE information to DfC automatically, as soon as it is received from the claimant's employer.

If someone has more than one job, they do not normally need to inform DfC as the information will come through automatically.

If a claimant is self-employed, they need to report their earnings themselves.

9. How will Universal Credit be paid to claimants?

In the majority of cases Universal Credit consists of twice monthly payments which is paid in arrears directly into the claimant's account.

Couples living in the same household receive twice monthly payments between them. Payments include eligible housing costs which will normally be paid directly by Department for Communities to the landlord/mortgage provider.

10. How long will someone have to wait for their benefit if their earnings change?

Universal Credit is paid twice monthly in arrears and is designed to automatically adjust each assessment period to reflect the amount someone earns in that time. So if someone's earnings reduce in their assessment period then their Universal Credit payment will be higher.

If their earnings increase in this period, their Universal Credit payment will be reduced to reflect the higher earnings.

11. How does Universal Credit operate when someone works irregular hours?

Universal Credit is payable in and out of work and is designed to deal with changes in earnings, including irregular earnings. This means that the benefit will not end when earnings increase unless earnings are high enough to leave Universal Credit altogether. RTI information from the employer means that the claimant's Universal Credit payments adjust automatically.

12. How does Universal Credit work alongside autoenrolment?

Auto enrolment into a Workplace Pension isn't linked to Universal Credit.

13. What tax code should we put Universal Credit claimants on?

Universal Credit claimants are no different to any other employee. Employers should use exactly the same tax code procedures for Universal Credit claimants as they do for any other employee.

14. How does Universal Credit work with benefits in kind?

Universal Credit will not initially take 'benefits in kind' (employee benefits that do not take the form of money) into account.

We are considering the best solution to reflect benefits in kind in the future, to ensure that the level of earnings taken into account fairly reflects the income and choices available to the household.

15. How do bonuses affect Universal Credit payments?

In most cases bonuses will be assessed along with the salary and, depending upon the individual's circumstances, could reduce their benefit for that assessment period.

Usually, the claimants will continue on Universal Credit automatically for their next payment.

However, if the bonus reduces the Universal Credit award to zero, DfC can help claimants quickly return to claiming Universal Credit.

16. What happens if employees say they have received a wrong Universal Credit payment?

If the correct PAYE information has been sent to HMRC by the employer on or before a person has been paid, employers should tell claimants to contact DfC directly.

Further guidance on this is available on the HMRC PAYE in real time (RTI) [technical FAQs](#).

17. Do recruiting agencies need to report staff on RTI too?

If the agency is the employer then the agency will need to report earnings via PAYE, just as they do now.

18. How will employers know who is on benefits?

Employers do not need to know who is on benefits, but claimants can tell their employer if they wish.

Employers should use exactly the same processes for Universal Credit claimants as they do for all their staff.

19. If someone takes multiple jobs, how do the earnings work?

The PAYE information received from each employer is used to calculate total earnings in each assessment period. This total is used to calculate Universal Credit payments.

Employers should not need to verify earnings to DfC if they are reporting earnings using PAYE.

20. What is the current rule on zero hour contracts?

Universal Credit is designed to be responsive to fluctuations in earnings, as payments are based on income in a specific monthly assessment period. If the claimant's earnings drop, or they receive no income, then their Universal Credit payment will be re-calculated automatically.

The flexibility of these types of contracts is attractive to some individuals, but people on Universal Credit are not required to accept zero hour contracts which require exclusivity.

21. How does Universal Credit help women returning to work after having a child?

Universal Credit allows people to work any number of hours and to claim help with childcare support.

Parents can claim back up to 85% of paid out registered childcare costs, up to a monthly limit of £950.92 for one child, or £1,630.15 for two or more children.

This will allow experienced returners to the labour market to work around their childcare commitments.

Help with Upfront Childcare costs

If paying upfront for registered childcare is preventing you from starting work, help may be available.

For further information go to [Adviser Discretion Fund](#) or [Help from your local Jobs and Benefits office](#) or you can speak with your work coach.