
Director General for Regulation

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Dear Trevor,

A concern was raised with us about the recent use by Ministers in the Department of Work and Pensions (DWP) of an estimate of the number of people expected to benefit from Universal Credit (UC). The concern relates to the figure in the claim “*Universal Credit is likely to mean that 250,000 more people will be in work*” and whether or not it was used appropriately by Ministers. The claim was made on several occasions in parliamentary debates^{1,2} and a newspaper opinion piece³.

It is my understanding that an estimate of the number of additional people in work due to UC has been around for some time. The original estimate (of 300,000) was part of the supporting analysis and evidence for the UC Impact Assessment, which was published in December 2012 and includes the basis of the calculation⁴. The 300,000 figure was referenced in the October 2014 DWP publication ‘Universal Credit at Work’⁵.

This original estimate has since been revised downwards to 250,000 for the UC Outline Business Case. The department did not publish the formal revision, but it was included in the National Audit Office’s (NAO) November 2014 Universal Credit Progress Update⁶ and was cited in the Resolution Foundation’s March 2015 report ‘Credit where it’s due? Assessing the benefits and risks of Universal Credit’⁷.

The figure is expected to be revised again for the Full Business Case, which is due to be delivered this spring. I understand that DWP has committed to publishing an accompanying methodology note that sets out the modelling approach in more detail.

¹ <https://hansard.parliament.uk/Commons/2017-10-09/debates/85FA4177-36D2-4D64-876F-B072176F962B/UniversalCredit>

² <https://hansard.parliament.uk/commons/2017-11-23/debates/36ef5fee-7fb1-4841-a242-7625ed73fca0/universalcredit>

³ <https://www.thetimes.co.uk/article/universal-credit-is-now-running-better-and-it-s-working-0qxtgjj6x>

⁴ <https://www.gov.uk/government/publications/universal-credit-impact-assessment>

⁵ <https://www.gov.uk/government/publications/universal-credit-at-work>

⁶ <https://www.nao.org.uk/report/universal-credit-progress-update-2/>

⁷ <http://www.resolutionfoundation.org/publications/credit-where-its-due-assessing-the-benefits-and-risks-of-universal-credit/>

Based on the above, I am satisfied that Ministers used the figure of the number of additional people in work due to UC appropriately as they drew on published sources. I welcome the use of analytical evidence to inform decision making and policy.

I also welcome your plans to publish the revised estimate and supporting quality information. This will help the public properly understand and scrutinise the figure. I have several suggestions for how you might maximise the public value of the methodology note.

First, I encourage you to include links to the various documents highlighted above and explain the origin of, and revisions to, the figure. This would provide helpful historical context and would make the documents easier to locate. Second, it would be helpful to include a statement about the uncertainty around the overall estimate and the individual components of the estimate. The UC Impact Assessment clearly highlighted the difficulties and limitations associated with the methods, but other descriptions of the analyses and the figure do not include this information.

Finally, I encourage you to add a short summary of how you combined the three component estimates to arrive at the overall figure, and the degree of independence of the component estimates (whether you expect any overlaps between individuals moving into work due to improved financial incentives, improvements in simplicity and smoother transition to work, and extended conditionality). The recent response to a parliamentary question about the 250,000 figure included a breakdown of the three component estimates, but the estimates did not add up to 250,000⁸. I presume this is a simple case of rounding, but it would be helpful to explain this clearly.

I welcome your engagement on this matter.

Your sincerely



Ed Humpherson

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⁸ <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Lords/2017-10-16/HL2020>