EXPLANATORY MEMORANDUM TO

THE UNIVERSAL CREDIT, PERSONAL INDEPENDENCE PAYMENT, JOBSEEKER'S ALLOWANCE AND EMPLOYMENT AND SUPPORT ALLOWANCE (CLAIMS AND PAYMENTS) (AMENDMENT) (NO. 2) REGULATIONS 2026

2026 No. 946

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 The Rt Hon Baroness Smith of Malvern, Minister for Skills at the Department for Work and Pensions confirms that this Explanatory Memorandum meets the required standard.

2.2 Lorenzo Peri, Deputy Director for Jobs Guarantee and Youth Jobs Grant policy, at the Department for Work and Pensions confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Helen Birch at the Department for Work and Pensions can be contacted by email at the following address with any queries regarding the instrument: dwp.jobguaranteeteam@dwp.gov.uk

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 Under existing legislation, where an individual's Universal Credit[1] award is reduced to nil due to earnings, the individual may be "treated as making" a new Universal Credit claim for the following five assessment periods (months)[2]. This means that if their earnings reduce sufficiently in these periods, they do not need to make a new claim, and instead their Universal Credit will automatically go back into payment.

4.2 This instrument, with effect from 22 September 2026, will extend this period for those who have been referred onto a wage subsidy scheme[3] by the Department for Work and Pensions, until the assessment period after they complete the scheme. This will mean that individuals who complete a relevant wage subsidy scheme, and do not continue in employment, do not need to reclaim Universal Credit as their claim will automatically go back into payment if their income drops.

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[1] https://www.gov.uk/universal-credit

[2] Universal Credit is calculated based on an individual's circumstances each month. These are called 'assessment periods'.

[3] A wage subsidy scheme is an employment intervention where all, or part, of the wages of an individual participating in the scheme are funded by the organisation delivering the scheme. Normally the organisation delivering the scheme reimburses the employer for wages paid to the participant of the scheme. Recent examples of wage subsidy schemes are Kickstart (2020 – 2022) and the Jobs Guarantee scheme (from 2026).

Where does the legislation extend to, and apply?

4.3 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales and Scotland.

4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales and Scotland.

5. Policy Context

What is being done and why?

5.1 As part of the Government's response[4] to the rising number of young people not in employment, education or training (often referred to as "NEET"), the Department for Work and Pensions introduced the Jobs Guarantee scheme[5], one part of the wider Youth Guarantee[6]. The Jobs Guarantee scheme will guarantee up to six months paid work to every eligible long-term unemployed young person in Great Britain. The scheme is already being delivered in six areas, and will be rolled out across Great Britain from November 2026, providing opportunities for over 90,000 young people over the next three years.

5.2 The Jobs Guarantee scheme aims to provide participants with meaningful paid work, with support and training, that will give them the skills and experience to improve their chances of moving into sustained, unsubsidised, employment. Under the scheme eligible young people will be mandated to take up a six-month job, normally for a minimum of 25 hours a week. The Department for Work and Pensions will fund 100% of employer wage costs at the relevant minimum wage[7] for up to 25 hours a week for up to six months. Employers can choose to self-fund a higher wage or more hours a week. While some participants will transition directly into unfunded employment, further education, or training after the end of the scheme, there will be a proportion who do not, and there are no requirements on employers to keep participants on after the end of the scheme.

5.3 Where an individual in receipt of Universal Credit sees their income increase, their Universal Credit award is reduced by 55p for every £1, until it reaches zero (the taper rate). Where a Universal Credit award is reduced to zero due to earnings (a nil award), a claimant may be "treated as making" a new claim, with an automatic check of income being completed, for a further five months (assessment periods). If income drops below the level where the claimant would be entitled to Universal Credit during this period, then their Universal Credit will automatically go back into payment. If income drops after this period, then the individual would need to submit a new Universal Credit claim to continue receiving support. It is estimated that approximately 80% of participants of the Jobs Guarantee scheme will see their Universal Credit reduce to zero while on the scheme if they work the expected 25hrs per week at the relevant minimum wage.

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[4] https://www.gov.uk/government/publications/get-britain-working-white-paper/get-britain-working-white-paper

[5] The Jobs Guarantee scheme will guarantee fully funded, six month paid jobs to all eligible 18 to 24-year-olds who have been on Universal Credit and looking for work for 18 months, with support to help them succeed on the scheme. https://www.gov.uk/government/publications/jobs-guarantee

[6] The Youth Guarantee is the Governments overarching package to support young people to earn and learn. The Youth Guarantee is comprised of a number of interventions aimed at tackling the rising number of young people who are not in employment, education or training.

[7] https://www.gov.uk/national-minimum-wage-rates

5.4 These regulations, with effect from 22 September 2026, will extend the period where an individual who is on a relevant subsidised employment scheme will be "treated as making" a Universal Credit claim. It allows the Secretary of State to treat the person as re-claiming Universal Credit up until the month after they cease to be in the scheme. This will ensure that participants leaving a wage subsidy scheme will not have to make a new claim for Universal Credit if they are unable to secure onward employment as their Universal Credit will automatically go back into payment. This will reduce the risk of participants facing financial hardship after the end of the scheme, as there could be a gap in income if they were not to reclaim Universal Credit immediately following the end of the job on the scheme. It will also support the department's ability to provide a streamlined customer journey, supporting participants who do not transition directly into employment, education or training to leverage their experience on the scheme to secure employment.

5.5 The regulations are being introduced in response to the Jobs Guarantee scheme, but will extend to all individuals referred to a relevant wage subsidy scheme by the Department for Work and Pensions. This will reduce the likelihood that further regulations will need to be laid in the future if a new wage subsidy scheme is introduced.

What was the previous policy, how is this different?

5.6 Under the previous legislation, where a participant of the Jobs Guarantee scheme saw their Universal Credit award reduced to zero while on the scheme, they would exceed the "automatic reclaim period" before completing the full six months of the scheme. This would mean that if their income dropped at the end of the scheme, i.e. because they did not continue in employment, their Universal Credit claim would not automatically go back into payment. Instead, individuals would need to make a new claim to Universal Credit if they continued to need financial assistance.

5.7 This requirement to submit a new claim could have led to some individuals facing financial hardship if they did not submit a new claim to Universal Credit on the day their employment ended, due to the standard five week wait between submitting a claim and receiving the first payment. The closing of the previous Universal Credit claim and need to submit a new claim would also impact the department's ability to deliver a joined-up customer journey for those returning to the department. If individuals are required to submit a new Universal Credit claim after finishing the scheme, there will be a delay in them re-entering the department's programme of employment support while their new claim is processed. The delay, as well as the impact on the level of join up in the journey, could result in young people moving back away from the labour market following the end of their time on the scheme.

5.8 These regulations will instead mean that individuals who are referred on to a relevant wage subsidy scheme by the department, and who complete the scheme (the period of funded employment) will not need to submit a new claim to Universal Credit. Instead their Universal Credit claim will automatically go back into payment if their income drops following the end of their time on the wage subsidy scheme. This will enable the Department to continue to support them into employment, and to quickly start building on the individual's experience and skills gained on the scheme to help them secure further employment.

6. Legislative and Legal Context

How has the law changed?

6.1 This instrument amends The Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Claims and Payments) Regulations 2013[8] to provide for the automatic reclaim of Universal Credit for claimants taking part in a funded employment scheme.

6.2 Regulation 32A of The Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Claims and Payments) Regulations 2013 is amended by inserting new paragraphs (3) and (4). The new provisions extend the period for which an individual on Universal Credit will be automatically treated as "reclaiming" Universal Credit for those on a DWP or equivalent Scottish or Welsh delivered wage subsidy scheme delivered under Section 2 of the Employment and Training Act 1973[9] who are referred onto said scheme by the Department for Work and Pensions, for an additional month beyond their time on the scheme.

6.3 This will mean that an individual's Universal Credit claim will automatically go back into payment if, on completion of the scheme, their income drops to a level where they become entitled to Universal Credit, i.e. because they do not continue in employment. This is intended to cover those completing a period of employment under the Jobs Guarantee scheme, but will also cover equivalent future wage subsidy scheme to future proof the legislation.

Why was this approach taken to change the law?

6.4 The proposed changes have been drafted to cover any relevant wage subsidy scheme, instead of being restricted to those on the Jobs Guarantee scheme.

6.5 The Department for Work and Pensions has introduced a series of wage subsidy schemes in response to previous high levels of youth unemployment, as there is clear evidence of the efficacy of wage subsidy schemes in increasing employment of targeted groups. This includes Kickstart (2020 – 2022) and the Future Jobs Fund (2009 – 2012). The decision for the regulations to apply to participants of relevant wage subsidy schemes was taken to future-proof the legislation and reduce the risk that further legislation would be required if a new wage subsidy scheme is introduced in the future.

6.6 The regulations are also restricted to individuals referred to a wage subsidy scheme by the Department for Work and Pensions, as this will ensure that DWP can identify those covered by the regulations and apply the longer automatic reclaim period to their Universal Credit claim.

7. Consultation

Summary of consultation outcome and methodology

7.1 These regulations were referred to the Social Security Advisory Committee on 15 July 2026, who confirmed that they are content for the regulations to proceed without formal reference. The minutes will be published on GOV.UK[10].

[8] https://www.legislation.gov.uk/uksi/2013/380
[9] https://www.legislation.gov.uk/ukpga/1973/50
[10] https://www.gov.uk/government/collections/social-security-advisory-committee-minutes-of-meetings

7.2 Drafts of these regulations have been shared with the Northern Ireland Executive. The Scottish and Welsh Governments have been informed of the department's intention to lay these regulations.

8. Applicable Guidance

8.1 Guidance will be issued to Department for Work and Pensions decision makers in line with the regulations to support this instrument coming into force. This guidance will be published on the Advice for Decision Making: Staff Guide[11] page on gov.uk.

8.2 Guidance will also be provided to participants of Department for Work and Pensions wage subsidy schemes to inform them of how their Universal Credit will be impacted while they are participating on said scheme.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because there is no impact of these regulations on business. The regulations relate to a small, technical change to existing Universal Credit legislation to extend the period where an individual's Universal Credit will automatically go back into payment where their income drops, for those on a Department for Work and Pensions wage subsidy scheme. As such the impacts of the legislation relate solely to benefit claimants, and there is no impact on business.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The Department for Work and Pensions is firmly committed to evaluating and monitoring the impact of its policies. As part of the delivery of the Jobs Guarantee scheme the department has committed to undertake a full evaluation of the scheme. This includes monitoring of the delivery of the scheme at an operational level and so as part of this the department will monitor the impacts of this instrument.

10.2 The instrument does not include a statutory review clause given the minor and technical nature of the instrument.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

[11] https://www.gov.uk/government/publications/advice-for-decision-making-staff-guide

12. European Convention on Human Rights

12.1 As the instrument is subject to the negative procedure and does not amend primary legislation no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").