

Written evidence submitted by Parental Pay Equality (MRS0170)

Self-employed mothers and SEISS

Parental Pay Equality is an organisation founded in 2017 to campaign for shared parental leave for the self-employed. We also conduct research into how the maternity allowance system affects self-employed families and campaign for change .

The government's new Self Employment Income Support Scheme (SEISS) discriminates against women because periods of maternity leave taken between 2016 and 2019 will affect the amount of financial support they are eligible for. Self-employed men do not face this issue. Under the current guidance, self-employed women cannot exempt periods of maternity leave from the calculation used to work out their average income, which is what the SEISS payments will be based upon. This means that women who have taken periods of maternity leave in any of the years, 2016-17, 2017-18 and 2018-19 will receive significantly less financial support than if they had not taken maternity leave in those years.

Self-employed mothers already face a number of disadvantages and are already likely to suffer reduced incomes after having children, even after their maternity leave period is finished.

In families where both parents are self-employed, only the mother can claim maternity allowance - there is no paternity leave or shared parental leave for families where both parents are self-employed. This means that the primary carer role almost always falls to the mother, so even mothers who were the higher earner or want to go back to work earlier don't have this option.

Unlike their employed peers, self-employed mothers on maternity allowance are not allowed to do any work beyond their 10 keeping in touch days, making it difficult to retain clients while on mat leave. Research by Parental Pay Equality in 2018 showed that only 20% of self-employed women were back to their pre-baby earnings by the time their child was 2, compared to 26% of employed mothers working full-time by the time their child was 2. <http://www.parentalpayequality.org.uk/survey-results-in/>

The decision to allow past periods of maternity leave to further reduce these women's incomes is unnecessary and discriminatory.

An FOI showed the numbers of self-employed women for 2015 and 2016 were as follows:

2015 - claiming standard rate MA & are self employed 24,500
2015 - claiming lower rate MA & are self employed 700
2015 - claiming variable rate or other rate MA - 700
Total = 26,900

2016 - claiming standar rate MA & are self employed 23,500
2016 - claiming lower rate MA & are self employed 1100
2016 - claiming variable rate or other rate MA - 400
Total = 25,000

Given the total number of self-employed people has consistently risen since 2016 I would expect these figures to be higher now, but it gives an idea of the number of women affected in each year. Over 75,000 women's average income calculations will be lowered in a way that does not reflect their profits when they are trading.

There have been contradictory statements from officials and ministers on the rules around workers who have taken maternity leave calculating SEISS.

The chancellor in a letter to the chair of the treasury select committee dated 20th April said that claimants could choose to calculate their income based on either 2018-19 *or* an average of 2016-17 to 2018-19.

<https://publications.parliament.uk/pa/cm5801/cmselect/cmtreasy/correspondence/Financial-Package-Letter-from-Chancellor-to-Chair.pdf> This contradicts the guidance published on the government website which states:

“How much you’ll get

You’ll get a taxable grant based on your average trading profit over the 3 tax years:

2016 to 2017

2017 to 2018

2018 to 2019

To work out the average trading profit we will add together your total trading profits or losses for the 3 tax years then divide by 3.”

A clarification from an official working at DWP, dated 28th April also seems to contradict the chancellor's statement:

“You also asked about the SEISS process for women with gaps in earnings during the eligible years due to periods of maternity leave. I’ve reached out to HMRC who lead on the SEISS scheme, and they have confirmed that the average is taken over three years regardless of periods where a Maternity Allowance claim has been made. There is no difference to the way the eligibility tests and calculation of the SEISS grant are carried out for someone who has claimed Maternity Allowance.”

The scheme suggested in the letter from the chancellor is more helpful than what the official guidance and the DWP official suggest. It would allow women some choice in which years are used to calculate their average income, although the c. 25,000 women who took maternity leave in 2018-19 would still record a drop in income.

We would favour a scheme that would allow mothers who had a claimed maternity allowance in the 3 relevant years to choose which single tax year was used to calculate their average income.

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