

Universal Credit roll-out inquiry

Gingerbread written submission the Work and Pensions Committee

About Gingerbread

1. Gingerbread is the leading charity working with single parent families. We campaign against poverty, disadvantage and stigma to promote fair and equal treatment and opportunity for single parents and their families. Over 800,000 people access our website each year, many of them seeking the expert information and advice we provide online and through our helpline.

Summary

2. Single parents often turn to self-employment because opportunities for flexible working and part-time employment, which would allow them to manage caring responsibilities, are limited. Self-employment can be the only feasible way for single parents to earn a living while being the main carer for their child. However, many single parents have approached Gingerbread to voice concerns that self-employment may not be feasible under Universal Credit (UC).
3. Beyond general concerns such as fluctuating earnings, there are specific issues facing single parents:
 - Ineligibility for the childcare costs element during periods of sickness
 - Loss of earnings due to childcare responsibilities or other temporary breaks (eg for sickness) may not be taken into account when applying the Minimum Income Floor (MIF)
 - Some single parents moving from not needing to seek work to full jobseeking requirements may not get any warning of MIF rules applying once their youngest child turns three (if they have been self-employed for at least a year)
 - Difficulties in reaching the Minimum Income Floor (MIF) within 12 months, particularly when undermined by the chaotic delivery of childcare support
 - Difficulties in reaching the MIF at all in some circumstances, including professions with tight margins where single parents are often employed, eg childminding.
4. These concerns are particularly worrying, as there is a potential conflict in DWP policy if jobcentre advisers encourage single parents to take up self-employment – regardless of how unsustainable or low-paid this is, as has happened under legacy benefits – and the expectations of the MIF.
5. Gingerbread argues that the rules are currently too strict and place too high a threshold on low-paid single parents attempting to earn a living while juggling childcare responsibilities. We would like to see more flexibility in MIF rules, longer start-up and assessment periods and better support for self-employed claimants.

What effect has UC had on self-employed people? Are any groups of self-employed people particularly likely to be affected by the MIF?

6. Gingerbread is concerned about the impact of UC on self-employed single parents, who make up a small but significant proportion of working single parents. In a 2014 online survey, nearly a fifth (18 per cent) of single parents surveyed had a self-employed job. Around a quarter of self-employed single parents surveyed had more than one self-employed job. Figures also show that women – who make up nine in ten single parents – have increasingly turned to self-employment since the 2007-2008 recession ([Women's Budget Group](#), 2016).
7. As both the main carer and main earner, single parents rely on flexible working and part-time employment to manage caring responsibilities alongside work. However, such opportunities are often limited ([Timewise](#), 2017). Self-employment can offer single parents a chance to make a living while managing caring responsibilities, particularly when there are few flexible or part-time alternatives offered by local employers. It can therefore be a lifeline – including for those on low incomes. However, many single parents have expressed concerns with how they can manage self-employment under UC. In particular, they feel that MIF rules will mean their business will no longer be viable.
8. There are general concerns regarding the application of self-employment rules, as reported by others, including the Low Income Tax Reform Group ([LITRG](#), 2017). For example, monthly income assessments can make it problematic for low income self-employed claimants to manage regular outgoings if they have fluctuating self-employed earnings or business expenditure.
9. For single parents in particular, there are additional hurdles. Under the legacy system, self-employed claimants could continue to receive working tax credits for up to six months if they experienced a period of sickness. This was particularly important for single parents, as this meant they would be able to continue to receive support for childcare costs – vital, if the parent is to be able to return to work as quickly as possible. However, under UC, self-employed single parents who cannot work due to sickness are deemed ineligible to receive support for childcare costs (they can receive support for the following assessment period in line with rules when claimants 'cease paid work', but not subsequent periods; see the Universal Credit Regulations 2013, [Part 4, regulation 32](#)). In contrast, the regulations allow those receiving statutory sick pay – ie employees – to continue to get the childcare costs element for up to 28 weeks (in line with statutory sick pay). Some self-employed claimants might be able to claim contributory ESA instead, but this is deducted in full from Universal Credit (whereas statutory sick pay is treated as earnings, meaning the work allowance and 65 per cent taper rate is applied).
10. Temporary breaks from work such as sickness absence can also be problematic in terms of the application of the MIF. Despite the loss of earnings often entailed with these breaks, if a single parent is accepted as "gainfully self-employed" under UC (and the MIF therefore applies), there is a lack of clarity as to whether the MIF threshold can be reduced or suspended as appropriate during these periods. This is particularly worrying for single parents, who have additional emergencies to deal with within working hours (eg when their child is sick or needs additional childcare for a period of time).
11. There are also potential difficulties for single parents moving between conditionality groups in terms of when (or whether) the 12-month 'start-up' period applies (the grace

period before the MIF applies). The process for assessing gainful self-employment and being informed about the MIF assumes claimants will have a 'gateway interview' when making an application for UC. However, this is not always applicable. For example, a single parent who starts their self-employment when their youngest child is under three (and is therefore not subject to full jobseeking requirements) would not be subject to the MIF and would not have a gateway interview. If this self-employed single parent had already been in self-employment for 12 months by the time their youngest child turns three, the MIF would apply straight away, without warning. Guidance at present seems to indicate that there is no requirement for the DWP to notify claimants moving between conditionality groups about MIF rules in advance.¹

12. There are also concerns that while significant issues with delivering the UC childcare offer remain ([Gingerbread](#), 2017), low-paid self-employed single parents may face a long period of time before they break even. We know under the legacy system how critical getting timely (and up-front) childcare payments could be to respond flexibly to self-employment. As one single parent who had recently moved into self-employed under legacy benefits reported ([Rabindrakumar](#), 2014):

"I saw one client for an hour [in the evening]...so I paid a babysitter. So I went out and earned £30, then had to pay the babysitter £8.50 an hour for two hours and I had to pay £7.50 to rent my room. So by the time you take petrol...I think I probably went to work for nothing or paid to go to work."

13. While single parents can move into a range of self-employment there are particular issues regarding the MIF for single parents who are childminders. The current rules may be a barrier to single parents moving into or sustaining self-employment as a childminder due to the already limited net pay and tight margins of the profession. This acts as a barrier to both childminders sustaining employment while caring for their own child and to other parents who require the flexibility of a childminder in order to work. Two cases from Gingerbread's helpline help to highlight the strain (names have been changed to preserve confidentiality):

Melissa is a single parent who has a baby and lives outside London. She wanted to apply to become a childminder but has been put off by the MIF rules. In the area that she lives, the going net pay for a childminder is around £3 per hour. She is likely to only be able to look after one or two other children, due to limited space and having her own young child in addition. However, this would mean that she would not reach the MIF. Melissa thinks that childminding would be ideal way for her to work and care for her baby but does not think that this will be feasible under UC.

Kate is a single parent who works as a childminder outside London. She phoned our helpline because she was worried that the MIF would not being attainable and she would have to stop her work as a childminder. She said that childminders do not reach the minimum wage – they cannot charge parents the minimum wage, and net earnings are less once expenses deducted. Based on her net pay, she had calculated that she would need to look after at least four children to reach the MIF; this might not be possible in terms of child ratios if they are also caring for their own child.

¹ A similar situation is faced for those naturally migrating from legacy benefits to UC, as there is no transitional protection for this group of claimants – ie if they have already been self-employed for a year, the MIF applies straight away.

14. These restrictions should be seen in the context of the decline in the number of childminders (overall numbers fell by 23 per cent between August 2012 and 2016; [Ofsted](#), 2017) and childminder shortages ([Family and Childcare Trust](#), 2016). This shortage is happening at a time where there is a greater need for childcare provision as a result of welfare reform, including the requirement for responsible carers (lead carers in couples and single parents) to become jobseekers when their child reaches three and the introduction of 30 hours of free childcare for parents of three and four year olds. In this context, it is important that the MIF does not contribute to a further decline in childminder numbers or the loss of employment that allows parents to work and care.

How can the Department best balance protecting public funds with supporting self-employed people in UC? Does the Minimum Income Floor (MIF) achieve this balance?

15. At present, Gingerbread does not believe that the MIF presents the right balance between assessing 'genuine' self-employment and supporting self-employment single parents on a low income. As the LITRG (2017) has pointed out, the MIF only applies to those already assessed as gainfully self-employed and therefore risks penalising the very group the DWP and HMRC should support.
16. It is particularly worrying when the previous government stated the objective of the MIF is "to incentivise work and thereby raise the incomes of families and reduce dependency on benefits" ([House of Commons](#), 2016). For single parents who may have few part-time or flexible alternatives as paid employees, it is difficult to see how the rigid rules and high threshold of the MIF will achieve these goals.
17. Furthermore, previous research has shown how some jobcentre advisers actively encourage self-employment for single parents seeking work – however unsustainable these opportunities are in terms of providing a secure and stable income for a family ([Rabindrakumar](#), 2014). There is a risk that, under UC, single parents will be caught between DWP pressure to move claimants into work and its policies on gainful self-employment.

What are the options for reforming the MIF, and what are their cost implications? Is the existing Start-up Period for newly self-employed UC claimants appropriate? If not, what changes should be made and how much would these cost?

18. As a minimum, Gingerbread would like to see the DWP confirm they will notify any claimant moving onto self-employment of the MIF in advance. Moves onto self-employment should incorporate a form of gateway interview that reviews support needs and ensures future MIF requirements are understood.
19. Gingerbread would like to see a full start-up period apply for any self-employed single parent who moves into the full jobseeking requirement group (ie when their child turns three), regardless of when they started self-employment (ie even if they have been self-employed for a year). This would give parents a more reasonable chance to build up in line with their children's childcare and school hours.
20. We would also like to see clearer rules to ensure the MIF takes account of temporary interruptions in work, for example for childcare responsibilities.

21. Beyond this, we agree with the principles of the recommendations put forward by the LITRG, including:
 - A longer start-up period of two years – at least for claimants who must balance starting up a business with caring responsibilities
 - Ensure consistent and robust support for self-employed claimants during their start-up period
 - Allowing DWP staff to suspend the MIF or prolong the start-up period as appropriate, to accommodate the varying situations and professions within self-employment
 - Assessing self-employed income over longer time periods (eg annually) to match wider reporting and avoid penalising those with fluctuating earnings.
22. Given the problematic nature of the start-up period and MIF rules, we support LITRG's call to suspend the MIF until a further independent review of the MIF (as recommended by the Work and Pensions committee) is completed.