

## Social Security

The coronavirus crisis has drawn attention to the fact that social security mechanisms in the UK are not robust enough. Two key examples of this are Universal Credit and the support for the self-employed.

### Universal Credit

**Recommendation: The government should raise the basic level of Universal Credit.**

**Recommendation: We recommend raising the basic rate of universal credit for this period to the value of 80 per cent of weekly earnings at the national living wage – or £260 a week.**

1. In 1984 when unemployment levels were at 11% unemployment benefit was worth a quarter of average earnings. In 1993 when joblessness rose to over 10% the basic rate of unemployment benefit was worth a fifth of average pay.
2. Today – even after the recent increase of £20 a week – the basic rate of Universal Credit is worth just a sixth of average weekly pay at £94 a week.
3. Restoring 'replacement rates' to the level seen before the long dismantling of the safety net began in the 1980s, would mean increasing the payment of universal credit to £165 a week – around 30 per cent of average wages.
4. The government must provide higher payments for the social security system in the UK to work effectively.

**Recommendation: End the five week wait by converting emergency payment loans to grants.**

1. The experience of the trade union movement shows that delays in receiving first payment are common.
2. The last report of the National Audit Office from March 2018 shows that 21 per cent of new claimants did not receive their full entitlement on time while 13 per cent received no payment at all on time.
3. The resulting impact of the five week wait has been severe hardship.
4. We have seen an increase in people turning to food banks, people getting into serious and problem debt, falling into rent arrears, as well as mental and physical health problems.
5. The primary issue with advance payments is the necessity of the claimant to pay them back out of future benefits. The advance loan repayments make already low weekly payments even lower following the five week wait.
6. The advance payment system already in place for loans should be able to make grant payments. This would stop the pressure on claimants following the five week wait.

### A security net for the self-employed

We believe that the extension of the social security net is essential to ensuring that the self-employed are granted the same rights as the employed.

**Recommendation: The UK government must implement sick pay for the self-employed and raise the rate of statutory sick pay to the real living wage.**

1. The current rate of statutory sick pay is £89.35 a week, paid from the fourth consecutive day of absence to 28 weeks. It is payable by employers to employees.
2. Self-employed people are not eligible for any form of sick pay.
3. Income replacement for those unable to work through illness should be a basic employment protection, available to all workers.
4. The real living wage for 2019-2020 is £9.30 an hour- for a worker on 35 hours a week this is £325.50 per week.
5. For someone on statutory sick pay there is a substantial shortfall of £236.15 per week. Sick pay should be increased to bridge this gap.

**Recommendations: The government must extend the entitlement to maternity leave, maternity pay, and other forms of parental leave and pay to the self-employed.**

1. Statutory Maternity Pay (SMP) is paid by an employer. If you are self-employed you cannot get statutory maternity pay as you do not have an employer.
2. The self-employed may sometimes qualify for maternity allowance. They may receive the full amount if they pay class 2 NICS AND they have been self-employed for at least 26 weeks of the 66 weeks up to and including the week before their baby is due, AND have earned £30 a week over any 13 weeks in that period.
3. However, the standard rate of maternity allowance is only up to £151.20 per week for 39 weeks, or 90% of earnings if this is lower.
4. The self-employed not eligible for this receive only £27 a week for 39 weeks.
5. Those eligible for SMP receive the first 6 weeks of pay at 90% of average earnings, followed by the lower of £151.20 or 90% of earnings for 33 weeks.
6. If you are self-employed you are also not entitled to statutory paternity pay.
7. Self-employed mothers can exchange their maternity allowance for shared parental leave and pay for their partner, if he is employed and eligible, but they must give up their maternity allowance.
8. Self-employed people aren't eligible for shared parental leave.
9. We recommend that entitlements to all forms of leave related to having children should be equalised.

Scrap IR35

**Recommendation: The government must scrap the IR35 reforms that have been postponed to 2021.**

1. The IR35 treats contractors 'considered to be employees in all but name' the same as employees and allows HMRC to claim an additional payment for the tax and NI that an equivalent employee would be paying.
2. However, contractors do not receive the same benefits as employees, such as sick pay and paid holiday and pension contributions.
3. In effect the IR35 legislation creates a class of "zero-rights employees"- who must pay tax and national insurance at the same rates as employees without receiving any of the benefits of that employment.
4. From April 2021 clients will have to determine whether a contractor falls inside or outside of IR35.
5. Many contractors who fall under IR35 for the first time are substantially worse off, due to increased taxation.
6. Workers in the contracting market are highly skilled and use these skills to complete specific assignments for firms.
7. The IR35 reforms will make it more expensive to recruit flexible labour, as employers will incur costs in identifying whether the contractor falls inside of IR35.

8. Many firms have taken the approach of a blanket ban on employing contractors as a result of IR35.
9. The result of this is that innovation will be limited by firms' inability to recruit short term, highly skilled and flexible workers.
10. Contractors will also be worse off as the market for their work dries up.
11. The delay of the rollout of IR35 due to the Coronavirus crisis into the private sector has avoided economic disruption thus far. However, should it be implemented in 2021 then there will be serious disruption.
12. Although we believe that it is right that workers fairly pay tax and national insurance contributions there are better options to create this fairness.
13. IR35 replaces one unfairness with another, according to a damning House of Lords Report on the matter.
14. The Taylor Review in 2017, recommended making the taxation of labour more consistent across different forms of employment. This approach would be better than the approach taken by IR35 legislation. Specifically, it recommended creating and defining a status of "dependent contractor" for those who are neither employees nor self-employed.