

Here to Stay: Women's self-employment in a (post) austerity era

A report by the **UK Women's Budget Group**

Written by Erika Watson and Ruth Pearson

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Introduction: A recovery built on female self-employment

Since the financial crisis and economic recession, the UK labour market has undergone a series of structural shifts. These have seen levels of female economic inactivity drop to a historic low, but also ushered in a new era of precarious working with self-employment accounting for a significant proportion of post-recession economic activity, especially for women. This paper explores these trends, and what they mean for the women directly affected as well as for policy setting.

Self-employment in the UK is at the highest point since records began 40 years ago.¹ The number of self-employed people has grown by 650,000 since 2008 and now stands at 4.5 million.² Two-thirds of new jobs, since 2009, are accounted for by people working for themselves.³ The self-employed make up 15% of the electorate. If this trend continues, the RSA estimate that there will be more self-employed people than there are public sector workers by 2017.⁴

The UK picture is out of step with similar economies. OECD statistics show that at the same time that self-employment was increasing as a proportion of total employment in the UK, the number of self-employed across the OECD has been in decline. From 2000 to 2011 the OECD and EU27 average fell by 9%, while it grew by 8% in the UK.⁵

Self-employed women are the majority of the newly self-employed. The increase in the number of women in the UK becoming self-employed is unprecedented. Historically, women have made up just over a quarter of the self-employed, but since the 2008 downturn 58% of the newly self-employed have been female. In the last year, self-employment has started to decline for men, but not for women.⁶ In 2014, 70% of those becoming self-employed were women.⁷ This suggests that the post-recession increase in self-employment for men was a ‘blip’, while for women it represents a structural shift.

A mixed picture for women. For many women self-employment is a positive option allowing them to pursue fulfilling and flexible work. Moreover, given historically low levels of female enterprise in the UK, it may be tempting to celebrate the rise in female self-employment. But the upward trend in the number of self-employed women goes alongside a sharp downward trend in their incomes, access to training and social protection. For a growing proportion of women, self-employment does not appear to be a “choice” but a necessity driven by factors such as public sector job losses, the uprating of the female retirement age, or a need to accommodate caring responsibilities.

¹ ONS (2014) *Self-employed workers in the UK 2014*. Available for download at:

<http://www.ons.gov.uk/ons/rel/lmac/self-employed-workers-in-the-uk/2014/rep-self-employed-workers-in-the-uk-2014.html>

² RSA (2014) ‘Why the self-employed will soon be a political force to be reckoned with’, available at: <https://www.thersa.org/discover/publications-and-articles/rsa-blogs/2014/02/why-the-self-employed-will-soon-be-a-political-force-to-be-reckoned-with/>

³ ONS (2014) *ibid*.

⁴ RSA (2014) ‘Why the self-employed will soon be a political force to be reckoned with’, available at: <https://www.thersa.org/discover/publications-and-articles/rsa-blogs/2014/02/why-the-self-employed-will-soon-be-a-political-force-to-be-reckoned-with/>

⁵ Resolution Foundation (2014) *Just the Job, or a working compromise?* Available for download at: <http://www.resolutionfoundation.org/publications/just-the-job-or-a-working-compromise-the-changing-nature-of-self-employment/>

⁶ Cobweb (2015) ‘A mini review of self-employment in the UK,’ available at: <http://www.cobwebinfo.com/a-mini-review-of-self-employment-in-the-uk/>

⁷ ONS Labour Force Survey, January 2015.

Self-employed women are poorly served by enterprise support measures and the tax and benefit system. ‘Gender-blind’ policy setting has led to an enterprise support infrastructure and incentives that are accessed primarily by men, despite women accounting for the majority of the newly self-employed. Moreover, the tax and benefits system poorly serves women, who are more likely to be working few hours and on low incomes. This situation is only likely to get worse with the roll-out of Universal Credit.

The time to act is now. The Conservative government shortly after taking government commissioned two reviews into the self-employed⁸ and the new Labour Party leader, Jeremy Corbyn, devoted much of his first conference leader’s speech to arguing for support for the self-employed.

The WBG has prepared this briefing paper, in partnership with Prowess, to contribute to these debates and the following sections consider:

- Who are the newly self-employed, and what is fuelling the rise in self-employment among women?
- What are the challenges for self-employed women, and for the State?
- Policy recommendations

⁸ Michelle Mone OBE is to lead a major government review on supporting business start-ups in disadvantaged communities. The review will have a particular focus on disadvantaged groups including benefit claimants, women, young and disabled people and ex-offenders. Julie Deane OBE, founder of The Cambridge Satchel Company, undertook an independent review of self-employment in the UK, which reported in February 2016 (available at: <https://www.gov.uk/government/publications/self-employment-review>).

Part 1: Who are the newly self-employed? What is driving the growth in female self-employment?

The rise in self-employment is one of the defining trends in the UK labour market since the financial crisis and economic recession. The number of self-employed people has grown by 650,000 since 2008 and now stands at 4.5 million.⁹ Two-thirds of new jobs, since 2009, are accounted for by people working for themselves.¹⁰ Analysis by the Bank of England suggests that the growth in self-employment constitutes more than a recessionary blip, estimating that around half is the result of a long-term structural shift in the UK labour market.¹¹

And the newly self-employed are different. Not only are there more of them than at any time since records began, they are also far more likely to be female and part-time. The overall increase in the rate of male self-employment during the down-turn was less than 10%, for women it was 36%.¹² Moreover, male self-employment has peaked and is now declining, while the growth in female self-employment continues.¹³

This section looks at the characteristics of the newly self-employed female workforce and what is driving these trends.

Self-employment as necessity

While the majority of those who are self-employed have made a positive choice, there is an increasing proportion that are turning to self-employment due to a lack of alternatives. More than a quarter of the newly self-employed were previously unemployed and, in a survey commissioned by the Resolution Foundation, 27% of respondents said they are working for themselves out of necessity, up from 10% five years ago.¹⁴

There are indications that for many women self-employment is increasingly a necessity, with the uprating of the women's state pension age, public sector job losses, and caring responsibilities likely to be key drivers of increasing levels of female enterprise.

Uprating of the women's state pension age

The vast majority of the new self-employed are aged over 50, with this demographic making up three quarters of the increase between 2009 and 2014.¹⁵ From April 2010, the women's state pension age began to increase from age 60. Morgan Stanley's analysis of ONS statistics (see Figure 2) shows a striking correlation between the sharp increase in female self-employment and the steep fall in female inactivity due to retirement, suggesting that at least some of the new self-employed

⁹ House of Commons Library (2015) 'Key issues for the 2015 Parliament: The self-employment boom', available at: <http://www.parliament.uk/business/publications/research/key-issues-parliament-2015/work/self-employment/>

¹⁰ ONS (2014) *ibid.*

¹¹ Bank of England (2015) 'Quarterly Bulletin 2015 Q1 - Self-employment: what can we learn from recent developments?', available at:

<http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2015/q105.pdf>

¹² BIS ED analysis of ONS Labour Force survey 2008-2014.

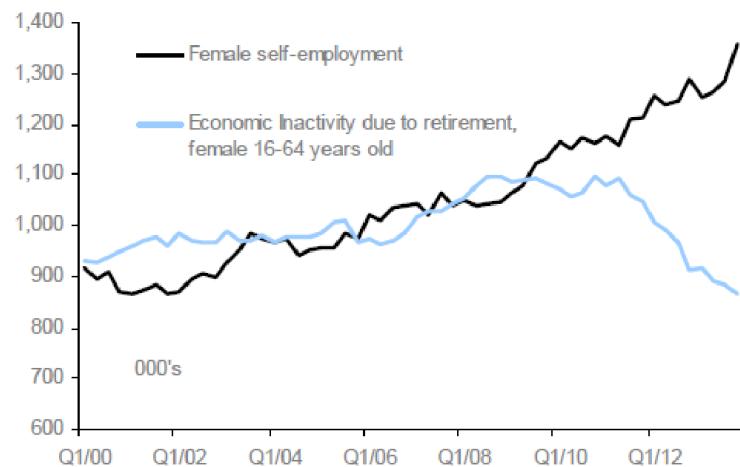
¹³ Cobweb (2015) *ibid.*

¹⁴ Resolution Foundation (2014) *ibid.*

¹⁵ ONS (2014) *ibid.*

have chosen this route to compensate for the loss of state pension at age 60. With older women struggling to find employment, self-employment may be the only means of generating an income.¹⁶

Female self-employment versus inactivity



Source: Morgan Stanley Research, ONS

Public sector job losses and 'bogus' self-employment

Most of the female self-employment increase since 2008 has occurred in services such as 'Professional and scientific' and 'Administrative and support', as well as caring and education roles.¹⁷ This coincides with large numbers of public sector redundancies in those occupational areas.¹⁸ The Bank of England estimates that around a quarter of the overall increase in self-employment since 2010 may be due to changes in public sector employment.¹⁹

There is concern that a significant proportion of those who were formerly employed in the public sector could be defined as 'bogusly' self-employed.²⁰ This occurs when workers are told that they are self-employed when in fact legal tests would likely define them as employed. As a result they lose employment rights, such as holiday and sickness entitlements, and the government loses tax revenues. A report by Citizens Advice suggests that bogus self-employment is increasing in traditionally female dominated sectors, including caring and cleaning.²¹ Many of these occupational groupings also deliver essential state services that are now outsourced to private companies.

Caring responsibilities

¹⁶ TUC (2014) *Age Immaterial: Women over 50 in the workplace*. Available for download at:

https://www.tuc.org.uk/sites/default/files/Age_Immaterial_Women_Over_50_Report_2014_LR.pdf

¹⁷ Bank of England (2015) *ibid*.

¹⁸ Resolution Foundation (2014) *ibid*.

¹⁹ Bank of England (2015) *ibid*.

²⁰ Citizens Advice (2015) *Neither one thing nor the other: how reducing bogus self-employment could benefit workers, business and the Exchequer*. Available for download at:

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Work%20Publications/Neither%20one%20thing%20nor%20the%20other.pdf>

²¹ Citizens Advice (2015) *ibid*.

The formal labour market continues to poorly serve those with caring responsibilities, the majority of whom are women. With flexible working and quality part-time opportunities limited, self-employment may for some be the only practical means to earn a living and fulfil caring responsibilities.

Recent welfare reforms have resulted in record levels of economic activity by lone parents.²² Research by Gingerbread, the single parent campaign group, suggests that it has led to an upswing in the numbers of lone parents transitioning into self-employment. Almost a fifth of working single parents surveyed were self-employed (18 %), compared with 15% of people in work nationally. Moreover, about a third (32%) of single parents who are currently self-employed said they had moved into self-employment for the first time in the past two years.²³ Worryingly, Gingerbread's research found that self-employed lone parents make up over half of those who reported earning below the minimum wage. It is likely that the push to self-employment for single parents and others with caring responsibilities may also be related to the Job Seekers Allowance (JSA) sanction regime, with particularly single parents being adversely affected.²⁴

Juggling caring responsibilities and the need to earn an income may also be fuelling the rise of self-employment among women aged 50 and over. This group is sometimes referred to as the 'sandwich generation' because they have caring responsibilities for both children and older relatives. The case study of Jay, aged 60, shows the pressures that some women in this generation face.

Case study – “Jay”

"It is extremely difficult to find enough hours of work as a freelance self-employed consultant to achieve £600 per month, never mind £1000. As a single parent with caring responsibilities for a 16 year old child and a 91 year old parent, it is difficult to work more than 16-20 hours per week – even if I can find someone to give me the extra work (which I can't). The family businesses which have given me some hours of work will not pay more than £8.50 or £10 per hour, even though I have several postgraduate qualifications.

Now as a female of 60, my pension age has been increased by 6 years – so quickly has this been changed from 60 years to 66 years that I haven't had time to plan for retirement and neither do I have the means. I do not earn enough income to pay the rent, I cannot achieve enough hours to have a 'proper' job, and I cannot carry out my caring responsibilities properly because I am not free at the times when my child and elderly parent need me because I have to work."

But what about technological change and government support for enterprise?

It is sometimes argued that the rise in self-employment can be explained by technological changes, most notably advances in ICT that enable home-working, and government measures to support enterprise. While these have undoubtedly played a role, they cannot explain the large upswing in female self-employment since 2008.

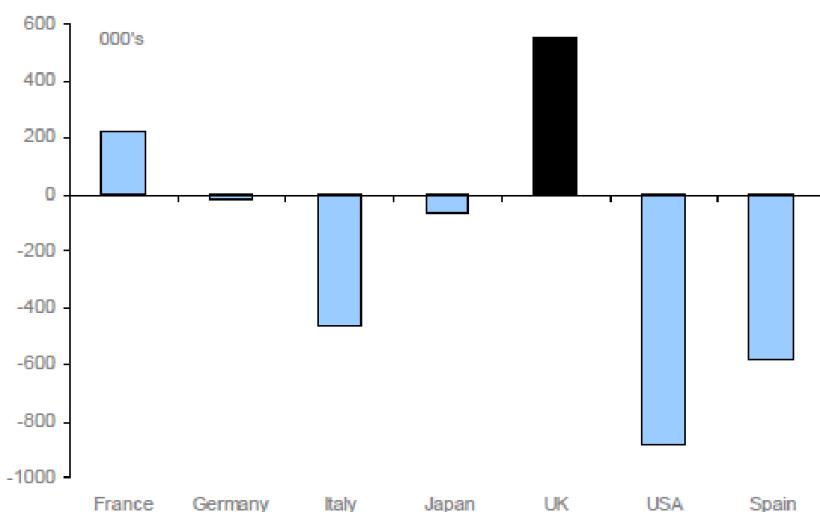
²² Financial Times (2014) 'Single parent employment reaches record highs,' available at:
<http://www.ft.com/cms/s/0/547c5c8c-7fae-11e4-b4f5-00144feabdc0.html>

²³ Gingerbread (2014) *Paying the Price: The long road to recovery*. Available for download at:
http://www.barrowcadbury.org.uk/wp-content/uploads/2014/07/payingtheprice_gingerbread_fullreport.pdf

²⁴ Fawcett Society (2015) *Where's the Benefit: An independent inquiry into women and Jobseeker's Allowance*. Available for download at: <http://www.fawcettsociety.org.uk/wp-content/uploads/2015/02/Wheres-the-Benefit-An-Independent-Inquiry-into-Women-and-JSA.pdf>

The remainder of the EU has benefitted from the same technological advances, but has not seen the same increase in self-employment. In fact, as Figure 3 shows below, most EU countries have actually seen a decline in self-employment over the same period.

Self-employment has fallen in most other countries since the end of 2007



Source: Norman Stanley Research ONS

Supply-side government initiatives for the self-employed, on the other hand, continue to support predominantly men. Despite the fact that more women than men have become self-employed in recent years, women comprise only 30% of those benefiting from the New Enterprise Allowance.²⁵ The flagship Startup Loans scheme, which was introduced in September 2012, has delivered support worth more than £165 million to over 31,000 new businesses. However, only 38% of whom are female-led (by number of loans, women tend to take out smaller loans so the overall investment in women is likely to be lower).²⁶

A further government measure, the Seed Enterprise Investment Scheme, was introduced in 2012-13. It provides generous tax breaks to encourage equity investment in start-up businesses. So far over £250 million has been invested in 2,900 businesses.²⁷ Gender disaggregated statistics are not available but historically the take-up of equity investment by women-led businesses is very low and there is no evidence to suggest that this trend is not also in evidence for the Seed Enterprise Investment Scheme.

²⁵ Watson, E (2014) 'New Enterprise Allowance: Not working for women,' available at: <https://www.prowess.org.uk/new-enterprise-allowance.htm>

²⁶ Start Up Loans (n.d.) 'About us,' available at: <https://www.startuploans.co.uk/about-us/>

²⁷ HMRC (2015) 'Enterprise Investment Scheme and Seed Enterprise Investment Scheme July 2015: Statistics on Companies raising funds,' available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/448308/July_2015_Commentary_EIS_SEIS_Official_Statistics.pdf

The Regional Growth Fund was launched in 2011 “to help areas and communities at risk of being particularly affected by public spending cuts.” So far it has allocated a budget of £3.2 billion and created or safeguarded 65,000 jobs at an estimated cost of £52,300 per job.²⁸

The RGF is clearly the most significant supply-side labour market lever at the government’s disposal. During this period its objectives have been delivered most effectively by the 322,000 women who have created their own jobs. But the evidence suggests that while women are bearing a disproportionate number of public sector redundancies,²⁹ they are far less likely to benefit from the jobs resulting from RGF investment.

A freedom of information request from the WBG confirms that: “RGF employment data are not broken down by gender, employment type or business size.”³⁰ What we do know is that the RGF targets industrial sectors, including manufacturing, transport and energy which are characterised by very high levels of male employment. Indeed the UK has the lowest level of female engineers in Europe and we are not aware of any focus within the RGF to encourage or support more women into those science and engineering focused sectors.

In May 2014, a small number of targeted initiatives for self-employed women were introduced by the Coalition Government’s Minister for Women,³¹ including the women and broadband challenge, support for rural women in business and “Meet a Mentor” roadshows. Investment in those schemes was around £3 million in 2014, or less than 1% of the investment in the RGF. Scaled down versions have continued in 2015.

While the support measures directed specifically at female entrepreneurs are welcome, the the gender-blind nature of 99% of relevant government investment has meant that the playing field is still tilted in favour of men starting their businesses.

²⁸ House of Commons (2014) ‘Local economic growth targets face significant challenge,’ available at: <http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/news/promoting-economic-growth-substantive/>

²⁹ Fawcett Society (2013) ‘Cutting women out,’ available at: <http://www.fawcettsociety.org.uk/2013/03/cutting-women-out/>

³⁰ Freedom of Information reply from BIS to WBG, 10 October 2014.

³¹ DCMS & GEO (2014) ‘Female entrepreneurs set to benefit from super-fast broadband,’ available at: <https://www.gov.uk/government/news/female-entrepreneurs-set-to-benefit-from-superfast-broadband>

Part 2: What are the challenges for self-employed women, and for the State?

The rise in levels of female economic activity has been repeatedly celebrated by the Chancellor.³² However, this headline figure masks a number of concerning trends, particularly in relation to newly self-employed women. This section considers the challenges that the rise in self-employment presents for the newly self-employed women, and also for the State.

More economic activity, but falling Incomes and productivity

The self-employed are working longer hours and earning less. Despite the large increase in the number of people working for themselves, as a group the self-employed are contributing significantly less to UK economic growth and revenues. Between 2008 and 2015, the number of self-employed people increased by 650,000, 58% of whom were women.³³ However, from 2009 to 2013 their income as a group declined by around £8 billion (from £88.4 to £80.6 billion).³⁴

This fall in self-employed incomes is not just an issue for the self-employed and their families, but also for the UK economy as it amounts to a reduction in tax revenues of billions each year.³⁵ It also contributes to the UK's declining productivity level. Since 2008, the productivity of the self-employed has declined by 32.4%, while the number of self-employed has increased by 22%.³⁶

For women, self-employment is often a route into low pay. OECD analysis shows a gender pay gap for the self-employed of 41%. In 2014, self-employed men earned £17,000 on average, while average earnings for self-employed women stood at £9,800. It is worth noting that official figures on the gender pay gap do not currently include the self-employed; if they did the UK position is likely to have worsened considerably³⁷.

Underinvestment in training and skills

Self-employed people in the UK are investing less, or are less able to invest, in keeping their skills up to date. A review by the IPPR finds a sharp decline in self-employed people participating in training –

³² HM Treasury (2015) 'Chancellor Osborne's Budget 2015 speech,' available at:

<https://www.gov.uk/government/speeches/chancellor-george-osbornes-budget-2015-speech>

³³ Prowess analysis of ONS Labour Force Survey statistics. ONS 2008-2015.

³⁴ Flip Chart Fairy Tales (2015) 'UK Self-employment: Success story or basket case?,' available at:

<https://flipchartfairytales.wordpress.com/2015/02/06/uk-self-employment-success-story-or-basket-case/>

³⁵ Flip Chart Fairy Tales (2014) 'Self-employed: the nouveau pauvre,' available at

<https://flipchartfairytales.wordpress.com/2014/04/25/self-employed-the-nouveau-pauvre/>

³⁶ Murphy, R (2013) *Disappearing fast: the falling income of the UK's self-employed people*. Available for download at: <http://www.taxresearch.org.uk/Documents/SEI2013.pdf>

³⁷ Self-employed income statistics are not broken down by hours of work. More than half of self-employed women (53%) work part-time compared to 17% of self-employed men. (ONS Labour Market Statistics, September 2014).

from 15% in 2007 to 9% in 2012 (those who received training during the previous four weeks).³⁸ Employees are twice as likely to benefit from training.³⁹

The Bank of England has warned that the underinvestment in training and skills among the self-employed may be contributing to falling productivity.⁴⁰ They estimate that the shift to self-employment could account for around 12.5% of the drop in productivity since 2008.

For women, the lack of investment in training is of particular concern as they often start businesses with lower levels of management skills due to the ‘glass ceiling’ still present in many workplaces. The absence of a skills strategy for the self-employed means that women shifting from employment to self-employment are likely to be doubly disadvantaged. Yet appropriate enterprise training doubles women’s chances of starting a business, and triples their level of confidence in their abilities.⁴¹ Women are significantly more likely to participate in training that is targeted specifically to their needs.⁴² As such, gender blind initiatives around enterprise support are less likely to be effective.

Inadequate social protection for precarious working lives

Self-employment increases personal risks. It means going without the security of many statutory benefits, paid holidays, training support and employer pension contributions. The number of self-employed people bolstering inadequate earnings through Tax Credits has increased to almost 1 million. The phasing in of Universal Credit next year is set to hit the self-employed severely⁴³ as it assumes a steady monthly, full-time, income and will penalise self-employed people with variable income or income below the new minimum wage level of £1,092 per month in 2016.

DWP’s own research found a significant group of the low-earning self-employed were balancing work with caring for sick relatives, children or working around their own poor health.⁴⁴ This group is disproportionately female. Universal Credit is set to make those precarious livelihoods impossible and put more pressure on government health and social care budgets.

A widening pension gap

In 2001, the self-employed were just as likely to have a private pension plan as people in jobs. Now, while the employee figure has stabilised at 51%, only 27% of the self-employed have an independent pension. Split by gender, just 19% of self-employed women compared to 34% of men have an

³⁸ Hatfield, I (2014) *Self-employment in Europe*. Available for download at:

<http://www.ippr.org/publications/self-employment-in-europe>

³⁹ Hatfield, I (2014) *ibid*.

⁴⁰ Bank of England (2014) ‘Quarterly Bulletin 2014 Q2: The UK productivity puzzle,’ available at:

<http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q201.pdf>

⁴¹ Martinez et. al. (2010) *GEM Special Report: A Global Perspective on Entrepreneurship Education and Training*. Available at: <http://www.babson.edu/Academics/centers/blank-center/global-research/gem/Documents/gem-2010-special-report-education-training.pdf>

⁴² West Midlands Regional Women’s Enterprise Unit Impact Assessment 2008.

⁴³ Watson, E. (2013) ‘Universal credit for the Self-employed: Unworkable, unfair and short-sighted,’ available at <http://www.prowess.org.uk/universal-credit-self-employed>

⁴⁴ DWP (2013) ‘Research about how the move to Universal Credit will affect self-employed tax claimants,’ available at: <https://www.gov.uk/government/publications/self-employment-tax-credits-and-the-move-to-universal-credit-rr829>

independent pension.⁴⁵ Citizens Advice calculate that just 2.2% of the £27 billion spent by government on Pensions Tax relief goes to the self-employed, despite their making up 15% of the labour force.⁴⁶

The widening gap is likely, in part, to be due to falling earnings from self-employment. The new self-employed have less spare cash to put away, with 85% saying either that their income is too low to make pension contributions or that they cannot afford to.⁴⁷ One third expect to rely entirely on the state pension when they retire.⁴⁸ The roll-out of auto-enrolment for employees is expected to further widen the private pension gap between the self-employed and employees.⁴⁹

Caring and self-employment: a double-edged sword

Care and childcare are both a push and pull factor for women becoming self-employed. The flexibility of self-employment can enable women to work around caring responsibilities. But inadequate support for those caring roles means that nascent small businesses close down more often and more quickly. Women-led businesses are more likely to close for ‘personal reasons’ and the peak age group for those closures is 25-34.⁵⁰

Self-employed women with caring responsibilities receive less support than employed women. They return to work more quickly after having children, receive less maternity pay and usually have little maternity cover.⁵¹ Shared Parental Leave (SPL) legislation came into force across the UK on 5 April 2015 giving parents, partners or adopters the opportunity to split parental leave between them or take time off together to care for their child.⁵² However self-employed parents have been explicitly excluded from this right.⁵³

Inadequate access to childcare support

⁴⁵ Resolution Foundation (2014) *ibid*.

⁴⁶ Citizens Advice (2015) ‘Pension tax relief system is ‘working against’ self-employed and low earners,’ available at: <https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/media/press-releases/pension-tax-relief-system-is-working-against-self-employed-and-low-earners-says-citizens-advice/>

⁴⁷ D’Arcy, C (2015) *The Self-employed and Pensions*. Available for download at: <http://www.resolutionfoundation.org/wp-content/uploads/2015/05/Self-employment-and-pensions.pdf>

⁴⁸ Morley, K (2014) ‘Self-employed? You’re stumbling into a pensions nightmare,’ available at: <http://www.telegraph.co.uk/finance/personalfinance/11174288/Self-employed-Youre-stumbling-into-pensions-nightmare.html>

⁴⁹ D’Arcy, C (2015) *The Self-employed and Pensions*. Resolution Foundation.

⁵⁰ RBS Group (2013) ‘Women in Enterprise: A Different Perspective,’ available at: <http://www.inspiringenterprise.rbs.com/women-enterprise-different-perspective>

⁵¹ Limmer, H (2012) *Self-Employed Women in England and Wales; the Employment Trajectories and Outcomes of Women Who Are Self-Employed During Pregnancy* (Unpublished PhD Theses, 2012).

⁵² SPL offers pay at 90% of a worker’s average weekly earnings before tax, for the first six weeks, and then £139.58 a week, or 90% of average weekly earnings – whichever is lower – for the next 33 weeks.

⁵³ The Government regulations state: “A self-employed parent will not be eligible for shared parental leave or pay but if they satisfy the “employment and earnings test” this may enable their employed partner to access shared parental leave and pay. If both parents are self-employed, neither parent will be entitled to shared parental leave or pay.” Full text available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/417505/bis-14-1329-Employers-technical-guide-to-shared-parental-leave-and-pay-1.pdf

Government has sought to equalise access to childcare through tax-free childcare, which will be available to the self-employed, as well as employees, from 2017.⁵⁴ Tax-free childcare is a welcome support for established and growing women-led businesses.

In response to concerns raised by WBG and others the tax-free childcare scheme has recently been extended to include parents who work part-time and earn below the tax threshold.⁵⁵ There are no such concessions for lower earning self-employed parents. While 85% of childcare costs will be covered for households qualifying for the Universal Credit childcare element, to be eligible government say “the lone parent or both earners in a couple will need to be paying income tax.” With income tax now payable on earnings above £10,600 and large numbers of self-employed women earning less than that amount,⁵⁶ it looks as if they will be net losers from those changes to childcare subsidies.

Universal credit may threaten the asset base of new female-led businesses

Having assets to fall back on is the surest indicator of business survival and eventual success, yet the introduction Universal Credit may undermine the asset base of some new businesses. Individuals with savings or redundancy payments above £16,000 will be excluded from Universal Credit⁵⁷, while the current Tax Credits system had no capital limits. As such, claimants who intend to start businesses with redundancy payments, will need to live off their asset base rather than being able to access income support.

⁵⁴ The Tax Free childcare scheme was announced in the Budget 2013. It is now due to be implemented in 2017.

⁵⁵ HM Treasury (2014) ‘Tax Free Childcare: 10 things parents should know,’ available at:

<https://www.gov.uk/government/news/tax-free-childcare-10-things-parents-should-know>

⁵⁶ Fisher, L (2014) ‘Many self-employed women get by on less than £10,000 a year,’ available at:

<http://www.theguardian.com/society/2014/mar/08/women-self-employed-gender-pay-gap-jobs>

⁵⁷ Citizens Advice (n.d.) ‘How Universal Credit is worked out,’ available at:

<https://www.citizensadvice.org.uk/nireland/benefits/welfare-benefits-reform-ni/universal-credit-ni/how-universal-credit-is-worked-out-ni/>

Part 3: Recommendations

Self-employed women are a major, and growing, part of the UK labour market. Yet they have been failed by gender-blind policy-setting around enterprise support and by a social security system which has been designed around employees as default. In this section, we outline a series of measures that can support those women who are genuinely seeking self-employment and provide protection to those that are forced into bogus self-employment.

Business support and investment

A women-friendly business support strategy

Business support and training for the self-employed is to a large degree delivered via public funding. As such, it is subject to the Public Sector Equality Duty and more needs to be done to ensure equality of outcome. In particular the New Enterprise Allowance should include a longer test trading period, taking into account that women tend to start businesses at a slower and more careful pace. The business support and access to finance measures should be reviewed in terms of differential participation and success rates between men and women.

Targeted training for self-employed women

Women tend to start businesses with lower levels of finance, human and social capital. Targeted training has been shown to double women's chances of starting a business, and triple their level of confidence in their abilities.⁵⁸

Incentivised savings and loans

Having assets to fall back on is the surest indicator of business survival and eventual success. Mutual savings and loan associations, such as credit unions, help to instil good habits and could enable the self-employed to build up a buffer fund, while also building up credit ratings and direct access to loans when needed. Since 2012 credit unions have been able to offer their services to small businesses, but they are still not widely recognised or understood. We recommend that credit unions are supported to more effectively deliver and market their services to the self-employed and to provide 'investment vouchers' to match fund an initial period of regular savings.

Protection in the labour market

More opportunities for flexible and part-time working

Some women turn to self-employment because of a lack of opportunities for flexible and part-time working. We urge for the protections around flexible working to be strengthened, and for the public sector to lead by example. All vacancies in the public sector should be advertised as available on a flexible basis, unless there is a business case not to.

Revoking Employment Tribunal fees

⁵⁸ Martinez et. al. (2010) ibid.

Employment tribunal fees are significant barrier to challenging ‘bogus’ self-employment, with the number of cases dropping significantly since the introduction of fees.⁵⁹ We urge for these to be revoked.

A greater role for Trades Unions and mutual associations

As the self-employed have become a larger part of the labour force, Trades Unions and mutual associations should take a greater role in advocating for and delivering transition support, training, insurances and legal advice.⁶⁰

Tax and benefits changes

Review Universal Credit for the self-employed

Universal Credit is set to have a severe impact on the self-employed. The large numbers who are juggling self-employment with care for sick or elderly relatives or children will be particularly hard hit. We urge for a thorough review of Universal Credit so that it is fit for purpose for the self-employed.

Equalised parental benefits

Self-employed parents receive a much lower level of state support when having children than employees. To reduce churn on women’s businesses during peak child-bearing years and a subsequent loss of talent and potential to the UK economy, we recommend equalizing parental benefits between employees and the self-employed. Specifically, we call on the government to implement the recommendation of the Deane review to enhance the level of Maternity Allowance in the first 6 weeks to bring it in line with Statutory Maternity Pay.⁶¹

Incentivised private pension contributions

In the absence of an employers’ contribution, auto-enrolment is set to widen the pension gap between employees and the self-employed. We support the call by Citizens Advice and TISA for government to incentivise self-employed pension contributions by matching a proportion of the pension savings they make.⁶²

Extra support for women effected by delayed state pensions

There is widespread concern that the accelerated implementation of the delayed pension start date has not given effected women adequate time to prepare and many are facing particular hardship.

⁵⁹ Gribben, R (2015) ‘Employment tribunals drop by 70pc as staff discouraged by fees,’ available at: <http://www.telegraph.co.uk/finance/jobs/11475926/Employment-tribunals-drop-by-70pc-as-staff-discouraged-by-fees.html>

⁶⁰ Conaty, P et al (2016, forthcoming) *Uniting self-employed workers: trade union and cooperative solutions*. Cooperatives UK and Wales Cooperative Centre.

⁶¹ Deane, J (2016) ‘Self-employment Review: An independent report,’ available at: <https://www.gov.uk/government/publications/self-employment-review>

⁶² Watson, E. (2013) ‘Universal credit for the Self-employed: Unworkable, unfair and short-sighted,’ available at <http://www.prowess.org.uk/universal-credit-self-employed>

WBG recommends a one-off self-employment grant and business development programme to help ease the transition for these women.

Information and research

Better data on gendered uptake of business support and investment

The government does not currently collect gender disaggregated data on major job and business investment programmes like the RGF, despite the requirements of the Equality Act 2010. Gender disaggregated data is required to undertake thorough impact assessments that, in turn, provide the information that is required to ensure enterprise policy delivers equality of outcome for men and women.

Official earnings data to include the self-employed

The self-employed are included in the jobs figures, but excluded from official earnings figures. This presents a misleading picture with regard to economic development and to the gender pay gap. The Resolution Foundation has proposed an ‘All worker’ measure for earnings which we support.

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Erika Watson is Director of [Prowess](#) and the Charter for Women in Business and can be contacted at: erika@prowess.org.uk

Ruth Pearson a member of the Management Committee of the Women's Budget Group. She is a feminist economist with expertise on women and the global economy, including migration and care work. She can be contacted at r.pearson@leeds.ac.uk

Information and publications relevant to women in the labour market can be found on www.wbg.org.uk