Leaving no one behind

ILC policy briefing on the Government's coronavirus support package for the self-employed

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Summary

Last week, the Chancellor announced Government plans to introduce an income support scheme for self-employed workers equivalent to 80% of their income - up to a maximum of £2,500 a month.

While the ILC welcomes the Chancellor's announcement to support self-employed workers amid the coronavirus crisis, the support package risks excluding a sizeable number of older workers who are already in a vulnerable position.

12% of workers under 50 (2.7 million) and 21% of workers aged 50+[1] (2.2 million) are self-employed.[2]

A significant proportion of older workers are self-employed and among these, a sizeable number may be ineligible for any support. This could unintentionally disincentivise longer working lives and further disadvantage the retirement incomes of the self-employed.

Full-time self-employed workers aged 55+ earn less than younger workers (aged 24 or over), and over £100 a week less than their employed counterparts.[3]

Although many older workers will have an adequate financial buffer to protect against income shocks, a significant subset, particularly among the self-employed, where 23% of such

[1] 50+ refers to aged 50 and over.

[2] ILC analysis of the Office for National Statistics (ONS) Annual Population Survey (accessed March 2020).

[3] The statistics quoted are for the year 2015-16, the latest data published by the ONS.

workers are in relative poverty, do not. They will struggle to get by with no or delayed support except piecemeal offers of Universal Credit.

Nearly 60% of carers in England and Wales are aged 50+ and 65% of older carers (aged 60–94) have long-term health problems or a disability themselves.

Older workers are also likely to be vulnerable themselves or caring for someone more vulnerable to coronavirus alongside these financial pressures.

ILC believes that no one should be left behind, but these arbitrary criteria for support risk doing just that. As a growing number of workers transition to self-employment in their later years, we need to ensure they are not forgotten, and feel supported to work for longer and have sufficient savings for retirement.

In doing so, we can maximise the growing economic impact of older workers. Our *Maximising the longevity dividend* report, published in December last year, found that those aged 50+ earned £237bn in 2018, and could be earning £311bn (40% of total earnings) by 2040. As such, it is absolutely vital that we get this right, and realise the potential longevity dividend.

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Introduction

The Chancellor's announcement last Thursday on the Government's new 'self-employed support scheme' amid the coronavirus crisis is welcomed, despite its delay, and follows the Government's impressive employee support package launched the previous week. The scheme is expected to cover 80% of self-employed workers' profits, up to £2,500 a month.

However, similarly to the response package for employees[4], it doesn't cover all workers. Assistance is not eligible for:

- Workers whose annual profits exceed £50,000;
- Workers who are newly self-employed, and;
- Workers whose majority of incomes do not come from self-employment.

Moreover, self-employed workers will have to survive until June, when the scheme is expected to be operational, with little additional protection.[5] There are a number of myths surrounding the impact of the support package on older workers, which we will seek to explore in this policy briefing.

Myth 1: Older workers won't be affected by delays and gaps in these measures.

Myth 2: Older workers won't be affected by the eligibility criteria required to gain support.

[4] The package for employees fails to support those who have had their hours cut or lost their job since the outset of social distancing,
[5] Except entitlement to temporary tax deferrals and loans.

Myth 3: Older workers will easily be able to deal with any income shocks if they are ineligible for support.

Myth 4: Older workers who do qualify for support will easily be able to manage with no financial support until June.

Myth 1: Older workers won't be affected by gaps and delays in these measures

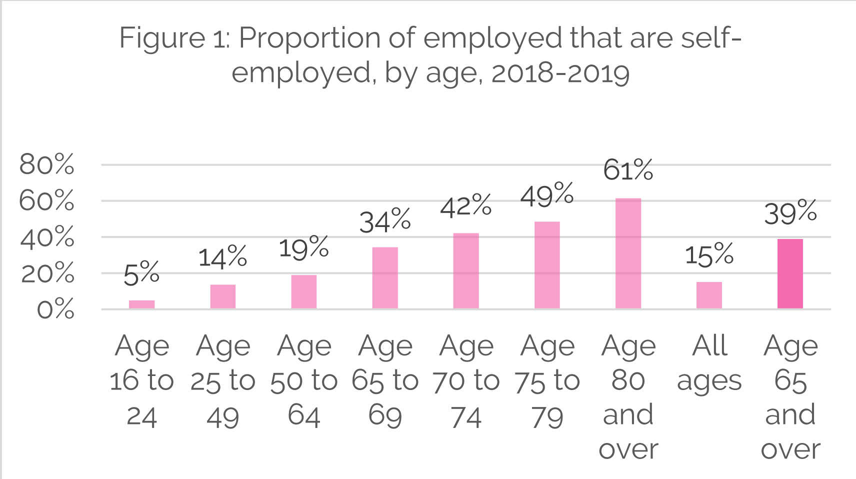
ILC thinks:

These delays and gaps will disproportionately impact upon a noticeable proportion of the older workforce who also are more likely to be at risk/carers of someone at risk from becoming severely ill due to coronavirus.

Gaps in these measures will cut across the whole of society. Yet since 12% of workers under 50 (2.7 million) and 21% of workers aged 50+[6] (2.2 million) are self-employed[7], the older workforce will be particularly affected in proportionate terms (Figure 1).

[6] 50+ refers to aged 50 and over.

[7] ILC analysis of the ONS Annual Population Survey (accessed March 2020).



Source: Annual Population Survey, (accessed March 2020 via Nomis), Office for National Statistics

The self-employed workforce is also ageing fast as the propensity to be self-employed has tended to increase over time[8] and older workers are remaining in the workforce for longer. A shift to self-employment in later life may partly be driven by a desire for flexibility and control at work but may also be a response to a lack of other suitable work, due to age discrimination, inflexible hours, and other barriers faced by older workers.

Managing financial difficulties now may be especially hard for older workers in the current climate as underlying health conditions, which tend to increase with age, place them at greater risk of becoming severely ill due to the coronavirus. They are also most likely to be caring for someone at greater risk. The ONS finds that nearly 60% of carers in

[8] ILC analysis of the ONS Annual Population Survey (accessed March 2020).

England and Wales are aged 50+, and 20% of people aged 50-69 are informal carers. In addition, 65% of older carers (aged 60–94) have a long-term health condition themselves.

It therefore seems both wrong and ineffective for those most vulnerable to the coronavirus to be worried about finances during this difficult period.

Myth 2: Older workers won't be affected by the eligibility criteria required to gain support

ILC thinks:

A sizeable proportion of older workers, especially part-time workers, will not qualify for support. Newly self-employed older workers may also be particularly affected.

The eligibility criteria could have unintended consequences, whereby the newly self-employed are at risk of leaving the labour market earlier than anticipated if their work struggles to bounce back after the pandemic.

Older self-employed workers may be at particular risk of not qualifying for support due to the scheme's requirement to earn more than 50% of total income from self-employment. This is because older self-employed workers are most likely to work part-time. The majority of those aged 60+ (54%) and most of those aged 70+ (72%) work part-time.[9]

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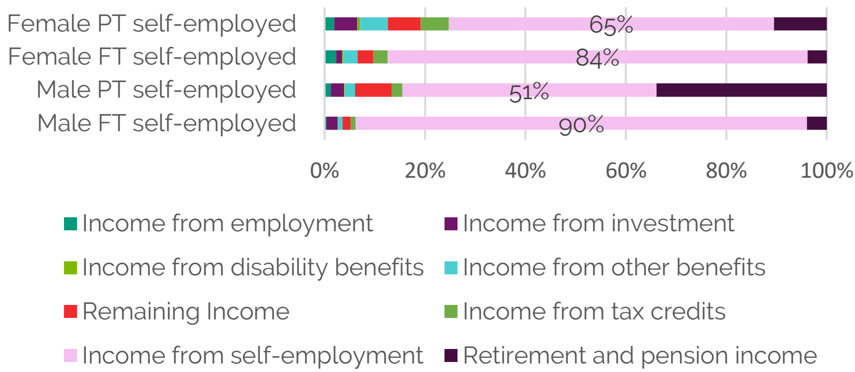
[9] ILC analysis of the ONS Annual Population Survey (accessed March 2020).

Moreover, older workers may also be receiving retirement income, which counts towards their total income. In 2015-16, 51% of total income for all self-employed part-time men came from self-employment, which is likely to be even lower for older workers (Figure 2).

The Government's proposals are therefore liable to ignore a sizeable proportion of older workers; since a third of 70-year olds in work are self-employed and work part-time. This exemption cannot be ignored.

Figure 2: Breakdown of total earnings for self-employed from all income sources, 2015-2016, UK



Source: Trends in Self-employment in the UK. Office for National Statistics. 2018.

It is unclear whether older workers will be considerably affected by the other support criteria. Although the rise in older self-employed workers in recent years may be largely due to self-employed workers remaining in the labour market for longer, some are likely to have been pushed out or voluntarily left employment in later life. Those just starting out over the last few months will not be eligible for assistance, which may put their new careers at risk. This could lead to further consequences down the line.

Previous ILC research found that once unemployed, older workers remain unemployed for longer and are most likely to leave the labour market for good. In this context, self-employed workers who struggle to bounce back following the pandemic could potentially leave the labour market earlier than anticipated.

Savings for retirement and pension wealth are also considerably lower among the self-employed relative to employees. Within this context, self-employed workers approaching retirement who are forced to dip into their retirement savings due to being ineligible for support, could further disadvantage their retirement incomes relative to employees.

Myth 3: Older workers will easily be able to deal with any income shocks if not supported throughout the pandemic

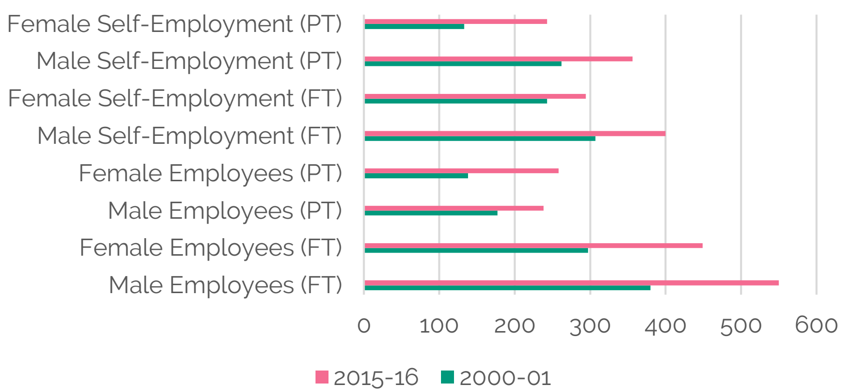
ILC thinks:

Although many of these workers, such as the majority of men that work part-time, may have other sources of income and assets to support them, a sub-set, including many women who work part-time, may really struggle without assistance.

While they may be less likely to be eligible for support, part-time self-employed workers aged 65+ have considerably higher incomes than their employed counterparts (Figure 3). Financial and private property wealth is also highest among older self-employed workers. This may mean that they are more able to weather any financial difficulties if not assisted, but this is not a certainty.

Part-time self-employed females, for instance, have slightly lower median incomes overall than comparable employees. Previous ILC research also found that about 26% of those aged 65+ continue to work because they can't afford to retire. This, compounded by the fact that around 23% of self-employed workers are in relative poverty (over twice the proportion of employees), may mean a subset of these older workers are hit particularly hard by this exemption.

Figure 3: Median weekly earnings from all sources of income for the employed and self-employed, by hours and sex



Source: Trends in Self-employment in the UK. Office for National Statistics. 2018.

Myth 4: Older workers who do qualify for support will easily be able to manage with no financial support until June

ILC thinks:

Full-time self-employed workers, who will likely qualify for support, may particularly struggle to wait for assistance until June given their relatively low levels of income and the inadequate protection offered by Universal Credit (UC).

Median earnings of full-time self-employed workers aged 55+ were lower than younger workers (except those aged 16-24) and more than £100 a week lower than their employed counterparts in 2015-16 (latest ONS data). Across all ages their overall income was also lower than comparable employees (Figure 3). Given that self-employed workers are more likely to be behind with a household bill and be in debt, many such workers may struggle to support themselves and their families until June and will be forced to apply for UC if eligible.

This will create hardship as the level of support is minimal. Just before the crisis hit, this safety net amounted to around 15% of average earnings – an all-time low – and significantly lower than comparable support in most advanced OECD countries. Although the generosity of UC has been raised since the pandemic, it still only offers a replacement of less than 20% of average earnings.

Conclusion

While this package to support self-employed workers amid the coronavirus crisis is welcomed, the delay and arbitrary exemptions to receiving this support risk putting a large number of older workers in precarious financial situations. A sizeable proportion of older workers are self-employed and many, particularly part-time workers, may not be eligible for any support under the Government's scheme. Many of these workers will also need to cope with being at greater risk from becoming severely ill due to coronavirus or caring for someone at greater risk alongside these financial pressures.

Although many older workers will have an adequate financial buffer to protect against any income shocks, a significant minority will not. These workers will therefore struggle to support themselves until June or remain afloat without any support except piecemeal UC offers.

During the coronavirus crisis, we need to ensure that no one is left behind and that the most vulnerable are protected. This will also be increasingly important going forward. As the self-employed workforce ages amid demographic change, older workers who have freely chosen to become self-employed or have been pushed into self-employment to top up retirement incomes will need to feel valued and supported to work in later life. Inaction is not an option and risks harming our chances of realising a longevity dividend.