



UK Parliament Women and Equalities Committee Inquiry - Unequal impact: Coronavirus (Covid19) and the impact on people with protected characteristics

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Summary

I draw on 20 years of experience in researching women's enterprise, recent intensive analysis of Covid19 policy and informal consultation with women. I also draw on a series of State of the Art Reviews on Women's Enterprise (2020) that I co-edited for the Enterprise Research Centre. I present the situation faced by self-employed women, critique existing Covid19 policies and make recommendations for policy development.

Self-employment among women has increased dramatically in recent years but pay and security is low, suggesting a policy priority of shaping good and productive self-employment for women. Yet, Covid19 creates multiple vulnerabilities that further threaten women's enterprise. Most businesses are highly resource scarce and a high proportion operate in sectors vulnerable to downturn due to the pandemic. Entrepreneur mothers are fast becoming collateral damage of Covid19 as they are drafted in by lockdown policy and gendered family coping strategies to care for children during school and nursery closures. As semi-lockdown is going to be a chronic problem this poses a deep threat to many women-led businesses and particularly to single mothers and the mothers of disabled children. Yet, government policy under the SEISS excludes many of the kinds of businesses that women lead: enterprises that trade part-time so spend a longer time in start-up and those that operate as a second job by women piecing together work around family routines. Moreover, we know that women are reluctant to borrow and with good reason: many trade in low potential sectors (newly valued under Covid19 as forms of keywork!) so cannot realistically repay loans. I expect low take-up of CBILs by women. I note that the start-up fund supported by Government depends on raising venture capital. This ignores consistent evidence that there is a very high incidence of gender discrimination in angel and venture investing. I am alarmed that pregnant self-employed women may be working unsafely (at risk of Covid19 infection) and that SEISS payments will not take into account periods of maternity leave and skeleton trade following childbirth; I suggest this might even be discriminatory under the Equalities Act. Much more needs to be done to protect pregnant and mother entrepreneurs and young women who are self-employed, in particular.

Supporting women's enterprise under Covid19 is a complex problem and we urge BEIS to develop Women's Enterprise Policy (as it has done in the past and following the excellent work underway in Wales and Scotland). BEIS, Treasury and DWP should also publish gender disaggregated data on scheme take-up (including Universal Credits) and adjust policy in relation to regular Equalities Impact Assessments. Indeed, we need an Equalities Impact

Assessment for the entirety of self-employment and SME support under Covid19 to prevent this pandemic causing an increase in existing inequalities in entrepreneurship and related widening of the gender pay and wealth gaps. We are forming a Women's Enterprise Policy Group of business support and academic professionals and urge BEIS to bring us to the table to co-devise new policy.

Women's enterprise depends on a functioning early years and childcare sector. We draw to the committee's attention the crisis facing the nursery sector due to changes to the furlough rules governing them and how poorly this supports the economic model on which nurseries manage to function. We also note a lack of clear advice on in-house care. We urge BEIS to resolve these problems and to strengthen our childcare sector as part of its strategy to support women's enterprise. Alongside this, ensure that school provision enables parents (and particularly mothers) to trade; we offer detailed suggestions of how to achieve this safely. It may well prove necessary to compensate mother entrepreneurs for lost earnings and business throughout the Covid19 period and this must be comprehensive and not repeat the exclusions under the SEISS. The committee could also consider the suggestion made to me by some single mother entrepreneurs that they should be designated as key workers in order to give them access to childcare and school so they can sustain the businesses that keep their families out of poverty during lockdown.

A. The Effect of Covid19 on Self-Employed Women

This submission draws on my expertise in entrepreneurship and diversity and the analysis of Covid19 policy for the self-employed that I have undertaken with colleagues in the Enterprise Research Centre (Warwick/Aston) since March 2020. I have also consulted women on Twitter and women's business support organisations. Our Covid19 work so far:

- A blog on how Germany and Denmark were doing better for the self-employed (published prior to the SEISS announcement but still relevant).
<https://www2.mmu.ac.uk/decent-work-and-productivity/news--events/story/?id=12081>
- A blog with the Gender and Enterprise Network (a coalition of women's enterprise researchers) on the effect of Covid19 on women business owners.
<https://www.enterpriseresearch.ac.uk/stay-home-and-work-implications/>
- A report critiquing the SEISS, Universal Credits and SME support package as they relate to the self-employed.
https://www.enterpriseresearch.ac.uk/wp-content/uploads/2020/04/ERC-ResReport-Covid-19-Developing-More-Comprehensive-and-Inclusive-Policy-for-the-Self-Employed_final.pdf

I also refer the Committee to five State of the Art Reviews of evidence regarding women's entrepreneurship written by the Gender and Enterprise and published by the Enterprise Research Centre in March 2020 that I co-edited (<https://www.enterpriseresearch.ac.uk/our-work/publications/?type=sota-review>).

How has Covid19 Affected Self-Employed Women?

First, Understand Pre-existing Inequalities and The Vulnerability of Self-Employed Women

Women in the UK are far less likely to start or grow a business than a man. For example, of the nearly 5 million self-employed, 3.3 million are men and 1.6 million are women (ONS, 2019). However, UK women's enterprise *has* increased significantly since the 2007 recession and the rate of change has been faster than for men.

Most jobs created in the UK following the 2007 recession have been in self-employment. Many of the jobs destroyed were in the public or third sectors, following 'austerity' funding cuts. Women were disproportionately negatively affected and subsequent employment growth has been sluggish (ONS, 2018). It seems likely that austerity has contributed to rapid growth in women's self-employment. However, the quality of self-employed work is often poor. Growth has been strongest among the smallest enterprises (trading without a partner or staff) and **women working full-time in employment earn an astonishing 76 percent more than women in full-time self-employment** (ONS, 2018). So, while even educated women may be turning to freelancing for work-life balance, and hope for better pay (IPSE, 2019), the reality is often low and precarious pay and a wide gender pay gap (OECD, 2020). Excellent new policy on women's enterprise in Wales (<https://businesswales.gov.wales/supporting-women-wales>) is built on research that shows that – while women hope for better work-life balance via self-employment – this is difficult to achieve in reality.

Logically, the real policy problem prior to Covid19 was not low rates of women's enterprise but low quality women's self-employment (Rouse and Trehan, 2020). The rational policy questions were: how can we encourage *good* self-employment for women, as part of the UK's Good Work agenda (Taylor, 2017), and shape productive self-employment, in line with the Industrial Strategy (HM Government, 2017)? **To have either, women's businesses need protection to survive Covid19.**

The Nature of the Covid19 Challenge for Self-Employed Women

We know that women's entrepreneurial labour is constantly up for negotiation within families, particularly when they trade from home (as most do) (Rouse, 2020). The UK has 0.6 million self-employed mothers (ONS, 2020) and 25,000 mothers have entered self-employment in the last year (a 4% increase on the previous year) (IPSE, 2020). Many of these enterprises work around the rhythms of partners leaving for work, children going to school and nursery and the elderly being cared for by others. It is in these time (and in evenings and nights!) that many self-employed mothers work. All of these conditions are terminally disrupted by lockdown. Reports on Twitter say – unsurprisingly – that women are struggling to get partners to take a fair share of childcare under lockdown and employers are not shaping men's workload to support childcare so they are leaving it to their self-employed partners. ***Women's businesses become, then, the collateral damage of Covid19.***

I previously undertook a longitudinal study of self-employed women and maternity. I found that the self-employed lack effective health and safety protection: they are either responsible for their own health and safety (so would need to suspend themselves on full pay if work were unsafe, an action most cannot afford) or they work on client premises but feel unable to ask for adjustments and have contestable rights. **We fear that pregnant and breastfeeding self-employed workers who continue to work away from home may be exposed to the Covid19 virus.** This risk is exacerbated because the self-employed lack any real access to equalities protection: few, if any, take pregnancy or maternity discrimination cases. Instead, they tend to put themselves at risk or absorb the cost of discrimination via poor business performance or business closure.

After childbirth, self-employed women most commonly return to work within 2 weeks but trade on a skeleton basis before increasing their trade in phases. They do this because of the damage that being pregnant poses to business reputation, to sustain business networks and to pay business costs. They are also keen to sustain the 'reality' of businesses in the minds of their families. Most claim Maternity Allowance while trading (but not earning) despite rules that (erroneously in our view) disallow this. **We fear that women trying to re-build businesses following maternity will be further setback by Covid19. Their route back to work is effectively blocked** and this problem will last for as long as the nursery sector is disrupted and they cannot access grandparent care.

The Institute for Fiscal Studies identifies sectors that are directly affected by the lockdown: non-food, non-pharmaceutical retail; passenger transport; accommodation and food; travel; childcare; arts and leisure; personal care and domestic services. Unsurprisingly, young people and women employees are most likely to be affected (Joyce and Hu, 2020). Henley and Reuschke (2020) replicated this analysis for self-employment and found that the self-employed are more at risk than employees (one fifth or over 1 million in at-risk sectors) and **women are at much higher risk than men due to self-employment concentration in sectors such as childcare, personal care and domestic services**. Indeed, almost a third (or approximately 545,000) of the female self-employed are in vulnerable sectors. A half of young self-employed women are at risk. Self-employed women are more likely to be in vulnerable sectors in regions away from London and the South East (which are also the areas where we are already beginning to see the highest rates of business dissolution – Prashar et al., 2020). **It is notable that the lower educated and part-time traders are particularly at risk of being in a vulnerable sector.**

Of course some women work as ‘dependent’ self-employed. They are the outsourced labour market for larger organisations, working as freelancers, cleaners etc. We are already beginning to see these organisations retract in the face of an impending recession. And, so, these dependent self-employed will face major challenges in finding a market beyond the Covid19 pandemic. **Mothers running businesses may be dispensed with most rapidly if they are unable to sustain client relationships and pivot their businesses during the Covid19 pandemic due to childcare responsibilities.**

We note that the childcare sector is subject to particular strain. The business model for early years providers was fragile prior to Covid19 and has been dealt a serious blow by the rule that they cannot furlough staff supported by Early Years funding, even though these staff are usually cross-subsidised by private fees which are now only coming in from key workers. This rule also contradicts early advice that they could furlough all staff so that some nurseries have closed and already furloughed (<https://www.gm4women2028.org/post/how-women-are-at-greater-risk-of-unemployment-after-the-government-s-u-turn-on-the-childcare>). **There is a real threat that many nurseries will close, devastating women-led businesses and jobs.** Self-employed parents are being asked for ‘retainment fees’ they cannot afford. **Their ability to plan a return to trade is made even more difficult when they don’t know when – or if – childcare providers will survive.**

Finally, we note that **uncertainty around the lockdown timetable and the inevitable protracted semi-lockdown of schools and nurseries makes it very difficult for women to plan business recovery.** They need to understand how social distancing will affect provision in order to know what work they can take on. For women with children in different year groups or with special needs such as autism, these arrangements are likely to be particularly disruptive. Many self-employed women juggle low-paid trade by relying on care from friends and families: a complex childcare jigsaw (Rouse and Kitching, 2006) that social distancing may preclude. More successful business owners often rely on in-home childcare as this is available in the atypical hours they often need to work and network. Advice to the in-home care sector about social distancing and lockdown is unclear (Bubble briefing, 2020). Social distancing may fatally undermine business recovery plans that must include childcare strategies. **If mothers have to forego trade for care or trade on a skeleton basis throughout the pandemic, they must be remunerated for loss of income and business.**

In short, women-led businesses are more vulnerable under Covid19 due to the sectors they trade in and if they are pregnant or breastfeeding. Many mother-led businesses cannot see a way out of this crisis at all and will be made dependent on men and/or forced to spend small savings under Universal Credit rules or become poor while they rely on Universal Credit if their businesses fail or shrink for chronic periods. We fear

that inequalities in entrepreneurship will be widened and that the policy problems of 'good self-employment for women' and 'productive self-employment for women' that existed prior to Covid19 will be an even greater challenge if government does not produce gender-sensitive business policies. There will be long-term effects on gender pay and wealth gaps and an increase in child poverty. Single parents are particularly vulnerable.

B. Unforeseen Consequences to Covid19 Measures

Below we critique how the self-employment and SME Covid19 support schemes support women. Please note we are unclear how these relate to migrant and refugee women and urge further analysis.

Critique of The Self-Employment Income Support Scheme (SEISS)

The Self-Employment Income Support Scheme (<https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>) compensates the established self-employed with 80% of average monthly earnings assessed via analysis of their last three years of Self-Assessment reports (or one or two years if these are all that are available) during lockdown. To be eligible, self-employment must be a main source of income, as demonstrated in a 2018-19 Self-Assessment report, and earnings must be under £50k. Payment has been promised in June 2020 and the payment process will be pro-active, via HMRC.

In Rouse et al. (2020) we noted that the SEISS excludes three categories of self-employed workers and that a total of more than 750,000 are excluded:

- ***the new(ish) self-employed for whom self-employment is a main job*** – this is any self-employed person who did not report self-employed earnings in a 2018-19 Self-Assessment return because their business was too early stage to generate profits during 2018-19 or because it was established after April 5 2018.
- ***the self-employed as a second job*** – portfolio workers who are either 'cobbling together' employed and self-employed work in a jigsaw (often in a precarious patchwork of work that synchronises with care responsibility or available free childcare where paid childcare cannot be afforded) or who are building businesses slowly alongside a job (for women, often a part-time job).
- ***the established self-employed who grew their business to be a main job in 2019-20*** – workers who did report self-employment as a source of income in their 2018-19 Self-Assessment return but for whom self-employment only grew to be their main job in 2019-20.

We will soon published a **gender breakdown of people estimated to be excluded from the SEISS**. Greater exclusion of women is likely due to:

- the larger proportion of women who are in the start-up phase due to the higher rate of growth in women's enterprise and because women more often trade part-time and so take longer to create sufficient profit such that self-employment becomes their main source of income.
- more women use self-employment as a second job - combining employment and self-employment as 'portfolio workers', often piecing together whatever forms of work are available to create a jigsaw of flexible work (e.g. as cleaners).

Given that we have outlined how women are more likely to be in vulnerable sectors and to be coping with the challenges of nursery and school closures, **the policy logic is to provide more women with support, not less.**

I appreciate that crisis policy making calls for simple rules and fast action. However, our core policy recommendation is simple and it seems to have been understood by Treasury and BEIS but overlooked: to allow people to submit their Self-Assessment form for 2019-20 during April and May 2020 so they can qualify for an SEISS payment in June 2020. I note that this would not help women for whom self-employment is a second job and call upon the Government to look again at the gendered consequences of overlooking some of our most vulnerable workers who piece together precarious work in employment and self-employment but fall through the cracks of their policies. **It is not sufficient to conclude that the Government cannot support all families and businesses: we must understand who is excluded, decide if this is unfair or even unlawful in terms of the Equalities Act.**

A further problem is **that the SEISS will not take periods of maternity leave into account when calculating average monthly drawings to calculate the payment;** campaign group Pregnant Then Screwed report they have written evidence of this from the Department for Work and Pensions. We judge that this may cause **discrimination under the Equalities Act** on the grounds of pregnancy and maternity and urge the Select Committee to seek legal advice on behalf of these women and to work with the Equalities and Human Rights Commission to ensure that direct discrimination is not at play here.

Finally, I note that earlier sections show how many women-led businesses are less able to absorb the shock of Covid19 and how the pandemic will have chronic and potentially devastating effects for mothers. The shock of being excluded or discriminated against by the policy will result, I fear, in business failure and related family indebtedness and unemployment. I am also concerned that sustaining businesses alongside childcare and/or business failure will create mental health problems and poverty for single parents, in particular.

Critique of Universal Credits for the Self-Employed Under Covid19

Universal Credits are available to the self-employed excluded from the SEISS, awaiting the SEISS payment and for whom the SEISS will not generate basic family income. The Committee will be aware that Universal Credits works on a very different social contract to the SEISS. While the SEISS compensates an individual for lost earnings and is fairly generous in rewarding losses of up to 80% for those earning up to £50k, Universal Credits makes much lower upper provision and works on the logic that partners and modest savings should first bare risk, and then the state will step in.

We have called upon the Government to weaken the savings rules under Universal Credit in relation to the self-employed. Their Universal Credit entitled will be reduced if they have savings over £6,000 and cease if they have savings of £16,000. We have communication from the self-employed excluded from SEISS for whom savings are accrued to pay the 2019-20 tax bill. Also, traders who have been saving for vital equipment (e.g. a car) or who are facing business costs. In effect, they have not separated individual and business finances and savings actually belong to the business and are needed for business commitments. Savings also represent the savings pot collected to enable start-up, or are the only source of income the individual has to 'pivot' their business, experimenting with development of digital skills and equipment or with new market offerings under Covid19 conditions. Sometimes, savings have been accrued slowly to buy a first home. Making those excluded from SEISS rely on these small cushions during Covid19 is in stark contrast to giving 80% compensation for the established self-employed.

The House of Commons Work and Pension Committee (2020) report that many self-employed people are unclear about their right to claim Universal Credit and believe (erroneously) that a claim for Universal Credit would invalidate a claim for SEISS.

Compensation for Business Costs – CBILS and other schemes

Home-based businesses without premises have no access to grant support with business losses. We know that women business owners are reluctant to borrow and many trade in sectors that have low profit potential so their reticence is entirely rational (see Rouse, 2020 for a review). We therefore suggest that the Coronavirus Business Interruption Loan Scheme (CBILS) will have a lower take-up by women. Recent evidence suggests that women's caution is valued by lenders because those who do apply for loans are more likely to be accepted (Cowling et al., 2019). **It is essential that gender disaggregated data is published on CBILs so we can track this.**

Investment made by individual or more autonomous investors – such as angel financiers or venture capitalists – are still subject to high degrees of straight forward gender discrimination (see Route, 2020 for a review). The government has backed a start-up fund for high potential ventures but this is dependent on raising venture capital investment, an accomplishment much more difficult (and so rare) for women. **We need policy making that is more aware of gender bias in investment circles.**

C. Reviewing the Measures

1. What could be acted on when Covid19 policy is reviewed in 3 weeks?

- i. **Develop a Covid19 Women's Enterprise Policy and do this with the Women's Enterprise Policy Group** (which we are currently founding to bring a shared voice from the women's enterprise support community and the academic community who work as the Gender and Enterprise Network in the Institute of Small Business and Entrepreneurship). Ensure involvement from the devolved governments and the excellent women's enterprise policy work developing in Wales and Scotland who will be part of WEPG.
- ii. Enable the new(ish) self-employed and those for whom self-employment became their main job in the last year to submit their Self-Assessment for 2019-20 in April and May 2020 so they become eligible for an SEISS payment in June 2020.
- iii. Ensure that maternity leave and slow trading on return to work are accounted for in assessing average monthly drawings under the SEISS to avoid the scheme being **discriminatory**.
- iv. Relax the savings rules under Universal Credit for the Covid19 period for the self-employed.
- v. Devise means of protecting women who combine self-employment and employment in recognition that they are among our most vulnerable workers. Why not make them eligible for SEISS to avoid disadvantaging women, in particular?
- vi. Give parents as much information as possible about how their particular children are likely to be affected by each stage of the lockdown/semi-lockdown processes to enable women business owners to plan. Even if you cannot give exact dates, ask schools and nurseries to publish their framework plans so that businesses can begin to prepare. Where possible ensure that children from the same family can attend nursery/school on the same days to free women (in particular) to work. Clarify advice on in-home care as quickly as possible and develop policy such as 'bubbles' that enables grandparent care where this is safe. During lockdowns consider making self-employed single

parents 'keyworkers' as their businesses are particularly threatened and this creates a real risk of poverty and debt.

- vii. Invest in cultural messages that the challenge of caring for children at home must be shared by men and consider a Covid Paternity Scheme that incentivises men to play their role and ensures that employers support this. Learning from low take-up of Shared Parental Leave, this would need to be a 'use it or lose it' policy.
- viii. Enable self-employed mothers who cannot sustain their businesses under forthcoming school and nursery arrangements to claim compensation for their earnings and business cost losses.
- ix. Provide grants to women business owners to cover business costs in recognition of their likely low take-up or eligibility for CIBLs and the discrimination they face in attracting venture capital and, so, the Government's start-up fund.

2. What could be acted on in 6 months?

- i. Publish a strategy for Women's Enterprise under Covid19 with the Women's Enterprise Policy Group and other stakeholders.
- ii. Publish gender disaggregated data on all of the self-employment and SME funds on a regular basis and an Equalities Impact Assessment of the policies as part of your Women's Enterprise Policy.
- iii. Ensure that new policy supports innovation in women-led businesses by commissioning empowering business support during Covid19 by: (i) enabling strategizing of childcare and business; (ii) developing digital skills for online trading; (iii) facilitating the formation of entrepreneurial teams to build capacity in women-led businesses, and; (iv) supporting safe business exit and career development.
- iv. Continue to compensate women for lost earnings and business costs in recognition of the market conditions of Covid19 and mothers' particular work in caring for children, the disabled and elderly under lockdown AND semi-lockdown; ensure all self-employed women are included and so avoid problems with the SEISS.
- v. Develop health and safety support that will enable women keyworkers who are self-employed to trade safely or to have a real option of refusing to work unsafely.
- vi. Consider building capacity in women-led businesses affected by school and nursery closures by teaming them with virtual apprentices.
- vii. Ensure that women-led businesses are enabled to serve public sector markets by building their capability in public sector tendering, potentially in collaborative teams.

References: available on request.