Abolition of Class 2 National Insurance Contributions - New Eligibility Tests for Contributory Benefits and Maternity Allowance

Equality Impact Assessment
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Executive Summary

1. Two classes of National Insurance Contributions (NICs) are payable in respect of self-employment:

   - Class 2 are flat-rate weekly contributions (£2.85 per week in 2017/18) due where the person’s net profits are equal to, or exceed, the Small Profits Threshold (the point at which liability for Class 2 NICs arises - £6,025 in 2017/18). Payment is voluntary for those with profits below that level;

   - Class 4 are payable as a percentage of net profits over £8,164 (2017/18).

2. In its 2012 review of small business taxation, the Office of Tax Simplification described how the system of NICs for self-employed people was burdensome. This led to the collection of Class 2 being brought within the self-assessment tax process for people with profits at or over the Small Profits Threshold. Class 2 was previously paid as a separate weekly payment to Her Majesty’s Revenue & Customs (HMRC) but is now collected annually alongside Class 4.

3. At the March 2015 Budget, the Chancellor announced that the Westminster Government would go further to simplify NICs for the self-employed by abolishing Class 2 NICs.

4. NICs are an excepted matter under Schedule 2 to the Northern Ireland Act 1998 and the responsibility of HMRC. However, Class 2 NICs are used to determine eligibility for some contributory Social Security benefits: contributory Employment and Support Allowance, Bereavement Support Payment, the State Pension, and, in certain cases, contribution-based Jobseeker’s Allowance. They are also used in part to determine entitlement to Maternity Allowance. The abolition of Class 2 NICs

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1 The self-employed person who is concurrently in employment separately pays Class 1 NICs on any earnings under the same rules as any other employed earner.

NICs will require a new means of determining benefit entitlement for the self-employed, which is a transferred matter.

5. Class 2 NICs are also relevant to the calculation of income for the purposes of entitlement to Carer’s Allowance in that an amount is deducted for a notional Class 2 NIC.

6. A consultation was carried out in Great Britain and Northern Ireland between 9 December 2015 and 24 February 2016. In all, forty six responses were received, including one from Northern Ireland - Citizens Advice. While respondents broadly supported the aim of simplification, concerns were raised in relation to:

- self-employed people with low or fluctuating earnings; and

- maintaining access to Maternity Allowance for self-employed women with no significant increase in cost to them.

7. At Budget 2016, the Chancellor confirmed that Class 2 NICs will be abolished from April 2018. The Government’s reply to consultation responses, including a summary of responses, was published on 5 December 2016.

8. Following the abolition of Class 2 NICs:

- The Small Profits Threshold will be replaced with the Small Profits Limit, which will be aligned with the Lower Earnings Limit in Class 1 NICs for employees.

- Self-employed people with profits above the Lower Profits Limit (£8,164 in 2017/18) will, as now, remain liable for Class 4 NICs.

- A new zero-rate band will be introduced into Class 4 NICs on profits between the Small Profits Limit and the Lower Profits Limit. People with

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3 Abolishing Class 2 and reforming Class 4 National Insurance contributions: response to the consultation.
profits at this level will not pay Class 4 NICs but will be treated as if they had, in the same way that employees who earn between the Lower Earnings Limit\(^4\) and the Primary Threshold\(^5\) are treated as having paid Class 1 NICs on those earnings.

- Self-employed people with no profits or profits below the Small Profits Limit will pay no Class 4 NICs and will not be treated as having paid Class 4 NICs.

9. As a consequence of the abolition of Class 2 NICs, people with no profits or profits below the Small Profits Limit will lose the facility to access some contributory benefits by paying Class 2 NICs voluntarily. They may see an increase in the amount of NICs they have to pay to secure entitlement through the more expensive Class 3 NICs. These are voluntary contributions (£14.25 per week 2017/18) paid to fill or avoid gaps in National Insurance records. They currently count for the purposes of the State Pension and Bereavement Benefits. This will put the self-employed people concerned in the same position as employed people whose earnings are below the Lower Earnings Limit.

10. Additionally, special rates of Class 2 NICs and arrangements available to certain groups, for example, share fishermen and volunteer development workers, will end.

11. It is proposed that a new test for eligibility for the benefits affected will be based on Class 4 NICs, which do not, at present, provide access to contributory benefits. Changes to the rules for entitlement have been designed to mitigate the effects of the abolition of Class 2 NICs as far as it is possible to do so. They are intended to ensure that self-employed people continue to build contributory benefit entitlement through the NICs system:

\(^4\) £113 weekly, £5,876 annually (2017/18).
\(^5\) £157 weekly, £8,164 annually (2017/18).
• From April 2018, a new contributory benefit test for the self-employed will operate on the basis that annual profits at or above the Small Profits Limit in Class 4 NICs will confer one qualifying year towards benefit entitlement.

• Class 4 NICs will count towards entitlement to State Pension, contributory Employment and Support Allowance and Bereavement Support Payment;

• Class 3 NICs will also provide self-employed people with access to contributory Employment and Support Allowance.

• Access to Maternity Allowance will be determined using Class 3 NICs;

• The existing Foster Carers National Insurance credit will be extended to a Class 1 credit to help maintain Foster Carers’ access to contributory Employment and Support Allowance and contribution-based Jobseeker’s Allowance.

12. The impacts are considered to be negligible in respect of the State Pension, Bereavement Support Payment, Maternity Allowance and Carer’s Allowance. It is proposed that transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements. A summary of impacts is provided at Annex 1.

How the changes will be made


14. Social Security is a transferred matter in Northern Ireland but generally mirrors the system in Great Britain in terms of the range of benefits provided, the conditions of entitlement and rates payable. In order to avoid the need to introduce amendments and to ensure that all relevant matters are covered, Assembly Bills dealing with Social Security are usually introduced when the
The corresponding Westminster Bill has received Parliamentary approval. The intention to introduce the Westminster Bill in Autumn 2017 and to abolish Class 2 NICs from April 2018 could lead to timing difficulties for an Assembly Bill. Subject to the approval of the Assembly (via a Legislative Consent Motion), it is proposed that the necessary changes for Northern Ireland be included in the Westminster Bill. This would avoid problems around timing.
SECTION 1 - INTRODUCTION

BACKGROUND

15. Two classes of National Insurance Contributions (NICs) are payable in respect of self-employment:

- Class 2 are flat-rate weekly contributions (£2.85 per week in 2017/18). They are due for every week or partial week of self-employment in a tax year if the person’s net profits are equal to, or exceed, the Small Profits Threshold (the point at which liability for Class 2 NICs arises - £6,025 in 2017/18). Payment is voluntary for those with profits below that level.

- Class 4 are payable at:
  - 9% of net profits between the Lower Profits Limit (£8,164 in 2017/18) and the Upper Profits Limit (£45,000 in 2017/18); and
  - 2% of net profits above the Upper Profits Limit.

16. While NICs are an excepted matter under Schedule 2 to the Northern Ireland Act 1998 and the responsibility of HMRC, Class 2 NICs are used to determine eligibility for a number of contributory benefits: contributory Employment and Support Allowance, Bereavement Support Payment, the State Pension, and, in certain cases, contribution-based Jobseeker’s Allowance. They are also used, in part, to determine entitlement to Maternity Allowance. Entitlement to those benefits is a transferred matter. Class 2 NICs are also relevant to the calculation of income for the purposes of entitlement to Carer’s Allowance.

17. Class 4 NICs do not currently provide access to contributory benefits.

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6 The self-employed person who is concurrently in employment separately pays Class 1 NICs on any earnings under the same rules as any other employed earner.
NEED FOR REFORM

18. In its 2012 review of small business taxation, the Office of Tax Simplification described how the system of NICs for self-employed people was burdensome. This led to the collection of Class 2 NICs for those with profits at or over the Small Profits Threshold being brought within the self-assessment tax process. Class 2 was previously paid as a separate weekly payment to HMRC but is now collected annually alongside Class 4.

19. The structure of Class 2 NICs is also outdated. They are payable at a flat weekly rate for each week of self-employment, whereas the other classes of NICs paid by employees, employers and the self-employed are based on a percentage of earnings or profits.

20. At the March 2015 Budget, the Chancellor announced that the Westminster Government would go further to simplify NICs for the self-employed by:

- abolishing Class 2; and
- reforming Class 4 to introduce a new contributory benefit test to ensure that the self-employed continue to build contributory benefit entitlement through the NICs system.

CONSULTATION


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22. The abolition of Class 2 NICs and the introduction of a new contributory benefit test will require changes to Northern Ireland Social Security legislation. The Department for Social Development (now the Department for Communities) made the consultation document available in Northern Ireland to ensure that people here had the opportunity to express their views. The consultation ran until 24 February 2016.

23. In all, forty six responses were received, including one from Northern Ireland - Citizens Advice. While respondents broadly supported the aim of simplification through the abolition of Class 2 NICs, concerns were raised in relation to:

- self-employed people with low or fluctuating earnings; and

- maintaining access to Maternity Allowance for self-employed women with no significant increase in cost to them.

24. The Chancellor confirmed at Budget 2016 that Class 2 NICs will be abolished from April 2018 and the Government’s reply to consultation responses, including a summary of those responses, was published on 5 December 2016. The Department for Work and Pensions and the Department for Communities, in conjunction with HMRC, have explored how a reformed system based on Class 4 NICs could confer benefit entitlement.

**CONSIDERATION OF IMPACTS**

25. The proposed changes to the rules for entitlement to the benefits affected have been designed to mitigate the effects of the abolition of Class 2 NICs as far as it is possible to do so. They are intended to ensure that self-employed people continue to build contributory benefit entitlement through the NICs system and have been considered in the context of their impact on the groups set out in section 75 of the Northern Ireland Act 1998. Those impacts have been considered in light of available data and the policy intention to determine whether

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9 Abolishing Class 2 and reforming Class 4 National Insurance contributions: response to the consultation.
their effect is adverse. Where a potentially adverse impact has been identified the Department has given consideration to mitigating measures. A summary of impacts is provided at Annex 1.

26. In considering mitigating measures or changes to policy the Department has to be cognisant of section 87 of the Northern Ireland Act and, in particular, the risks to the funding arrangements which are based on the maintenance of parity.

27. The Department must ensure the financial stability of the Social Security system whilst ensuring that it keeps pace with our changing society and treats people consistently. In addition the Department must ensure that the funding stream which underpins the Social Security system in Northern Ireland is not jeopardised. Against this backdrop the Department has been unable to identify further mitigation.

28. We welcome comments on the proposals set out in this document, particularly if you feel that the policy could be implemented more effectively to ensure equality of opportunity. A list of consultees is included at Annex 2. If you are aware of other groups or individuals who may wish to comment, please contact us. The consultation period runs from 11 September until 3 November 2017. Responses should be made within that period to:

Sean Garland  
Department for Communities  
Social Security Policy and Legislation Division  
Level 8, Causeway Exchange  
1–7 Bedford Street  
Belfast  
BT2 7EG

Telephone: 028 9082 3183  
Email: Sean.Garland@communities-ni.gov.uk
CONFIDENTIALITY OF INFORMATION

29. All information contained in your response, including personal information, may be subject to disclosure under the Freedom of Information Act 2000 (FOIA). You may therefore wish to limit any personal information provided or remove it completely.

30. If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances.

31. The information you send us may be shared with colleagues within the Department or the Department for Work and Pensions and with the Northern Ireland Assembly’s Committee for Communities and may be published in any summary of responses received.

32. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

33. The Department for Communities will process your personal data in accordance with the Data Protection Act and in most circumstances this will mean that your personal data will not be disclosed to third parties.
SECTION 2 – PROPOSED CHANGES

34. The abolition of Class 2 NICs, while a matter for HMRC, will require a new means of determining benefit entitlement for the self-employed. The benefits affected are:

- Contributory Employment and Support Allowance;
- Maternity Allowance;
- Bereavement Support Payment;
- State Pension; and
- in certain cases, contribution-based Jobseeker’s Allowance.

35. Class 2 NICs are also relevant to the calculation of income for the purposes of entitlement to Carer’s Allowance in that an amount is deducted for a notional Class 2 NIC.

36. It is proposed that, from April 2018, a new contributory benefit test for the self-employed will operate on the basis that annual profits at or above the Small Profits Limit in Class 4 NICs, which will replace the current Small Profits Threshold, will confer one qualifying year towards benefit entitlement. This arrangement will not apply to entitlement to Maternity Allowance which will be assessed through a new set of rules based on payment of Class 3 NICs.

37. The proposals based on Class 4 NICs reflect current arrangements for employed earners. The following diagrams demonstrate the current and proposed Class 2 and Class 4 NICs structures:
Existing Class 2 and Class 4 NICs structure

No self-employed NICs due but Class 2 payable voluntarily

Class 2 NICs due

QYs accrued

Annual Profits

Proposed Class 4 NICs structure

Profits Test:

QYs accrued

No self-employed NICs due

Class 4 NICs at 0%

Annual Profits
38. Following the abolition of Class 2 NICs:

- The Small Profits Limit will be aligned with the Lower Earnings Limit in Class 1 NICs for employees.

- Self-employed people with profits above the Lower Profits Limit (£8,164 in 2017/18) will, as now, remain liable for Class 4 NICs.

- A new zero-rate band will be introduced into Class 4 NICs on profits between the Small Profits Limit and the Lower Profits Limit. People with profits at this level won’t pay Class 4 NICs but will be treated as if they had, in the same way that employees who earn between the Lower Earnings Limit\(^{10}\) and the Primary Threshold\(^{11}\) are treated as having paid Class 1 NICs on those earnings.

- Self-employed people with no profits or profits below the Small Profits Limit will pay no Class 4 NICs and will not be treated as having paid Class 4 NICs.

- Self-employed carers on income below the Lower Profits Limit will no longer have a notional deduction for National Insurance allowed in the calculation of their income.

- Special rates of Class 2 NICs and arrangements available to certain groups, for example, share fishermen and volunteer development workers, will end.

39. As stated above, the proposed changes to the rules for entitlement to the benefits affected have been designed to mitigate the effects of the abolition of Class 2 NICs as far as it is possible to do so. They are intended to ensure that self-

\(^{10}\) £113 weekly, £5,876 annually (2017/18).

\(^{11}\) £157 weekly, £8,164 annually (2017/18).
employed people continue to build contributory benefit entitlement through the NICs system and will allow:

- Class 4 NICs to count towards entitlement to State Pension, contributory Employment and Support Allowance and Bereavement Support Payment;

- Class 3 NICs also to provide self-employed people with access to contributory Employment and Support Allowance.

- access to Maternity Allowance to be determined using Class 3 NICs;

- the existing Foster Carers National Insurance credit to be extended to a Class 1 credit to help maintain Foster Carers’ access to contributory Employment and Support Allowance and contribution-based Jobseeker’s Allowance.
SECTION 3 – ASSESSMENT OF IMPACTS

40. HMRC estimate that there will be around 159,000 self-employed people below State Pension age in Northern Ireland in 2018/19. The abolition of Class 2 NICs and the reform of Class 4 NICs are expected to have the following effects:

- 78,000 people with profits above the Lower Profits Limit will, as now, remain liable for Class 4 NICs;

- 14,000 people with profits between the Small Profits Limit and the Lower Profits Limit will have a Class 4 liability at zero-rate. In effect, they will not have to pay any Class 4 NICs on their profits but will be treated as having paid them;

- 67,000 people with no profits or profits below the Small Profits Limit will pay no Class 4 NICs and will not be treated as having paid Class 4 NICs.

41. Self-employed people will accrue qualifying years for benefit entitlement if their profits are over the Small Profits Limit, even though Class 4 NICs are paid only on profits over the Lower Profits Limit. This is consistent with the rules in place for employees. For this group (an estimated 92,000 people), the abolition of Class 2 NICs represents a potential saving of up to £148.20 per year (52 x £2.85).

42. Those with no profits or profits below the Small Profits Limit (an estimated 67,000 people) will lose the facility to access some contributory benefits by paying Class 2 NICs voluntarily. They may see an increase in the amount of NICs they have to pay to secure benefit entitlement through the more expensive Class 3 NICs. This will put them in the same position as employed people with earnings below the Lower Earnings Limit.

43. Additionally, special rates of Class 2 NICs and arrangements available to certain groups, for example, share fishermen and volunteer development workers will end.
44. The impacts of these changes are considered to be minimal in respect of the State Pension, Bereavement Support Payment, Maternity Allowance and Carer’s Allowance. It is proposed that transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements.
CONTRIBUTORY EMPLOYMENT AND SUPPORT ALLOWANCE

Current Rules

45. In addition to the health conditions and other conditions of entitlement, claimants are required to satisfy two contribution conditions:

- in respect of at least one of the two complete relevant income tax years (RITYs) preceding the benefit year\(^\text{12}\) which includes the beginning of the period of limited capability for work, they must have actually paid (or be treated as having paid) Class 1 NICs on earnings, or Class 2 NICs, or a combination of the two, for at least 26 weeks;

- in respect of both RITYs, they must actually have paid, or be treated as having paid, or been credited with, Class 1 NICs on earnings of at least 50 times the Lower Earnings Level, or paid 50 Class 2 NICs, or a combination thereof.

Effect of Reform

46. Following the abolition of Class 2 NICs, a new contribution test for the self-employed will be needed. It is proposed that eligibility will be calculated using Class 4 NICs and National Insurance credits.

47. Self-employed people with profits above the Small Profits Limit will accrue qualifying years through Class 4 NICs. HMRC estimate that, in 2018/19, approximately 92,000 self-employed people in Northern Ireland will fall within this group. Those with profits between the Small Profits Limit and the Lower Profits Limit (an estimated 14,000 self-employed people) will have a Class 4 liability at zero-rate. In effect, they will accrue qualifying years without paying Class 4 NICs. For these groups, the abolition of Class 2 NICs represents a potential saving of £148.20 per year (52 x £2.85).

\(^{12}\) The benefit year starts on the first Sunday in each January.
48. The group potentially adversely affected are self-employed people with no profits or profits below the Small Profits Limit during either or both of the income tax years relevant to their claim; i.e. those who have insufficient:

- profit either to pay, or to have a zero-rated liability for, Class 4 NICs; or

- earnings from employment to pay (or be treated as paying) Class 1 NICs.

49. This group will no longer have the option to pay Class 2 NICs voluntarily; Class 3 NICs do not, at present, provide access to contributory Employment and Support Allowance. As a consequence, those affected may be ineligible in the future. Entitlement to contributory Employment and Support Allowance is, in part, determined by the claimant’s National Insurance record for the two complete RITYs prior to the start of the period of limited capability for work. This means that the proposed change would not impact immediately. The potential loss of eligibility will first have effect on claims made from the start of 2020 (the second benefit year which commences after the start of the tax year in which the change is introduced)\(^\text{13}\). Until then, people potentially affected will be able to establish entitlement under the existing rules.

50. Based on administrative data for August 2015, the Department for Work and Pensions produced regional estimates of those who may lose entitlement to due to the proposed changes. The calculation for Northern Ireland is as follows:

- HMRC forecast that there will be around 159,000 self-employed people in Northern Ireland in 2018/19.

- 67,000 will have profits below the Small Profits Limit so will not gain a qualifying year for contributory benefits based on paying or being treated as having paid Class 4 NICs.

\(^{13}\) Any ESA(C) entitlement made on a claim at any time in the calendar years 2018 or 2019 will be based on the claimant’s NI record in 2015/16 and 2016/17, and in 2016/17 and 2017/18, respectively, all of which predate the tax year of abolition, so it won’t be until claims made in 2020 (for which the RITYs are 2017/18 and 2018/19) that the change will start to have any effect.
Around 34,000 of those people opt to pay Class 2 NICs voluntarily (the others choose not to; they may be covered by Class 1 contributions or not wish to build eligibility to contributory benefits).

Around 10,000 of the 34,000 pay Class 2 only (the rest are covered by Class 1 paid during periods of employment or receipt of credits). This is the group that will lose eligibility (in term of contributions) under the policy change before any mitigating measures are taken into account.

Of all of those with profits below the Small Profits Limit, around 1 - 2% are expected to receive Employment and Support Allowance at some point in 2018/19, based on HMRC modelling.

Therefore, of the 10,000, an estimated 1 - 2% would actually be affected; which gives a potentially affected group of up to 200 new cases per year for contributory Employment and Support Allowance.

Mitigation

52. The proposed new rules mean that the majority of people who currently qualify for contributory Employment and Support Allowance will continue to do so. An estimated 100 to 200 people a year will not. It is proposed that transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements.

53. Where these conditions are satisfied, National Insurance records for the 2016/17 and 2017/18 tax years will be used to assess benefit entitlement.

54. Class 3 NICs do not, at present, provide entitlement to contributory working age benefits. It is proposed to reform Class 3 to provide self-employed people with access to contributory Employment and Support Allowance. This would enable individuals affected to pay contributions by 31 January after the end of the
relevant tax year, similar to the way in which they can pay Class 2 on a voluntary basis.

55. Those who are not entitled to contributory Employment and Support Allowance may have access to income-related Employment and Support Allowance or, in the future, Universal Credit - which are means-tested benefits and act as a safety-net for those with the lowest income.
MATERNITY ALLOWANCE

Current Rules

56. Maternity Allowance is payable to employed and self-employed women, and women with recent labour market activity, who do not qualify for Statutory Maternity Pay. It is payable for up to 39 weeks at a standard rate (£140.98) or a lower rate (£27).

57. Qualification is based on employment and/or self-employment in at least 26 weeks out of the 66-week period immediately preceding the expected week of childbirth (the “test period”):

- employed women must have had average weekly earnings of at least £30 for 13 weeks during their test period to be entitled;

- self-employed women must have paid Class 2 NICs in respect of 13 weeks during their test period to be treated as having sufficient earnings to be entitled to the standard rate;

- self-employed women with an insufficient Class 2 NICs record to entitle them to the standard rate can choose to pay up to 13 Class 2 NICs voluntarily. If they choose not to, they are treated as having sufficient earnings to entitle them to the lower rate for up to 39 weeks provided they were self-employed for any part of the week in at least 26 weeks in the test period.

58. Women who are neither employed nor self-employed but participate in the self-employed business of their spouse or civil partner (participating spouses) can receive Maternity Allowance for up to 14 weeks at the lower rate. To qualify:
• a participating spouse must have taken part in activities relating to a spouse’s or civil partner’s self-employed business for any part of the week in 26 weeks during her test period; and

• their spouse or civil partner must have paid Class 2 NICs in respect of each of those same 26 weeks.

Effect of Reform

59. The abolition of Class 2 NICs will mean that:

• Self-employed women will –
  
o no longer have the necessary evidence to be able to access Maternity Allowance at the standard rate unless a replacement earnings test is introduced. This is because the current test is determined by whether they have paid 13 weeks of Class 2 NICs during their test period,

  o continue to have access to the lower rate of Maternity Allowance provided they have been self-employed for any part of the week in at least 26 weeks during their test period;

• Participating spouses will no longer have the necessary evidence to qualify for Maternity Allowance under the current rules. This is because entitlement for this group is currently based on the Class 2 NICs record of their self-employed spouse or civil partner.

60. Departmental records show that 2,650 new claims for Maternity Allowance were made in Northern Ireland in 2014/2015 and 2,680 in 2015/16. The 2001\(^1\) and 2011\(^2\) Censuses indicate that approximately 3\% to 4\% of women in Northern

\(^1\) http://nisra.gov.uk/archive/census/2001/demography/EXT20040121c.xls
Ireland aged between 16 and 44 were self-employed. On that basis, it is possible that up to one hundred self-employed women could be affected each year.

61. A new means of determining entitlement to Maternity Allowance for self-employed women will be required. An annual profits test based on the payment of Class 4 NICs, which would be via the self-assessment process, is not easily accommodated in the Maternity Allowance earnings test where more contemporaneous information is required. An alternative approach is necessary.

62. In developing options, account was taken of Directive 2010/41 EU (on equal treatment between self-employed men and women), which places Member States under an obligation to make certain minimum provisions in respect of Maternity Allowance. In particular, it requires that Member States ensure female self-employed workers and participating spouses are granted sufficient Maternity Allowance to enable interruption in their occupational activity owing to pregnancy or motherhood for at least 14 weeks.

63. The Directive also includes a non-regression clause, which provides that in implementing the Directive, Member States may not reduce the level of protection already afforded under national law.

64. It is proposed that entitlement to Maternity Allowance at the standard rate will be established through the payment of Class 3 NICs:

- Maternity Allowance rules will be amended to require only three Class 3 NICs for self-employed women to qualify for the standard rate. This means that the greater cost of Class 3 NICs (currently £14.25 per week), compared to Class 2 NICs (currently £2.85 per week), is mitigated as far as possible and the cost of accessing standard rate Maternity Allowance is maintained at broadly the same level - £42.75 in total compared to £37.05 under current rules.
- Class 3 NICs paid for Maternity Allowance purposes will be offset against an individual’s Class 4 liability at the end of the tax year in which the payment was made. This will reduce or remove the cost of Maternity Allowance access for self-employed women who are liable to pay Class 4 NICs on their profits.

65. Self-employed women will still be able to access Maternity Allowance at the lower rate of £27 for up to 39 weeks if they choose not to make the voluntary payment but meet the 26-week employment test in the test period. This is consistent with the current approach for those who do not pay 13 weeks of Class 2 NICs during the test period.

66. Consequently, following the abolition of Class 2 NICs:

- the current process and cost of accessing standard rate Maternity Allowance is replicated as closely as possible; and

- the process for lower rate Maternity Allowance is unchanged.

67. Any adverse impacts are expected to be minimal. Furthermore, the abolition of Class 2 NICs represents a potential saving of £148.20 per year (52 x £2.85).

68. In relation to participating spouses, it is proposed that access to Maternity Allowance should be based on the current employment test only. Provided a woman has participated in her self-employed spouse/civil partner’s business for any part of the week in at least 26 weeks during her test period, she:

- will receive the lower rate of Maternity Allowance for up to 14 weeks; and

- there would be no requirement to provide any information about her spouse/civil partner’s earnings in order to claim.

69. This test will provide easier access to Maternity Allowance for this group.
Mitigation

70. The proposed changes ensure that self-employed women and participating spouses continue to have access to Maternity Allowance following the abolition of Class 2 NICs. Although payment of three Class 3 NICs will result in an increase in the cost of qualification for the standard rate of Maternity Allowance, the additional cost, £5.70, is minimal and proportionate. Furthermore, the abolition of Class 2 NICs represents a potential saving of up to £148.20 per year (52 x £2.85). For participating spouses, the new arrangements will provide easier access to Maternity Allowance.
BEREAVEMENT SUPPORT PAYMENT

Current Rules

71. Bereavement Support Payment was introduced in April 2017, under the Pensions Act (Northern Ireland) 2015, for new claimants.

72. The Bereavement Support Payment has been designed to:
   
   • focus support on the period immediately following bereavement;
   
   • aid the process of readjustment; and
   
   • support those without employment in making a return to work.

73. It will be paid as a lump sum with monthly instalments:
   
   • £4,300 (£2,500 lump sum and £100 in monthly instalments for 18 months) for recipients without dependent children; and
   
   • £9,800 (£3,500 lump sum and £350 in monthly instalments for 18 months) for those with dependants.

74. For a surviving spouse or civil partner to gain entitlement to Bereavement Support Payment:
   
   • the deceased must have paid Class 1 or Class 2 NICs in any one tax year during their working life since 1975; and
   
   • those contributions must give rise to an earnings factor (or total earnings factors) equal to or greater than 25 times the Lower Earnings Level for the tax year.
Effect of Reform

75. Without the introduction of a new contribution test for self-employed people, the abolition of Class 2 NICs could mean that the surviving spouse or civil partner of a self-employed person may be unable to establish entitlement to Bereavement Support Payment.

76. It is proposed that self-employed people with profits above the Small Profits Limit for a tax year will satisfy the contribution condition. Those who may be adversely impacted are the surviving spouses of people who:

- die during a period of self-employment without having been able to complete a full tax year; and

- have no previous qualifying years.

Mitigation

77. In the course of an individual's working life, only a single qualifying year of NICs will be required to provide entitlement to Bereavement Support Payment. The introduction of a test based on Class 4 NICs is not expected to have any measurable impact.
NEW STATE PENSION

Current Rules

78. The new State Pension was introduced from 6 April 2016 and applies to anyone reaching State Pension age on or after that date. Entitlement is based on a person reaching State Pension age and having satisfied the minimum qualifying period, which is set at 10 qualifying years. To gain a qualifying year a person must have:

- paid Class 1, 2 or 3 NICs;
- been treated as having paid Class 1 NICs; or
- been awarded National Insurance credits.

equal to the Lower Earnings Limit x 52 in any tax year. NICs and National Insurance credits can be combined to make a qualifying year.

79. Entitlement to the full rate of the new State Pension requires 35 qualifying years. A pension will be paid at a reduced rate where a person has between 10 and 34 qualifying years. Each qualifying year provides 1/35th of the full rate subject to the minimum qualifying period being met. Transitional arrangements apply to people who made contributions before 6 April 2016.

Effect of Reform

80. When Class 2 NICs are abolished, a new contributory test will be needed for self-employed people. It is proposed that self-employed people with:

- profits above the Small Profits Limit will gain a qualifying year in a similar way to employed earners paying (or treated as paying) Class 1 NICs;
• profits between the Small Profits Limit and Lower Profits Limit will be
treated as having paid Class 4 NICs and gain a qualifying year on the
same basis as those who are liable to pay Class 4 NICs;

• no profits or profits below the Small Profits Limit will pay no Class 4 NICs
and will not be treated as having paid Class 4 NICs.

81. For people with profits at or above the Small Profits Limit, the abolition of Class 2
NICs represents a potential saving of £148.20 per year (52 x £2.85). Those who
might be adversely affected are people:

• with no profits or profits below the Small Profits Limit;

• who change employment status part-way through a tax year and are
unable to gain a qualifying year through earnings or profits alone - under
an annual profits test, it will not be possible to combine Class 4 NICs with
earnings or National Insurance credits to gain a qualifying year.

82. Depending on the number of years over which a person has profits below the
Small Profits Limit, they could fail to build sufficient qualifying years by State
Pension age. The extent of the loss will depend on whether a person has a
transitional rate of new State Pension and the level by which they fall short of the
35 qualifying years needed for full rate new State Pension. This would be around
£4.55 a week for each deficient year (based on 1/35th of £159.55).

83. The Department for Work and Pensions has used administrative data based on
HMRC modelling of those who may lose some entitlement to State Pension due
to the proposed changes. This estimate is based on a forecast of the proportion
of self-employed people in the UK with no profits or profits below the Small Profits
Limit who are expected to gain a qualifying year in 2018/19 through payment of
Class 1 NICs and/or receipt of National Insurance credits.

16 This includes people who will already have accrued 35 qualifying years for full new State Pension. Note that
during the transition to new State Pension some people with 35 or more qualifying years will not gain the full
amount due to adjustments made for contracted-out pensions.
84. Of an estimated 2.1 million self-employed people in the UK with profits below the Small Profits Limit in 2018/19, around 77%, some 1.59 million people, are expected to gain a qualifying year for State Pension through earnings and/or National Insurance credits or will already have the 35 qualifying years required for a full pension. An estimated 105,000 may need to pay Class 3 NICs to make that year a qualifying year - around 5% of those with profits below the Small Profits Limit.

85. For Northern Ireland, it is estimated that there will be around 67,000 self-employed people with profits below the Small Profits Limit in 2018/19. Around 52,000 are expected to gain a qualifying year for State Pension through earnings and/or National Insurance credits or will already have the 35 qualifying years required for a full pension. It is estimated that around 3,400 may need to pay Class 3 NICs to make that year a qualifying year.

Mitigation

86. In terms of entitlement to the State Pension, self-employed people with no profits or profits below the Small Profits Limit would only be adversely affected if their profits were to remain below that threshold for a considerable period of time. A person can have gaps of up to 15 years in a 50-year working life and still be eligible for the full new State Pension. As the median duration of self-employment in the UK is between 6 and 10 years\(^\text{17}\), those with profits below the Small Profits Limit are unlikely to rely solely on their profits for their entire working lives. The impact of consistent low profits on future State Pension entitlement is expected to be minimal.

87. Sufficient protection is available through existing provisions which cater for circumstances where a person’s earnings or profits from self-employment fall short of the relevant thresholds. For example, those eligible for National

Insurance credits throughout a tax year because they receive child benefit for looking after young children would gain a qualifying year based on credits alone.

88. Self-employed people will, as now, be able to pay voluntary Class 3 NICs to build qualifying years. This, in effect, equalises the method by which low earners and self-employed people with low profits are able to gain a qualifying year for State Pension purposes. Pension Credit will provide a safety-net for those with significant periods of low-paid self-employment.
CARER’S ALLOWANCE

Current Rules

89. To be entitled to Carer’s Allowance, a carer must be:

- providing at least 35 hours of care to a person with a qualifying disablement benefit; and

- be earning less than £116 per week net of tax, National Insurance and various expenses.

90. The calculation of income takes into account, where appropriate, a notional National Insurance deduction depending on the profit level reported. If the profit level is at or above the Small Profits Threshold, then the individual is entitled to deduct the value of a weekly Class 2 NIC (£2.85 per week). If it is under the Small Profits Threshold, no National Insurance deductions can be made.

Effect of Reform

91. Entitlement to Carer’s Allowance is not based on National Insurance contributions. The only impact of abolishing Class 2 NICs on assessing entitlement to Carer’s Allowance will be in the calculation of net earnings to determine whether those earnings are below the earnings limit.

92. As the earnings limit is £116 net a week, claimants tend to have earnings around the Small Profits Threshold level. Currently, this means most have a maximum £2.85 a week notional Class 2 National Insurance deduction. Self-employed carers on income between the Small Profits Limit and the Lower Profits Limit will have a zero-rate liability for Class 4 NICs and will no longer have a notional deduction allowed for in the calculation of their income. Net earnings will change very slightly as a result.
Mitigation

93. The Department for Work and Pensions’ survey data suggests that numbers falling within the affected group are likely to be very small, and too small to provide robust estimates. The impact, if any, of removing the notional deduction is expected to be negligible. Claimants with earnings above the Lower Profits Limit will continue to have the appropriate notional deduction made.
SPECIAL GROUPS

94. Currently, Class 2 NICs can be paid by certain groups who are not necessarily self-employed in order to gain access to contributory benefits. These groups comprise:

- those who pay special rates of Class 2;
- those who are not self-employed in the UK but can pay Class 2 voluntarily;
- those who are treated as self-employed.

95. For some groups Class 2 NICs can be paid at prescribed higher rates to provide access to benefits not available to those who pay Class 2 at the standard rate.

96. As part of the simplification of the NICs system, HMRC propose to remove special provisions for these groups.

Those who pay special rates of Class 2

97. Share fishermen work in the UK fishing industry and are paid a share of the earnings or profits of the vessel they work on. They pay a higher rate of Class 2 NICs (£3.50 per week in 2017/18) which provides access to contribution-based Jobseeker’s Allowance. The proposal to abolish Class 2 NICs has limited effect as far as contribution-based Jobseeker’s Allowance is concerned. With the exception of share fishermen and volunteer development workers, Class 2 NICs, whether paid under a liability or voluntarily, do not count for the purposes of entitlement.

98. Special provision for Share fishermen was introduced on the basis that certain challenges of their occupation meant that they ought to receive the then unemployment benefit via the National Insurance system for periods during which, for circumstances beyond their control, they are unable to work. However,
Jobseeker’s Allowance is designed to support those looking for a job rather than self-employed individuals temporarily experiencing a shortage of work.

99. In the future, as with other self-employed workers, share fishermen with profits at or above the Small Profits Limit will gain entitlement to contributory benefits via Class 4 NICs. These will not, however, be paid or treated as paid at a differential rate and will, therefore, be indistinguishable from Class 4 NICs paid or treated as paid by anyone else. Consequently, Class 4 paid or treated as paid by share fishermen will not count towards satisfaction of the contribution conditions for Jobseeker’s Allowance. In common with other individuals who do not satisfy the contribution conditions, share fishermen may be entitled to income-related support.

100. Share fishermen with profits below the Small Profits Limit will need to receive National Insurance credits or pay Class 3 NICs to build up qualifying years for the State Pension. This is in line with other self-employed workers. However, a small number of gaps in an individual’s National Insurance record is unlikely to have an impact on their future State Pension entitlement. A person can have gaps of up to 15 years in a 50-year working life and still be eligible for the full new State Pension.

101. **Volunteer development workers** take part in projects in developing countries. Where they are employed under a contract of service but do not pay Class 1 NICs under that contract, they are treated as self-employed and, while working abroad, may pay a special rate of Class 2 NICs (£5.65 per week in 2017/18) for the purposes of access to State Pension and working-age benefits.

102. The abolition of Class 2 NICs will mean that volunteer development workers will have to pay Class 3 NICs if they wish to continue to build entitlement to the State Pension voluntarily. This puts them in the same position as volunteer workers in the UK. As with share fishermen, a small number of gaps in an individual’s National Insurance record is unlikely to have an impact on their future State Pension entitlement. Those who are unable to satisfy the conditions to receive contributory benefits may be entitled to income-related benefits.
103. According to HMRC records, there are around 330 people paying the share fisherman rate of Class 2 NICs and 130 paying the volunteer development worker rate in Northern Ireland. Limited data are available on the number of people in these groups who claim benefits. The number of people adversely affected by the abolition of Class 2 NICs is expected to be small.

Mitigation

104. The introduction of special rates of Class 4 NICs for particular groups was considered. The Westminster Government take the view that this would serve to undermine one of the principal objectives of the reforms, which is to overhaul and simplify the NICs regime, and would be complex to administer. Furthermore, as Jobseeker’s Allowance is designed to support those looking for a job rather than self-employed individuals temporarily experiencing a shortage of work, it would not be in accord with its purpose to widen its scope by making it available to everyone who pays (or has a zero-rated liability for) Class 4 NICs.

105. Consideration has also been given to whether these groups should be able to gain entitlement using voluntary Class 3 NICs, which do not provide access to contribution-based Jobseeker’s Allowance. However, to enable the necessary distinction to be made between Class 3 NICs paid by special groups for the purposes of contribution-based Jobseeker’s Allowance and Class 3 NICs paid by others for any other purpose, contributions for special groups would have to be paid at a special rate. As with the suggestion that differential rates of Class 4 NICs be introduced, this would serve to re-import an element of complexity into a supposedly simplified regime and would be very difficult to administer.

106. It is proposed that transitional protection will apply for 2 years from abolition and the proposed reform of Class 3 NICs will provide access to contributory Employment and Support Allowance.

107. No responses to the consultation were received from these groups or their representatives. However, the impact of the change will be monitored.
Those who are not self-employed in the UK but can pay Class 2 voluntarily

108. This group comprises:

- Self-employed people working abroad;
- Individuals employed abroad;
- Mariners on foreign vessels.

109. At present, someone working abroad (or on a foreign vessel) is not liable to pay Class 4 NICs, or Class 1 NICs if they are an employee. However they are able to gain access to the State Pension by paying Class 2 NICs voluntarily. This is in contrast to someone employed in the UK but earning under £113 a week (and not eligible for National Insurance credits) who would have to pay Class 3 NICs to continue to build entitlement to the State Pension. This means that someone working abroad pays less than UK workers to build entitlement to the same State Pension on a voluntary basis. This facility will no longer be available after the abolition of Class 2 NICs.

110. The Westminster Government believe it is right that everyone makes a fair contribution towards the State Pension on equal terms. People in the UK who do not gain access to the State Pension based on employment earnings or self-employed profits, or who do not receive National Insurance credits, will have to pay Class 3 NICs to build entitlement. Following the abolition of Class 2 NICs, this will also apply to those based overseas.

Mitigation

111. Under the new State Pension individuals can have up to 15 years without NICs paid or National Insurance credits recorded and still receive a full State

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18 If they worked in the UK immediately before leaving, and had previously lived in the UK for 3 years in a row or paid 3 years’ National Insurance.
Pension. Furthermore, because Class 3 can be paid for up to 6 years after the year to which it applies, there is scope to decide whether to make voluntary contributions after returning to the UK.

**Those who are treated as self-employed.**

112. This group comprises:

- Examiners;
- Foster Carers;
- Ministers of Religion;
- Some landlords\(^\text{19}\).

113. For these groups, the abolition of Class 2 NICs will mean that:

- Individuals liable for Class 4 NICs (such as examiners and foster carers) will be able to gain access to contributory benefits through the new Class 4 NICs benefit test.
- Individuals who are unable to meet the conditions of the new Class 4 NICs benefit test will be able to use National Insurance credits or pay Class 3 voluntary NICs to gain access to the State Pension.

114. While responses to the consultation on this particular proposal were generally positive, representations were received from a number of organisations concerned about the impact that these changes could have on Foster Carers. This group receives tax deductible allowances and are likely to show lower profits

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\(^{19}\) A minority of landlords may be carrying on a business for the purposes of Class 2 NICs, so although they are not liable for Class 4 NICs they can pay Class 2 NICs voluntarily.
than otherwise expected, reducing the likelihood that an individual would qualify for contributory benefits on the basis of a test in Class 4 NICs.

115. Two responses were received in relation to the position of Ministers of Religion. In the context of Class 2 abolition, generally only Catholic priests will be affected as they are classed as self-employed for National Insurance purposes (other Ministers of Religion are paid by stipend, which would be subject to Class 1 NICs). The relevant response, from the Churches Legislation Advisory Service, was broadly supportive of the proposal to replace voluntary Class 2 NICs with voluntary Class 3 NICs.

Mitigation

116. While Foster Carers can already claim National Insurance credits to protect their entitlement to the State Pension, this does not cover entitlement to working age contributory benefits. The existing Foster Carers credit will, therefore, be extended to a Class 1 credit to provide access to contributory Employment and Support Allowance and Jobseeker’s Allowance.

Other groups affected by the abolition of Class 2 NICs

117. Representative bodies raised concerns on behalf of actors and musicians regarding the impact of low profits on their access to contributory benefits. This was of particular concern for those starting out in the profession who might struggle to secure sufficient work and, therefore, the profits to qualify on the basis of Class 4.

118. Those with low incomes will be able to continue to build their entitlement to the State Pension through National Insurance credits and Class 3 voluntary NICs. The new State Pension rules mean that an individual can have up to 15 years without any NICs paid or National Insurance credits recorded and still gain access to the full State Pension. Furthermore, the provision being introduced to enable self-employed individuals with profits below the Small Profits Limit to pay Class 3 NICs to gain access to contributory Employment and Support Allowance
will protect workers who have low profits and fail to qualify for equivalent means-tested support.

119. The Westminster Government intends the NICs system to be transparent and straightforward for all workers, and wishes to remove complexity and anomalies wherever possible. It does not plan to maintain or re-introduce preferential treatment for particular small groups of workers.

**Rural issues**

120. The Family Resources Survey Urban Rural Report Northern Ireland 2014-15 shows that 56% of all adults were in employment; 49% as employees and 7% self-employed. The highest proportion of self-employed adults, 13%, was found in rural areas (this may be partly due to the large agricultural industry in rural areas), which compares to the Northern Ireland average of 7%.

**Adults by self-employment, gender and urban rural classification (%)**

<table>
<thead>
<tr>
<th>Economic Status</th>
<th>Belfast City</th>
<th>Urban</th>
<th>Rural</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All self-employed</strong></td>
<td>5</td>
<td>5</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>Full-time</td>
<td>3</td>
<td>4</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Part-time</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td><strong>Males</strong></td>
<td>8</td>
<td>8</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>Full-time</td>
<td>5</td>
<td>7</td>
<td>19</td>
<td>11</td>
</tr>
<tr>
<td>Part-time</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Females</strong></td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Full-time</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Part-time</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

*Table 5.1: Family Resources Survey Urban Rural Report Northern Ireland 2014-15*

121. These findings suggest that the proposed changes are likely to impact to a greater extent on rural regions. As shown above, the impacts of the proposals are considered to be minimal or negligible in respect of the State Pension, Bereavement Support Payment, Maternity Allowance and Carer’s Allowance. A summary of impacts is provided at Annex 1.
122. The table below outlines the position in relation to Employment and Support Allowance.

**Households by State support receipt and urban rural classification (%)**

<table>
<thead>
<tr>
<th>Employment and Support Allowance</th>
<th>Belfast City</th>
<th>Urban</th>
<th>Rural</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9</td>
<td>5</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Table 2.2: Family Resources Survey Urban Rural Report Northern Ireland 2014-15

123. The urban/rural breakdown of recipients suggests that the proposed changes in respect of Employment and Support Allowance will have a greater impact on urban regions.

124. It is proposed that, for the purposes of claims to contributory Employment and Support Allowance transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements.

125. Representative bodies raised concerns on behalf of farmers in relation to losses incurred in a number of years arising from events beyond their control and the impact of low profits on their access to contributory benefits.

126. Following the abolition of Class 2 NICs, self-employed people with no profits or profits below the Small Profits Limit will pay no Class 4 NICs and will not be treated as having paid Class 4 NICs. They will lose the facility to pay Class 2 NICs voluntarily.

127. The Agricultural Census in Northern Ireland provides the following data:
Farmers and other workers in Northern Ireland 2002 – 2016 (Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Full-time Farmers</th>
<th>Part-time Farmers</th>
<th>Total Farmers</th>
<th>Total Spouses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Spouses</td>
<td>Male</td>
</tr>
<tr>
<td>2014</td>
<td>15.6</td>
<td>0.6</td>
<td>1.9</td>
<td>11.4</td>
</tr>
<tr>
<td>2015</td>
<td>15.9</td>
<td>0.7</td>
<td>1.8</td>
<td>11.9</td>
</tr>
<tr>
<td>2016</td>
<td>15.5</td>
<td>0.7</td>
<td>1.8</td>
<td>12.1</td>
</tr>
</tbody>
</table>

Table 3.5: The Agricultural Census in Northern Ireland, Results for June 2016

128. The group likely to be adversely affected by the abolition of Class 2 NICs comprises full time farmers without additional self-employment or paid employment and not receiving National Insurance credits.

129. As with actors and musicians, farmers with low incomes will be able to continue to build their entitlement to the State Pension through National Insurance credits and Class 3 voluntary NICs. Provision to enable self-employed individuals with profits below the Small Profits Limit to pay Class 3 NICs to gain access to contributory Employment and Support Allowance will protect workers who have low profits and fail to qualify for equivalent means-tested support.

130. The matter of access to Maternity Allowance for self-employed women and participating spouses is addressed at length above. Female farmers and women who contribute to the work on their spouse’s farm may be affected by the abolition of Class 2 NICs. For these groups, the proposed changes mean that:

- the current process and cost of accessing the standard rate is replicated as closely as possible;

- the process for lower rate is unchanged; and

- access will be easier for participating spouses.
SECTION 4 - ANALYSIS

131. The following sections look at the possible impact of the policy changes in terms of the section 75 groups (age, gender, marital status, religious belief/political opinion, racial group, sexual orientation, persons with disability and without, and persons with dependants and without).

132. The proposed changes will affect self-employed people. The Northern Ireland Census 2011 (Table KS601NI) shows that, of 1,313,420 residents aged 16 – 74, around 9% (116,666 people) were self-employed.

AGE

Employment and Support Allowance

133. The likelihood of ill-health and disability increases with age. Departmental records show that, at February 2017, around 63% of the Employment and Support Allowance caseload were aged 45 or over:

**Employment and Support Allowance Claimants by Age and Gender**

<table>
<thead>
<tr>
<th>Age</th>
<th>Female</th>
<th>Male</th>
<th>Claimants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 18</td>
<td>70</td>
<td>90</td>
<td>170</td>
</tr>
<tr>
<td>18 – 24</td>
<td>3,370</td>
<td>5,150</td>
<td>8,510</td>
</tr>
<tr>
<td>25 – 34</td>
<td>6,790</td>
<td>10,030</td>
<td>16,820</td>
</tr>
<tr>
<td>35 – 44</td>
<td>10,230</td>
<td>11,310</td>
<td>21,540</td>
</tr>
<tr>
<td>45 – 54</td>
<td>19,590</td>
<td>18,100</td>
<td>37,690</td>
</tr>
<tr>
<td>55 – 59</td>
<td>11,770</td>
<td>10,920</td>
<td>22,690</td>
</tr>
<tr>
<td>60+</td>
<td>8,370</td>
<td>10,880</td>
<td>19,240</td>
</tr>
<tr>
<td>Total</td>
<td>60,190</td>
<td>66,470</td>
<td>126,660</td>
</tr>
</tbody>
</table>

% 47.5% 52.5% 100%

Benefit Statistics Summary Publication February 2017, Employment and Support Allowance, Table 2

134. The Northern Ireland Census 2011 shows that around 54% of self-employed people were aged 45 or over:
## Self-employed people by Age and Gender

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 - 19</td>
<td>246</td>
<td>51</td>
<td>297</td>
</tr>
<tr>
<td>20 - 24</td>
<td>2,878</td>
<td>832</td>
<td>3,710</td>
</tr>
<tr>
<td>25 - 29</td>
<td>5,893</td>
<td>2,116</td>
<td>8,009</td>
</tr>
<tr>
<td>30 - 34</td>
<td>7,983</td>
<td>3,053</td>
<td>11,036</td>
</tr>
<tr>
<td>35 - 39</td>
<td>10,344</td>
<td>3,859</td>
<td>14,203</td>
</tr>
<tr>
<td>40 - 44</td>
<td>12,478</td>
<td>4,577</td>
<td>17,055</td>
</tr>
<tr>
<td>45 - 49</td>
<td>13,226</td>
<td>4,305</td>
<td>17,531</td>
</tr>
<tr>
<td>50 - 54</td>
<td>11,807</td>
<td>3,272</td>
<td>15,079</td>
</tr>
<tr>
<td>55 - 59</td>
<td>9,705</td>
<td>2,542</td>
<td>12,247</td>
</tr>
<tr>
<td>60 - 64</td>
<td>7,771</td>
<td>1,766</td>
<td>9,537</td>
</tr>
<tr>
<td>65 - 69</td>
<td>4,321</td>
<td>1,010</td>
<td>5,331</td>
</tr>
<tr>
<td>70 - 74</td>
<td>2,167</td>
<td>464</td>
<td>2,631</td>
</tr>
<tr>
<td>Totals</td>
<td>88,819</td>
<td>27,847</td>
<td>116,666</td>
</tr>
<tr>
<td>Percentage</td>
<td>76%</td>
<td>24%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table DC6101NI: Census 2011

135. The proposals can, therefore, be expected to have a greater effect on older age groups.

**Maternity Allowance**

136. As only women can access Maternity Allowance, any impacts of the abolition of Class 2 NICs will apply solely to women.

137. The Registrar General Northern Ireland Annual Report 2015^{20} advises that 55% of births registered in Northern Ireland in 2015 were to mothers aged 30 or above - the average age was 30.5. This reflects a trend for women to delay having children because, for example, of participation in higher education, pursuit of a career or financial reasons.

---

^{20} Table 3.1: Live Births, numbers and percentages by age of mother and marital status of parents 1976 to 2015
138. The abolition of Class 2 NICs is, therefore, likely to impact to a slightly greater extent on self-employed women aged around 30 and above. The Northern Ireland 2011 Census provides the following breakdown of the number of self-employed women by age:

<table>
<thead>
<tr>
<th>Age</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-19</td>
<td>51</td>
</tr>
<tr>
<td>20-24</td>
<td>832</td>
</tr>
<tr>
<td>25-29</td>
<td>2,116</td>
</tr>
<tr>
<td>30-34</td>
<td>3,053</td>
</tr>
<tr>
<td>35-39</td>
<td>3,859</td>
</tr>
<tr>
<td>40-44</td>
<td>4,577</td>
</tr>
</tbody>
</table>

Table DC6101NI: Census 2011

139. However, under the proposed changes:

- the current process and cost of accessing standard rate Maternity Allowance is replicated as closely as possible;

- the process for lower rate Maternity Allowance is unchanged; and

- participating spouses have easier access to Maternity Allowance.

**Bereavement Support Payment**

140. In the course of an individual’s working life, only a single qualifying year of NICs will be required to provide entitlement to Bereavement Support Payment. The introduction of a test based on Class 4 NICs is not expected to have any measurable impact.

141. The table below outlines the most recent position in relation to working age claims for bereavement benefits.
Working age claimants of bereavement benefits by age

<table>
<thead>
<tr>
<th>AGE</th>
<th>CLAIMANTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 18</td>
<td>0</td>
</tr>
<tr>
<td>18 - 24</td>
<td>0</td>
</tr>
<tr>
<td>25 – 34</td>
<td>60</td>
</tr>
<tr>
<td>35 – 44</td>
<td>430</td>
</tr>
<tr>
<td>45 – 49</td>
<td>460</td>
</tr>
<tr>
<td>50 – 54</td>
<td>500</td>
</tr>
<tr>
<td>55 – 59</td>
<td>530</td>
</tr>
<tr>
<td>60 - 64</td>
<td>420</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,390</strong></td>
</tr>
</tbody>
</table>

Benefit Statistics Summary Publication, February 2017, Client Group Analysis, Table WA4

142. Around 39% of claimants were aged from 25 to 49 and 61% from 50 to 64. Adverse effects, if any, are therefore, more likely to affect people aged 50 and over.

**New State Pension**

143. State Pension entitlement is assessed at State Pension age by looking back over a person’s working life to determine whether the relevant number of qualifying years have been accrued. HMRC estimate that there will be around 159,000 self-employed people below State Pension age in Northern Ireland in 2018/19. Those who might be adversely affected by the abolition of Class 2 NICs are people with no profits or profits below the Small Profits Limit who will neither pay nor be treated as having paid Class 4 NICs.

144. It is estimated, based on HMRC modelling, that there will be around 67,000 self-employed people in Northern Ireland in 2018/19 with profits below the Small Profits Limit. Around 52,000 are expected to gain a qualifying year for State Pension through earnings and/or National Insurance credits or will already have the 35 qualifying years required for a full pension. Some 3,400 may need to pay Class 3 NICs to make that year a qualifying year.

145. In terms of entitlement to the State Pension, self-employed people would only be adversely affected if their profits were to remain below the Small Profits Limit
threshold for a considerable period of time. A person can have gaps of up to 15 years in a 50-year working life and still be eligible for the full new State Pension. As the median duration of self-employment in the UK is between 6 and 10 years\textsuperscript{21}, those with profits below the Small Profits Limit are unlikely to rely solely on their profits for their entire working lives. The impact of consistent low profits on future State Pension entitlement is expected to be minimal.

**Jobseeker’s Allowance**

146. Information about a claimant’s age is required to determine eligibility for Jobseeker’s Allowance, since claimants usually have to be aged over 18 years and under pensionable age and this is captured during the claim process. However, the Department has no statistical evidence on the age of the share fishermen and volunteer development workers who will no longer be able to access contribution-based Jobseeker’s Allowance under the proposals. Collectively, they will represent a very small percentage of the Jobseeker's Allowance caseload.

**Carer’s Allowance**

147. The Department for Work and Pensions’ survey data suggests that numbers falling within the affected group are likely to be very small, and too small to provide robust estimates. The impact, if any, of removing the notional deduction is expected to be negligible.

**GENDER**

**Employment and Support Allowance**

148. The Northern Ireland Census 2011 (Tables KS602NI and KS603NI) show that, of 116,666 self-employed people in Northern Ireland aged 16 - 74, 76%
were male and 24% were female. The proposed changes are, therefore, likely to have greater application to self-employed males. The proportion of men in this group is higher than in the general Employment and Support Allowance population (52.5% male and 47.5% female). This reflects the higher tendency for men to be self-employed.

Maternity Allowance

149. As only women can access Maternity Allowance, any impacts of the abolition of Class 2 NICs on Maternity Allowance entitlement will apply solely to women. The Department estimates that the abolition of Class 2 NICs could affect up to one hundred self-employed women each year (see paragraph 60). However, under the proposed changes:

- the current process and cost of accessing standard rate Maternity Allowance is replicated as closely as possible;
- the process for lower rate Maternity Allowance is unchanged; and
- participating spouses will have easier access to Maternity Allowance.

Bereavement Support Payment

150. In the course of an individual’s working life, only a single qualifying year of NICs will be required to provide entitlement to Bereavement Support Payment. The introduction of a test based on Class 4 NICs is not expected to have any measurable impact.

151. The table below outlines the breakdown of working age claims for bereavement benefits by gender.
### Working age claimants of bereavement benefits by gender

<table>
<thead>
<tr>
<th></th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claimants</td>
<td>1,830</td>
<td>560</td>
<td>2,390</td>
</tr>
<tr>
<td>%</td>
<td>76.6</td>
<td>23.4</td>
<td></td>
</tr>
</tbody>
</table>

Benefit Statistics Summary Publication, February 2017, Client Group Analysis, Table WA22

152. Around 77% of claimants were female. Adverse effects, if any, are, therefore, more likely to affect women.

#### New State Pension

153. Those who might be adversely affected are self-employed people with no profits or profits below the Small Profits Limit who will no longer be able to pay Class 2 NICs voluntarily in order to protect future pension entitlement. They may have to rely on the more expensive voluntary Class 3 NICs. The Northern Ireland Census 2011 (Tables KS602NI and KS603NI) show that, of 116,666 self-employed people in Northern Ireland aged 16 - 74, 76% were male and 24% were female. The proposals are, therefore, likely to have greater application to self-employed males.

154. However, self-employed people would only be adversely affected if their profits were to remain below the Small Profits Limit threshold for a considerable period of time. A person can have gaps of up to 15 years in a 50-year working life and still be eligible for the full new State Pension. The impact on future State Pension entitlement is expected to be minimal.

#### Job Seeker’s Allowance

155. The assumption is that the overwhelming majority of share fishermen are male.

156. Since there is no reason to believe that males are more or less likely to take up voluntary work overseas than females, and vice versa, this means that the
proportion of male and female volunteer development workers who might be adversely affected by the proposal is in line with the composition of the general Jobseeker’s Allowance population.

157. The number of people adversely affected by the abolition of Class 2 NICs is expected to be small.

Carer’s Allowance

158. The Department for Work and Pensions’ survey data suggests that numbers falling within the affected group are likely to be very small, and too small to provide robust estimates. The impact, if any, of removing the notional deduction is expected to be negligible.

MARITAL STATUS

159. The Department does not hold specific information on the marital status of self-employed people. The Northern Ireland Census 2011 provides the following data on the population as a whole:

Marital and Civil Partnership Status

<table>
<thead>
<tr>
<th>All residents Aged 16+</th>
<th>Single</th>
<th>Married</th>
<th>Civil Partnership</th>
<th>Separated</th>
<th>Divorced or Dissolved Civil Partnership</th>
<th>Widowed or Surviving Civil Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,431,540</td>
<td>517,393</td>
<td>680,831</td>
<td>1,243</td>
<td>56,911</td>
<td>78,074</td>
<td>97,088</td>
</tr>
<tr>
<td>%</td>
<td>36%</td>
<td>48%</td>
<td>0.1%</td>
<td>4%</td>
<td>6%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Table KS103NI: Census 2011

160. It would be reasonable to assume that the marital or civil partnership status of self-employed people reflects that of the general population. There is no evidence on how the policy may impact potential claimants on the basis of their marital status. However, provision for women participating in their spouse’s/civil partner’s business to gain access to Maternity Allowance has been safeguarded. The
Department has endeavoured to ensure that everyone will be treated in the same way and considers the impact of the change to be neutral in relation to marital status.

**RELIGIOUS BELIEF/POLITICAL OPINION**

**Employment and Support Allowance**

161. The Northern Ireland Census 2011 provides the following breakdown of self-employed people in Northern Ireland by religion:

<table>
<thead>
<tr>
<th>Self-employed people by religion</th>
<th>Catholic</th>
<th>Protestant &amp; Other Christian</th>
<th>Other</th>
<th>None</th>
<th>None Stated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Male</strong></td>
<td>35,966</td>
<td>38,348</td>
<td>843</td>
<td>8,982</td>
<td>4,680</td>
<td>88,819</td>
</tr>
<tr>
<td><strong>Female</strong></td>
<td>9,771</td>
<td>12,771</td>
<td>377</td>
<td>3,279</td>
<td>1,649</td>
<td>27,847</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>45,737</td>
<td>51,119</td>
<td>1,220</td>
<td>12,261</td>
<td>6,329</td>
<td>116,666</td>
</tr>
</tbody>
</table>

Table CT0204NI: Census 2011

162. Any adverse impacts resulting from the abolition of Class 2 NICs are likely to apply to a greater extent to the two largest religious groups. This is in line with the population in general.

**Maternity Allowance**

163. As only women can access Maternity Allowance, any impacts of the abolition of Class 2 NICs on Maternity Allowance entitlement will apply solely to women. The Northern Ireland Census 2011 provides the following breakdown of self-employed women in Northern Ireland aged from 16 to 44 by religion:

<table>
<thead>
<tr>
<th>Self-employed women aged 16 – 44 by religion</th>
<th>Catholic</th>
<th>Protestant &amp; Other Christian</th>
<th>Other</th>
<th>None</th>
<th>None Stated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>5,564</strong></td>
<td>5,908</td>
<td>175</td>
<td>1,880</td>
<td>961</td>
<td>961</td>
<td>14,488</td>
</tr>
</tbody>
</table>

Table CT0204NI: Census 2011
164. Any adverse impacts resulting from the abolition of Class 2 NICs are likely to apply equally to the two largest religious groups. However, under the proposed changes:

- the current process and cost of accessing standard rate Maternity Allowance is replicated as closely as possible;
- the process for lower rate Maternity Allowance is unchanged; and
- participating spouses will have easier access to Maternity Allowance.

Bereavement Support Payment

165. In the course of an individual’s working life, only a single qualifying year of NICs will be required to provide entitlement to Bereavement Support Payment. The introduction of a test based on Class 4 NICs is not expected to have any measurable impact.

New State Pension

166. Those who might be adversely affected are self-employed people with no profits or profits below the Small Profits Limit who will no longer be able to pay Class 2 NICs voluntarily in order to protect future pension entitlement. They may have to rely on the more expensive voluntary Class 3 NICs. The Northern Ireland Census 2011 provides the following breakdown of self-employed people in Northern Ireland by religion:

<table>
<thead>
<tr>
<th>Self-employed people by religion</th>
<th>Catholic</th>
<th>Protestant &amp; Other Christian</th>
<th>Other</th>
<th>None</th>
<th>None Stated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>39.2%</td>
<td>43.8%</td>
<td>1%</td>
<td>10.5%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Table CT0204NI: Census 2011
167. Any adverse impacts resulting from the abolition of Class 2 NICs are likely to apply to a greater extent to the two largest religious groups.

Jobseeker’s Allowance

168. No information is held regarding the religious beliefs or political opinions of share fishermen or volunteer development workers. The number of people adversely affected by the abolition of Class 2 NICs is expected to be small.

Carer’s Allowance

169. The Department for Work and Pensions’ survey data suggests that numbers falling within the affected group are likely to be very small, and too small to provide robust estimates. The impact, if any, of removing the notional deduction is expected to be negligible.

RACIAL GROUP

170. The proposed changes affect only self-employed people. The Northern Ireland Census 2011 provides the following ethnic breakdown of the self-employed population:

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>White</th>
<th>%</th>
<th>Asian</th>
<th>%</th>
<th>Mixed</th>
<th>%</th>
<th>Black</th>
<th>%</th>
<th>Other</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>116,666</td>
<td>114,956</td>
<td>98.5</td>
<td>1,257</td>
<td>1</td>
<td>121</td>
<td>0.1</td>
<td>167</td>
<td>0.1</td>
<td>165</td>
<td>0.1</td>
</tr>
<tr>
<td>Males</td>
<td>88,819</td>
<td>87,691</td>
<td>98.7</td>
<td>834</td>
<td>0.9</td>
<td>79</td>
<td>0.1</td>
<td>95</td>
<td>0.1</td>
<td>120</td>
<td>0.1</td>
</tr>
<tr>
<td>Females</td>
<td>27,847</td>
<td>27,265</td>
<td>97.9</td>
<td>423</td>
<td>1.5</td>
<td>42</td>
<td>0.2</td>
<td>72</td>
<td>0.3</td>
<td>45</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Table DC2601NI: Census 2011

171. The overwhelming majority of self-employed people fall within the “White” ethnic group.
Employment and Support Allowance

172. The “White” ethnic group accounts for almost 99% of self-employed people. This group is, therefore, more likely than any other to be affected by the proposed changes. There is no evidence of any particular adverse impact on members of ethnic minority communities.

Maternity Allowance

173. Only women can access Maternity Allowance. Any impacts of the abolition of Class 2 NICs on Maternity Allowance entitlement will, therefore, apply solely to women. Women in the “White” ethnic group account for almost 98% of self-employed women. Consequently, this group is more likely than any other to be affected. However, the proposed changes minimise the possible adverse effects of the abolition of Class 2 NICs.

Bereavement Support Payment

174. In the course of an individual’s working life, only a single qualifying year of NICs will be required to provide entitlement to Bereavement Support Payment. The introduction of a test based on Class 4 NICs is not expected to have any measurable impact.

New State Pension

175. Those who might be adversely affected are self-employed people with no profits or profits below the Small Profits Limit who will no longer be able to pay Class 2 NICs voluntarily in order to protect future pension entitlement. They may have to rely on the more expensive voluntary Class 3 NICs.

176. The “White” ethnic group accounts for almost 99% of self-employed people. This group is, therefore, more likely than any other to be affected by the proposed changes. However, as a person can have gaps of up to 15 years in a 50-year
working life and still be eligible for the full new State Pension. The impact on future State Pension entitlement is expected to be minimal.

**Jobseeker’s Allowance**

177. No information is held regarding the ethnicity of share fishermen or volunteer development workers. However, the number adversely affected by the abolition of Class 2 NICs is expected to be small.

**Carer’s Allowance**

178. The Department for Work and Pensions’ survey data suggests that numbers falling within the affected group are likely to be very small, and too small to provide robust estimates. The impact, if any, of removing the notional deduction is expected to be negligible.

**SEXUAL ORIENTATION**

179. The policy proposals apply to all self-employed potential claimants regardless of their sexual orientation. The Department does not hold information on the sexual orientation of claimants and considers the impact of the proposed changes in relation to sexual orientation to be neutral.

**PERSONS WITH A DISABILITY AND PERSONS WITHOUT**

**Employment and Support Allowance**

180. By definition, everyone claiming Employment and Support Allowance has an illness or disability. The proposed changes will affect self-employed people with no profits or profits below the Small Profits Limit who will no longer be able to pay Class 2 NICs voluntarily for the purposes of protecting future entitlement to Employment and Support Allowance.
181. HMRC forecast that there will be around 159,000 self-employed people in Northern Ireland in 2018/19. Of those with profits below the Small Profits Limit, around 1 - 2% are expected to receive Employment and Support Allowance at some point in 2018/19, which gives a potentially affected group of up to 200 new cases per year for contributory Employment and Support Allowance. It is proposed that transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements.

Maternity Allowance

182. Data on women who have a disability and claim Maternity Allowance are not collected. However, the proposed changes minimise the possible adverse effects of the abolition of Class 2 NICs.

Bereavement Support Payment

183. In the course of an individual's working life, only a single qualifying year of NICs will be required to provide entitlement to Bereavement Support Payment. The introduction of a test based on Class 4 NICs is not expected to have any measurable impact.

New State Pension

184. Those who might be adversely affected are self-employed people with no profits or profits below the Small Profits Limit who will no longer be able to pay Class 2 NICs voluntarily in order to protect future pension entitlement. They may have to rely on the more expensive voluntary Class 3 NICs. The Family Resources Survey for Northern Ireland 2014 - 2015 provides the following:
Adults with a disability, including limiting long standing illness by employment status

<table>
<thead>
<tr>
<th>Employment Status of adults with a disability</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>15%</td>
</tr>
<tr>
<td>Self-employed</td>
<td>4%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>3%</td>
</tr>
<tr>
<td>Retired</td>
<td>43%</td>
</tr>
<tr>
<td>Permanently sick/disabled</td>
<td>30%</td>
</tr>
<tr>
<td>Other inactive</td>
<td>4%</td>
</tr>
</tbody>
</table>

Table 5.7: Family Resources Survey 2014-15, Carers and Disability

185. Self-employed people represent 4% of adults with a disability or long-standing illness. In terms of entitlement to the State Pension, self-employed people would only be adversely affected if their profits were to remain below the Small Profits Limit threshold for a considerable period of time. A person can have gaps of up to 15 years in a 50-year working life and still be eligible for the full new State Pension. The impact on future State Pension entitlement is expected to be minimal.

Jobseeker’s Allowance

186. Contribution-based Jobseeker’s Allowance is not a disability benefit – it is a short term contributory benefit designed to provide financial support for those who are unemployed and actively seeking work. It is not intended to support people who are incapable of work or who have limited capability for work.

187. However, many people with disabilities are capable of work, and those who wish to can claim Jobseeker’s Allowance, provided, as always, they are available for work and actively seeking work. There is no evidence that the proposed change would have an adverse impact on share fishermen and volunteer development workers on the grounds of disability.
Carer’s Allowance

188. The Department for Work and Pensions’ survey data suggests that numbers falling within the affected group are likely to be very small, and too small to provide robust estimates. The impact, if any, of removing the notional deduction is expected to be negligible.

PERSONS WITH DEPENDANTS AND PERSONS WITHOUT

189. The benefits affected are payable to individuals and do not, with the exception of bereavement, have regard to other family members in terms of qualifying conditions. They do, however, support families through key transitions such as becoming parents, bereavement, redundancy, new caring responsibilities or the onset of health conditions.

Employment and Support Allowance

190. Departmental records show that, at February 2017, 10% of Employment and Support Allowance claimants had children and 9% had a partner:

Employment and Support Allowance Claimants by Number of Children and Partner Status

<table>
<thead>
<tr>
<th>Number of Children</th>
<th>No partner / unknown</th>
<th>Partner</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No child dependants</td>
<td>103,630</td>
<td>6,360</td>
<td>109,990</td>
</tr>
<tr>
<td>1 child</td>
<td>6,470</td>
<td>1,890</td>
<td>8,360</td>
</tr>
<tr>
<td>2 children</td>
<td>3,510</td>
<td>1,590</td>
<td>5,100</td>
</tr>
<tr>
<td>3 children</td>
<td>1,260</td>
<td>920</td>
<td>2,190</td>
</tr>
<tr>
<td>4 children</td>
<td>370</td>
<td>370</td>
<td>740</td>
</tr>
<tr>
<td>5 children or more</td>
<td>110</td>
<td>180</td>
<td>290</td>
</tr>
<tr>
<td>Total</td>
<td>115,350</td>
<td>11,310</td>
<td>126,660</td>
</tr>
</tbody>
</table>

Benefit Statistics Summary Publication February 2017, Employment and Support Allowance, Table 5

191. Although the proposed changes will apply only to self-employed people, they can, be expected to affect a greater number of people without dependants.
Maternity Allowance

192. The Department estimates that the abolition of Class 2 NICs could affect around one hundred self-employed women each year. However, the proposed changes mitigate the potential adverse effects of the abolition of Class 2 NICs as far as it is possible to do so. Under the proposed changes:

- the current process and cost of accessing standard rate Maternity Allowance is replicated as closely as possible;
- the process for lower rate Maternity Allowance is unchanged; and
- participating spouses will have easier access to Maternity Allowance.

Bereavement Support Payment

193. In the course of an individual’s working life, only a single qualifying year of NICs will be required to provide entitlement to Bereavement Support Payment. The introduction of a test based on Class 4 NICs is not expected to have any measurable impact.

State Pension

194. The New State Pension, which applies to people reaching State Pension age on or after 6 April 2016, will be paid on the basis of a person’s own National Insurance record. The ability to rely on the record of a spouse or civil partner effectively ended on that date. As with the other benefits involved, the State Pension does not have regard to other family members. Nevertheless, it does support families in retirement.

195. Those who might be adversely affected are self-employed people with no profits or profits below the Small Profits Limit who will no longer be able to pay Class 2 NICs voluntarily in order to protect future pension entitlement. They may
have to rely on the more expensive voluntary Class 3 NICs. The Family Resources Survey for Northern Ireland 2014 - 2015 provides the following:

**Benefit Units by family type**

<table>
<thead>
<tr>
<th>Family type</th>
<th>% of benefit units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Couple with children</td>
<td>20%</td>
</tr>
<tr>
<td>Couple without children</td>
<td>18%</td>
</tr>
<tr>
<td>Single with children</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>45%</strong></td>
</tr>
<tr>
<td>Single Male without children</td>
<td>20%</td>
</tr>
<tr>
<td>Single Female without children</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34%</strong></td>
</tr>
</tbody>
</table>

Table 7.5: Family Resources Survey 2014-15, Benefit Units by family type and country

196. Although only self-employed people with no profits or profits below the Small Profits Limit are affected, the new arrangements are likely to affect a greater number of couples and those with children than single people. In terms of entitlement to the State Pension, self-employed people would only be adversely affected if their profits were to remain below the Small Profits Limit threshold for a considerable period of time. A person can have gaps of up to 15 years in a 50 year working life and still be eligible for the full new State Pension. The impact on future State Pension entitlement is expected to be minimal.

**Jobseeker’s Allowance**

197. No information is held regarding the family circumstances of share fishermen or volunteer development workers. The number of people adversely affected by the abolition of Class 2 NICs is expected to be small.

**Carer’s Allowance**

198. The Department for Work and Pensions' survey data suggests that numbers falling within the affected group are likely to be very small, and too small to
provide robust estimates. The impact, if any, of removing the notional deduction is expected to be negligible.
# Summary of Impacts

<table>
<thead>
<tr>
<th>Section 75 category</th>
<th>Impact</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Categories</td>
<td>The proposed changes have been designed to mitigate the effects of the abolition of Class 2 NICs as far as it is possible to do so. They are intended to ensure that self-employed people continue to build contributory benefit entitlement through the NICs system.</td>
<td>Employment and Support Allowance: The majority of people who currently qualify will continue to do so. An estimated 100 to 200 may not. It is proposed that transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements. Voluntary Class 3 NICs will be reformed to provide self-employed people with access to Employment and Support Allowance. Maternity Allowance: The proposed changes replicate, as closely as possible, the current process and cost of accessing Standard rate Maternity Allowance. The process for lower rate Maternity Allowance is unchanged. Participating spouses will have easier access to Maternity Allowance. Bereavement Support Payment: In the course of an individual’s working life, only a single qualifying year is to provide entitlement. The proposed changes are not expected to have any measurable impact. New State Pension: A person can have gaps of up to 15 years in a 50-year working life and still be entitled to the full new State Pension. A person would be adversely affected only if their profits were to remain low for a considerable period of time. The impact of the changes is expected to be minimal. Carer’s Allowance: The number of people likely to be adversely affected is expected to be very small, and too small to</td>
</tr>
<tr>
<td>Age</td>
<td>Employment and Support Allowance - The changes can be expected to have a greater effect on older age groups. Other benefits - the effects are expected to be minimal or negligible and beneficial in some instances.</td>
<td>Employment and Support Allowance: The majority of people who currently qualify will continue to do so. An estimated 100 to 200 may not. It is proposed that transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements. Voluntary Class 3 NICs will be reformed to provide self-employed people with access to Employment and Support Allowance. Maternity Allowance: The proposed changes replicate, as closely as possible, the current process and cost of accessing Standard rate Maternity Allowance. The process for lower rate Maternity Allowance is unchanged. Participating spouses will have easier access to Maternity Allowance. Bereavement Support Payment: In the course of an individual’s working life, only a single qualifying year is to provide entitlement. The proposed changes are not expected to have any measurable impact. New State Pension: A person can have gaps of up to 15 years in a 50-year working life and still be entitled to the full new State Pension. A person would be adversely affected only if their profits were to remain low for a considerable period of time. The impact of the changes is expected to be minimal. Carer’s Allowance: The number of people likely to be adversely affected is expected to be very small, and too small to</td>
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<tr>
<td>Gender</td>
<td>Employment and Support Allowance - The changes can be expected to have a greater effect on self-employed men. This reflects the higher tendency for men to be self-employed. Maternity Allowance – Only women can access Maternity Allowance. Other benefits - the effects are expected to be minimal or negligible.</td>
<td>Employment and Support Allowance: The majority of people who currently qualify will continue to do so. An estimated 100 to 200 may not. It is proposed that transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements. Voluntary Class 3 NICs will be reformed to provide self-employed people with access to Employment and Support Allowance. Maternity Allowance: The proposed changes replicate, as closely as possible, the current process and cost of accessing Standard rate Maternity Allowance. The process for lower rate Maternity Allowance is unchanged. Participating spouses will have easier access to Maternity Allowance. Bereavement Support Payment: In the course of an individual’s working life, only a single qualifying year is to provide entitlement. The proposed changes are not expected to have any measurable impact. New State Pension: A person can have gaps of up to 15 years in a 50-year working life and still be entitled to the full new State Pension. A person would be adversely affected only if their profits were to remain low for a considerable period of time. The impact of the changes is expected to be minimal. Carer’s Allowance: The number of people likely to be adversely affected is expected to be very small, and too small to</td>
</tr>
<tr>
<td>Marital Status</td>
<td>There is no evidence on how the changes may impact on the ground of marital status. In relation to Maternity Allowance, provision for women participating in their spouse’s/civil partner’s business (participating spouses) has been safeguarded.</td>
<td>Employment and Support Allowance: The majority of people who currently qualify will continue to do so. An estimated 100 to 200 may not. It is proposed that transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements. Voluntary Class 3 NICs will be reformed to provide self-employed people with access to Employment and Support Allowance. Maternity Allowance: The proposed changes replicate, as closely as possible, the current process and cost of accessing Standard rate Maternity Allowance. The process for lower rate Maternity Allowance is unchanged. Participating spouses will have easier access to Maternity Allowance. Bereavement Support Payment: In the course of an individual’s working life, only a single qualifying year is to provide entitlement. The proposed changes are not expected to have any measurable impact. New State Pension: A person can have gaps of up to 15 years in a 50-year working life and still be entitled to the full new State Pension. A person would be adversely affected only if their profits were to remain low for a considerable period of time. The impact of the changes is expected to be minimal. Carer’s Allowance: The number of people likely to be adversely affected is expected to be very small, and too small to</td>
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<tr>
<td>Religious Belief/Political Opinion</td>
<td>The changes are expected to have a greater impact on the Catholic, Protestant and other Christian groups. This is in line with the population in general.</td>
<td>Employment and Support Allowance: The majority of people who currently qualify will continue to do so. An estimated 100 to 200 may not. It is proposed that transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements. Voluntary Class 3 NICs will be reformed to provide self-employed people with access to Employment and Support Allowance. Maternity Allowance: The proposed changes replicate, as closely as possible, the current process and cost of accessing Standard rate Maternity Allowance. The process for lower rate Maternity Allowance is unchanged. Participating spouses will have easier access to Maternity Allowance. Bereavement Support Payment: In the course of an individual’s working life, only a single qualifying year is to provide entitlement. The proposed changes are not expected to have any measurable impact. New State Pension: A person can have gaps of up to 15 years in a 50-year working life and still be entitled to the full new State Pension. A person would be adversely affected only if their profits were to remain low for a considerable period of time. The impact of the changes is expected to be minimal. Carer’s Allowance: The number of people likely to be adversely affected is expected to be very small, and too small to</td>
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<tr>
<td>Racial Group</td>
<td>The changes are expected to have a greater impact on the ‘White’ ethnic group This is in line with the population in general.</td>
<td>Employment and Support Allowance: The majority of people who currently qualify will continue to do so. An estimated 100 to 200 may not. It is proposed that transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements. Voluntary Class 3 NICs will be reformed to provide self-employed people with access to Employment and Support Allowance. Maternity Allowance: The proposed changes replicate, as closely as possible, the current process and cost of accessing Standard rate Maternity Allowance. The process for lower rate Maternity Allowance is unchanged. Participating spouses will have easier access to Maternity Allowance. Bereavement Support Payment: In the course of an individual’s working life, only a single qualifying year is to provide entitlement. The proposed changes are not expected to have any measurable impact. New State Pension: A person can have gaps of up to 15 years in a 50-year working life and still be entitled to the full new State Pension. A person would be adversely affected only if their profits were to remain low for a considerable period of time. The impact of the changes is expected to be minimal. Carer’s Allowance: The number of people likely to be adversely affected is expected to be very small, and too small to</td>
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<tr>
<td>Sexual Orientation</td>
<td>No information is held on the sexual orientation of claimants. The impact of the changes is expected to be neutral.</td>
<td>Employment and Support Allowance: The majority of people who currently qualify will continue to do so. An estimated 100 to 200 may not. It is proposed that transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements. Voluntary Class 3 NICs will be reformed to provide self-employed people with access to Employment and Support Allowance. Maternity Allowance: The proposed changes replicate, as closely as possible, the current process and cost of accessing Standard rate Maternity Allowance. The process for lower rate Maternity Allowance is unchanged. Participating spouses will have easier access to Maternity Allowance. Bereavement Support Payment: In the course of an individual’s working life, only a single qualifying year is to provide entitlement. The proposed changes are not expected to have any measurable impact. New State Pension: A person can have gaps of up to 15 years in a 50-year working life and still be entitled to the full new State Pension. A person would be adversely affected only if their profits were to remain low for a considerable period of time. The impact of the changes is expected to be minimal. Carer’s Allowance: The number of people likely to be adversely affected is expected to be very small, and too small to</td>
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<tr>
<td>Persons with a disability and persons without</td>
<td>Employment and Support Allowance – by definition, everyone claiming has an illness or disability. Up to 200 new cases per year are estimated to be affected by the changes. Other benefits - the effects are expected to be minimal or negligible and beneficial in some instances.</td>
<td>Employment and Support Allowance: The majority of people who currently qualify will continue to do so. An estimated 100 to 200 may not. It is proposed that transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements. Voluntary Class 3 NICs will be reformed to provide self-employed people with access to Employment and Support Allowance. Maternity Allowance: The proposed changes replicate, as closely as possible, the current process and cost of accessing Standard rate Maternity Allowance. The process for lower rate Maternity Allowance is unchanged. Participating spouses will have easier access to Maternity Allowance. Bereavement Support Payment: In the course of an individual’s working life, only a single qualifying year is to provide entitlement. The proposed changes are not expected to have any measurable impact. New State Pension: A person can have gaps of up to 15 years in a 50-year working life and still be entitled to the full new State Pension. A person would be adversely affected only if their profits were to remain low for a considerable period of time. The impact of the changes is expected to be minimal. Carer’s Allowance: The number of people likely to be adversely affected is expected to be very small, and too small to</td>
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<tr>
<td>Persons with dependants and persons without</td>
<td>Employment and Support Allowance - The changes can be expected to have a greater effect on self-employed people without dependants. <strong>Other benefits</strong> - the effects are expected to be minimal or negligible and beneficial in some instances.</td>
<td>Jobseeker’s Allowance: The Westminster Government take the view that the maintenance of special rates or categories of NICs for particular groups would undermine the objective of simplifying the NICs regime. It is proposed that transitional protection will apply for 2 years from abolition to give people time to prepare for the changes and enable them to adjust to the new arrangements.</td>
</tr>
</tbody>
</table>
List of Consultees

- Advice NI
- African and Caribbean Support NI
- Age NI
- An Munia Tober
- Anglo North Irish FPO Ltd
- Arch Bishop of Armagh and Primate of all Ireland
- Association of Baptist Churches in Ireland
- Autism NI
- Aware
- Baha’i Council for NI
- Bank of Ireland
- Barnardos
- Belfast Butterfly Club
- Belfast Carers Centre
- Belfast Central Mission
- Belfast Education and Library Board
- Belfast Health Development Unit
- Belfast Healthy Cities
- Belfast Jewish Community
- Belfast Unemployed Resource Centre
- Bishop of Down and Connor
- Borough, City and District Councils
- British Deaf Association (NI)
- Bryson Charitable Group
- Business in the Community
- Caleb Foundation
- Cara-friend
- CARE in Northern Ireland
- Carers Northern Ireland
- Castlereagh Borough Youth Council
- Cedar Foundation
- Chartered Institute of Housing
- Children in Northern Ireland (CiNI)
- Children’s Law Centre
- Chrysalis Women’s Centre
- Church of Ireland
- Churches’ Community Work Alliance (NI)
- Citizens Advice
- City Church
- CO3
- Coiste na n-iarchimi
- Commissioner for Older People for Northern Ireland
- Committee on the Administration of Justice
- Community Development and Health Network (NI)
- Community Foundation for Northern Ireland
- Community Places
• Community Relations Council
• Confederation of British Industry
• Confederation of Community Groups
• Construction Employers Federation
• Co-operation Ireland
• CORI Northern Ireland
• Council for the Homeless (NI)
• Craigavon Travellers Support Committee
• CREED Ireland
• Cruse Bereavement Care (NI) Regional HQ
• Danske Bank
• Department for Employment and Learning
• Department of Education for NI
• Department of Health, Social Services and Public Safety
• Department of Justice
• Derry Well Woman
• Diocese of Down & Connor
• Disability Action
• Down’s Syndrome Association
• Dr Robin Wilson
• East Belfast Community Development Agency
• East Belfast Partnership Board
• East Down Rural Community Network
• Employers for Disability
• Engineering Employers Federation Northern Ireland
• Equality Commission for Northern Ireland
• Evangelical Alliance Northern Ireland
• Falls Community Council
• Falls Women’s Centre
• Family Planning Association NI
• Federation of Small Businesses, Northern Ireland
• Fellowship of Independent Methodist Churches
• Fermanagh Women’s Network
• First Division Association
• FOCUS
• Fold Group
• Foyle Women’s Aid
• Foyle Women’s Information Network
• Free Presbyterian Church
• Gay and Lesbian Youth NI
• GEMS Northern Ireland Limited
• General Consumer Council
• Gingerbread NI
• Grand Orange Lodge of Ireland
• Greater Shankill Partnership Board
• Guide Dogs for the Blind Association
• Harland and Wolff
• Health and Social Care Board Headquarters
• Housing Rights Service
• Humanist Association of Northern Ireland
• Imtac
• Indian Community Centre
• Information Commissioner's Office
• Invest (NI)
• Irish Congress of Trade Unions
• Kerr Henderson
• Knights of Columbanus
• Law Centre (NI)
• Law Society of NI
• Link Family and Community Centre
• Magherafelt Women's Group
• Marie Curie
• Mencap
• Mens Action Network (MAN)
• Men's Aid
• Methodist Church in Ireland
• Mid-Ulster Women's Network
• Mindwise
• Monkstown Community Forum
• Multi-Cultural Resource Centre (now Bryson Intercultural)
• National Children's Bureau NI
• Newtownabbey Senior Citizens' Forum
• North Belfast Partnership Board
• North Eastern Education and Library Board
• North West Community Network
• Northern Ireland Council for Voluntary Action (NICVA)
• Northern Ireland Association for Mental Health
• Northern Ireland Association for the Care and Resettlement of Offenders (NIACRO)
• Northern Ireland Commissioner for Children and Young People
• Northern Ireland Committee, Irish Congress of Trade Unions (NIC.ICTU)
• Northern Ireland Community of Refugees and Asylum Seekers
• Northern Ireland Council for Ethnic Minorities
• Northern Ireland Council for Ethnic Minorities (NICEM)
• Northern Ireland Dyslexia Centre
• Northern Ireland Federation of Housing Associations
• Northern Ireland Food and Drink Association
• Northern Ireland Gay Rights Association (NIGRA)
• Northern Ireland Housing Council
• Northern Ireland Housing Executive
• Northern Ireland Human Rights Commission (NIHRC)
• Northern Ireland Independent Retail Trade Association
• Northern Ireland Inter-Faith Forum
• Northern Ireland Islamic Centre
• Northern Ireland Political Parties
• Northern Ireland Public Service Alliance (NIPSA)
• Northern Ireland Statistics and Research Agency (NISRA)
• Northern Ireland Union of Supported Employment
• Northern Ireland Women's Aid Federation
• Northern Ireland Youth Forum
• NSPCC
• NUS USI
• OFREG
• Omagh Women’s Aid Area Network
• Parents Advice Centre
• PlayBoard
• POBAL
• Polish Association NI
• Praxis Care
• Presbyterian Church in Ireland
• Press for Change
• Progressive Unionist Party
• PSNI Lisnasharragh Equality and Diversity Unit
• Quaker Service
• Relate NI
• Rent Officer for Northern Ireland
• Rev David Campton
• RNIB
• RNID
• Royal Black Institution
• Rural Community Network
• Rural Development Council
• Rural Support
• Save the Children
• SEEDS
• SELB Regional Equality Unit
• Sense NI
• Shelter NI
• Short Brothers (Bombardier)
• Simon Community (NI)
• Sinn Fein
• Skainos East Belfast Mission
• South Belfast Partnership Board
• South Eastern Education and Library Board
• Southern Education and Library Board
• Spence and Partners
• Staff Commission for Education and Library Boards
• STEP (South Tyrone Empowerment Project)
• The Local Government Staff Commission for Northern Ireland (LGSC)
• The Non-Subscribing Presbyterian Church of Ireland
• The Rainbow Project
• Training for Women Network LTD
• Ulster Architectural Heritage Society
• Ulster Chemists Association
• Ulster Farmers Union
• Ulster Scots Agency
• Ulster Scots Community Network
• Ulster Unionist Party
• ULTACH Trust
• UNISON
• Very Reverend Michael McGinnity
• Volunteer Now
• West Belfast Partnership Board
• Western Education and Library Board
• Women's Forum Northern Ireland
• Women's Information Group
• Women's Resource and Development Agency
• Women's Support Network
• Youth Council for Northern Ireland
• Youthnet