

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

First Delegated Legislation Committee

DRAFT SOCIAL SECURITY (CONTRIBUTIONS)  
(AMENDMENT NO. 2) REGULATIONS 2022

*Monday 28 March 2022*

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

**not later than**

**Friday 1 April 2022**

© Parliamentary Copyright House of Commons 2022

*This publication may be reproduced under the terms of the Open Parliament licence, which is published at [www.parliament.uk/site-information/copyright/](http://www.parliament.uk/site-information/copyright/).*

**The Committee consisted of the following Members:**

*Chair:* STEWART HOSIE

- |  |  |
|--|--|
| † Bacon, Mr Richard ( <i>South Norfolk</i> ) (Con)                 | † Jones, Fay ( <i>Brecon and Radnorshire</i> ) (Con)               |
| † Bailey, Shaun ( <i>West Bromwich West</i> ) (Con)                | † McCabe, Steve ( <i>Birmingham, Selly Oak</i> ) (Lab)             |
| † Champion, Sarah ( <i>Rotherham</i> ) (Lab)                       | † Mak, Alan ( <i>Lord Commissioner of Her Majesty's Treasury</i> ) |
| † Clarke, Theo ( <i>Stafford</i> ) (Con)                           | † Murray, James ( <i>Ealing North</i> ) (Lab/Co-op)                |
| † Colburn, Elliot ( <i>Carshalton and Wallington</i> ) (Con)       | † O'Hara, Brendan ( <i>Argyll and Bute</i> ) (SNP)                 |
| † Coutinho, Claire ( <i>East Surrey</i> ) (Con)                    | † Smith, Nick ( <i>Blaenau Gwent</i> ) (Lab)                       |
| † Frazer, Lucy ( <i>Financial Secretary to the Treasury</i> )      | † Twist, Liz ( <i>Blaydon</i> ) (Lab)                              |
| † Gibson, Peter ( <i>Darlington</i> ) (Con)                        |  |
| † Glindon, Mary ( <i>North Tyneside</i> ) (Lab)                    | Matt Case, <i>Committee Clerk</i>                                  |
| † Johnson, Dr Caroline ( <i>Sleaford and North Hykeham</i> ) (Con) | † <b>attended the Committee</b>                                    |

# First Delegated Legislation Committee

Monday 28 March 2022

[STEWART HOSIE *in the Chair*]

## Draft Social Security (Contributions) (Amendment No. 2) Regulations 2022

4.30 pm

**The Financial Secretary to the Treasury (Lucy Frazer):** I beg to move,

That the Committee has considered the draft Social Security (Contributions) (Amendment No. 2) Regulations 2022.

I will explain why we are bringing this draft statutory instrument before the Committee. As Members are aware, from April the new health and social care levy will increase class 1 and class 4 national insurance contributions rates by 1.25 percentage points. That will secure a long-term dedicated source of funding for our national health service and for those who require care. The instrument will apply the 1.25-percentage point increase to those paying the married women's reduced rate of national insurance in the 2022-23 tax year. As the result of a drafting oversight, that group are excluded from paying the levy. If the legislation were not enacted, the result would be an unfairness, as not everyone would be in the same position and therefore not everyone would be treated equally.

This draft SI will increase the married women's reduced rate from 5.85% to a temporary rate of 7.1%. The reduced rate is a lower form of NICs, currently paid by fewer than 1,000 women. Originally, it was introduced to allow women to use their husband's NI contributions to qualify for a state pension at a time when fewer women worked. However, the scheme has been closed to new entrants since 1977. In fact, today, the circumstances in which a woman might pay the reduced rate are relatively unusual: a woman must have joined the scheme before May 1977, she must have been married at the time and have not divorced since, and she must still be under the state pension age and have not had a break of two years or more in her employment history.

**Nick Smith (Blaenau Gwent) (Lab):** Will the Minister let us know the average age of the women affected by the new draft regulations?

**Lucy Frazer:** They will, obviously, be at the older end of the spectrum, as the scheme has been closed to new entrants since 1977, although some will still be in work. Very few people are in the scheme—we think fewer than 1,000.

This is new legislation, but the change it will implement has been anticipated for some time. We have already communicated the 2022-23 NICs rate on the gov.uk website. Employers, and software and payroll providers are expecting the change and have updated their systems. Legislation is already in place to ensure that, from April 2023, those paying the married women's reduced rate

will be subject to the health and social care levy. There has never been a suggestion that that category of women ought to be excluded.

**Nick Smith:** The Minister was unable to answer my question about the average age of the women affected by the draft regulations. Will she go back to the Department to get an assessment of the question and please write to the Committee?

**Lucy Frazer:** I am happy to do that. As I mentioned, those women will be of an older generation, of an older age, but I am happy to get the specifics, if the hon. Gentleman wishes me to do so.

**Steve McCabe (Birmingham, Selly Oak) (Lab):** Will the Minister tell me how many of the women who will see the increase are also women we might describe as WASPI—Women Against State Pension Inequality Campaign—women?

**Lucy Frazer:** The hon. Gentleman is right to point that out. It is a point that I have considered with my team. He is right that there will be an impact on some WASPI women. He knows that the decision on those women was a decision to equalise the state pension age. It dates back to 1995. That was the decision taken at that time on fairness, and fairness is the point that I am moving to now.

We need to ensure that the draft measure is fair across the board. Women who pay the reduced rate will benefit from the record investment in our NHS and social care system brought about by the new levy. Therefore, to exempt those paying the married women's reduced rate from the health and social care levy would give them an unfair advantage compared with others.

I will briefly touch on the timeframe for introducing this draft instrument. I appreciate that the introduction of the measure is slightly delayed, such that we have had to accelerate our consideration of it. I reassure Members that we have written to both the Joint Committee on Statutory Instruments and the Secondary Legislation Scrutiny Committee to explain the reasons for the delay. The reason is that Her Majesty's Revenue and Customs had previously identified a different legislative vehicle for this draft measure, but it turned out not to be a viable option.

**Sarah Champion (Rotherham) (Lab):** I appreciate the Minister giving way and her accepting all the questions. Has she written to the women who will be impacted? One of the biggest problems with WASPI was the lack of awareness until the changes actually hit those women.

**Lucy Frazer:** The hon. Lady makes an important point about notification. One of the reasons for the draft measure is that we have already stated on gov.uk and through payroll systems that this will be brought in. If we were not to pass the SI, we would not be doing what we had already stated that we will do. That is the reason for today's SI.

HMRC has quickly moved to prepare the relevant legislation. I am sure that Members across the House will appreciate that it is critical for the health and social care levy to be applied fairly across the population. As a result, the draft regulations must come into force before the levy's introduction on 6 April.

**Nick Smith:** I thank the Minister for giving way again. She is being generous with her time and her efforts, but she did not answer the question of my colleague, my hon. Friend the Member for Rotherham: will the Government write to the women affected by this issue? She mentioned that it had been on the Government website, but given that WASPI women and others have complained that they were not properly informed of changes to their pensions and other financial arrangements of the Government through time, will she assure us categorically that she will write to those affected, please?

**Lucy Frazer:** I thank the hon. Gentleman for his question, but I reiterate: there is no need to notify the women, because everyone knows that the social care levy is coming in. It has been widely publicised. The current position is that everyone who is eligible to pay that tax will pay it, so there is no need to tell a group of women who through an oversight were not included in the levy that they will now be included, because at the moment they will not think that they are not.

**Brendan O'Hara** (Argyll and Bute) (SNP): Will the Minister give way on that point?

**Lucy Frazer:** I will conclude my remarks, because I have now answered that question twice.

**Mr Richard Bacon** (South Norfolk) (Con): I am delighted that my right hon. and learned Friend has given way. It is a pleasure to serve under your chairmanship, Mr Hosie. I have listened with attention to hon. Members' interesting questions—although so far only from the Opposition Benches, so I thought we should hear from Conservative Members as well. The Minister mentioned that there are only about 1,000 of these people and that they are a cohort who do not think that they will be excluded, therefore there is no need to write to them. Is not the reverse at least as likely to be the case: that they did think that they were excluded? Indeed, MWRR stands for married women's reduced rate, and that group of people were eligible for it in a way that others were not, so if they were to think anything, if they were to get up in the morning and think, "Does this thing that I have just heard about on Radio 5 affect me or not?", their first reaction would surely be that it did not, because they know that they are in an exempt class. However, that is not my question—although the Minister is welcome to comment. Given that there are only 1,000 of them, does she know who they all are? Does she have the names and addresses of the women?

**Lucy Frazer:** I thank my hon. Friend for his question. Those women are not excluded; they just pay a lower rate, so they are included in the NICs scheme. I do not think that they would think that they are excluded. There is nothing to suggest that they were excluded, or that a particular category of women, men or anybody were excluded, so I do not think they will believe they were excluded. Payroll systems are set to include them, and the Government have said on gov.uk that the system is coming in, so the expectation is that they will be included.

As for who the women are, they will be identifiable through various payroll systems, and payroll operators will have to ensure they pay the right amount. If we did not bring in the draft measure, it would be difficult, because we would then have to instruct payroll operators to change their systems, because they are now set up to include that category of women, so it would be more administratively difficult to take them out than to include them.

I should also highlight that this measure is for only a year, because they will be automatically included next year in any event, when the levy appears on people's payroll.

All that we are doing with this measure is ensuring that this group of women, who were excluded through an inadvertent error, are now included, as we had always intended.

**Liz Twist** (Blaydon) (Lab): Will the Minister give way?

**Lucy Frazer:** I will now conclude.

It is vital that our NHS recovers from the pandemic and that our social care system benefits from much-needed reform as soon as possible. This measure contributes to that end and I commend it to the Committee.

4.40 pm

**James Murray** (Ealing North) (Lab/Co-op): Thank you, Mr Hosie, for the opportunity to respond on behalf of the Opposition as we consider delegated legislation relating to the rate of national insurance. As we have heard from the Minister, the purpose of these regulations is to amend existing regulations that relate to the reduced rate of primary class 1 national insurance contributions payable by certain married women and widows. The intention of these regulations is to increase that rate, in line with the wider increase to national insurance introduced by the Health and Social Care Levy Act 2021.

There is a long history of debates about the operation and impact of the married women's reduced rate. These regulations, however, affect only its rate in the year 2022-23, raising this by 1.25 percentage points, from 5.85% to 7.1%. I will stay within the scope of these regulations by focusing on its rate and the impact that this increase could have.

Since the Government decided to increase national insurance by 1.25 percentage points last September, we have repeatedly pressed the Chancellor to think again. We did so most recently at the spring statement and during consideration of the National Insurance Contributions (Increase of Thresholds) Bill last week. We have urged the Government time and again to accept that their national insurance hike is the worst possible tax rise at the worst possible time—it is due to start operating just days after energy bills will soar by an average of over £600, and with inflation already at its highest in decades. We have repeatedly urged the Chancellor and his team to think again and ask those with the broadest shoulders to contribute more, rather than forcing a tax hike on working people. As we know, the Government have resolutely refused to change course, and next week tax will rise for 27 million working people.

[James Murray]

Today's regulations are a final sting in the tail for that tax rise. They will apply the rise in national insurance to what is likely to be a very small number of women, but a group who will see a disproportionately high tax rise. We know that the national insurance tax rise is 1.25 percentage points. For workers paying the standard rate of national insurance, which is currently 12%, that is a rise of just over 10%. For those paying the married women's reduced rate of 5.85%, however, the increase that we are debating today is, in fact, a tax rise of more than 20%.

Yet in the notes accompanying these regulations, the Government have not set out any detail of the impact that this tax rise will have on the specific group of women they believe will be affected. The notes rely instead on a general reference to the tax information and impact note published alongside the Health and Social Care Levy Bill. I would therefore like to ask the Minister—I am repeating the questions put forward by my hon. Friends—to set out now, or in the coming weeks by way of written reply, further detail on who will be affected by the tax rise that we are debating today, and how.

According to an article published in the *Financial Times* in 2019, a freedom of information request elicited information from HMRC to confirm that there were still around 200 women in the UK paying the reduced rate at that time. It therefore seems certain that HMRC has data on how many women are still paying that rate today.

I would also like the Minister to respond with further information giving more detail about this group of women affected, from HMRC or any other appropriate source, including: their average earnings, the kinds of jobs they are doing, and details of their wealth or level of deprivation. That is important information to know, as we are being asked to approve a tax increase of 20% on this group of older married women or widows. We know from Office for National Statistics research that widows are among those people in society most likely to have the poorest personal wellbeing.

We cannot support today's regulations. We have opposed the increase in national insurance across the board at every opportunity since its introduction. As I said earlier, today's regulations feel like the final sting in the tail—having raised the national insurance rate by 10% for working people across the country, the Chancellor's team is today raising it by over 20% for a small group of older women and widows. The national insurance hike continues to be the worst possible tax rise at the worst possible time, and we will be opposing these regulations today.

4.44 pm

**Brendan O'Hara:** I had not intended to speak; however, I hoped to intervene on the Minister, but she moved on elsewhere, so I have a couple of thoughts. Many of us—in fact, all of us—on the Opposition Benches think that national insurance is rather a blunt tool that affects the lowest paid and the youngest earners far more than anyone else. We can now include this small group of women.

The Minister talked about the health and social care levy, but there has been no great explanation or clear idea of how it will be used or passported through to

social care services. She repeated the idea of fairness—it was almost a mantra—and that it is fair across the board, but this measure will hit a minuscule number of working women, whom she has already identified as being in the WASPI age group. To me, it seems grossly unfair to target that group of women again in this way. Does she believe that that group are being treated fairly? Could she say to the cohort of women in that age group that this Government have treated them fairly? Communication throughout the WASPI situation was utterly abysmal.

**Steve McCabe:** Given that this problem resulted from a Government error, which the Minister has said she fully intends to correct next year anyway, would this not be the perfect opportunity to make some restitution for the losses that the WASPI women have already experienced, by giving them a year's grace on this Government error?

**Brendan O'Hara:** That is an excellent idea. I do not see why the Government would look to penalise this tiny number—a minuscule group, as the Minister said—once again. One might have hoped, having put them through the mill with such dreadful communication about why their pensions were being treated in the way they were, that the Government had learnt from that awful experience, but clearly they have not.

**Liz Twist:** Given the experiences of those who were not notified, does the hon. Gentleman agree that it is not enough to say that the computer systems have been upgraded and that the website has been updated? People need individual information about how they have been treated.

**Brendan O'Hara:** The hon. Lady is absolutely correct. At the very least, that group of women are owed by the Government. It is a basic courtesy to notify them of what is about to happen to them. I strongly advise the Minister to accept the suggestion of the hon. Member for Birmingham, Selly Oak: for this one year, set aside this tiny amount of money from a minuscule cohort of women, as some sort of apology for the appalling way in which they have been treated by the Government time and time again.

4.47 pm

**Sarah Champion (Rotherham) (Lab):** It is a pleasure to serve under your chairship, Mr Hosie.

I was not planning to speak either, but I cannot let the Minister just go ahead with a cut that will impact directly on a group of women who, as we have recognised, are likely to have already been hit owing to their being WASPI women, with all the unnecessary impacts on their pension. This is a group of women who will effectively get a 20% tax hike that they were not anticipating, at a time when people in all Members' constituencies are facing real economic hardship because of the cost of living increases. We are talking about 1,000 women who have already been discriminated against; and, in the scheme of things, for such a small amount of money to be raised with such a large impact on those women's lives, I urge the Minister to reconsider.

Of course we want social care protected, but we have been calling for that for the last 10 years and it has not happened. Rather than these 1,000 women having to pick up some of the burden, when they are likely to be older married women or widowed and facing a tough



time already, please, Minister, let us have some charity and common sense, especially given the scale of the investment for these women versus the savings for the Treasury.

4.49 pm

**Lucy Frazer:** I thank hon. Members for their important contributions. I assure the Committee that my officials and I considered the matter carefully before we laid the draft SI before the House, for many of the reasons raised. The reason for the measure is simply that there was never an intention not to include that category of women. They were only not included because of an oversight. That having happened, it seemed more appropriate to correct the oversight, which was never intended, recognising the fact that only a small number of people are affected and that, if we ask people to pay the levy, it should be fair that we ask across the board. A particular category of people should not benefit just because of an oversight that we made.

**Brendan O'Hara** *rose—*

**Lucy Frazer:** I hope to answer the points made, but if I do not, I am happy to come back to the hon. Member.

To answer some factual points, in general the age of the people affected is between 61 and 66. For example, if someone is earning up to the threshold of £12,570 per annum, they will still be paying £13 less a month in NICs once the changes have come in—that is £160 per annum. If they are earning £15,000, they will still be paying £130 less per annum, taking into account the changes that we have made.

On notification, the Chartered Institute of Payroll Professionals, for example, published the details of the changes in relation to this rate on its website. I understand the point that people are making in relation to the increase, but the 1.25-percentage point increase is the same across the board. I appreciate the points that people are making, but at the end of the day the reason why we are doing this is so that it is fair across the board.

**Brendan O'Hara:** Can I just ask a couple of questions? Has a calculation been done on how much will be raised in the year from these 1,000 women, set against a calculation of how much it will cost to administer?

**Lucy Frazer:** These regulations are not being made on the basis of what revenue we will raise; they are being made on the basis of being fair to everybody. On

the hon. Gentleman's point, as I have already said, the process is already in place, and if we were to stop the process happening, that would be a cost for payroll providers, because they would have to reverse what they are already doing. However, I am not standing here today and saying that we are going to raise millions of pounds through a measure that I have already highlighted will affect only a small number of individuals.

**Sarah Champion:** Minister, I ask one favour. It is £1,000 to write to these women—I will stuff the envelopes if need be. To give them some notice that this is coming would enable them to manage their budgets a little bit better. Will the Minister please commit to doing that?

**Lucy Frazer:** The hon. Member asks very nicely and politely, and while I will take that suggestion away, I am not promising her that we will do it. As I have said repeatedly to various Members across the Committee, we do not believe that these individuals do not believe that this is coming. This is not a situation in which we are making a change, but I will take away the hon. Member's suggestion and think about it further with my officials.

*Question put.*

*The Committee divided: Ayes 10, Noes 7.*

#### Division No. 1]

#### AYES

Bacon, Mr Richard  
Bailey, Shaun  
Clarke, Theo  
Colburn, Elliot  
Coutinho, Claire

Frazer, rh Lucy  
Gibson, Peter  
Johnson, Dr Caroline  
Jones, Fay  
Mak, Alan

#### NOES

Champion, Sarah  
Glendon, Mary  
McCabe, Steve  
Murray, James

O'Hara, Brendan  
Smith, Nick  
Twist, Liz

*Question accordingly agreed to.*

*Resolved,*

That the Committee has considered the draft Social Security (Contributions) (Amendment No. 2) Regulations 2022.

4.54 pm

*Committee rose.*

