Rt Hon Frank Field MP  
Chair of the Work and Pensions Select Committee

Dear Frank,

Thank you for your letter dated 17th June in relation to the treatment of Maternity Allowance and Statutory Maternity Pay in Universal Credit. Your concerns have been carefully considered and I have also received representations from Maternity Action. I would like to reassure you that I share your view that mothers, and families, need to be supported. The Government wants to ensure parents receive the help they are entitled to and we continue to spend over £95 billion a year on benefits to support working age people and their children.

As you set out in your letter Maternity Allowance is treated as unearned income in the Universal Credit assessment. This is because it is a social security benefit paid to meet living costs. It maintains a long standing principle to prevent duplication of benefits paid for the same purpose and it is this principle that protects the welfare budget and simplifies benefit administration.

Statutory benefits such as Statutory Maternity Pay are paid by employers and subject to tax and national insurance contributions. Statutory maternity pay is paid in the same way as wages, therefore it was decided that it should be treated as earned income in the Universal Credit Assessment. As a result of this treatment, individuals do benefit from the work allowance and taper rate in line with household earnings as you point out.

As you know one of the simplifications introduced by Universal Credit was to collect information on people's earned income automatically through information that Universal Credit receives from Her Majesty's Revenue and Customs. This enables a claimant's Universal Credit entitlement to be reassessed quickly in response to any changes in their earnings. As Statutory benefits are paid by employers as earned income and form part of the information provided by HMRC it was decided that they should be treated as
earned income rather than unearned income. The difference in the treatment of Statutory Maternity Pay and Maternity Allowance in Universal Credit is therefore intentional and due to the simplification of the treatment of earned income in Universal Credit.

Simplification makes Universal Credit easier to claim and administer which enables claimants to better access the support required and our staff to focus on helping claimants to fully benefit from the new system. This was made clear to Parliament during the passage of the legislation for Universal Credit.

With regards to point three of your letter, the impacts of Universal Credit were considered and published in the Welfare Reform Bill Universal Credit Equality Impact Assessment November 2011 and the Universal Credit Impact Assessment December 2012.

A Sure Start Maternity Grant is not automatically paid to all Maternity Allowance claimants as the Sure Start Maternity Grant is a benefit targeted for those most in need and is therefore only paid to those in receipt of certain benefits. It is possible that someone in receipt of Maternity Allowance may also have a Universal Credit award and subsequently may qualify for a Sure Start Maternity Grant.

I hope this letter helps clarify the points you have raised. I want to reassure you that my Department continues to review the support that we provide for families and individuals.

Best wishes,

The Rt Hon Amber Rudd MP
SECRETARY OF STATE FOR WORK AND PENSIONS