

## Welfare Reform Bill:

Women's Budget Group Evidence to Public Bill Committee 22.3.11

### Introduction

The UK Women's Budget Group (WBG) is an independent voluntary organization of individuals from academia, NGOs etc. We have been scrutinizing the gender implications of Budgets and spending plans of UK governments from the early 1990s. We believe that knowing about gender implications of policy changes is important to reduce gender inequalities but also to ensure policies meet their goals most effectively.

The WBG welcomes the opportunity to give evidence to the Committee. Benefit simplification and improving work incentives are laudable aims.<sup>1</sup> However, we have concerns about the design of universal credit (UC), and other aspects of the Bill, which we believe may work against the government's duty to promote gender equality; we are concerned in particular about access to income – both earnings and benefits - for individuals in couples,<sup>2</sup> and focus on this below. And we believe the proposals take insufficient account of the nature of modern families and the fabric of their lives, and so may undermine some of the government's other goals, including encouraging committed couple relationships. We outline these concerns below.

### Summary (already sent to Committee)

More couples have two earners. Second earners, often women, are particularly sensitive to incentives. Under UC, withdrawal of benefit will be quicker and more obvious, and at a much higher rate for most second earners, even leaving aside childcare costs. If this results in fewer second earners, this would not only mean fewer women with access to independent income; it would also work against the aims of the improved maternity provisions and sharing of parenting roles supported by the government, as well as individualised conditionality under UC. Lone parents who were in work as second earners in intact couples are also less likely to be workless after family breakdown.

The subsuming of a wider range of benefits into UC, paid in full (except in exceptional cases) to one member of a couple, would be likely to undermine the government's aim of encouraging committed couple relationships, as it increases the risk involved in individuals' decisions about family formation.

The inclusion of money for children and childcare costs in the UC payment is of concern as it may mean a transfer 'from purse to wallet'. This does not label money for children or taper it away last, and may be especially problematic for new couples and those with children from previous relationships.

The inclusion of money for housing costs in the one UC payment is also of particular concern, as it may mean this is not paid to the person liable for housing costs (the

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<sup>1</sup> See evidence from WBG to Work and Pensions Select Committee Inquiry into Universal Credit.

<sup>2</sup> This evidence focuses on man/woman couples but some of the issues discussed are also of relevance to same sex couples living together. There is a growing body of research on the distribution of resources within same sex couple households.

tenant or mortgage payer). This could result in insecurity of housing tenure not only for the adult concerned but also for any children.

Monthly payment of UC, especially subsuming most other benefits and paid to one person in couples, would not fit well with low-income families' common patterns of budgeting and money management. Women are usually responsible for day-to-day spending and will be likely to bear the brunt of this mismatch.

The time limiting of contributory employment and support allowance for those in the work related activity group after a year will hit women harder, as they are more likely to have earning partners, and will increase in-work poverty.

#### 1. Non-means-tested benefits for adults

We welcome the retention of **carer's allowance** (CA) as a non-means-tested benefit separate from universal credit; it is important to many women in particular as an independent income.<sup>3</sup> But we are concerned about the knock-on effects of the forecast reductions in entitlement to the replacement for disability living allowance on numbers entitled to CA. The Committee could also ask for clarification about future earnings rules for those on contributory benefits and CA on the introduction of UC.

We are also very concerned about the time limiting of **contributory Employment and Support Allowance** for the work related activity group to 12 months. This will affect more men than women, as shown in the Equality Impact Assessment; but means-tested compensation will be available to fewer women, as their partners are more likely to be earning. For women, this means their right to an independent income via a contributory benefit is being restricted just as increased numbers become entitled through employment. But for both men and women in couples, time-limiting contributory ESA means they will become dependent on their partners after 12 months just because they cannot work. This will also be likely to increase in-work poverty, as more couples will have only one income.<sup>4</sup>

The government is less likely to be trusted in terms of its new welfare contract if it is seen as renegeing on the most explicit existing contract in the social security system, national insurance (NI). The NI Fund has a significant surplus and is hypothecated for spending on NI benefits. We believe this proposal should be withdrawn.

#### 2. Universal credit: overview

UC amalgamates benefits/tax credits which have varying purposes, and are claimed by and paid to different people (sometimes individuals rather than couples), at different intervals, and withdrawn at different rates in order. It is proposed that UC will be claimed and owned by couples jointly, usually paid in full to one partner, probably monthly, and withdrawn at the same rate across all elements. This radical change raises a number of issues, several of which have gender implications.

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<sup>3</sup> Research by Fran Bennett and Sirin Sung based on interviews with men and women in low/moderate income families for the Within Household Inequalities and Public Policy project<sup>5</sup> in the ESRC-funded Gender Equality Network: [www.genet.ac.uk](http://www.genet.ac.uk).

<sup>4</sup> See forthcoming working paper by Fran Bennett and Holly Sutherland for Institute for Social and Economic Research, University of Essex.

We discuss payment of UC below. However, it is important to note that, as with current means-tested benefits/tax credits, whoever UC is paid to it does not constitute an independent income in the same way earnings or non-means-tested benefits (discussed above) do. This is because of joint assessment – and, for UC, also joint claiming, ownership and liability. So an individual’s income is still affected by a partner’s presence, resources and actions; and if one partner’s income is high enough for the couple to be ineligible, the other partner gets no UC, as with the current means-tested system. Means testing is implicated in both the complexity and the incentive problems that the government is trying to grapple with.

### 3. ‘Second earners’ and incentives

More couples now have two earners. ‘Second earners’, often women, are particularly sensitive to incentives. Under UC, benefit withdrawal will be at a much higher rate than now for many ‘second earners’ when the ‘first earner’ has used up the couple's earnings disregard. Tax credits are tapered at 41 per cent (gross), whereas net earnings will reduce UC at a rate of 65 per cent. Other reports<sup>5,6</sup> bear out this analysis, and identify one earner couples as particular gainers. UC will also be adjusted for increased earnings much faster; the impact of the ‘poverty trap’ will be more visible.

The position of many ‘second earners’ could be exacerbated by changes to help with **childcare costs**, including the reduction of maximum subsidy from 80 to 70 per cent. Entitlement will be extended to those working under 16 hours per week, but so far with no additional funding to cover this; and marginal deduction rates could increase for those on UC. In practice, for couples, this is most likely to affect decisions about a ‘second earner’s’ job, as childcare costs are often offset against their earnings.

The government argues that if ‘second earners’ choose to reduce or give up their jobs, this increases the options for the family's work life balance; but work life balance is an individual concept, not intended to cover one partner being out of the workforce altogether. This proposal should be seen instead as tilting the ‘architecture of choice’ away from two-earner families; rather than giving additional choices, it advantages single earner families on average whilst making dual earning more difficult for many.<sup>7</sup>

Fewer ‘second earners’ would mean fewer women with access to independent income from employment. But it would also work against the aims of the improved maternity provisions and the sharing of parenting roles to which the government is committed. The goals of more individualised conditionality would be undermined for ‘second earners’. And while the government takes more low earners out of tax by increasing the personal allowance, many ‘second earners’ will lose two-thirds of each pound.

It is also important to take a dynamic perspective. If (mostly) women are dissuaded from becoming ‘second earners’, the impact on their right to income and on gender roles could be long-lasting and affect their lifetime income profile. In addition, a key

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<sup>5</sup> Brewer, M., Browne, J. and Jin, W. (2011), *Universal Credit: A preliminary analysis*, IFS Briefing Note 116, London: Institute for Fiscal Studies.

<sup>6</sup> Hirsch, D. and Beckhelling, J. (2011), *Tackling the Adequacy Trap: Earnings, incomes and work incentives under the Universal Credit*, London: Resolution Foundation.

<sup>7</sup> See evidence from Prof Ruth Lister (now Baroness Lister of Burtersett) to the Work and Pensions Select Committee Inquiry into universal credit.

government concern is to reduce workless households. Women becoming lone parents are more likely to stay in the labour market if they were in work during their previous relationships;<sup>8</sup> so work incentives for 'second earners' in couples are crucial for reducing worklessness in lone parent households as well. Earnings for both lone parents and 'second earners' are also important for tackling child poverty effectively.

#### 4. Payment of UC

We have concerns about UC payment for couples. These are often seen as delivery issues; but they stem from the design of UC. The government has decided that (jointly claimed) UC should be paid to one partner, with the choice of payee up to couples. (Presumably couples could choose to pay it into a joint account.) There are regulatory powers to split payment of UC – necessary if only to deal (as now) with cases of one partner refusing to maintain other people in their household.

Because UC subsumes many benefits with different purposes, decisions about payment become much more significant. It is unclear what will happen if the couple does not agree. And though many couples may be stable, others may be breaking up, or getting together, or may also contain children from previous relationships etc.

The government's main arguments are that paying UC in one payment mimics wages, and allows couples on UC, like others, to choose how to allocate their money. However, UC is jointly claimed, jointly owned and jointly assessed, unlike wages. UC payment to one person does not mimic wages, either, since more couples in work now have two earners; splitting payments would be more appropriate. And logically, if choice is seen as important, couples should also be able to choose to split the payment. (Further, the process of making an informed choice about how to split UC could be valuable in terms of both partners taking account of what costs it is intended to cover, the elements that have gone to make it up, and how it should be spent.)

Giving couples choice is clearly preferable to automatic payment of UC to the 'main earner'. But 'choice' takes place in a context of gender inequalities within as well as outside the household. Indeed, a recent Written Answer notes: 'particularly in low-income households ... men sometimes benefit at the expense of women from shared household income'.<sup>9</sup> Men are often seen as having a right to personal spending, whereas women's spending on home and children is seen (by both men and women) as their personal spending.<sup>10</sup> The Millennium Cohort Study showed that 1 in 4 mothers do not even have a small amount to spend on themselves, rising to 1 in 2 in households on under 60 per cent of median income.<sup>11</sup> Women tend to have the main

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<sup>8</sup> Marsh, A. *et al.* (2001), *Low-income Families in Britain: Work, welfare and social security in 1999*, DSS Research Report 138, Leeds: Corporate Document Services.

<sup>9</sup> House of Commons *Hansard*, Written Answers 14 March 2011, col. 126W.

<sup>10</sup> Goode, J., Callender, C. and Lister, R. (1998), *Purse or Wallet? Gender inequalities and income distribution within families on benefit*, London: Policy Studies Institute.

<sup>11</sup> Hansen, K., Jones, E., Joshi, H. and Budge, D. (eds.) (2010) *Millennium Cohort Study Fourth Survey: A user's guide to initial findings – 2<sup>nd</sup> edition, December 2010*, London: Centre for Longitudinal Studies, Institute of Education, University of London.

responsibility for managing the money - making ends meet - in low-income families, where this is often a source of anxiety (albeit also pride) rather than of power.<sup>12</sup>

One recent study of 30 black and minority ethnic women in low income couples in north-east England included examples where 'several women had so little access to money that their husbands were effectively in control of key aspects of their lives'.<sup>13</sup> Other women said they only had a say in financial matters because they had their own earnings. Whilst this was a specific group, equality in sharing resources or financial decision making cannot be assumed for all. This is the context in which couples will have 'choice' as to who receives (in many cases) all the money they are entitled to between them, for themselves and any children - except for child benefit and other non-means-tested benefits outside UC.

It is not known how couples will decide who should receive UC. Some 81 per cent of guarantee pension credit claims in couples are made by men.<sup>14</sup> Figures are not available for the gender of claimants in couples on housing/council tax benefit.<sup>15</sup> The Equality Impact Assessment of the White Paper on welfare reform (p 10) states that 86% of in-work couples receiving child tax credits have a female payee (according to HMRC's Child and Working Tax Credit Statistics, April 2010, p 36, table 7.1). One study found claiming jobseeker's allowance may help some men maintain their identity as the main breadwinner.<sup>16</sup> Recent figures show 10,500 men compared with 8,100 women making the joint claim on behalf of the couple for jobseeker's allowance (income based).<sup>17</sup>

The inclusion of money for **children and childcare costs** in the UC payment is of concern as it may mean a transfer 'from purse to wallet' compared with the current situation. Currently child tax credit and help with childcare costs are paid to the 'main carer' in recognition of the fact that they are usually responsible for these areas of spending. A 'lead carer' will be identified in couples with children for conditionality arrangements; but there has been no read-across to the decision about payment of UC.

There are several issues here:

payment of money to the person most likely to spend it on the children;<sup>18</sup>  
labelling money for children making it more likely it is spent on them;<sup>19</sup> and  
trying to give resources to the partner in a couple less likely to have them.

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<sup>12</sup> Women's Budget Group (2005), *Women's and Children's Poverty: Making the links*, London: WBG.

<sup>13</sup> Warburton Brown, C. (2011), *Exploring BME Maternal Poverty: The financial lives of ethnic minority mothers in Tyne and Wear*, Oxford: Oxfam GB: <http://publications.oxfam.org.uk/display.asp?k=e2011012712050838>

<sup>14</sup> Pension Credit Caseload Statistics for May 2010, accessed via Department for Work and Pensions Tabulation Tool, March 2011 (for pension credit overall the figure is 77 per cent men).

<sup>15</sup> See [http://data.gov.uk/dataset/housing\\_benefit-council\\_tax\\_benefit\\_claimants\\_at\\_small\\_area\\_level](http://data.gov.uk/dataset/housing_benefit-council_tax_benefit_claimants_at_small_area_level)

<sup>16</sup> Goode, J., Callender, C. and Lister, R. (1998), *Purse or Wallet? Gender inequalities and income distribution within families on benefit*, London: Policy Studies Institute.

<sup>17</sup> House of Commons *Hansard*, Written Answers 22 March 2011, cols. 965-6. For joint claims for income based and contribution based JSA together, the figures are respectively 1,300 and 500.

<sup>18</sup> According to international evidence (see, for example, the UN Human Development Report 1990); see also Pahl, J. (1989), *Money and Marriage*, Basingstoke: Macmillan Education.

<sup>19</sup> Brown, J.C. (1990), *Child Benefit: Options for the 1990s*, London: Save Child Benefit.

In low/moderate-income families, it is still mothers who tend to take the main responsibility for meeting children's day-to-day needs.<sup>20</sup> Rake and Jayatilaka also found that women tend to have responsibility for purchasing food and items for children.<sup>21</sup> Recent government research<sup>22</sup> showed claimants of child tax credit identifying it as money for children and spending it accordingly. Under UC, money for children would not be labelled; and it might or might not go to the 'main carer'.

The inclusion of money for **housing costs** in the one UC payment is also of concern.<sup>23</sup> UC may not be paid to the tenant/mortgage payer; this will apply in more cases if housing costs help is paid direct to social housing tenants and/or mortgage assistance is extended to those in work. (The payment may not be sufficient to cover the costs.)

Cases of concern could include a lone parent with a new partner moving into her rented property; the couple will need to claim UC jointly, but the lone parent may not immediately be ready to share tenure rights. If the new partner were paid all the UC, this could result in insecurity of housing tenure for her and her children. In a 2001 study, some 1 in 4 cohabiting men and women said they had moved into accommodation in which their partner lived – but this was higher for men in the separated/divorced group.<sup>24</sup> For 1 in 3 men and women (nearly 1 in 2 older women), when they started living together as a couple the accommodation was in their own name only. Another study included examples of social housing tenants and owner-occupiers who did not (yet) wish to add their new partner's name to their tenancy or mortgage agreement.<sup>25</sup> Housing tenure is not always joint among couples, especially cohabitees.

There are clearly other ways UC could be split in addition to those discussed above. Conditionality will increase for certain couple groups under UC and the government also says that 'both members of the couple play an equal part in the claim'.<sup>26</sup> Payment of benefit to individuals has been seen by some as the *quid pro quo* for individualised conditionality in the context of 'rights and responsibilities'.<sup>27</sup> Splitting benefit could give women in unequal relationships access to at least some money; on the other hand, it might encourage some men to think of their half as their personal spending money.<sup>28</sup> But such discussions have focused so far on only the adult elements of some

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<sup>20</sup> See, eg, Goode, J., Callender, C. and Lister, R. (1998), *Purse to Wallet? Gender inequalities and income distribution within families on benefits*, London: Policy Studies Institute; and other evidence, eg from the Within Household Inequalities and Public Policy research project.

<sup>21</sup> Rake, K. and Jayatilaka, G. (2002), *Home Truths: An analysis of financial decision making within the home*, London: Fawcett Society.

<sup>22</sup> Hall, S. and Pettigrew, N. (Ipsos Mori) (2008), *Exploring the Key Influences on the Tax Credits Claimant Population*, HM Revenue and Customs Research Report 49, London: HMRC.

<sup>23</sup> House of Commons *Hansard*, Written Answers 1 March 2011, col. 369W.

<sup>24</sup> Haskey, J. (2001), 'Cohabiting couples in Great Britain: accommodation sharing, tenure and property ownership', *Population Trends* 103, Spring 2001, pp 26-36.

<sup>25</sup> Rowlingson, K. and Joseph, R. (2010), *Assets and Debts within Couples: Ownership and decision-making*, Friends Provident Foundation.

<sup>26</sup> Department for Work and Pensions (2011), *Impact Assessment: Universal credit*, p. 30.

<sup>27</sup> E.g. see HM Treasury (1999), *Work Incentives: A report by Martin Taylor – The Modernisation of Britain's Tax and Benefit System no. 2*, London: HMT.

<sup>28</sup> Lister, R. (1999), 'Income distribution within families and the reform of social security', *Journal of Social Welfare and Family Law* 21(3), pp. 203-220.

existing means-tested benefits; the implications of (eg) a 50/50 split of the (much more substantial) UC between partners has not been debated; and unless other elements were split off in addition, the ability to label payments could be lost.

Some may argue that who receives UC is irrelevant as most benefits are paid into bank accounts and many couples have joint accounts now. Joint accounts are the symbol of trust and sharing in marriage. However, the jointness of a couple's financial arrangements cannot be read off from their bank accounts. Various studies show that women are more likely to have individual accounts, and value them for reasons of independence.<sup>29</sup> The trend in joint savings, investments and debts in couple households is also downwards, according to recent evidence.<sup>30</sup> And a joint account does not guarantee equal access by both partners or equality in financial matters.<sup>31</sup>

Giving couples the choice of who receives UC does not get round these problems. The government's undertaking to monitor the impact of UC in terms of distribution of income within households suggests that it recognises there are legitimate concerns. But transitional protection for within-household income loss is not being offered.

**Monthly payment** of UC is favoured by the government, which argues that this is the modern way, and how most wages/salaries are paid. However, many manual workers, and those in 'mini-jobs', are paid weekly; and benefits are mostly paid weekly or fortnightly. Monthly UC payment - especially subsuming most other benefits and paid to one partner in couples - would also not fit well with low-income families' common patterns of managing. Women are more likely to bear the brunt of this mismatch.

Ministers say people having difficulty could be given (so far unspecified) help with budgeting. But the 2008 Families and Children Study (FACS)<sup>32</sup> shows 1 in 4 families with children run out of money (always, most often or more often than not) before the end of the week/month, rising to 37% for the lowest income fifth. Already, therefore, this cannot be dismissed as a problem for a small minority unable to budget properly; if payment is monthly, this number will rise. FACS also shows few families with children have any savings to fall back on.

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<sup>29</sup> Rake, K. and Jayatilaka, G. (2002), *Home Truths: An analysis of financial decision making within the home*, London: Fawcett Society.

<sup>30</sup> Kan, M.Y. and Laurie, H. (2011), 'Savings, investments, debts and psychological well-being in married and cohabiting couples', *ISER Working Paper 2010-42*, Colchester: Institute for Social and Economic Research, University of Essex:  
<http://www.iser.essex.ac.uk/publications/working-papers/iser/2010-42>

<sup>31</sup> See, for example, Sung, S. and Bennett, F. (2007), 'Dealing with money in low- to moderate-income couples: insights from individual interviews', in K. Clarke, T. Maltby and P. Kennett (eds.), *Social Policy Review* 19, Bristol: The Policy Press in association with the Social Policy Association, pp 151-173; Warburton Brown, C. (2011), *Exploring BME Maternal Poverty: The financial lives of ethnic minority mothers in Tyne and Wear*, Oxford: Oxfam GB:

<http://publications.oxfam.org.uk/display.asp?k=e2011012712050838>

<sup>32</sup> Maplethorpe, N., Chanfreau, J., Philo, D. and Tait, C. (2010) *Families with Children in Britain: Findings from the 2008 Families and Children Study (FACS)*, Department for Work and Pensions Research Report 656, Leeds: Corporate Document Services.

The 2008 FACS data shows that amongst social housing tenants (likely to be a particularly low-income group) a higher proportion say their money as a couple is managed by the woman. And recent research<sup>33</sup> confirmed a common pattern in low/moderate income families of women doing day-to-day spending, whereas men pay the (monthly) bills, often by direct debit.<sup>34</sup> A move to less frequent payment will therefore be likely to hit women, as the ones responsible for the more 'discretionary' frequent spending in particular; we know that in such situations, mothers tend to go without. (The simultaneous replacement of various national statutory provisions with localised discretionary schemes will also work against the goal of increasing certainty about income levels under UC and so be likely to make budgeting harder.)

## 5. Conclusion

Facilitating individual access to income should not be seen as a threat to family stability and mutuality, but instead as having the potential to strengthen it. The 2008 FACS report, for example, showed joint management of money was less likely in one-earner couples. We believe paying UC in total to one partner could undermine the government's aim of encouraging committed couple relationships, as it increases the risk involved in individuals' decisions about family formation. For all but one of the respondents (largely women) in one study, 'the security of some financial independence was described ... as providing the necessary security for the relationship to flourish'.<sup>35</sup> Given joint assessment, joint claims and joint liability for UC, and the potential for the whole of UC to be paid to the other partner, a significant leap of faith would be required to contemplate life with a new partner. At the same time, the onus on claimants to report changes of circumstances (such as a new partner) in a timely way will increase.

By and large, broader issues such as these are not captured in the gender section of the UC Equality Impact Assessment. We believe that individual financial security is a better basis for achieving flourishing relationships, whereas financial dependence can put a strain on them; and that more flexible gender roles are more likely to result in family stability and equality within couples. Yet some proposals in the Bill point instead towards greater economic dependence of one partner on the other, and the reinforcement of a 'male breadwinner' model. In our view, this is not compatible with either the government's duties on equality or its other social goals.

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<sup>33</sup> From the Within Household Inequalities and Public Policy project, part of the ESRC-funded Gender Equality Network ([www.genet.ac.uk](http://www.genet.ac.uk) – see project 5). The principal investigators were Prof Susan Himmelweit, Prof Holly Sutherland and Fran Bennett, and qualitative research with low/moderate income couples in Britain was carried out by Fran Bennett with Dr Sirin Sung.

<sup>34</sup> This is not a universal pattern, of course, and may be different in particular if the woman is paid monthly (eg in a white collar job) whilst the man is paid weekly (in a manual job).

<sup>35</sup> Lewis, J. (2006), 'Perceptions of risk in intimate relationships: the implications for social provision', *Journal of Social Policy* 35(1), pp. 39-57.

