

A Happy New Year?

Welcome to six more years of austerity that will further undermine gender equality

The Impact on Women of the Autumn Financial Statement, 29 November 2011

The Women's Budget Group, January 2012

Introduction

British Chancellor George Osborne made an alarming admission in his Autumn Financial Statement at the end of last year: his economic policies will require six more years of austerity, lasting beyond the end of this parliament and well into the next one. The Coalition government's policies have already had a negative impact on most women through the loss of jobs, income and services (see Appendix); additional measures announced in the Statement will intensify those losses for all but the richest women.

Mr Osborne was forced to admit that his policies have not produced an increase in jobs or a recovery in production. In 2011, net job losses in the public sector far outweighed net job creation in the private sector. The independent Office for Budget Responsibility (OBR) forecasts, published on the same day as the Statement, anticipate job losses in the public sector of 710,000, a huge increase on the 400,000 losses previously forecast. The OBR also predict that unemployment will rise to 2.8 million and living standards will continue to fall to at least 2013.

The Chancellor announced measures that he claimed would stimulate economic growth: tax breaks; improved access to credit; and £5bn for capital projects as part of the National Infrastructure Plan. The £5bn for infrastructure sounds impressive until you realize that it amounts to less than 0.1% of GDP per annum¹, and will be paid for by reducing spending and cutting back elsewhere. Such cuts include a new public sector pay freeze and the freezing of the lone parent and child elements of the working tax credit, at a time when inflation is more than 5% a year.

The Coalition government has intensified its reliance on spending cuts rather than tax increases to cut the budget deficit: it plans that 80% of the deficit reduction in the final years of its plan should be achieved through expenditure cuts, and just 20% through increases in tax revenue². In addition, the government continues to oppose a financial transactions tax, an alternative source of funds for the public purse, despite widespread support from other EU governments.

¹ Richard Abadie, PriceWaterhouseCooper partner for infrastructure projects, quoted in The Guardian, <http://www.guardian.co.uk/uk/2011/nov/29/autumn-statement-george-osborne-pledges>

² Larry Elliott and Patrick Wintour, Public sector to foot bill for George Osborne's growth plan, <http://www.guardian.co.uk/politics/2011/nov/29>

What is the likely impact of these new measures on women? What are the implications for gender equality? In spite of his legal obligations to provide an equalities impact assessment, the Chancellor made no attempt to tell us.

The Treasury ignores legal duty to complete gender equality impact assessment

The government has a legal obligation to pay ‘due regard’ to the impact of their policies and budgetary decisions on equality between men and women. Yet the Coalition has once again failed to produce an equalities impact statement on decisions that have significant consequences, not just for the economy, but also for the structure of society.

The failure to produce an equalities impact statement is inexcusable, particularly given the Fawcett Society’s legal challenge of the 2010 Budget and the Equalities and Human Rights Commission’s Section 31 investigation into the 2010 Spending Review. Gender impact analysis produced by the Women’s Budget Group and other organisations including the Institute for Fiscal Studies, demonstrates that it is possible to produce clear gender analysis of who benefits from and who pays the cost of economic policy. The government can and must do the same.

The Treasury did produce an analysis of the impact of all the government’s tax, tax credit and benefit measures on household income. The analysis suggests that the very rich in the top 10% of households pay the largest share, in proportion to their incomes. However, as pointed out by economists at the Institute for Fiscal Studies, this is largely a result of the continuation of measures, such as the 50% rate of tax on the highest earners, introduced by the last Labour government

The Treasury analysis also shows that those in the poorest households lose the most from the cumulative impact of spending, tax and benefit changes (Chart 1.E). The Institute for Fiscal Studies analysed the distributional impact of the changes announced in the Autumn Statement (which take effect in 2012/13) and found that, this year alone, the 30% of households with the lowest income will lose three times as much as the richest 30%. The IFS reports that families with children and families on a low income will experience a larger reduction in their net income than households without children and those with high incomes.³

What is the Gender Equality Impact of the 2011 Autumn Statement?

New research from the House of Commons Library shows that changes to tax credits and public sector pay outlined in the Autumn Statement, “hit women more than twice as hard as men”. The research found that: “Of the £2.37 billion raised from tax credits and public sector pay changes in the Autumn Statement [...] 73 per cent (£1.73 billion) will be coming from women and 27 per cent (£638 million) will be coming from men.”⁴

Below, the Women’s Budget Group considers the impact of the announcements made in the Autumn Statement on women’s jobs, earnings and incomes.

³ http://www.ifs.org.uk/budgets/as2011/tax_benefits_as11.pdf

⁴ House of Commons (2011) ‘Autumn Statement: Impact on Women’.

Women's Jobs: Invest in social infrastructure as well as physical infrastructure

Female unemployment has risen steadily in recent years, and by the end of 2011 it reached 7.5%, the highest figure in 23 years.⁵ Mr Osborne failed to address this in the Autumn Statement; instead he proposed to stimulate job creation that - unless additional measures are introduced - will be largely jobs for the boys.

Take the £5bn capital investment proposed as part of the National Infrastructure Plan. That money will mostly be spent on physical infrastructure: roads, rail and digital. The WBG's concern is that any new jobs created in these fields are likely to go to men, unless specific measures are taken to address the under-representation of women in such industries. Just 5.3% of working women are employed in science, engineering and technology (SET) occupations compared with 31.3% of all working men. Women make up only 12.3% of the SET workforce, despite forming 45.1% of the UK workforce as a whole.

The WBG thinks it is as important for the current and future well-being of people in the UK to invest in social infrastructure - education, care and health services – as it is in physical infrastructure. Social infrastructure generates many jobs for women, and helps to counterbalance the predominantly male job creation arising from physical infrastructure investment. Of course, in the long run, measures are needed to promote an end to gender segregation in these occupations too.

Childcare

A good example of investment in social infrastructure is the announcement, welcomed by the WBG, of increased spending on nursery places for 2-3 year-olds in deprived communities. We also welcome the fact that the government recognises that nursery provision provides an essential educational base for 2-3 year olds and is investment in the future. However, the 15 hours a week assigned to these places make it very difficult for parents to organise their employment, given the limited jobs available during school hours and the high cost of childcare.

Childcare in the UK is the most expensive in the world. The OECD report that 33% of the average net income in the UK goes to childcare compared to 11% in France, 8% in Germany, and 4% in Belgium where childcare is more heavily subsidised. Low-income families now have to pay even more towards the already high cost of childcare, because the government reduced the Childcare Tax Credit, the subsidy given for nursery costs, from 80% to 70%.

An independent study by Aviva, the insurance company, found that 32,000 women left the workforce in the last year after their income was 'eroded by the associated costs of working'.⁶ Aviva's *Family Finance Report* highlights the fall in family income in many households due to rising costs of essentials such as fuel, lighting, heating and food, while at the same time incomes are falling. When the cost of childcare was added to work expenses, the report found that many part-time workers would be better off if they did not go to work: 'On average, a woman in part-time work earns just £8,557 per year (£713 per month after tax), but if she has two children (a one-year-old and a seven-year-old), and pays £721 in childcare/schooling and £90 in work-associated costs each month, she may actually be financially worse off by £98 a month than if she didn't work'.⁷

Free childcare would significantly help families to combine work and caring responsibilities and help to make paid employment financially worthwhile. The evidence is that very young

⁵ Office of National Statistics (2011)

⁶ http://www.aviva.com/data/media-uploads/news/File/pdf/2011/family_finances_report_3_aug2011.pdf

⁷ http://www.aviva.com/data/media-uploads/news/File/pdf/2011/family_finances_report_3_aug2011.pdf, p. 15

children benefit most from high quality childcare. However, investment in childcare is still too low to provide adequate provision of quality and affordable childcare for all.

Our plea to the government is to invest more in high quality childcare and to deliver it to every 2-3 year old. The £380m a year by 2014-15 that the government is investing to extend 15 hours free childcare to all disadvantaged two year-olds is tiny compared with the £6.3bn to be spent on physical infrastructure. Investment in nursery infrastructure to deliver free, quality and universal pre-school childcare will improve educational opportunities and skills, and will strengthen women's employment opportunities both in general and in the nursery sector more specifically.

Youth unemployment

Unemployment among young people is particularly high and measures to promote creation of good quality jobs for them are urgently needed. The Youth Contract, announced in the Chancellor's Autumn Statement, proposes to promote apprenticeships and employment for young people in the private sector. While this is a laudable intention, it is under-funded and the WBG is concerned that the large gender gap in employment and pay in the private sector will mean that young women will not enjoy the same opportunities and benefits as their male counterparts. We ask the government what it intends to do to ensure that young women benefit equally from the Youth Contract, in terms of jobs and pay.

Spending on measures like the Youth Contract is welcome, but it is a drop in the ocean compared with what is needed to create jobs. Such measures are offset by public spending cuts elsewhere that reduce incomes, which in turn lessens demand in the wider economy. The private sector is unlikely to create many new jobs while the market for its output remains depressed. Yet the Autumn Statement includes measures that will cut real incomes, reduce demand for private sector goods, and therefore risks prolonging a lack of job creation.

Women & enterprise

The Chancellor announced a measure to open up sources of credit options through 50% tax relief on investment in small businesses. Female-led businesses contribute more than £130bn to the British economy; their role in stimulating growth by creating and sustaining new jobs is crucial to economic recovery. More needs to be done to increase the number of female entrepreneurs and small businesses led by women. According to the Federation of Small Businesses, women make up 46% of the working economy of the UK, but they constitute only 29% of the self-employed.⁸ Opening up access to finance will remove one of the main barriers that prevent more women from entering business.

The WBG also welcomes the news that the Coalition will invest £2m over three years to support rural enterprises led by women. To further support women in business the government should promote alternative sources of finance and provide access to training and support. These measures would help increase the growth potential of women-owned businesses. In line with the recommendations for the Federation of Small Businesses' report on women in business, the government would do well to introduce more networking and mentoring opportunities for women in business.

However, the WBG has strong concerns that measures to promote entrepreneurship will do nothing to improve the lot of many poor or low skilled women who have so far borne the

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<http://www.fsb.org.uk/policy/images/2011%2004%20female%20entrepreneurship%20one%20page%20briefing.pdf>

brunt of the Coalition's cuts. Nor will it benefit many low income women with children or other caring responsibilities.

Women's Incomes: Reverse the cuts to low-income women

Public sector workers

One of the most significant measures announced in the Autumn Statement is a further instalment of pay restraint for public sector employees. Mr Osborne plans to cap public sector pay at 1% for a further two years, once the current two-year pay freeze ends later this year. This pay restraint will apply to all public sector workers, even those on the lowest incomes, the majority of whom are women. Analysis by the WBG found that 73% of those affected by the public sector pay freeze are women⁹; it is inevitable, therefore, that the extension of public sector pay restraint will disproportionately affect women.

Social welfare

Income from most benefits and pensions will be uprated by 5.2%, in line with the rise in the Consumer Price Index, less than if benefits had been uprated in line with the Retail Price Increase (RPI), as used to be the case prior to the Coalition changing the policy in June 2010.

The £110 above-inflation increase in the child element of the Child Tax Credit promised in the Chancellor's spring 2011 budget will not go ahead. Moreover, the Couples and Lone Parents elements of the Working Tax Credit will be frozen, thus ensuring that the incomes of the poor and middle households who receive these credits will struggle to keep up with the rising cost of living.

Despite pleading necessity for cuts to social welfare, the Chancellor felt able to give away potential tax revenue by reducing corporation tax to 25%, extending rate relief for businesses until April 2013 and granting 50% tax relief on business start ups. The Chancellor has also decided to extend the freeze on the uprating of fuel duty to August 2012. A vociferous lobby of motorists and haulage firms demanded this to offset the rising cost of petrol. WBG analysis has shown that the fuel duty freeze benefits women far less than men (because women are far less likely to own cars), and lone mothers and single female pensioners the least¹⁰. Ironically the cost of extending the fuel tax giveaway until August - £975m - is exactly the same amount the Chancellor saves in 2012-13 by not introducing the above-inflation increase in the child element of the Child Tax Credit.

We argue gender equality would have been better served by spending the money on boosting the incomes of low-income families with children by introducing the promised £110 above-inflation increase in the child element of the Child Tax Credit.

Child poverty

The Institute for Fiscal Studies published a report on 11 October 2011 warning that the government's plans will push 600,000 more children into poverty by 2013.¹¹ Research by the Joseph Rowntree Foundation suggests that Britain's exceptionally high levels of child poverty cost us £25bn a year, undermining economic sustainability. A large proportion of this - £17bn - is a cost to the Exchequer. It does not make economic sense to take money from the

⁹ See WBG (2010) The Impact on Women of the Coalition Spending Review 2010 see www.wbg.org.uk/RRB_Reports_4_1653541019.pdf, p. 13

¹⁰ See WBG (2011) Gender Analysis of the Changes in Indirect taxes introduced by the coalition Government 2010-11 see www.wbg.org.uk/pdfs/Indirect_tax_Budget_2011_final_report_June_20.pdf

¹¹ <http://www.ifs.org.uk/comms/comm121.pdf>

purses of low-income women and families with children. And low-income women are unlikely to be the ones benefiting from tax giveaways such as the 50% tax relief on business start ups.

Conclusions and Recommendation - Plan F - a feminist alternative economic strategy that drives social and economic recovery

Specific measures should be introduced, based on the above analysis to mitigate the adverse impacts on low and middle-income women and to promote gender equality:

- Measures to promote women's equal opportunities in employment and pay in the provision of physical infrastructure.
- Investment in social infrastructure as well as physical infrastructure.
- Promote women's employment by providing universal free nursery places for all 2-4 year-olds.
- Boost benefits for low-income women and families with children by reinstating the £110 above inflation increase in the child element of the Child Tax Credit promised in the last budget.
- Lift the freeze on the Couples and Lone Parents elements of the Working Tax Credit.
- Reverse the three-year freeze on Child Benefit, which in 2011 has cut the incomes of families with two children by £140.40.¹²
- End the freeze on fuel duty.

There is also a pressing need to rethink the Coalition's overall economic strategy:

- Austerity policies based on primarily on expenditure cuts, with only a minority contribution from tax increases, are undermining gender equality and making the lives of low and middle income women harder.
- These policies are also failing to reduce the budget deficit; the chancellor will have to borrow at least £111bn more than planned.
- The best way to cut the deficit is to get the unemployed back into paid work. This will reduce spending on welfare benefits and increase tax revenues. It won't happen under current policies.

The Chancellor's Plan A has failed. What women need is Plan F - a feminist alternative economic strategy that drives social and economic recovery through measures that support gender equality and improvements in women's day-to-day lives.

¹² Child Poverty Action Group (2011) Child Benefit Calculator

Appendix

Gender Inequality and the Coalition - The Damage So Far

Gender analyses of the Coalition's fiscal, budgetary and policy decisions since June 2010 consistently demonstrate that women are carrying the cost of its programme of deficit reduction through low pay, low incomes and unemployment:

- Women are losing income through the scrapping, freezing, down-rating, limiting and capping of benefits which help to lift low income women and families with children out of poverty.
- Women are losing income from employment as a consequence of the public sector pay freeze, cuts in public service employment, cuts in support for childcare and soaring women's unemployment, now at a 23-year high.
- Women – lone parents and single female pensioners in particular - are disproportionately paying the price of the loss of public services.
- Low-income women are hardest hit by the rising cost of living. The increase in VAT to 20% hits lone mothers and couples with children the hardest.

But that is not all. The Coalition claims to be putting cash back in people's pockets by lifting people on low incomes out of taxation or by not increasing the cost of petrol by freezing fuel duty. But the WBG's analysis of the Chancellor's tax giveaways shows that these measures do little to benefit many of the poorest and most vulnerable women in the UK:

- The planned rise in the personal allowance for income tax to £8,105 in 2012/13 lifts 260,000 people out of taxation, but it does nothing to boost the incomes of the 3,769,525 people who earn too little to pay tax, 73% of whom are women.
- The Chancellor's fuel tax giveaway, which cost the Government £1,900m in 2011/12, benefited childless couples and single men the most, and lone mothers and single female pensioners the least.