The impact on women of the 2016 Budget:

Women paying for the Chancellor's tax cuts

Contents

Executive Summary

The Chancellor, George Osborne opened his Budget with a claim to "put the next generation first."[1] Yet he delivered a Budget that threatens to exacerbate inequalities and undermine the essential services – the care, education and health systems – that are the bedrocks of a secure society.

And women again stand to gain the least, and lose the most in a Budget that prioritises tax cuts for the better off and a lower rate of corporation tax at the expense of essential services and protecting the incomes of the poorest.

Analysis by the House of Commons library that includes measures announced in the 2016 Budget finds that, cumulatively, 86% of savings in the period from 2010-2020 will have come from women's pockets. This is up from 81% after the joint Autumn Statement and Comprehensive Spending Review in November 2015.[2]

The main points of this gender assessment of the 2016 Budget are:

- ***The UK economy is facing a productivity challenge.*** The OBR revised downwards its growth forecasts, leaving the Chancellor £56bn short. While the Chancellor blames the international economic climate for the worsening forecast, the causes are also domestic. The economic policies of the Coalition and Conservative governments have failed to deliver a sustainable and equitable recovery, with job growth particularly rapid in low-wage and precarious work and continued fiscal tightening placing constraints on productivity. This Budget does nothing to address this. An equitable recovery that delivers high quality jobs and increases productivity depends on greater investment in both social and physical infrastructure rather than on continued cuts in government spending.

- ***No thorough gender impact assessment or adequate analysis of distributional impact.*** The distributional analysis produced alongside the Budget fails to adequately analyse the impact on women and men, either as individuals or across different types of households, despite having been shown methods that are straightforward to use by the EHRC[3]. As noted above, House of Commons library research shows that the burden of austerity continues to be borne disproportionately by women, with 86% of savings from tax and benefit measures coming from women's pockets. Further, the Women's Budget Group's analysis, which additionally factors in public services, shows that female-headed households will see the largest drop in living standards over the 2010-20 period due to policy changes with respect to tax, benefits and public services brought in by the coalition government and the current Conservative government. By 2020, female lone parents and single female pensioners will, on average, have seen their living standards fall by 20% compared with what would have happened had these policy measures not been introduced.[4] Crucially, our analysis shows

[1] https://www.gov.uk/government/speeches/budget-2016-george-osbornes-speech
[2] House of Commons Library Analysis for Kate Green MP, April 2016.
[3] H. Reed and R. Portes (2014) 'Cumulative Impact Assessment: A Research Report by Landman Economics and National Institute of Economic and Social Research for the Equality and Human Rights Commission,' available at
http://www.equalityhumanrights.com/sites/default/files/publication_pdf/Cumulative%20Impact%20Assessment%20full%20report%2030-07-14.pdf
[4] WBG (2016) 'A cumulative impact assessment of ten years of austerity policies,' available at
http://wbg.org.uk/wp-content/uploads/2016/03/De_HenauReed_WBG_GIAtaxben_briefing_2016_03_06.pdf

that the policies of this Conservative government will have a greater regressive and gender-biased impact than those of the previous Coalition government.

- ***Tax give-aways that disproportionately benefit men and the better off.*** The personal allowance threshold was raised again, as was the threshold for higher income tax. Corporation tax is to fall to 17%. These measures not only directly benefit higher income earners and business owners, the majority of whom are men, they also erode the revenue that is needed to provide essential services. These are services that women, more so than men, rely on in their daily lives. Over this government, total expenditure, as a percentage of GDP, is forecast to fall from 40.2% this year to 37.0% by 2019/20.[5] This will be its lowest level since the mid-1990s, arguably a level at which it can no longer protect the incomes of the poorest or provide the services we need for a healthy and educated population.

- ***There were no announcements to alleviate the squeeze on incomes of the poorest, the majority of whom are women.*** With social security a focus of the Emergency Budget in July 2015 and the Autumn Statement in November 2015, there were few announcements in relation to benefits. The most significant were the changes to Personal Independence Payments (PIPs). However, the government retreated from these within several days of the Budget announcement. While there were no substantial new announcements, this must be seen in the context of the continuing squeeze on incomes of the poorest as a result of the freeze on working-age benefits, lowering of the benefit cap, and cuts to housing benefit announced during 2015.

- ***Incentives to encourage saving – via the 'Help-to-Save' and 'Lifetime ISA' measures – likely to disadvantage women*****.** In the context of sluggish real earnings growth and continued austerity that is squeezing the incomes of the poorest, the government incentives to encourage saving will not benefit women. Those who can afford to save are in general the better-off, so that Lifetime ISAs will deliver subsidies to those who need them least, while there is a danger that the 'Help-to-Save' measure, which is specifically for Universal Credit and tax credit recipients, will lead those on low incomes to save money when it is not in their best interests to do so (for example, if they have debts with high interest to pay off). Overall, WBG is concerned that these policies are part of a move away from collective provision of welfare and that in the future such individual accounts are used to provide an income during periods of caring, illness or disability. Such sentiments have been mooted by a number of MPs, Ministers and thinktanks. As women are both *less likely* to have funds to save and *more likely* to require time out for caring, they would be significantly disadvantaged by such an individualized approach as opposed to a collective system that enables redistribution.

- ***Missed opportunity for pension reform and a stealth £2bn cut to departments.*** In the run-up to the Budget, the Chancellor had mooted the possibility of reforming tax relief on private pensions. But this was omitted from the final Budget. This is highly regrettable as tax relief on private pensions disproportionately subsidises saving for higher rate tax payers, three quarters of whom are men. The Chancellor did announce a change to the discount rate for unfunded public service pension schemes. This will yield savings to the Treasury of £2bn

[5] OBR (2016) 'Economic and fiscal outlook charts and tables – March 2016,' available at http://budgetresponsibility.org.uk/efo/economic-fiscal-outlook-march-2016/

in 2019–20 but is a disguised cut for departments, who will not be compensated for the increased contributions they will need to make, and will put further pressure on their budgets, affecting public sector services and employment across the board. Since women are over-represented among public sector employees, they would be the main losers from any cuts in jobs or pay. Women are also more likely use public services and so will be doubly-disadvantaged by any squeeze on department budgets.

- ***Pay and conditions of the mainly female education workforce under threat from strained budgets and academisation.*** With no additional funding announced for school budgets, real term per pupil funding is set to fall in the period from 2014/15 to 2019/20. This is the first fall since the mid-1990s and will place significant pressure on schools. The Chancellor also announced that all schools will be required to have at least commenced the transition to academy status by 2020 (and to have completed it by 2022). This is a major policy decision taken without evidence of any benefit to pupils. The move also presents a serious threat to pay and conditions of the education workforce, 80% of whom are female, as academies are exempt from national pay setting and bargaining.

- ***Housing policy continues to be aimed at those at the margins of home ownership, rather than those in greatest housing need.*** The limited number of new measures and commitments in the 2016 Budget represent a consolidation of the previous approach which subsidizes the cost of transitions into home-ownership for those on higher incomes. Such measures not only fail to address, but may well exacerbate, long-standing problems of access and affordability to housing for households on low incomes, the majority of whom contain women.

- ***Infrastructure investment remains restricted to the "physical" – rails, roads and high-speed internet – despite the economic and social value of the social infrastructure and its potential to close the gender employment gap.*** Investment is key to shoring up productivity, but the narrow focus on investment in physical infrastructure in the 2016 Budget is a missed opportunity. Investment in social infrastructure, particularly the care economy, has the potential to deliver greater employment and economic benefits than a comparable investment in construction or continued austerity. Modelling by the Women's Budget Group shows that Investing 2% of GDP in the caring sector has the potential to create up to 1.5 million jobs, while the same investment in construction would deliver 750,000 jobs.[6] Given occupational segregation by gender, investment in the social infrastructure would increase female employment and contribute to closing the gender employment gap.

- ***The consolidation of the 'devolution revolution' will disadvantage poorer areas with the greatest needs of public services.*** The government is handing local councils more responsibilities while withdrawing central government funding and forcing councils to rely on their local population and businesses to finance services. This is portrayed as giving people more control over local services; however it risks geographical inequalities with

[6] See De Henau, J., Himmelweit, S. Łapniewska, Z. and Perrons, D. (2016). *Investing in the Care Economy: A gender analysis of employment stimulus in seven OECD countries.* Report by the UK Women's Budget Group for the International Trade Union Confederation, Brussels. Available at: http://www.ituc-csi.org/IMG/pdf/care_economy_en.pdf

poorer areas compelled to reduce the provision of key public services. The impact will be especially negative for women, who are more likely than men to be employed by the local council, more likely to use collective services such as parks, childcare centres and social care, and more likely to provide the unpaid labour needed when services are cut.

Overall, this Budget is a missed opportunity. The Chancellor has set out an extremely short-term vision. To truly deliver for the next generation, we call on the Chancellor to invest in Britain’s future by making high-quality public services a priority.

Introduction

The Chancellor, George Osborne opened his Budget with a claim to "put the next generation first."[7] Yet he delivered a Budget that threatens to exacerbate inequalities and undermine the essential services – the care, education and health systems – that are the bedrocks of a secure society.

Women and those on low incomes stand to gain the least, and lose the most. Analysis by the House of Commons library shows that 86% of savings from tax and benefit changes since 2010, including those in the 2016 Budget, will have come from women.[8] This is up from 81% after the joint Autumn Financial Statement and Comprehensive Spending Review in November 2015.

That women are bearing an even greater burden for deficit reduction is not surprising after a budget that, at its heart, was about tax give-aways the better off and reductions in the headline rate of corporate tax. The personal allowance threshold was raised again, as was the threshold for higher income tax. Corporation tax is to fall to 17%. These measures not only directly benefit higher income earners, the majority of whom are men, they also erode the income base that is needed to provide essential services. These are services that women, more so than men, rely on in their daily lives.

Over this government, total expenditure, as a percentage of GDP, is forecast to fall from 40.2% this year to 37.0% by 2019/20.[9] This will be its lowest level since the mid-1990s and, arguably, a level where it can no longer protect the incomes of the poorest or provide the services we need for a healthy and educated population.

It also does not make good economic sense. Fiscal tightening negatively impacts on productivity, job growth and ultimately economic output, as even international institutions such as the OECD now recognize.[10] The Women's Budget Group recently demonstrated that investing 2% of GDP in the critically under-funded care economy has the potential to deliver greater economic benefits, in terms of employment and output, than either continued austerity or a comparable investment in construction, and would close the gender employment gap.[11] Yet, the Chancellor continues to position the care sector as a "cost" rather than a potential "investment" and in this Budget introduced no additional funding for childcare or social care, despite availability of the former being patchy to say the least, while social care provision is at crisis point.

In other policy areas, the government consolidated its approach of transferring responsibility and risk from the collective to individuals. There were measures to incentivize saving through the 'Help-to-Save' and 'Lifetime ISA' scheme, even as the incomes of the poorest, the majority of whom are women, are being squeezed by freezes on working-age benefits and the roll-out of Universal Credit. Housing policy is once again focused on helping those at the margins of home ownership, rather than supporting the socially-rented sector which helps those in greatest housing need.

[7] https://www.gov.uk/government/speeches/budget-2016-george-osbornes-speech
[8] House of Commons Library Analysis for Kate Green MP, April 2016.
[9] OBR (2016) 'Economic and fiscal outlook charts and tables – March 2016,' available at http://budgetresponsibility.org.uk/efo/economic-fiscal-outlook-march-2016/
[10] OECD (2016) 'Global economic outlook and interim economic outlook,' available at http://www.oecd.org/eco/outlook/economicoutlook.htm
[11] De Henau, J., Himmelweit, S. Łapniewska, Z. and Perrons, D. (2016). Investing in the Care Economy: A gender analysis of employment stimulus in seven OECD countries. Report by the UK Women's Budget Group for the International Trade Union Confederation, Brussels. Available at http://www.ituc-csi.org/IMG/pdf/care_economy_en.pdf

Within this context, it is perhaps not surprising that the government has again failed to undertake an adequate equalities impact assessment. Such an assessment is vital to ensuring that policymaking does not disproportionately disadvantage protected groups, including women, people with disabilities, and particular ethnicities. Analysis undertaken by the Women's Budget Group demonstrates that by 2020, ten years of austerity measures will have had a regressive, gender-biased impact on household disposable income and living standards.[12] The lowest income households and women will be hardest hit, with female lone parents and female single pensioners, seeing an average annual drop in living standards drop of 20% by 2020.

In addition to these distributional inequities, the government's policies are also failing on their own terms. The OBR has made downward revisions to growth forecasts and the UK economy faces a serious productivity challenge that, despite the Chancellor's proclamation, has its roots in domestic as well as international causes.

A Budget that truly delivers for the 'next generation' requires a change of economic course. It requires real investment in the vital infrastructure – our health, education and care services – that provide the basis for a healthy society and sustainable economic recovery.

[12] WBG (2016) 'A cumulative impact assessment of ten years of austerity policies,' available at http://wbg.org.uk/wp-content/uploads/2016/03/De_HenauReed_WBG_GIAtaxben_briefing_2016_03_06.pdf

Macro-economic forecasts

The Office for Budget Responsibility (OBR) has revised downwards the projected Gross Domestic Product (GDP) growth in the United Kingdom for the period 2016–2021. This revision means that, cumulatively, the Chancellor is short by £56bn. This is a considerably larger sum than the £27bn made available by upward revisions in the 2015 Autumn Statement. Both the OBR and HM Treasury blame weak global economic conditions, and the impact that these have on productivity and growth, as one of the core causes for this slowdown and downward revision. However, the underlying causes of projected low growth in the UK are also domestic. One of the core causes of low productivity and poor economic recovery is the continued cuts in government spending on welfare and the care economy, public services and on capital investment, coupled with a low level of private investment.

Headline figures showing a rise in levels of economic activity mask a rise in precarious work, flagging productivity and continued poor earnings growth. The number of individuals on zero hours contracts now stands at 801,000, up by 104,000 on the previous year, with the majority on these contracts female.[13] Similarly, the number of self-employed continues to grow, but productivity and earnings for the self-employed are in decline. Between 2008 and 2015, the number of self-employed people increased by 650,000 (58% of the newly self-employed are female).[14] However, from 2009 to 2013 their income as a group declined by around £8 billion (from £88.4 to £80.6 billion)[15] and productivity fell by 32.4%.[16] For all employees, real earnings growth has been revised downwards by 0.5% and 3.1m workers remain under-employed. The gender pay gap stands at 19.2% for all employees and progress to close the gap has slowed.

An equitable recovery that delivers high quality jobs and increases productivity depends on greater investment in both social and physical infrastructure rather than on continued cuts in government spending. Investment in social infrastructure (i.e. investment in public services providing care, health, education and training) and physical infrastructure (e.g. transport, renewable energy, the environment and the green economy) is necessary to cure low aggregate demand and unemployment in the short-run and, in the long-run increase potential output and productivity, bring about innovation, improve gender relations and reduce gender inequality in the labour market.

The OBR estimates that the current fiscal tightening strategy still allows the United Kingdom to achieve a GDP growth of 2.0% in 2016, 2.2% in 2017, and 2.1% to the end of the forecast period. Further, the OBR forecasts that employment will increase from 31.5 million in 2026 to 32.1 million in 2020, and that the government is still on track to achieve its fiscal target of a budget surplus by 2019-20. However, as the IFS has already noted this target will be met by "shuffling … money between years and a wholly unspecified spending cut of £3.5bn".[17] This, of course, does not change the fiscal picture in reality, but rather illustrates the lengths the Chancellor is willing to go to meet the arbitrary, political-driven targets he has set for himself. After 2019–20, the IFS warns that public finances will only stay on track with a further year of austerity.

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[13] ONS (2016) 'Contracts that do not guarantee a minimum number of hours: March 2016,' available at https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/contractsthatdonotguaranteeaminimumnumberofhours/march2016
[14] Prowess analysis of ONS Labour Force Survey statistics. ONS 2008-2015.
[15] Flip Chart Fairy Tales (2015) 'UK Self-employment: Success story or basket case?,' available at: https://flipchartfairytales.wordpress.com/2015/02/06/uk-self-employment-success-story-or-basket-case/
[16] Murphy, R (2013) 'Disappearing fast: the falling income of the UK's self-employed people,' available at http://www.taxresearch.org.uk/Documents/SEI2013.pdf
[17] Johnson, P (2016) 'IFS Budget Briefing: Opening Remarks,' available at http://www.ifs.org.uk/uploads/budgets/budget2016/budget2016_pj.pdf

We urge additional caution regarding the OBR budget surplus projections. The OBR continues to use fiscal multipliers which are too low, thereby giving budget surplus projections that are over-optimistic and underplay the impact that fiscal tightening has on GDP growth and employment in the UK. Even the International Monetary Fund (IMF) has now revised its view and states that at present the multiplier is somewhere between 1.1 and 1.7, whereas the OBR uses 0.6.[18] The OBR also projects an increase in total employment in the UK as a result of faster GDP growth. Again, the concern here is that these figures are based on over-optimistic growth assumptions. It is also unclear how women may benefit from new job creation, given that government investment continues to be focused on the male-dominated physical infrastructure, with no action on improving the social infrastructure that tends to provide greater opportunities for women or indeed any concerted effort to support women into engineering or construction industries (for further discussion, see 'Infrastructure' on page 30).

Equalities Impact Assessment

The government has yet again failed to produce an equalities impact assessment of its budget, despite promising in the Autumn Statement last year that:

> HM Treasury will […] continue to engage with the Equality and Human Rights Commission as to how it can build on its approach to equalities for future fiscal events.[19]

But there is no evidence of this in any of the documents that accompany the 2016 budget. Instead there are brief sporadic comments on the impact of some tax measures on equalities, as part of the Tax Information and Impact Notes (TIINS).[20] The impact of tax measures is discussed in more detail further on in this analysis (see pages 15-19). Overall the TIINS demonstrate poor understanding of the scope of potential impacts of measures on gender equality. Specifically:

- Business taxation is assumed to have no gender impact, despite differences between women and men in ownership of businesses, and despite the fact that tax breaks for businesses deprive the budget of tax revenue that could have been used to fund public services that are especially important to women.
- Personal taxation is treated inconsistently: some measures, such as income tax, are recognized as potentially having a gender impact but the analysis provided is incomplete and misleading. In some other cases, such as capital gains tax, there is no reference to impact by gender at all.
- Indirect taxation is generally recognized as potentially having a gender impact, but the assessment is generally limited to noting that due to differences in consumption, any changes to indirect taxation will have an equalities impact that reflects consumption trends across the adult population, without any attempt to provide information on these trends by gender, age, race, or disability.

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[18] IMF (2012) World Economic Outlook 2012, available at http://www.imf.org/external/pubs/ft/weo/2012/02/pdf/text.pdf

[19] HM Treasury (2015) 'Impact on Equalities: analysis to accompany Spending Review and Autumn Statement 2015 (page 4),' available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479720/Impact_on_equalities_SRAS_2015_final_25112015.pdf

[20] HM Treasury (2016) 'Overview of tax legislation and rates 2016,' available at https://www.gov.uk/government/publications/budget-2016-overview-of-tax-legislation-and-rates-ootlar

Overall the TIINS reflect a view that since the tax measures do not single out and target any social groups that are protected by the Equalities Act, there is no cause for concern.

However, there may be unequal impacts by gender even if the government does not specifically wish to penalize women. House of Commons Library research commissioned by Kate Green, MP shows that about 86% of the net savings made through direct tax and benefit measures since 2010, including measures in the 2016 budget, have come from women. This is up from 81% in 2015 Autumn Statement.[21] This analysis excludes the impact of indirect tax measures and cuts to spending on public services.

Prior to the 2016 budget, the Women's Budget Group published a briefing paper analysing the cumulative impact of austerity policies up to and including AFS/CSR 2015 on household incomes.[22] The analysis shows that current and planned tax (direct and indirect) and social security measures between 2010 and 2020 are regressive (see Table 1) with the poorest tenth of households set to lose up to 25% of their disposable income per year on average in 2020. The next poorest tenth would lose 20%, while on average the richest three-tenths would lose less than 5%.[23]

Table 1 Change in annual disposable income due to cumulative changes in tax/benefit policy 2010-20 and as a percentage of disposable income by decile groups

	Change in annual disposable income			**% of disposable income**		
	Coal. (2010-20)	Cons. (2015-20)	Cumul. (2010-20)	Coal. (2010-20)	Cons. (2015-20)	Cumul. (2010-20)
1 (lowest)	-£1,655	-£1,698	-£3,353	-12.3%	-12.7%	-25.0%
2	-£1,330	-£2,449	-£3,779	-7.2%	-13.2%	-20.4%
3	-£1,343	-£2,256	-£3,599	-6.5%	-10.9%	-17.3%
4	-£1,724	-£1,675	-£3,399	-7.4%	-7.2%	-14.6%
5	-£1,589	-£1,385	-£2,974	-6.2%	-5.4%	-11.7%
6	-£1,551	-£963	-£2,515	-5.2%	-3.2%	-8.5%
7	-£1,494	-£576	-£2,070	-4.6%	-1.8%	-6.3%
8	-£1,293	-£260	-£1,552	-3.4%	-0.7%	-4.1%
9	-£1,323	-£27	-£1,351	-2.8%	-0.1%	-2.8%
10 (highest)	-£3,357	£467	-£2,890	-4.0%	0.6%	-3.4%

[21] House of Commons Library Analysis for Kate Green MP, April 2016.

[22] It includes both measures already in force, and those already announced prior to the 2016 budget, for the period 2010–2020, from the beginning of the Coalition government to the (expected) end of the current parliament in 2020. For the full briefing, see http://wbg.org.uk/wp-content/uploads/2016/03/De_HenauReed_WBG_GIAtaxben_briefing_2016_03_06.pdf

[23] The policies adopted by the Conservative government in 2015 intensified the regressive impact, compared to the measures adopted by the Coalition government, mainly due to cuts in Universal Credit announced in July 2015 budget. These cuts were not reversed in the 2015 Autumn Financial Statement, only the cuts to tax credits. Tax credits are supposed to be replaced by Universal Credit by 2020.

All	-£1,666	-£1,082	-£2,748	-5.0%	-3.2%	-8.2%

Source: WBG calculations using Landman Economics tax-benefit model

Note: 'Coal.' refers to measures announced or implemented during the 2010-15 Parliament; 'Cons.' refers to measures announced or implemented so far during the 2015-20 Parliament

Working-age couples with no children on average lose the least, followed by working age couples with children, and pensioner couples (Table 2). Female single adult households lose more than comparable male single adult households. Women lone parents lose the most: 26% of their annual disposable income by 2020. Single childless women will lose 17%, -£6,302 per annum by 2020, and single female pensioners 15%.

Table 2 Change in annual disposable income due to cumulative changes in tax/benefit policy 2010-20 and as a percentage of disposable income by gendered household types

	Change in annual disposable income			**% of disposable income**		
	Coal. (2010-20)	Cons. (2015-20)	Cumul. (2010-20)	Coal. (2010-20)	Cons. (2015-20)	Cumul. (2010-20)
Single F no child	-£2,869	-£397	-£3,266	-15.0%	-2.1%	-17.1%
Single M no child	-£2,407	-£259	-£2,666	-11.5%	-1.2%	-12.8%
F lone parent	-£2,235	-£4,067	-£6,302	-9.3%	-16.9%	-26.1%
M lone parent	-£2,342	-£2,285	-£4,627	-9.1%	-8.9%	-18.0%
Wk-age cple no ch.	-£2,494	-£50	-£2,544	-6.3%	-0.1%	-6.4%
Wk-age cple w/ ch.	-£1,755	-£1,660	-£3,416	-3.9%	-3.7%	-7.5%
F single pensioner	-£1,286	-£1,147	-£2,433	-7.9%	-7.1%	-15.0%
M single pensioner	-£1,404	-£1,236	-£2,640	-7.1%	-6.2%	-13.3%
Couple pensioner	-£1,384	-£1,357	-£2,740	-4.8%	-4.7%	-9.6%

Source: WBG calculations using Landman Economics tax-benefit model

Cuts to spending on public services used by households are also regressive, and impact particularly on families with children and pensioners who need social care. Funding for services that are supposedly protected, such as health and schools, is falling in per capita terms, due to increasing numbers in need of them.

If these cuts are added to tax and social security measures, we can measure their combined impact on household living standards (as measured by disposable incomes plus value of public services utilised).

As Tables 3a and 3b show, by 2020 female lone parents lose the most (21%), followed by female single pensioners (20%).

The poorest tenth of households face a cut of 23% in their living standard (equivalent to £7,100 a year) compared to the richest tenth who face a cut of just 5% of their living standard (equivalent to £4400 a year).

Table 3a Annual change in value of living standards due to cumulative changes in tax/benefit policy and public services spending 2010-20 by gendered household types

	Annual change in value of living standards				
	Coalition		Conservatives		Total
	Tax/ben	Spending	Tax/ben	Spending	
Single F no child	-£2,869	-£498	-£397	-£395	-£4,159
Single M no child	-£2,407	-£716	-£259	-£294	-£3,676
F lone parent	-£2,235	-£1,725	-£4,067	-£1,470	-£9,497
M lone parent	-£2,342	-£2,583	-£2,285	-£1,839	-£9,049
Wk-age cple no ch.	-£2,494	-£471	-£50	-£252	-£3,267
Wk-age cple w/ ch.	-£1,755	-£3,099	-£1,660	-£1,437	-£7,951
F single pensioner	-£1,286	-£739	-£1,147	-£1,691	-£4,862
M single pensioner	-£1,404	-£496	-£1,236	-£1,114	-£4,250
Couple pensioner	-£1,384	-£184	-£1,357	-£800	-£3,724

Source: WBG calculations using Landman Economics tax-benefit model

Table 3b Percentage change in living standards due to cumulative changes in tax/benefit and public services spending 2010-20 by gendered household types

	% of living standards				
	Coalition		Conservatives		Total
	Tax/ben	Spending	Tax/ben	Spending	
Single F no child	-11.4%	-2.0%	-1.6%	-1.6%	-16.5%
Single M no child	-9.2%	-2.7%	-1.0%	-1.1%	-14.0%
F lone parent	-5.0%	-3.8%	-9.1%	-3.3%	-21.1%
M lone parent	-4.7%	-5.2%	-4.6%	-3.7%	-18.2%
Wk-age cple no ch.	-5.2%	-1.0%	-0.1%	-0.5%	-6.8%
Wk-age cple w/ ch.	-2.6%	-4.6%	-2.4%	-2.1%	-11.7%
F single pensioner	-5.2%	-3.0%	-4.6%	-6.8%	-19.6%
M single pensioner	-5.0%	-1.8%	-4.4%	-4.0%	-15.3%
Couple pensioner	-3.5%	-0.5%	-3.5%	-2.0%	-9.5%

Source: WBG calculations using Landman Economics tax-benefit model

This evidence demonstrates that by 2020, 10 years of austerity measures will have a regressive, gender-biased impact on household disposable income and living standards. The measures announced by the Conservative Government in 2015 intensified the regressive and gender-biased impact of the Coalition Government's policies.

The Treasury could have produced a similar gendered analysis, taking into account the measures in the 2016 budget. The method for doing this is publically available in a report co-authored by WBG member Howard Reed for the Equalities and Human Rights Commission.[24]

Distributional analysis

The Treasury did publish a paper, which it describes as a distributional analysis of the Budget's impact on households[25] but this claim is misleading. The paper fails to analyse what different types of households will lose (or gain) as a result of budget measures, nor does it examine the incidence of measures on household income and living standards, which is what is conventionally meant by "distributional analysis".[26] *What the Treasury omits from its analysis:*[27]

- The extent to which people lose disposable income and public services as a result of austerity measures and the relative distribution of these changes between households;[28]
- Whether the stability in the share of tax paid and benefit received is due to government policy or to changes in gross incomes;
- Whether the policies introduced are making the system more or less regressive.[29]

The Treasury document claims that the distribution of public spending is progressive because half of the spending goes to the poorest 40% of households, and over half of tax revenue in 2019–20 will be paid by the richest 20% of households. But this measure alone explains little. To be of value we also need figures showing the total gross income these households attract. A progressive system would be one in which the share of tax paid by the richer households is larger *than their share of total gross*

[24] H. Reed and R. Portes (2014) 'Cumulative Impact Assessment: A Research Report by Landman Economics and National Institute of Economic and Social Research for the Equality and Human Rights Commission,' available at http://www.equalityhumanrights.com/sites/default/files/publication_pdf/Cumulative%20Impact%20Assessment%20full%20report%2030-07-14.pdf

[25] HM Treasury (2016) 'Impact on households: a distributional analysis to accompany Budget 2016,' available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/509421/Budget_2016_distributional_analysis_final.pdf

[26] Under the Coalition government, the Treasury did produce a document providing such distributional analysis alongside all budgets, although examining the impact on households disaggregated only by different levels of income, not by gendered characteristics. This was abandoned by the Conservatives when they came to power: but they retained the same name for a document containing quite a different kind of analysis - an assessment of the shares of national public spending received and share of tax revenue paid by households at different levels of income. This lack of transparency meant that at first this was little noticed. WBG was one of the few to comment on this in our response to the July 2015 Budget. This change has now come to public attention and the Chancellor was challenged by the Treasury Parliamentary Select Committee on 24th March.

[27] What the Chancellor does is calculate the proportion of public spending on services received and tax revenue paid by households in five income quintiles, from the poorest fifth to the richest fifth. This shows that in 2010–11 the poorest fifth received a higher share of public spending (24%) than their share of tax payments (6%), while the richest fifth received a lower share of public spending (11%) than their share of tax payments (49%). The shares will not change much in 2019–20, with the poorest getting 25% of spending and paying 6% of taxes, while the richest still get 11% of spending and pay 52% of taxes.

[28] Because this analysis focuses on shares of total national tax revenue and spending, without taking into account whether these totals are rising or falling.

[29] If no changes in tax/benefits had occurred but the incomes of the richer households had increased more than those of the poorer ones, then the share of tax paid by the former would have increased and that paid by the latter decreased without changes in progressivity. If more of public spending was targeted at lowest incomes but the total of public spending was cut, it could still show a larger share of public spending going to the poorest households despite them losing out.

income (and the share of public services and social security received by poorer is lower *than their share of total gross income)*. And a progressive system would be one where the proportion of income paid in tax by a household rises as its income rises, while the receipt of public services and social security a household receives increases as its incomes falls.

Here the Chancellor attempts to redefine the meaning of 'progressive' fiscal policy in order to bolster the claim that his measures are fair. It disguises the extent to which his policies take more from the poor than they do from the rich, and from female lone parents and single pensioners than from couples of working age with no children. The latest WBG impact analysis on austerity measures reveals what the Chancellor wishes to hide, that the cost of reducing the budget deficit is borne unfairly and that the way it is being reduced makes the system less progressive, especially policies introduced since 2015. The government should use standard analysis augmented by the methods developed by WBG members to produce a transparent and gender-aware analysis of the distribution of the costs of government policy.

Taxation

The budget included a number of tax changes and nearly all these changes are cuts, which will result in reduced revenues. Many of these are relevant to businesses, and designed to encourage investment. However, as argued above, without sufficient public investment in both social and physical infrastructure, which such tax cuts make increasingly difficult, any recovery is likely to be uncertain and fail to increase productivity or deliver high quality jobs.

Corporation Tax

We welcome the removals of anomalies in corporation tax reliefs. These are projected to bring in cumulatively almost £9bn by 2020–21. However, more than £1bn of that gain will be given away in reducing the headline rate of corporation tax to 17% from 2019–20. This follows an earlier reduction in the Corporation Tax rate, announced in the summer 2015 budget, from 20% to 19% from April 2017 and to 18% from April 2020. Such reductions lead to a competitive race to the bottom, in which the UK aggressively participates (compare with 20% in Saudi Arabia, Russia, and Turkey; 22.25% on average in the EU; 25% in China, and 40% in the US),[30] unnecessarily removing the scope for raising revenues from corporate taxation in the future for the UK and other countries.

Businesses need to pay taxes to contribute to the physical and social infrastructure that underpins their success. Furthermore, cuts to corporation tax create incentives (especially among the wealthy) to shift income out of the personal tax category into corporate forms[31] not only undermining the new tax-avoidance measures, but also creating further pressures to reduce taxes elsewhere (including income tax) and therefore lower tax revenues. For these reasons, the government should not be taking pride in the UK having the lowest corporation tax rate in the G20. The cumulative foregone revenue of successive cuts in the main corporation tax rate will be £13bn per annum by

[30] https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html

[31] As argued by the Tax Justice Network http://www.taxjustice.net/2015/03/18/new-report-ten-reasons-to-defend-the-corporate-income-tax/

2020–21,[32] which is almost enough to provide the £14bn estimated cost of free social care for all critical needs in England by 2025.[33]

Treasury analysis projects that the macroeconomic impact of the cumulative cuts in the rate of corporation tax cut announced since 2010 will be an increase of between 0.6% and 1.1% in UK GDP. However, it does not break down this impact into increases in genuine output and what is raised from businesses moving their operations (or perhaps just their profits) to the UK from higher-tax countries. A government willing to blame less optimistic forecasts on a more uncertain international outlook should be concerned that it is not simply persuading industries to move in search of a lower tax regime. Companies which depend on low corporate tax rates are less likely to be embedded in local economies, linked to local businesses, and stimulate genuine job-creating investment.[34]

As noted earlier, the equalities impact statement for the corporate tax measures says that the only entities directly affected are corporate and therefore these measures do not have equalities impacts. This is to misunderstand the nature of an equality impact statement, which should consider all feasible impacts. A first step would be a gender breakdown of the owners of businesses, in so far as these are directly or indirectly individuals.[35]

One of the biggest dents in the receipts from corporation tax is the two-year delay in the introduction of accelerated payments of tax for large corporations. There is no justification given for this delay nor any tax impact statement, presumably on the grounds that it is a delay in a policy rather than a policy change. Any bringing forward of payments results in a one-off increase in receipts. It has been widely noted that delaying this change results in that one-off increase occurring in 2019–20 and 2020–21 boosting the Chancellor’s chances of achieving a budget surplus in those years alone.

The implementation of this policy sooner rather than later is desirable; the delayed revenue is about £10bn, with a sizeable cost to such a delay even at current low interest rates. In other words, the nation’s finances are being drawn on by this measure not to provide any benefit to the nation, but simply to meet the only one of the Chancellor’s self-imposed rules that he has yet to break – and meeting it in only in the letter, not the spirit of fiscal consolidation, since it does nothing for the latter in subsequent years.

Business Rates

More than £6.5bn will be given away in cuts to business rates mostly focused on small businesses, and by changing indexation from RPI to CPI in 2020. While benefiting men and women business

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32 See OBR Policy measures database, updated 16 March 2016, available at http://budgetresponsibility.org.uk/data/

33 As estimated by the Independent Commission on the Future of Health and Social Care in England, available at http://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/Commission%20Final%20%20interactive.pdf

34 Jim Stewart (2011) ‘Corporation Tax: How Important is the 12.5% Corporate Tax Rate in Ireland?’ IIIS discussion paper no. 375, Trinity College, Dublin.

35 In 2008, women constituted only 17% of business owners, a proportion that hadn’t changed since 1992, and tended to own smaller businesses. Marlow, Hart, Levie and Shamsul, ‘Women in Enterprise: A Different Perspective,’ available at http://www.inspiringenterprise.rbs.com/sites/default/files/resources/womeninenterprise.pdf

owners-managers, small business demonstrate persistent differences in participation rates by gender among early stage entrepreneurs and especially established business ownership.[36]

From 2020 revenues from business rates will be retained by local authorities. We are told local authorities will be compensated for the cuts to business rates in this budget, though the detail of how this will be done matters and has not yet been provided. There is no guarantee that local authorities will be compensated for any future decisions by central government to cut business rates. It is vital that further cuts in business rates are not used to impose cuts on local authorities and indirectly on women who are disproportionately dependent on services provided by local authorities.

Stamp Duty Land Tax

We welcome the change in Stamp Duty Land Tax that will focus it more on high value non-residential property and on purchases of additional residential properties. Together these changes will raise approximately £1.5bn annually by 2020–21 and £6bn cumulatively by that date.

However, there are concerns as to how this and previous Stamp Duty Land Tax changes will impact on larger residential developments and in particular on community and cohousing groups. We ask that careful consideration is given to ensure that larger properties whose benefits are for communal use are not unfairly penalised. Many women benefit greatly from such community organisations and many are set up by women; women's refuges are just one example. Higher rates of Stamp Duty Land Tax may prevent such organisations purchasing or leasing premises or moving to more suitable ones.

Personal Income Tax

The Chancellor announced that the personal allowance will be raised to £11,500 for 2017–18. As the Women's Budget Group has pointed out every time the personal allowance has been raised, this is an undesirable measure that costs a great deal (in this case nearly £2bn by 2020–21) but fails to benefit the worst off in society.[37] This is because the 43% of adults who do not earn above the basic personal allowance, set in the Summer 2015 budget at £11,200, fail to benefit at all.[38] The majority of these are women, although HMRC's equality impact statement does not give the figures; instead it simply states that 57% of the beneficiaries from this measure will be men.[39] The statement does record that of the 424,000 individuals taken out of income tax altogether, 60% are women, but fails to point out that all but a handful of those gain less than other taxpayers, because their income is too low to make full use of the personal allowance. Further, employees who no longer pay income tax can no longer take advantage of the extra contribution by the state to their pensions in the NEST pension scheme.

The equality impact statement also fails to point out that in households that receive means-tested benefits and tax credits (though not Universal Credit, which is means tested on net income) taxpayers will gain less than the full amount because some of their gain will be clawed back in

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[36] The Global Entrepreneurship Monitor, UK 2014 Monitoring Report shows that in the UK female early-stage entrepreneurial activity was 50% of male activity, while female established business ownership at 3.4% was 40% that of males (8.5%).

[37] https://www.gov.uk/government/publications/income-tax-personal-allowance-and-basic-rate-limit-for-2017-to-2018/income-tax-personal-allowance-and-basic-rate-limit-for-2017-to-2018

[38] http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Lords/2015-03-23/HL5926/

[39] https://www.gov.uk/government/publications/income-tax-personal-allowance-and-basic-rate-limit-for-2017-to-2018/income-tax-personal-allowance-and-basic-rate-limit-for-2017-to-2018

reduced benefit payments. Women are more likely to live in such households which tend to cluster at the lower end of the income distribution. Thus, this is a measure that disproportionately benefits men, and in so doing worsens the existing gender gap in disposable incomes.

The deleterious gender effects of this measure will be compounded by simultaneously raising the higher rate threshold to £45,000. According to Treasury estimates, the combination of these two measures mean that a higher rate taxpayer will have an average real gain of £233 in disposable income. There is no statement as to the gender breakdown of those who gain from this measure. Instead we are told that 68% of those who are taken out of higher rate tax are men. Since these are the gainers with the lowest income, and higher up the income distribution fewer women are to be found, we can expect an even higher proportion of those who benefit will be men. Indeed only 27% of higher rate taxpayers are women, according to HMRC data.[40]

Both these measures worsen gender inequalities in two ways. First they raise the disposable income of the better-off gender (men) more than that of the poorer gender (women). Second, they seriously erode the tax base on which the government can hope to raise revenue both now and in the future to fund benefits and public services, on both of which women even more than men depend. The total cumulative foregone revenue of all the changes to income tax thresholds since the first changes in the June 2010 budget is estimated to be around £20.5bn per annum by 2020–21 according to OBR, dwarfing the 'necessary' cuts to welfare spending of £12bn in this Parliament.[41]

Capital Gains Tax

Capital Gains Tax rates have been reduced on all but some chargeable gains so that 20% will be paid by all higher rate taxpayers and 10% by basic rate tax payers until their basic rate band is used up. This is a fall of 8% points. It will not apply to gains on disposals of residential property that do not qualify for private residence relief and receipt of carried interest. This is an almost complete reversal of the changes to CGT announced in 2010. It will cost £735m per annum by 2020–21.[42]

The equalities impact statement for this measure states that: "The rate cut is not expected to have a disproportionate impact on any income groups."[43] This is surprising in two respects. First, equalities impact statements are supposed to assess the impact on groups distinguished by protected characteristics, such as gender, rather than comment on the impact on income groups. Second, the statement is false. Capital assets tend to be owned and gains on them realised by those with above average income, 69% of the population owned no assets at all in 2008–2010.[44] Indeed the above statement is followed by this statement on the equality effects of the exemptions: "… these individuals tend to share characteristics with others of above average means."[45]

A small gender difference can be found in ONS data on the holdings of assets by gender which show that in the period 2008–2010 the holdings of men amount to £2,131bn while those of women amounted to £1,861bn. The gender difference is greater when residential property, not affected by

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[40] http://www.managementtoday.co.uk/news/1375104/women-just-quarter-higher-rate-tax-payers/
[41] £4bn alone coming from the summer 2015 Budget and the March 2016 Budget announcements. See OBR Policy measures database, updated 16 March 2016, available at http://budgetresponsibility.org.uk/data/
[42] https://www.gov.uk/government/publications/changes-to-capital-gains-tax-rates/changes-to-capital-gains-tax-rates
[43] ibid
[44] https://www.gov.uk/government/statistics/uk-personal-wealth-statistics-2008-to-2010
[45] https://www.gov.uk/government/publications/changes-to-capital-gains-tax-rates/changes-to-capital-gains-tax-rates

the recent tax change, is excluded, with men owning £1,136bn of non-residential property assets to women's £828bn. The data also showed that 68% of men and 70% of women own no assets at all.[46]

Indirect Taxes

Fuel Duty

Once again the Chancellor has frozen Fuel Duty. The reason he gave for doing so in the past was that motorists were facing increasing costs due to rising petrol prices. However petrol prices have fallen markedly and the Chancellor has cut Fuel Duty in real terms again. With the price for Brent crude now about \$40 a barrel, this goes against the guidance that he himself issued in 2011, that the Levy should be raised when the price of oil fell below \$75 a barrel for a sustained period. After a six-year freeze in duties the cost of a driving a mile in a new car is now at its lowest level since the mid-1990s, according to the IFS.[47] This has cost the Exchequer £4.4bn that would have been raised if fuel tax had risen in line with inflation since 2010.[48] The OBR's own policy costings puts this cumulative figure since 2010 at £7.9bn per annum by 2020–21, relative to Labour's fuel duty escalator.[49] This has severe economic and environmental costs but is justified by the Chancellor as not penalising "families" when petrol prices fall. However, as the Women's Budget Group has pointed out, cuts in fuel duty benefit men disproportionately because they are more likely to drive and drive longer distances than women.[50]

Alcohol and Tobacco

Duty rates on some alcoholic drinks: beer, spirits and other drinks above 22% alcohol by volume (abv), still cider and lower strength sparkling cider will be frozen in real terms. Those on other alcoholic drinks: wine at or below 22% abv, and high strength sparkling cider will rise by RPI inflation. The reason given is that the measure is designed to help pubs, which are "important community assets that encourage responsible alcohol consumption".[51]

However, in distributional terms the change will favour those who consume more of those types of drinks. And the equalities impact statement notes that "any changes to alcohol duties will have an equalities impact that reflects consumption trends across the adult population" but it fails to note what that equalities impact is with respect to gender.

Although men are more likely to drink excessively than women, ONS statistics show that wine, whose tax has not been frozen, is the most popular drink amongst women, while the most popular type of drink amongst all ages of men drinkers was normal strength beer/lager/cider/shandy, whose tax has been frozen.[52] By targeting a measure on drinks sold in pubs, the government is inevitably

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[46] https://www.gov.uk/government/statistics/uk-personal-wealth-statistics-2008-to-2010
[47] Johnson, P (2016) 'IFS Budget Briefing: Opening Remarks,' available at http://www.ifs.org.uk/uploads/budgets/budget2016/budget2016_pj.pdf
[48] http://www.ifs.org.uk/uploads/budgets/budget2016/budget2016_pj.pdf
[49] OBR Policy measures database, updated 16 March 2016, available at http://budgetresponsibility.org.uk/data/)
[50] De Henau, J. and C. Santos (2011) 'Gender analysis of the changes in indirect taxes introduced by the Coalition government, 2010-11,' available at: http://wbg.org.uk/wp-content/uploads/2013/10/Indirect_tax_Budget_2011_final_report_June_20.pdf
[51] https://www.gov.uk/government/publications/updates-to-the-alcohol-duty-rates/updates-to-the-alcohol-duty-rates
[52] http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/dcp171778_338863.pdf

also favouring their male clientele. This is another example of a sweetener in this budget favouring men, despite having in this case a potentially undesirable health effect.

Sugar Tax

The Soft Drinks Industry Levy is designed to encourage companies to reduce the amount of added sugar in the drinks they sell to help reduce overall sugar consumption. Increasing the prices of sugar containing drinks may be one way to reduce sugar consumption, though critics have suggested that a wider levy on added sugar would be more effective in doing so.

That the Treasury projects revenues of about £0.5bn per year is a recognition that the tax will not be totally effective in reducing the consumption of high sugar soft drinks. We urge the Chancellor to consider other policies to reduce sugar consumption more widely and directly, such as monitoring and regulating the amount of sugar in such drinks and other foods.

Because the highest consumers of sugary drinks come from low income households, this tax will be highly regressive. If the levy is passed on to consumers it will impact on the living standards of such households, many of whom are struggling to manage anyway. The remedy for this is not to remove such desirable taxes but to mitigate any regressive effects by making the tax–benefit system and other policy more progressive in other ways.

Tampon Tax

The Chancellor announced that £12m in proceeds from the 5% VAT on sanitary products would be distributed in 2016–17 to “support a range of good causes benefitting women”, including substantial grants to intermediate funders to ensure that small frontline organisations are able to share in this bounty. Despite publicity to the contrary, domestic violence charities are not the major beneficiaries of this measure. Parliament has now voted to apply a zero VAT rating to sanitary products, so this a one-off measure. One year’s VAT receipts are but a small proportion of the many millions of pounds the Treasury received from tax on sanitary products when VAT was first levied on them at a rate of 17.5% and subsequently reduced to 5% in 2000.

The Women’s Budget group calls for the restoration of appropriate funding for domestic violence organisations and others providing essential services to women. We reject the implication of such hypothecation that women’s disadvantage should be paid for only by women themselves. It is in the interests of the whole of society to support initiatives to achieve equality for women in the public and private spheres, first and foremost in the areas of economic and social policy. Such hypothecation would do little to compensate for the many ways in which women have borne the brunt of the government’s austerity policies.

Social security

Unlike previous Budgets and spending reviews, this Budget contained few measures explicitly focused on social security benefits, though there were changes relevant to social security in National Insurance contributions and in ISAs, discussed elsewhere in this response (see pages 22-23).

Personal Independence Payments

A week before the Budget the Chancellor confirmed reductions to assessment points for claimants of Personal Independence Payment with aids and adaptations in order to save some £3.5bn. But shortly after the Budget, the measure was scrapped after the government came under considerable attack for cutting support for people with disabilities at the same time as providing tax cuts to higher earners.

Benefit cap exemptions

From autumn 2016, the government will exempt recipients of Guardians Allowance, Carer's Allowance and the Carers element of Universal Credit from the household benefit cap, which caps the amount of benefits out-of-work working-age families can receive at £20,000, and at £23,000 in Greater London. Implicitly, this change recognises, as the WBG has frequently argued, that people out of employment because of caring responsibilities should not be seen as "out-of-work".

Continuing effects of previously announced measures

Most of the announcements of significance around social security were made in the Summer Budget in July 2015 and the Autumn Financial Statement in November 2015. The WBG commented on the implications at the time[53] and has since then carried out a cumulative impact assessment of effects (see pages 11-14).[54] We comment on them again here because their ongoing implications are relevant background to the measures introduced in this Budget.

In the summer Budget, the government announced that most working age benefits would be frozen; the benefit cap (which particularly affects women with several children) would be reduced; and tax credits and housing benefits would be cut.[55] Freezing benefits for a number of years, as the Chancellor did, allows the real reduction of benefit rates annually without repeated parliamentary scrutiny of such a measure and its impact. Women, who depend more on benefits for their income than men, suffer disproportionately. The Child Poverty Action Group and the TUC estimated last year[56] that since 2010, nearly four million families with two or more children would have lost over £2,000 cumulatively in child benefit by 2020, just through the freeze to 2013. This freeze is also part of the £13bn reduction in money for mothers over the course of this parliament, as demonstrated in data from the House of Commons library produced recently for Yvette Cooper MP.[57]

This is happening as personal tax thresholds are increased in real terms, disproportionately benefiting men, as shown above. The WBG argues that social security expenditure and revenue foregone by tax allowances and reliefs have similar economic effects and should be seen as equivalent. In particular, child benefit should be raised in line with personal tax allowances to ensure that families with children maintain their tax-free income relative to childless people. This would also improve the level of income that mothers receive in their own right. The WBG would also suggest that the money for the transferable tax allowance[58] (originally £700m) be used instead in more socially useful ways – one obvious example would be to unfreeze child benefit.

Finally, the social security spending cap - which the government has in fact breached - is set at £115.2bn in 2016–17, but falls to £114.9bn in 2020–21. The previous Secretary of State described

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[53] http://wbg.org.uk/2015-assessments/wbg_afs_csr_2015_report_2015_12_07_final3/
[54] http://wbg.org.uk/wp-content/uploads/2016/03/De_HenauReed_WBG_GIAtaxben_briefing_2016_03_06.pdf
[55] http://wbg.org.uk/wp-content/uploads/2015/04/July-budget-briefing-2015-WBG.pdf
[56] Trades Union Congress (2015) *Eroding Child Benefit*
[57] http://www.yvettecooper.com/osborne_s_cuts_will_leave_mothers_13bn_worse_off_over_the_course_of_this_parliament
[58] The Transferable Tax Allowance, that can be transferred within married couples to a basic tax paying spouse, breaches the principle of independent taxation and increases the incentive to be a one-earner family. It is also paid in most cases to the higher earner – 85% of whom are men.

this as ‘arbitrary’ in an interview on the Andrew Marr show. Certainly the lower it is the more pressure on the social security budget and therefore the more threat to women’s incomes.

Of benefit spending cuts and tax rises announced since the 2015 general election, intended to raise an extra £16bn net revenue during this parliament, £12bn will come from women - three times as much as from men.[59] In addition, cumulatively the tax-benefits announcements since 2010 up to this Budget will result in 86% of the governments’ savings coming from women.[60]

Personal Savings

Help-to-Save

The Chancellor announced the introduction of a new Help-to-Save matched savings scheme allowing working people claiming Universal Credit or Working Tax Credit to save up to £50 a month and receive a bonus of 50%, earning a maximum of £600 after two years. This is yet another step in the shifting of responsibility for risks from the welfare state to individuals and households making their own provision, often via private financial institutions, which has been a theme of this government’s approach to social security.

In general, building up savings does help individuals and households to become more financially resilient. However, the new Help-to-Save scheme targets working households in receipt of Universal Credit or Working Tax Credit, a group that by definition has barely enough to meet its needs. The reward of a bonus could mislead people to save when this is not in their interest, for example, if they have debts, such as payday loans, or immediate needs for food, rent and utilities. If they do save, they might also gain more in the long-run by saving into a pension with tax relief rather than in this new scheme.

Therefore, we question whether such claimants can really afford to make good use of this scheme, particularly in the face of continuing benefit cuts and the rising levels of personal debt, much of which is directly related to cuts in social security and a more uncertain labour market.[61] In the context of austerity it is doubtful whether personal saving can ever be an adequate route to protecting low income households from financial vulnerability.

We have previously expressed our concerns about the payment of household benefits under Universal Credit to a single bank account[62] and fear that, within couples, if one partner (often the man) controls the decision about whether to save, this may be to the detriment of their partner and any children. To guard against partners making poorly considered or unaffordable payments to the Help-to-Save scheme (or any other savings account), government should consider the safeguards to Universal Credit design that WBG (2011) has previously recommended: specifying the partner with the lower earnings/income to receive it; paying the elements for children and childcare to the ‘main carer’; paying the elements for housing costs/disability/caring/health benefits to the person they apply to; splitting Universal Credit in half, or another fixed percentage; and allowing couples to choose how to split it.

Lifetime ISAs

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[59] Analysis by House of Commons Library for Kate Green MP and Yvette Cooper MP, 2015

[60] House of Commons Library Analysis for Kate Green MP, April 2016.

[61] Women’s Budget Group (2011) *Welfare Reform Bill 2011 - Universal Credit payment issues* [online] http://wbg.org.uk/pdfs/0-Universal-Credit-payment-issues-Sept-2011-revised.pdf (Accessed 17 March 2016).

[62] ibid

The Chancellor announced a new lifetime ISA (LISA) for 18-40 year olds, who from April 2017 can save up to £4,000 per year, topped up by a 25% addition from the government. This measure subsidises those who can afford to save. Already LISAs are being promoted as a way that wealthy parents can provide for their children's future.[63] However, half of UK adults have no investments and struggle to save money while 40% also lack any long-term assets, such as pensions or property. So the tax relief on LISA interest, which by 2020 could be £850m, will be a regressive subsidy further widening the gap between those who can afford to save and buy property and those who cannot. Women are overrepresented among the latter. There is no equalities impact statement about this measure among the Budget documents released by the Treasury.

Whilst savings in a LISA can only be withdrawn before the age of 60 to buy a first home, the boundaries of this provision could become more fluid in future. Several think tanks (including the Adam Smith Institute and Policy Exchange) have recently proposed variants of a 'lifetime account' or 'personal savings account', which could replace the national insurance system. This would be an individual account to finance time off work for various purposes, including sickness or unemployment.

The previous Secretary of State, Iain Duncan Smith MP, said in a recent interview with the *Daily Telegraph* (11 July 2015) that such a policy might be under consideration. He said: 'The future for young people starting work today must be to save into flexible accounts from which they can draw down when they need to rather than wait until retirement as with pensions ... We need to support the kind of products that allow people through their lives to dip in and out when they need the money for sickness or care or unemployment.' Similar systems exist in countries such as Singapore. Other ministers have expressed similar sentiments.[64]

Such accounts would not include sharing of risks or redistribution, as the current social security system does, but would represent individual savings. Any arrangements for government additions would also be individual, unlike the Treasury contribution under current arrangements, which can top up the National Insurance Fund when necessary.

In the Netherlands, such an account was introduced[65] some years ago, but was then abandoned. One concern was that women were more likely to use the money saved to take time out to look after children, whereas men being less likely to do so could keep their savings for other purposes, such as further training or a sabbatical or a more generous pension.

The WBG would be very concerned should the lifetime ISA be developed in this direction, as it would undermine collective social security provision and disadvantage women, and we call on the government not to pursue the policy.

Pensions

State pension

[63] Financial Times Budget 2016: Everything you need to know about the Lisa http://www.ft.com/cms/s/2/8e78606a-ec78-11e5-888e-2eadd5fbc4a4.html#axzz44UqDeayd

[64] See for example '2 ways work and welfare are changing forever', 15 February 2016: http://www.georgeselmer.com/

[65] See Knijn, T. & A. Smit, 2009, 'Investing, facilitating or individualizing the reconciliation of work and family life: three paradigms and ambivalent policies' *Social Politics* 16 (4), 484-518

The basic state pension (BSP) will rise in April in line with average earnings of 2.9%.[66] Although there has been much talk of pensioners being unfairly favoured by a government eager for their votes, it is worth noting that because the state pension paid to women reliant on their husband's NI record is so low, the uprating of the BSP with average wages means an increase of only £2 a week for millions of women.

The shift to a new flat-rate State Pension system from 6 April 2016 will be accompanied by a review of the National Insurance paid by the self-employed. From April 2018, the self-employed Class 2 NI will be abolished and Class 4 NI reformed, entitling the self-employed to the new Single State Pension. Budget 2016 claims an average saving per person of £134 a year with the abolition of Class 2 contributions from April 2018, but this is misleading, since it is almost certain that the self-employed will end up paying more than they do now, once the Class 4 contribution reforms are finalised. This seems fair since the self-employed will gain an increased State Pension entitlement and the proposed new Class 4 contributions (which mimic Class 1 paid by employees) will have a progressive structure. However, increased National Insurance contributions will hit women particularly as they account for an increasing proportion of the growing number working for themselves and are often on low incomes.[67] It is also important to make sure that any planned increase in National Insurance paid by the self-employed is honestly and widely publicised in advance so that people can plan ahead for the reduction in the money they have left after tax.

We were disappointed that the Budget did not include help for women whose plans for retirement have been impacted by inadequate communication of the increase in women's State Pension age to 65 by November 2018 and 66 by October 2020. There are still no adequate transitional arrangements for the rise that left half a million women unprepared for the delay in when they can afford to retire. This is despite a 170,000-signature petition, a debate by MPs and recommendations made by the Work and Pensions Committee. We urge the government to accept MPs' suggestion to give the estimated 500,000 women affected the option to start their State Pension early, if necessary at a reduced rate to contain the cost to the government.[68]

Occupational pensions

The government announced a number of measures relating to occupational pensions:

- *Contracting out* of the state second pension will end from April 2016 and the full NI rate (i.e. an extra 1.4% of band earnings) will be payable by employees and employers from that date. This will not increase anyone's pension but the extra contributions will hit the low paid hardest (mainly women) although from April 2016, those reaching state pensions age with 35 years of NI will be entitled to the full the state pension, which will benefit women particularly.
- *Salary sacrifice schemes* that allow tax-efficient benefits to be traded for a lower salary will be reviewed. Tax 'efficiency' costs the Treasury £15bn every year, from employers and employees. A review will be welcome if it results in reducing government subsidies or redirecting them more fairly. At present the subsidy in the form of NI relief is regressive,

[66] However, the state second pension (SERPS, S2P or Graduated Pension) will be frozen because it is linked to the Consumer Price Index, which in September 2015 was recorded as falling by 0.1%.
[67] Women's Budget Group (2016) 'Here to Stay: Women's self-employment in a (post) austerity era,' available at http://wbg.org.uk/wp-content/uploads/2015/02/Here_to_stay_selfemployment_Briefing_Mar16.pdf
[68] Work and Pensions Committee (2016) 'Communication of state pension changes,' available at http://www.publications.parliament.uk/pa/cm201516/cmselect/cmworpen/899/89906.htm#_idTextAnchor018

benefitting those who have an occupational pension scheme and sufficiently high earnings (mainly men) to be able to sacrifice some of their salary to reduce their tax payable. It is thus a poorly-targeted subsidy in need of reform or abolition.

- *Auto-enrolled Defined Contribution pensions*. It has been proposed that the pensions industry should develop a 'pensions dashboard' by 2019 to help people keep track of all their pension pots. It is good news that the government recognises the potential chaos of multiple small pension pots, which it has itself encouraged through allowing employers to choose the pension scheme in which to enroll employees and by not requiring the pensions industry to make transfers between schemes free. It remains to be seen whether the industry will solve the problem of keeping track of many separate pensions for workers. If not, women, who are more likely to have interrupted careers, are more likely to suffer financially through losing track of some of their pensions.
- *Public sector pension contributions to rise***.** The contributions that employers have to make to unfunded public service pension schemes (for teachers, NHS, civil servants, police, armed forces and firefighters) will increase from 2019–20 as a result of a reduction in the discount rate for valuation of the schemes. The Chancellor said that the change would not affect pension benefits. However, employers will not be compensated for the extra cost. As a result the saving for the Treasury of £2bn in 2019–20 is a disguised cut for departments and will put further pressure on their budgets, affecting public sector services and employment across the board. Since women are over-represented among public sector employees, they would be the main losers from any cuts in jobs or pay forced on public sector employers by the government's requirement for extra pension contributions.

Pension advice

Publicly funded free-to-client advice bodies, including The Money Advice Service, The Pensions Advisory Service and Pension Wise are to be reformed to create a more holistic one-stop shop for pension guidance. There is a pressing need to make this transition as smoothly and speedily as possible. One group of women who will particularly need good guidance from April 2017 are those whose husbands or partners intend to sell existing annuities on the new secondary annuity market, since the proposed protection for dependents and beneficiaries – merely a requirement that a person gives consent, even though they might be vulnerable to coercion - is weak.[69]

We call on the government to ensure the transition to holistic pensions advice is rapid and seamless to minimise confusion and sustain access to advice. The government should also consider banning the sale of joint annuities.

Private Pensions

Prior to the Budget, reform of the current arrangements for tax relief on private pension contributions was mooted. But this was omitted from the final Budget. It is regrettable that the opportunity was missed for reform of the arrangements that disproportionately subsidise saving for higher rate tax payers, three quarters of whom are men. According to the Resolution Foundation (2016), the latter are 8% of the population, comprise 30% of private pension scheme members and make 45% of the total private pension contributions from employees. Introducing a flat-rate 20%

[69] HM Treasury (2015) 'Creating a secondary annuity market: response to the call for evidence [online] paras 4.21-4.34,' available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/485286/creating_a_secondary_annuity_market_response.pdf

relief on these pension contributions would save an estimated £9bn each year and would boost the pension fund of a low earner (on the National Living Wage) by 7%, reducing the pensions of those in the higher and additional tax rate bands by a quarter (net). A flat rate relief of 29% would be revenue neutral, while a 30% relief would cost the government a little, penalise the high paid moderately, but increase the pensions of the low paid by more than 7%. Following pressure from the pensions industry and Conservative MPs, the Chancellor backed away from reform although any reform would have been fairer to the low paid (mainly women).

It is the low paid (mainly women) who have been repeatedly exhorted to take responsibility for saving, yet the ability to do so is concentrated among the higher earners, especially those without caring responsibilities; state subsidies should not encourage that bias, but rather focus on improving the pensions of the lower paid and those whose work histories have been interrupted by caring responsibilities.

Social Care

Budget 2016 was a missed opportunity to confront and take steps to deal with the care crisis, with no new funding allocated to this area. The UK requires a sustainable system of formal social care services together with appropriate support for those who care for family and friends in the community. The lack of measures pertaining to care, whether formal or informal, illustrates how far we are from developing policies which recognise that care given and received, both within and between generations, is essential to every society.

Formal social care

Formal care services receive very little direct and positive attention. The main issue that is debated is how to contain spending on them. Previously announced measures such as the 2% precept on council tax, which was part of the 2015 Autumn Statement are totally inadequate to make up for previous cuts and increased demand.[70] Analysis by the Local Government Association (LGA) shows that 143 of England's 152 social care authorities are considering or have approved introducing the 2% council tax precept by 2016-17, raising a total of £372m. The poorest local authorities have the greatest demand for social care services due to much higher incidence of disability and chronic illness, but can raise least from council tax. The exemptions from business rates announced in the Budget, together with the increased contribution required for public sector pensions will further reduce local authorities' capacity to increase expenditure on social care.

At the same time these services will cost more to provide as a result of the introduction of the National Living Wage in April, which the Local Government Association estimates will cost at least £330m.[71] This will affect both domiciliary as well as residential care and private providers have been warning they will have to charge more if they are to survive. Poor investment in social care as a career and changes concerning the recruitment and retention of non-EU migrants will also make it harder and more expensive to find care workers, the vast majority of whom are women. Again it will be those needing or giving care in the poorest local authorities who will feel the consequences of these pressures most.

This Budget has done nothing to prevent the continuation of an unfair post code lottery in the provision of social care. A 2015 survey of carers conducted by Carers UK found that a third of the

[70] http://www.local.gov.uk/media-releases/-/journal_content/56/10180/7702343/NEWS
[71] *ibid*

4,500 people who took the survey had 'refused or stopped using a service altogether because of concerns over quality'.[72]

The WBG's own analysis across seven OECD countries, funded by the International Trade Union Confederation, shows the macroeconomic and social benefits of public investment in the caring economy.[73] In particular, the report shows that investing public funds in childcare and elder care services is more effective in reducing public deficits and debt than austerity policies, would boost employment, earnings, economic growth and foster gender equality. An investment of 2% GDP in the caring industries would generate up to 1.5 million jobs in the UK, 1.1 million of which would go to women, significantly narrowing the gender employment gap.

Unpaid care

This Budget revolves around rewarding 'working people' and 'hard working families', where 'work' is defined as paid employment. Care is name-checked as a barrier to 'work', rather than an essential contribution to society. The Budget recognises the need to encourage women back into work with childcare provision, acknowledging that, '90% of those who aren't working because they are caring for a family or home are women, and there are over 1 million women who aren't currently able to work who want a job'.[74] In contrast there is little help for people supporting a disabled, ill or elderly friend or relative, except in the exemption of anyone receiving carers' allowance and the carers' element of Universal Credit from the benefits cap.

This is troubling in the light of both the growing numbers of people needing care as well as those giving care. The life expectancy of both men and women has increased and converged.[75] However, disability free life expectancy has not increased at the same pace. It is estimated that on average men and women can expect to spend 19% of their lives with a disability.[76] Over the next five years 10.6 million people will become carers,[77] and while the majority of these carers overall are women,[78] among those aged over 65 nearly half are men, who are caring mainly for their spouse. Age UK reports that more and more people will be caring into later life, with the number of carers aged over 85 years doubling in the next decade. In 2011 the National Audit Office estimated that the total value of informal care support was £55bn.[79] This is five times more than the cost of formal social care services.

Education

The education budget for 5-16 year olds was protected in cash terms by the previous Coalition government and remains protected under this government. However, rising costs and pupil numbers

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[72] Carers UK (May 2015) 'State of Caring,' available at https://www.carersuk.org/for-professionals/policy/policy-library/state-of-caring-2015

[73] See WBG policy briefing at http://wbg.org.uk/new-study-shows-that-investing-2-of-gdp-in-care-industries-could-create-1-5-million-jobs/de_henau_perrons_wbg_careeconomy_itcu_briefing_final/

[74] https://www.gov.uk/government/publications/budget-2016-documents/budget-2016#support-for-working-people-1

[75] The number of men over 85 years of age has increased by 62% compared with 26% for women since 2004.

[76] ONS, July 2014, Statistical Bulletin, Disability-Free Life Expectancy by Upper Tier Local Authorities: England 2009-11 and comparison with 2006-08

[77] Carers UK (May 2015) 'State of Caring,' available at https://www.carersuk.org/for-professionals/policy/policy-library/state-of-caring-2015

[78] Census 2011. Office of National Statistics

[79] National Audit Office (2011) 'Adult Social Care in England Overview,' available at https://www.nao.org.uk/wp-content/uploads/2015/03/Adult-social-care-in-England-overview.pdf

mean that, despite this, it is estimated per-pupil spending will fall by 8% in real terms between 2014–15 and 2019–20.[80] This is the first time since the mid-1990s that spending will have fallen on a per pupil basis. The introduction of the so-called 'fair funding' formula, as announced in the 2015 Autumn Financial Statement, will redistribute money among schools. It will see schools in some urban areas, where deprivation levels are often highest, experience cuts of up to 20% in real terms.[81] This is particularly concerning as education is key to reducing economic inequality.[82]

Despite proclamations to be a budget for the 'next generation', there were no announcements to alleviate the growing financial pressures faced by schools. The most significant announcement is the decision to require all schools to be on the road to academy status by 2020, with £0.5bn set aside for this transition. The evidence on pupil performance and academy status is at best inconclusive.[83] In relation to primary schools, the House of Commons Education Select Committee recently concluded that: "We have sought but not found convincing evidence of the impact of academy status on attainment in primary schools."[84]

The announcement will, however, have a significant impact on the pay and conditions of women in the education sector. Academies are exempt from national pay bargaining. As a result, the government is doing away with national pay setting structures for school staff. The unravelling of national pay bargaining is likely to lead to less efficient and more chaotic local pay bargaining. This has the potential to undermine pay and conditions, and may also cost employers more in the long run and lead to an increase in employment disputes. Downward pressure on wages risks widening the gender pay gap and income inequalities as 80% of school staff are female.

The Chancellor also announced an additional £285m to allow 25% of secondary schools to open for longer hours. Many schools already provide excellent after school activities and extended school days and many more would welcome the additional funding. Moves to lengthen the school day could be helpful to working parents, particularly single mothers, as it cuts down on the need for expensive after school care. Too often policy makers think of childcare as only being relevant to primary age children but a child of 11 or 12 may still need after school care or at least picking up from school if they do not live within walking distance or if there is not public transport provision. However, providing this additional funding to just a quarter of schools creates yet more inequality in the system and the majority of children will miss out. There has been some suggestion that lengthening the school day will lead to improvements in school performance. However, the evidence on this is not conclusive and seems to be dependent on the quality of provision.[85]

Housing

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[80] IFS (2015) 'English schools will feel the pinch over the next five years,' available at: http://www.ifs.org.uk/publications/8027

[81] See WBG response to the Autumn Statement, http://wbg.org.uk/wp-content/uploads/2015/04/WBG_AFS_CSR_2015_report_2015_12_07_final3.pdf

[82] See for example, Rodriquez-Pose, A., and V. Tselios (2008) 'Education and income inequality in the regions of the European Union,' available at: http://www.spatialeconomics.ac.uk/textonly/SERC/publications/download/sercdp0011.pdf

[83] McNally, S (2015) 'Schools: the evidence on academies, resources and pupil performance,' available at http://cep.lse.ac.uk/pubs/download/ea023.pdf

[84] House of Commons Education Select Committee (2015) 'Fourth Report: Academies and free schools,' available at http://www.publications.parliament.uk/pa/cm201415/cmselect/cmeduc/258/25802.htm

[85] Education Endowment Foundation (n.d.) 'Extending the school day,' available at https://educationendowmentfoundation.org.uk/evidence/teaching-learning-toolkit/extending-school-time/

Given that housing featured prominently in the Autumn Spending Review and that the Housing and Planning Bill is progressing through Parliament, it was not expected to be, and indeed was not, a primary area of focus in this Budget. A limited number of new measures and commitments represent a consolidation of the previous approach which subsidizes the cost of transitions into home-ownership for those on higher incomes. As we noted in the WBG response to the 2015 Autumn Statement these measures – primarily funding for Starter Homes and shared ownership - fail to address, and may well exacerbate, long-standing problems of access and affordability for those on low incomes, many of whom are women.

Further the measures to encourage home ownership for the better off are being implemented at a time that social and council housing tenures are coming under trenchant attack. The Autumn Financial Statement brought in severe cuts to capital grants for housing associations and the Housing and Planning Bill proposes a new 'Pay to Stay' measure that will see those earning above £30,000 (or £40,000 in London) paying market, or close to market, rents. As a result, the position of those in greatest housing need has significantly worsened over the course of this government. [86] This is worrying for women, as they are more likely to be in the socially rented sector and less likely to have the funds to purchase a home. According to the most recent DCLG Housing Survey, the 'household reference person' – person in whose name the property is rented or purchased – in 57% of socially rented properties is female.[87] By comparison, 67% of mortgagor HRPs and 61% of outright owner HRPs are male. Of all household types, lone parents – 90% of whom are female – will be particularly hard hit, with some 41% of these households in the socially-rented sector.

The limited measures announced in the 2016 Budget are aimed primarily at those at the margins of home ownership and so will do little to change this picture. Like the Right to Buy ISA, introduced in the 2015 budget, the new Lifetime ISA provides a 25% bonus to savings of up to £4000 per year which are later used to fund the purchase of a first home. The government confirmed in the Budget that £4bn would be allocated to new measures to encourage shared ownership,[88] and said it would explore ways to extend homeownership to social tenants who could not afford the current right-to-buy schemes, but provided no details in the budget document. Although it is likely that a target for one million new homes by 2020 will be missed, measures to address the current slow pace of completions[89] were described by the Federation of Mortgage Brokers as a 'a missed opportunity in the Government's race against time to meet its own housing targets'.[90] Taken together these measures sustain high house prices and do little to address undersupply, particularly of social housing, and its consequences for low income families.

We are concerned that those who cannot afford to buy or save for a deposit will be increasingly reliant on the expensive and insecure private rented sector,[91]particularly in the regions of London,

[86] For a full discussion of the housing measures announced in the 2015 Autumn Financial Statement/Comprehensive Spending Review, see here: http://wbg.org.uk/wp-content/uploads/2015/04/WBG_AFS_CSR_2015_report_2015_12_07_final3.pdf
[87] DCLG (2015) 'English Housing Survey: Household 2013-14,' available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/461439/EHS_Households_2013-14.pdf
[88] The prospectus will be released in April.
[89] These include a new garden town and cities programme and £60m for community housing developments in rural and coastal areas, and the launch of the Prospectus for the New Starter Homes Land Fund.
[90] http://www.fmb.org.uk/about-the-fmb/newsroom/budget-a-missed-opportunity-in-race-to-meet-housing-targets/
[91] DCLG (2015) *English Housing Survey* (page 33) states that 'In the private rented sector, couples or lone parents with dependent children increased from 23% in 2003-04 to 35% in 2013-14.' Available at

the South East and East of England where social housing wait lists have grown by 42% since 2001. As argued in the section on tax (see page 17), changes to stamp duty could undermine desirable investment in large scale residential developments, and penalise the acquisition of large properties for collective use by co-housing groups and communities, making matters worse.[92] Since 2010 the number of families with small children in temporary accommodation has increased substantially in London the South East and the East of England.[93] Unless policy priorities and measures change in ways that do more to address the supply and affordability of housing, it is unlikely that £115m of funds to prevent homelessness and rough sleeping will reverse current trends.

Investment in infrastructure

The Chancellor declared in the Budget speech that 'investment is an essential part of raising productivity' and acknowledged the role of such investment in the 'development of human and intellectual capital in the next generation'.[94] Yet 'investment' is understood to refer solely to physical infrastructure, with the majority allocated to road, rail and high speed internet. Adopting the recommendations of the National Infrastructure Commission, the Budget commits £300m to improving 'transport connectivity in the North', gives the green light to HS3 between Leeds and Manchester, and provides £80m to support development of Crossrail 2 in London. Further funding (£75m) is provided to develop a business case for a Trans-Pennine tunnel and for upgrading of the M62 motorway (£161m).[95]

Investment is key to shoring up productivity, but the narrow focus on investment in physical infrastructure is a missed opportunity. Investment in social infrastructure, particularly the care economy, has the potential to deliver greater employment and economic benefits than a comparable investment in construction or continued austerity. These economic benefits are in addition to the social benefits that come from a healthy and educated population. Investing 2% of GDP in the caring sector has the potential to create up to 1.5 million jobs, while the same investment in construction would deliver 750,000 jobs.[96] Given occupational segregation by gender, investing in the social infrastructure closes the gender employment gap and has the potential to reduce the gender pay gap. Women's employment would rise by 5 percentage points, thereby closing the gender employment gap by a quarter. The Women's Budget Group's proposed economic strategy – *Plan F* – maps out a vision for long-term investment in the social infrastructure, showing that this makes good economic sense and benefits society.[97]

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/461442/Chapter_2_Comparison_of_Tenure_Groups.pdf

[92] Originally announced in the 2015 Budget statement. Following a consultation, there will be no exemption from the higher rates of stamp duty land tax (SDLT) for additional residential properties. Although charities like housing associations would continue to be exempt, there are concerns that commercial subsidiaries of charitable housing associations could lose their exemption. In addition, reductions in business rates could encourage a shift from residential to commercial development.

[93] https://www.paradigmhousing.co.uk/latest-news/240-dramatic-rise-in-homelessness

[94] Para 1.228, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508193/HMT_Budget_2016_Web_Accessible.pdf

[95] Para 1.232; Para 1.334; Para 1.291; ibid.

[96] See De Henau, J., Himmelweit, S. Łapniewska, Z. and Perrons, D. (2016). *Investing in the Care Economy: A gender analysis of employment stimulus in seven OECD countries.* Report by the UK Women's Budget Group for the International Trade Union Confederation, Brussels. Available at: http://www.ituc-csi.org/IMG/pdf/care_economy_en.pdf

[97] For more information on Plan F, see here http://wbg.org.uk/economic-social-policy/plan-f/

We strongly urge the Chancellor to broaden his approach to investment by recognising the crucial role of social infrastructure. In addition to this, we urge the Chancellor to ensure that both men and women benefit equitably from investment in physical infrastructure. The current position of women in the labour market means that they are unlikely to benefit in terms of employment from investment in physical infrastructure. Only 9% of employed engineers are women, though twice as many qualify and as many girls as boys do well at relevant subjects at GCSE level.[98] Only 17% of those employed in construction are female.[99] The government has in principle signed up to schemes to increase the number of girls choosing engineering as a career but without investment such schemes are doomed to failure. Most importantly, the government needs to invest in a face to face careers advisory service for school students which is both locally available and designed to avoid the stereotyping of students to gendered subjects and careers.

Devolution and changes in local government finance

The government announced a 'devolution revolution' in the 2015 Autumn Statement and this rhetoric was restated in the 2016 Budget, giving new powers and responsibilities to local councils with the aim of making them financially self-sufficient by the end of the parliament.[100] As part of this agenda funding from the Department for Communities and Local Government will fall by 44% over the next four years.[101] To compensate local authorities will be allowed to 'reduce and retain business rates'.[102] Councils with elected mayors have the power to levy a business rate premium for local infrastructure while all councils have the power to reduce the business rate in order to 'attract business and drive local growth.'[103] At the same time however central government has reduced business rates by indexing them to the CPI and not the RPI, and an increasing proportion of small business have been given 100% rates exemption.[104] The Treasury state that 'local government will be compensated for the corresponding loss of income'[105] arising from this Budget but the mechanism has yet to be determined. There are no guarantees that any future cuts in business rates will be compensated for in the same way and, as such, there is a danger that this could put a squeeze on local authority budgets and threaten the services that many women rely on.

The government is handing local councils more responsibilities while withdrawing central government funding and forcing councils to rely on their local population and businesses to finance services. This is portrayed as giving people more control over local services; however it risks geographical inequalities with poorer areas compelled to reduce the provision of key public services. As mentioned above in the discussion of effects of the budget on social care provision, relying on funds generated from business rates and a 2% precept for social care from council tax, announced in

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[98] WES (2016) 'Statistics on Women in Engineering,' available at http://www.wes.org.uk/sites/default/files/Women%20in%20Engineering%20Statistics%20vJanuary2016.pdf
[99] ONS (2016, Feb) EMP14, available at http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employeesandselfemployedbyindustryemp14
[100] Para 1.258
[101] Table 2.4, p.91
[102] Para 1.132
[103] The IFS pointed out in their discussion of the 2015 Spending Review that this power had existed for some time but had barely been used. P. Johnson (2015) Opening Remarks, Post Autumn Statement Briefing, Institute of Fiscal Studies see http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/SR_Nov_2015_opening_remarks.pdf
[104] The sum of the changes to the business rate is estimated to be £6.7bn (para1.160) (Treasury calculation)
[105] Para 1.164

the 2015 Autumn Statement, will intensify the already high levels of inequality between regions and local areas because the amount raised will be uneven. Poorer areas will have a lower tax take but their needs are greater. The impact will be especially negative for women, who are more likely than men to be employed by the local council, more likely to use collective services such as parks, childcare centres and social care, and provide the unpaid labour needed when services are cut.[106]

The government's so-called 'devolution revolution' therefore raises questions about the scale and quality of services (more likely to be used by women) that local councils in deprived areas will be able to provide. The Women's Budget Group would like to see essential local services funded by central government through progressive taxation to ensure even quality across the country. Central funding based on progressive redistributive taxes rather than regressive local funding is required. At the very least council tax should be reformed so that it is not based in practice on highly regressive bands but rather raises money in proportion to household income. Similar recommendations were recently made by the Scottish Commission on Local Tax Reform.[107]

The Budget 2016 restated commitments to the Northern Powerhouse, primarily through investment in the physical infrastructure especially transport. However, many of these investments will not start until 2020. The government also announced that it would rationalise its provision of regional offices, including moving the Northern Powerhouse Head Quarters from Sheffield to London. As such - despite new funding (£20m a year) for a Northern Powerhouse Schools Strategy,[108] smaller sums for the City of Culture project in Hull, and a theatre project in Knowsley, Manchester[109] - it is unclear how serious the government's commitment to rebalancing the economy is.

[106] Unison (2014) *Counting the cost: how cuts are shrinking women's lives,* available at: https://www.unison.org.uk/content/uploads/2014/06/On-line-Catalogue224222.pdf
[107] Commission on Local Tax Reform (2015) *Just Change: A new approach to local taxation,* available at: http://localtaxcommission.scot/download-our-final-report/
[108] Para 1.89
[109] Para 1.303

Conclusion

The Chancellor claims this is a budget for the next generation. Yet his policies are likely to entrench inequalities and risks placing our health, education and care services in crisis.

The rhetoric that we are 'are all in this together' has faded and the evidence continues to mount that the burden of austerity has been borne disproportionately by those on low incomes and by women.

This Budget continues this trend, with a series of tax give-aways for the better off and for men, as well as cuts to the headline rate of corporation tax. These are more likely to benefit men, who are over-represented among higher earners, car drivers, beer drinkers and businesses owners, but also disadvantage women by eroding the income base that pays for essential services.

Analysis by the House of Commons library shows that 86% of savings from tax and benefit measures in the period from 2010-2020 will have come from women's pockets and our own analysis, which additionally factors in spending on public services, finds female-headed households have experienced the most severe drops in living standards over the same period.

The Chancellor is making a political choice about who will gain, and who will lose out, from his government's policies. These are not decisions driven by economic necessity. The total cumulative foregone revenue of all the changes to income tax thresholds since June 2010 is estimated to be around £20.5bn per annum by 2020–21, dwarfing the 'necessary' cuts to welfare spending of £12bn in this Parliament.[110]

There is an alternative that provides the foundations for an equitable, fair and sustainable economic recovery. In this alternative, which the Women's Budget Group terms 'Plan F', a system of fair, progressive taxation is used to fund investment in the social infrastructure – the education, health and care services we all rely on to lead healthy and secure lives.

Such investment in the social infrastructure, as our analysis has shown, makes sense not only because it delivers better social outcomes but also because it delivers better economic returns than continued austerity.[111]

Despite proclamations to the contrary, the Chancellor has set out an extremely short-term vision in his Budget. To deliver for the next generation, we call on the Chancellor to invest in Britain's future by making high-quality public services a priority.

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[110] £4bn alone coming from the summer 2015 Budget and the March 2016 Budget announcements. See OBR Policy measures database, updated 16 March 2016 (http://budgetresponsibility.org.uk/data/)

[111] See De Henau, J., Himmelweit, S. Łapniewska, Z. and Perrons, D. (2016). *Investing in the Care Economy: A gender analysis of employment stimulus in seven OECD countries.* Report by the UK Women's Budget Group for the International Trade Union Confederation, Brussels. Available at: http://www.ituc-csi.org/IMG/pdf/care_economy_en.pdf

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