

WOMEN'S BUDGET GROUP

Response to the 2002 Pre Budget Report

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The Women's Budget Group (WBG) is an independent organisation bringing together academics and people from non-governmental organisations and trades unions to promote gender equality through appropriate economic policy.

If you would like more information about the work of the WBG, or to join the group and contribute to our work, please contact the Project Officer, Kate Bellamy, or look on our website: -

Kate Bellamy
WBG
c/o The Fawcett Society
Fifth Floor
45 Beech Street
London, EC2Y 8AD

Tel: 020 7628 441
Email: wbg@fawcettsociety.org.uk

www.wbg.org.uk

1. Overview

- The WBG commends the Chancellor's commitment to public spending. Long term forecasts should allow for an increasing proportion of GDP to be devoted to spending on caring and other face-to-face services to provide quality services and decent wages for the women users and employees of the public services.
- The WBG recommends that the Government addresses the problem of the gender productivity gap in order to increase the rate of productivity growth and to close the productivity gap.
- The development of public sector procurement policies should include the duty to promote gender equality and make procurement conditional on the use of transparent and fair pay system.
- The WBG welcomes the initiative announced in the PBR to improve training opportunities but is concerned that such initiatives (including Enterprise Areas and Modern Apprenticeships) are available to and meet the needs of women.
- The WBG welcomes the concern for increasing employment opportunities but cautions that barriers to women's employment need to be lowered if more women are to enter the labour market.
- The WBG believes that the National Minimum Wage is a more effective and less complex means of 'making work pay' than the working tax credit. The Low Pay Commission must raise the rate of the National Minimum Wage to ensure that it provides a living wage.
- The Government must address the problem of women's poverty in later life by linking the basic state pension to earnings growth and consider age related additions. The Government should also legislate now to equalise annuity rates across the sexes.

2. Macroeconomic Stability

2.1 Commitment to public spending

The WBG commends the Chancellor on his continuing concern with macroeconomic stability by choosing to spend rather than retrench at this stage in the economic cycle. We welcome his commitment to full employment and to the avoidance of a potential deflationary spiral.

However, we note with concern that the longer run plans are very dependent on a revival of growth in the global economy, for which the prospects are uncertain. While short-run productivity increases may be possible in public services, in the longer-run it will be unrealistic to rely on such productivity increases to keep spending on public services at current proportions of GDP. In the long run rising prosperity will mean that if the quality of public services is not to fall, the proportion of GDP spent on them will have to rise. This is because although there may be scope for quality improvements, productivity increases that can be brought without compromising quality are inherently limited in face-to-face services, including most forms of care and many forms of education. If the predominantly female workforce that provides these services is to share in the rising prosperity of the economy, then a civilised society needs to make the choice to devote an increasing proportion of its growing wealth to providing for caring and other services when productivity growth is inherently limited. This can still be done while leaving a growing absolute amount of resources to be spent elsewhere.

Recommendation: Long-term forecasts should allow for an increasing proportion of GDP to be devoted to spending on caring and other face-to-face services so as to provide quality services and decent wages for the many women who are both users and employers of the public services. Targets that restrict such spending on public services to a certain proportion of GDP should be modified to allow for this.

3. Meeting the Productivity Challenge

3.1 The Gender Productivity Gap

The WBG notes the importance of increasing the rate of productivity growth and of closing the productivity gap. However, this challenge would be met with greater success if the effects of gender were more overtly acknowledged. There is a gender productivity gap, as noted in the Report for the Department of Trade and Industry by Walby and Olsen (2002) *The Impact of Women's Position in the Labour Market on Pay and Implications for UK Productivity*. The gendering of the barriers that prevent markets for labour from functioning effectively, allowing workers to maximise their productive potential, and the gendering of the skills deficits especially among older workers and those returning to the labour market after a period of intensive childcare, constitute major challenges.

Recommendation: *We recommend that the preferred measure for productivity be that of output 'per hour worked' rather than 'per worker' in order adequately to take into account actual working rather than to presume a norm of full-time working for all. Collecting and presenting statistics on this basis would allow the gender productivity gap to be more accurately measured and addressed.*

3.2 Regional Development Agencies (RDAs)

The WBG welcomes the Government's plans to ensure that all regions benefit from a rise in productivity – but is concerned that by devolving responsibility and power to RDAs that gender inequalities do not grow between these regions.

Recommendation: *That the planned pilot schemes, which give RDAs in selected regions a wider role, be monitored for their effects on gendered opportunities.*

3.3 Competition

The WBG is concerned that a consideration on competition should incorporate and address the gender perspective.

Recommendation: *The consultation on competition in the professions should include consideration of ensuring that the professions are not inappropriately closed to women returning to employment after childcare by outmoded regulations.*

3.4 Public Sector Procurement

The WBG would like to see policies in this area mainstreamed by gender.

Recommendation: *The development of public sector procurement policies being undertaken by the office of Government Commerce should include the duty to promote gender equality and make procurement conditional on the use of transparent and fair pay systems.*

3.5 Skills and training

The WBG welcomes the initiative announced in the PBR to improve training opportunities, especially in the most deprived parts of the UK, through the **Enterprise Areas**. We are concerned however that the initiatives meet the needs of women – and that women are not excluded from the initiative when they are out of the labour market doing care work or because they work part time. The Walby and Olsen report noted above found that funding training was a major obstacle facing women who were considering returning to employment or increasing their number of hours. We are concerned that area based initiatives exclude groups of workers who miss out on training but are relatively evenly spread geographically. An initiative aimed at part time workers is sorely overdue.

The commitment to improving the **Modern Apprenticeship** scheme is to be applauded – but it is vital that young women and young men have the same access to schemes and that the pay offered by these schemes does not reinforce the gender stereotypes or the gender pay gap. For example, higher wages should not be paid in schemes traditionally undertaken by men, such as car maintenance, than in schemes within traditionally female occupations, such as childcare. This problem needs to be addressed if we are to see higher recruitment levels in sectors such as childcare, improved completion rates within the social care schemes (which average 20%) and also a greater gender balance across all sectors. It is also important that employers provide apprentices with adequate supervision and paid time off to study.

We stress that the schemes to promote training described in the PBR are welcome but that they may not be sufficient to achieve the level of training and skills provision that the economy now needs. We support an obligation on companies to train, backed up by incentives. Such a system should have safeguards to ensure that all workers, including part time and atypical workers, have access to training.

Recommendations:

- *The new **Enterprise Areas** include equal opportunities goals as part of their core aims.*
- *Access to skills training and to education be provided for parents considering returning to the labour market after a period of childcare, not only for those who are already in the labour market.*
- *Development of a set of initiatives aimed at improving the access of part timers to training.*
- *The **Employer Training Pilots** now extended for a second year should be monitored to ensure the inclusion of women and those working part-time.*
- *The development of the **Modern Apprenticeship** scheme should include equal opportunities goals and offer equal pay, since this has the potential to break down outmoded stereotypes of suitable occupations for men and women. The take up and outcomes of the scheme should be monitored by gender.*

3.6 Corporate Social Responsibility (CSR)

The Government states that its main objective is to build a stronger, more enterprising economy and at the same time a fairer society. Good

corporate governance and corporate social responsibility practices in relation to all stakeholders are an essential part of realizing this vision. We call on the Government to ensure that fair treatment of women in the workforce is central to the corporate social responsibility agenda. A gender sensitive implementation of CSR is important for reasons of efficiency and competitiveness as well as equality.

Recommendations:

- *The Government needs to build on the work of the EOC by making equal pay reviews compulsory in the private as well as the public sector and to ensure that all public procurement contracts are given on condition of such reviews being carried out and acted upon.*
- *Reporting guidelines on human capital management should clearly highlight gender breakdowns as recommended by Kingsmill*
- *CSR social performance indicators should have clear gender breakdowns*
- *Pension fund trustees and managers should have adequate training on CSR issues, including the gender and diversity issues.*

4. Increasing Employment Opportunity for all

The WBG welcomes the concern for increasing employment opportunities but cautions that barriers to women's employment, such as access to flexible and affordable childcare, need to be lowered if more women are to enter the labour market. We also stress that employment opportunities for all should be fair opportunities for all, and so we continue to urge the Government to make greater efforts to redress gender inequalities such as the gender pay gap, age discrimination and the differential progression of men and women within the labour market.

4.1 'Workless Households'

The Government says that it is 'assessing whether other measures might be introduced to reduce the number of households in which both partners are out of work'. One issue which remains to be firmly tackled is gendered attitudes towards paid employment. There is evidence that both men and women may in practice place restrictions on their jobseeking because of their views about appropriate gender roles.

The Government also says that it is 'considering whether the benefit system can be further modernised to provide additional support to workless households'. We would be grateful if the meaning of this sentence could be clarified. At the start of the welfare reform process, the Labour government suggested that increasing access to an independent income for women could be seen as part of the modernisation process; but more recently this theme has not featured prominently. We hope that the Government will clarify that increasing independent income has moved back onto its agenda.

Recommendation: *The Government needs to give a strong lead in this area to 'gender sensitise' the employment services. This would also decrease the disincentives for women with partners to enter employment.*

4.2 Lone Parents

The WBG recognises the importance of personalised and tailored support for those seeking employment and so backs the extension of Employment Zones to lone parents to aid them in overcoming their individual barriers to work. However, we are concerned by the use of compulsion in the personal advisor scheme and are particularly worried by any penalties that might be attached to non-attendance at a personal adviser meeting. Additionally, we feel that the strong emphasis on getting lone parents into paid employment may be premature when there remains a considerable shortfall of affordable childcare places.

We would also argue that the Government needs to consider the possible tension between its desire to see lone parents take up paid work and its emphasis on the need for parental responsibility with regard to the prevention of truancy. In this context we hope that plans to dock child benefit in cases of persistent truancy have been abandoned.

4.3 Childcare

We welcome efforts to make childcare more affordable, for example by offering **childcare tax credits** to those who employ registered child carers in the child's own home if the child has a disability or the parents work un-social hours. The WBG looks forward to learning of the details of the scheme. However, it should also be recognised that many children who would benefit from childcare, and many mothers who want to take employment, are not being helped by the childcare tax credit. The children not helped by tax credits are those whose parents either cannot find employment, cannot find employment compatible with available childcare or who lose their jobs. The mothers not helped by tax credits are those whose own earning power is too low to make childcare affordable but whose household income puts them above the limits for working tax credit. Currently nothing is being done to help these women with the costs of childcare or with finding employment.

Further, the **scarcity** of childcare places has pushed up prices so that many mothers are unable to access affordable childcare, restricting their employment, especially full time. Therefore the Government must address the problems in the supply of childcare to meet the demand in all areas of the country. This is also important in achieving the desired reduction in child poverty because the majority of poor children do not live in the most deprived wards.

The undersupply of places will continue unless the **childcare workforce** grows more rapidly than in the recent past. Childcare is competing and losing out to other shortage occupations, in particular nursing, teaching and social work, all of which have a clear career path and are far better paid. These trends will continue until the issues of pay and career development of childcare workers, particularly in relation to teaching, are addressed. We are not confident that the private sector alone will do this.

We welcome the expansion of **Children's Centres**, but these will work best if the training and employment of education and care staff are at least co-ordinated or better still, integrated. We look forward to the day when every area has a Children's Centre.

The commitment to review the **tax incentives for employers' support of childcare** is welcome. The WBG would support such a system if it met the provisos set out in our recommendations.

Recommendations:

- *For recipients of the childcare tax credits for care in the child's own home, it will be important to define disability/ill health broadly for even minor health problems can result in children being excluded from formal childcare (especially in the case of out-of-school care).*
- *Along with increasing the supply of childcare places, the Government should also consider ways of extending childcare subsidies to all who are prevented by cost from accessing the childcare they consider best for their children.*

- *A system of tax incentives which gave tax relief to workers receiving employer support with childcare should have the following features:*
 - *Tax relief at the basic rate*
 - *Employers support covering the majority of their workforce (subject of course to them using qualifying childcare) to prevent them giving support only to relatively well paid 'key' workers. Exclusions should not be based on hours or length of service*
 - *Tax relief for financial or direct support for any kind of registered childcare (as for the childcare element of Working Tax Credit), and not just to workplace care as at present*
 - *Employer support not counted as income for the purposes of calculating tax credits except where its value plus WTC childcare element exceeds 100 percent of the costs – in which case the WTC may be adjusted)*
- *The Government needs to concentrate on and prioritise improving the supply of affordable and flexible childcare. It must invest in recruitment, training and retention of childcare workers, for example through the Modern Apprenticeship scheme and look at the availability of childcare outside of standard working hours.*
- *We suggest the Government look to other EU countries for examples and lessons in establishing a unified Early Years profession.*
- *It is important that the childcare only part of the working tax credit (WTC) be publicised separately so that parents are made aware that they may be entitled to this element alone even if they are not eligible for the full WTC.*

4.4 New Deal for Partners & joint claims for jobseekers allowance

The increasing voluntary access to employment services for partners of claimants of various benefits via the New Deal for Partners is welcome. However, joint claims for (income-based) jobseekers allowance raise more complex issues. Whilst these also give rights to employment services for formerly dependent partners, they are tied to additional responsibilities – for both partners to sign on; be available for, and actively seeking, work; and to sign a jobseeker's agreement. However, one partner nonetheless claims benefit on behalf of themselves and the other partner; and evaluation shows that this is usually still the man.

Recommendation: *The Government should concentrate on simplifying employment opportunities within couples and ensure that the women in couples have equal access to the jobseekers allowance.*

4.5 National Minimum Wage

The National Minimum Wage has had a significant impact on the lives of those on low incomes, the vast majority of whom are women. Indeed the

WBG believes that the National Minimum Wage is a more effective and less complex means of 'making work pay' than the working tax credit.

The National Minimum Wage also plays an important role in reducing the gender pay gap by increasing the wages of underpaid 'women's' work such as domestic cleaning.

Recommendation: *Whilst considering the appropriate future rates of the National Minimum Wage, the Low Pay Commission should consider abolishing the lower entitlements of those aged under 21. All workers should be paid at the full rate. The Commission must also raise the rate of the National Minimum Wage so that it provides a living wage, for example for women raising children alone.*

4.6 Language of 'Work'

Whenever the PBR refers to 'work' and 'worklessness' it means paid work. This overlooks the vast amounts of unpaid caring and domestic work that is performed (predominantly by women). Similarly the term 'economic inactivity' is misconceived. Being out of the labour market should not be construed as implying idleness. These terms are being widely replaced or used in more gender sensitive ways in current academic and policy discourse.

Recommendation: *It would be more accurate and gender-sensitive if the government used the term 'employment' when it means 'paid work' and keep the term work to refer to both paid and unpaid contributions to society, and distinguished between being in or out of the labour market rather than being economically active or inactive.*

5. Building a Fairer Society

The PBR describes how the government is working to create a fairer and more inclusive society in which everyone has the chance to fulfil their potential and share in rising national prosperity. But the WBG is concerned to find no mention of either reducing gender inequality in income or tackling the problem of women's poverty within this chapter – two measures essential to building a fairer society.

5.1 Pensions

5.1.1 The level of the British state pension

Pensioners in the UK are at a higher risk of poverty than many of their EU counterparts, and the majority of poor pensioners are women. Indeed the Department of Work and Pensions reported that in the year 2000, 31% of single old women risk falling into poverty compared to 25% of the male counterparts.¹ The indignity and health-damaging effects of poverty are of particular concern in later life when poverty is most likely to be persistent.

The commitment to raise the basic pension in future years by whichever is higher, 2.5% or in line with the September Retail Prices Index leaves pensioners to fall ever-further behind average wage levels and living standards. The risk of poverty is particularly acute for those without private pension income, which is the case for two thirds of women pensioners. The Chancellor announced that certain benefits (e.g. Child Tax Credit) would be linked to earnings for the remainder of this parliament.

Recommendation: *We now urge the Government to link the basic state pension to earnings growth and consider raising age-related additions.*

5.1.3 Minimum Income Guarantee (MIG)

The current 20 per cent gap between the basic pension and the MIG is set to widen and as such, more and more pensioners will be brought into means-testing. At present means-tested benefits help some of those with low incomes but low take-up means that many fall through the net. In 1999/2000 between 22% and 36% of pensioners entitled to the Minimum Income Guarantee were not making a claim, with non-married female pensioners making up the majority of eligible non-claimants.

Recommendation: *The take-up of MIG and the Pension Credit should be monitored by gender and measures to encourage take-up be introduced.*

¹ Households Below Average Income, DSS, 2000

5.1.4 Income-related benefits

The planned rise in the personal allowance for pensioners aged up to 75 by more than inflation in 2003 (to £6,610pa) is welcome, although many women pensioners will gain nothing, since their income is below the current tax threshold.

5.1.5 Pension Credit

The Pension Credit, to be introduced in 2003, modifies the structure of means-testing by tapering the withdrawal of benefits as pension income rises. Although this will increase incomes for some pensioners, we believe that a number of issues remain unresolved.

The Pension Credit has particular disadvantages for women. By setting the Pension Credit threshold at the rate of the full basic pension, the Credit will not enhance the incomes of those with only a partial basic pension and a modest amount of additional savings or pension. Currently, 51% of women do not receive a Basic State Pension in their own right, and recent research suggests that as many as 22% of women aged 55-59 and 12% of those aged 50-54 will not reach full pension entitlement even though these cohorts of women will benefit from full Home Responsibilities Protection.

The government should be aware that the Pension Credit will operate on a family means-test so there will be no individual reward to savings and occupational pensions. Many married or cohabiting women will either be rendered ineligible for Pension Credit because of their partner's incomes or will not receive the credit directly. Hence, the Pension Credit will do little to increase women's independent incomes in later life.

5.1.6 Private pensions

The Budget does not address the issues arising from the crisis in private pensions. As final salary schemes close to new members, as investment returns in money purchase schemes remain stagnant, as providers renege on pension promises due to fraud or mismanagement and as annuity rates fall, confidence in private pensions is very low and the need for adequate state pensions is greater than ever.

Women face particular risks in relying on private pensions. Living longer and having a lower annuity to start with, they may see their annuity income decline substantially relative to prices. Those who rely on a husband's private pension may find when widowed that he has paid in too little to provide an adequate annuity for them.

In addition, many individuals are put off by the complexity of pension provision, so that they save too little for retirement. This affects women in particular, who are less likely to be covered by occupational pension schemes.

Recommendation: *The Government should legislate now to equalise annuity rates across the sexes. It should be noted that many factors that affect life expectancy – such as class or ethnicity – cannot be taken into account when calculating annuity rates. Sex should be treated similarly.*

5.1.7 An alternative pensions policy

Radical steps are needed to simplify the British pension system and to increase the level of state pensions. In particular, a basic pension set at a level that lifts most pensioners off means-tested benefits would make it much easier for working age individuals to appreciate the value of additional pension-building and saving. The growing gap between the MIG and the basic pension means it is difficult, especially for the low paid and those with interrupted employment, to be sure that saving and investing will make them better off in retirement. The Pension Credit, in substituting 40% effective taxation of a band of income for the present 100% rate, does not address this issue fully.

Recommendation: *A better basic pension, raised to the level of the MIG and indexed to wages is the best way to tackle poverty among older women and ensure that all pensioners share in the general rise in economic prosperity.*

5.2 Tax Credits

As we have stated in previous responses, the WBG welcomes the extended eligibility to and increased generosity of payment to the main carer of the Child Tax Credit and the decreased employment disincentive for second earners introduced in the Working Tax Credit.

However we would like to see a commitment to raising all thresholds and levels of child related payments (such as Child Benefit or the element within income support) in line with earnings, not just the level of the child element of the Child Tax Credit. Although we welcome payment of Child Tax Credit to the main carer, this is not technically 'in line with child benefit', in part because there is no default in practice to the woman in Child Tax Credit, as there is with child benefit in most cases, and in part because Child Tax Credit will, unlike child benefit, be jointly owned.

Recommendation: *For this reason and others, we would urge the government to continue to increase Child Benefit. In particular, in line with the proposal to increase the child related element of Child Tax Credit in line with average earnings, the same could be done for the lower rate of Child Benefit (for second and subsequent children), as virtually all the real increase in Child Benefit since 1997 has been for the first/eldest child. Such increases would help large families in which women and children often live in poverty.*

We remain concerned about the expansion of joint income testing assessment which is taking place with the introduction of the new Tax Credits in April 2003. It can be argued that this is incompatible with the principle of independent taxation. In any case, joint assessment is difficult to reconcile with women's aspirations for autonomy.

Recommendation: *We hope that the Government will in future put more policy emphasis on non-means-tested benefits such as child benefit, and on benefits which are essentially individually based such as statutory maternity pay and maternity allowance, rather than placing too much*

reliance on income tested Tax Credits to provide a secure income to women.

5.3 Social Fund

The WBG is delighted with the further investment in the Social Fund over the next three years. We hope these funds benefit those people most in need, for example women (especially retired women or lone parents) who are most likely to be living in poverty.

Recommendation: *The Government must consider the issue of debt which is likely to already be a burden to those people applying for the social fund and provide for that – at least by offering debt counselling alongside social fund grants. The Government should also ensure that the Social Fund does not discriminate by age –many retired women live in poverty and need to benefit from the Fund.*

5.4 Child Trust Fund

The WBG questions whether the child trust fund should be a funding priority. After all the annual budget for social fund community care grants is just over £100 million for the UK, whereas the estimated costs of the Child Trust Fund vary from £300 million upwards.

The Government should recognise that however well designed, any scheme that provides savings incentives will benefit the children of better off parents rather than the children of the poorest.

Further, parents who are more financially secure may be able to take greater risks investing the money and so are likely to make greater returns upon it. The Child Trust Fund will also benefit those whose parents are in a position to provide more for their children than those children who may need more help because their parents provide less well. Therefore inequalities may be exacerbated rather than reduced between the children in different socio-economic groups.

Recommendation: *We urge the government to redirect the money it is considering putting into the Child Trust Fund and investing it in ways that can directly support the futures of the children who need it most.*

6. Delivering High Quality Public Services

The Women's Budget Group welcomes the commitment to deliver world class public services but stresses the importance of closing the gender pay gap in fulfilling that commitment.

Recommendation: *Public sector pay systems must be modernised to ensure that the principle of equal pay is embedded throughout. In most cases this means implementing pay and grading schemes which have already been developed. The main barrier to implementation is the lack of funds to pay for associated one-off costs. These sums should be made available.*

6.1 Gender Public Service Agreement (PSA)

The Women's Budget Group welcomes the increased transparency of government through the use of the PSA targets. In particular we welcome the introduction of a gender based target from the Department of Trade and Industry. However we still await the further details of this target to be set out in the Service Delivery Agreement.

Recommendation: *The gender budgeting pilot to which HM Treasury are committed and will be rolled out in the New Year, should form one part of the Service Delivery Agreement for this PSA.*