

**Women's Budget Group Response to
HM Treasury's *Budget 2006***

May 2006

About The Women's Budget Group

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. In all of our work we ask the question 'Where are resources going and what is their impact on gender equality?'

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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, Erin Leigh, or visit our website.

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Key recommendations:

- The WBG recommends that the Government promotes the use of gender budgeting in developing tools to plan and monitor spending and performance as part of its obligations under the public sector duty to promote gender equality. In particular, we urge HMT to incorporate a gender perspective into the Comprehensive Spending Review's (CSR) zero-base reviews, long-term planning, and proposed public debates on the CSR priorities.
- The WBG urges Government to take action and contribute resources to ensure that the gender pay gap in both the public and private sectors is closed.
- The WBG recommends that human and physical capital investment be considered together, and that both should count for the Golden Rule.
- The WBG urges the Government to develop and implement strategies to ensure that encouragement of young people into enterprise, and into careers in science, include measures to combat gender segregation.
- The WBG recommends that initiatives to increase access to skills training, further education and the labour market include a gender impact assessment where appropriate, and take account of women's different education and training needs.
- We urge the Government to conduct a gender impact assessment of Incapacity Benefit reforms.
- We recommend the introduction of mandatory pay audits for private sector businesses.
- The WBG recommends that anti-poverty strategies incorporate a gender-sensitive approach.
- The WBG recommends the take-up of the Pensions Commission's proposals to account for women's unpaid care through a universal pension, and improved caring credits in the state second pension.
- The WBG recommends that all changes to public service provision be assessed in terms of their effect on women employees and women users using gender impact assessment techniques.

1. Introduction

1.1 The Women's Budget Group (WBG) welcomes the opportunity to respond to the *Budget 2006*. We commend the Chancellor on his continued success in meeting his fiscal rules, and securing the UK's economic stability, despite increasing challenges from globalisation. We believe that the economy and the well-being of women and men would flourish more fully if the understanding of investment in implementing the Government's 'Golden Rule' (e.g. in defining the spending to which the rule applies) included *both* physical and human capital.

1.2 However, we have concerns about the Chancellor's speech, in which he continues to refer to Britain's 'hard-working families'. As we stated in our response to Budget 2005, the WBG would urge Government and its spokespeople not to use this term, as it implies the following:

- that women and men without dependent children are not valuable contributors to society;
- that families are only hard-working if they have someone in employment, excluding those outside employment doing valuable work raising a family and/or caring for other dependants;
- that hard work is paid work, perpetuating and reinforcing the undervaluation of unpaid caring work, performed predominantly by women;
- that the welfare of people not in paid employment (for example pensioners) is of less concern to the Government.

1.3 While the Government is making progress in meeting some of women's needs, as can be seen by the Government's commitment to challenging the gender pay gap in response to the Women and Work Commission, more must be done. The language of this Budget reflects a continuing absence of gender analysis in the Budgets and Pre-Budget Reports. Gender analysis of expenditure is essential for achieving gender equality and can be used to deliver more efficient public services.

Gender analysis

Gender analysis of expenditure project

1.4 The WBG is delighted that HM Treasury has been using the lessons learned from the pilot *Gender Analysis of Expenditure Project: Final Report*¹ in its policy making. We note, in particular, that the project helped to inform the development of gender-sensitive policy in the last Spending Review (2004), and 'will be used in future expenditure and delivery processes'². We look forward to this tool, known as gender budgeting³, being extended within Government for the dual gains of improved gender equality and overall efficiency. We look forward to this approach being incorporated in the Comprehensive Spending Review (2007), in conjunction with the forthcoming public sector duty to promote gender equality.

Public sector duty to promote gender equality

1.5 The Government should incorporate a gender perspective within all policy-making, including the Budget, to ensure that policy is gender aware, furthers equality of opportunity and recognises equally the needs of both women and men. The impact on different groups of women and men should be considered in the formation, delivery and assessment of policies and programmes. We look forward to the introduction of the public sector duty to promote gender equality to support this process. The WBG's response to the Budget provides a gender perspective on government policies, and can help inform public bodies' thinking on how to take action in order to successfully implement the duty.

The public sector duty and HM Treasury

1.6 The WBG supports the Government's proactive approach to advancing gender equality by introducing this public sector duty. Achieving gender equality will rely on an approach that incorporates gender analysis from the policy design stage, through to its implementation, as well as evaluating and monitoring this process against its aims. The WBG believes that in order to achieve this gender analysis, should be incorporated into tracking public revenue and spending, otherwise known as gender budgeting .

1.7 The duty will apply to central government, including HM Treasury (HMT). We believe that the forthcoming Comprehensive Spending Review (2007) is an ideal opportunity for the Government to rationalise its goals and programmes by integrating strategies to implement the CSR and the gender duty together. This is especially necessary, given the CSR's importance in setting the outcome-focused agenda for public spending. We urge HMT to incorporate a gender perspective in its development, both in terms of a strategic Public Service Agreement to promote gender equality, and as part of the overall CSR process. We hope to have more opportunities to promote gender equality as a priority for the CSR process, especially through the welcome announcement of a public debate on 'the future priorities of public spending and public services, to inform the CSR'.

1.8 Moreover, we believe that a gender analysis of expenditure could be incorporated into both the CSR's zero-base reviews, and long-term challenges analysis. With respect to the CSR's '**zero-base reviews**' (which are meant to establish the 'efficiency' of previous spending, to help determine what is required in the next spending round), a gender analysis would necessarily include a reflection on what 'efficiency' means, taking into account the relationship between the paid and unpaid economies – where paid care is often transferred to unpaid carers, predominantly women, creating both short and long-term negative impacts on gender equality and overall economic productivity. If a gender analysis were applied to the CSR analysis of the **long term challenges for government** it might include an investigation into how promoting gender equality and the increase in women's skills sets can contribute to the economy's increasing competitiveness in a globalising world.

- ***The WBG recommends that the Government promotes the use of gender budgeting in developing tools to plan and monitor spending and performance as part of its obligations under the public sector duty to promote gender equality. In particular, we urge HMT to incorporate a gender perspective into the Comprehensive Spending Review's zero-base reviews, long-term planning of exogenous challenges facing government, and proposed CSR public debates.***

2. Macroeconomic stability

Public sector pay

2.1 We note the intention, as stated by the Chancellor in the PBR speech, that public sector pay should rise only with inflation. However, measures to restrict public sector pay will fall particularly heavily on women who constitute the majority of low-paid public sector workers. More women work in the public sector than in the private sector. We welcome the intention to bring in a new legal obligation in 2007 on public sector employers to eliminate discrimination between men and women in their workforce. Moreover, we appreciate the Government's intention to close the public sector pay gap, as demonstrated by its commitment to working with the Women and Work Commission, and other stakeholders. However, for this to be effective, further funds will be needed to rectify the public sector gender pay gap.

2.2. This means that imposing limits on public sector pay may well worsen the gender pay gap for the economy as a whole. Measures should also be taken to tackle the even greater pay gap overall in the UK. These include extending current anti-discrimination legislation, in particular to include forms of discrimination against employees taking maternity, paternity or parental leave or working flexibly, and ensuring that flexible working is available at senior levels. It would also mean tackling the segregation of women into low-paid areas of work and raising the minimum wage, the most effective way of reducing the gender pay gap.

- ***The WBG urges Government to take legislative action and contribute resources to ensure that the gender pay gap in both the public and private sectors is closed.***

Public spending levels

2.3 We are concerned about the gender impact of any deceleration in public spending. Women and children benefit more than men from public sector spending. The WBG therefore rejects the assumption that, in order to keep within the Golden Rule, spending should be cut rather than revenue increased. We also believe that a more accurate distinction between current and capital accounts be drawn (see below under 'The Golden Rule'). Investment can be funded by borrowing, thereby not crowding out genuine current account spending. We urge the government to adopt progressive measures that would allow spending to continue to grow whilst reducing gender inequalities in net income. For example raising the upper limit for national insurance contributions, or creating a higher band of income tax.

Public revenue sources

2.4 We are concerned by the fact that the national insurance contributions pot is portrayed as a limited source of funding for benefits, including pensions. In

reality, these are not such fixed pots in government accounts. Research by Tony Lynes has found that there are adequate resources to pay, for example, for a weekly pensions rate of £109/week⁴. Despite there being adequate resources for supporting vulnerable citizens reliant on state income, HMT caps this support, and channels it towards employers instead:

The policy of compensating employers for a series of “green” taxes [e.g. climate change levy, landfill tax, aggregates levy] by reducing their NI contributions is costing the Fund about £2.4 billion a year, while the proceeds of the taxes, amounting to about £1.8 billion, are purloined by the Treasury⁵.

2.5 While we welcome moves to promote more environmentally-friendly business practices, we believe that the resources to support these levies should be drawn from elsewhere, in order that future NI benefits, upon which women depend, are not jeopardised.

The golden rule

2.6 The Chancellor’s ‘golden rule’ is that over the economic cycle the Government will borrow only to invest and not to fund current spending. We are concerned that there is an out-of-date equation of ‘investment’ with only those expenditure items that by convention form part of the ‘capital account’. As was noted by the Institute for Fiscal Studies in their 2005 Green Book⁶

The distinction between capital and current spending in the national accounts does not necessarily coincide with spending that does and does not benefit future taxpayers. For example, £1 of ‘current’ spending on teacher training might be of greater benefit to future taxpayers than £1 of ‘capital’ spending on the Millennium Dome⁷.

2.7 In particular, expenditure on the services that are critical for the creation and maintenance of ‘human capital’ (such as caring, nursing and teaching) also create long-term benefits, but such human capital-building investment is not included in the capital account. While we welcome the injection of funding into education, the fact that so much of it is in the form of infrastructural improvements is disconcerting.

- ***The WBG recommends that both human and physical capital investment should count for the golden rule, and they need to be considered together.***

3: Meeting the Productivity Challenge

Creating an enterprise culture

3.1 The WBG urges the Government to ensure that girls and young women are specifically encouraged to participate in the new School Enterprise Network, Enterprise Summer Schools and Enterprise Scholarship Scheme. We also urge the Government to ensure that these initiatives are monitored to capture the numbers of girls/young women and boys/young men participating and action is taken to address any gender difference in levels of participation.

3.2 The WBG welcomes the Government's recognition of the high potential of women's enterprise to contribute to economic growth in the UK. In particular, we welcome the forthcoming Women's Enterprise Units in five Regional Development Agencies to increase the proportion of businesses owned and run by women. Moreover, the WBG urges the Government to ensure that gender-sensitive funding streams be made available for businesses, including resources that are directly targeted at women-owned business, such as the Phoenix Development, which is now being phased out.

- **The WBG urges the Government to ensure that any new steps to encourage enterprise among young people include measures to combat gender segregation.**

Improving the supply of scientists

3.3 The Government has highlighted the importance of investment in science and innovation as key to productivity growth for the UK. It has also identified a strong supply of STEM (science, technology, engineering and mathematics) graduates as an essential part of this investment. Research has demonstrated that if occupational segregation were challenged skills shortages in sectors where men predominate could be met⁸, for example in construction, plumbing and ICT (Information and Communications Technology). As a report published by the Department of Trade and Industry in October 2004 indicated, occupational segregation is a key area to address if the Government's long-term objectives for science and innovation are to be realised: *'Occupational segregation is rooted in the bigger picture of maximising potential in the workplace and in the economy. At a time when globalisation and new technology are sharpening competition, we need to find new ways to raise productivity.'*⁹

3.4 A number of initiatives have been introduced to tackle this. For example, we welcome the DTI funded (2004-07) UK Resource Centre for Women in Science Engineering Technology (UKRC)¹⁰. However, a much more thorough and systematic approach is needed to make sure that girls and women (and indeed boys and men) are steered towards subjects and jobs that make the most of their skills and talents rather than simply continue to conform to traditional gender stereotypes¹¹. This is important in terms of gender equality, for the economy, and for the Government to reach its objectives of increasing the number of young

people taking A levels in physics, chemistry and mathematics, and to improve the number of pupils achieving A, B and C grades in two science GCSEs. One way of doing this is to ensure that girls are encouraged and enabled to study science subjects and to enjoy learning. For example, through, single-sex after school clubs - a strategy that has been successful in supporting girls studying IT through after-school computer clubs for girls.

3.5 Moreover, the WBG notes that three-quarters of the 290,000 UK women of working age with degrees in Science, Engineering or Technology fail to take up careers in those fields despite having had related work experience.¹² We urge the Government to encourage employers to challenge assumptions about job content and employment patterns that put barriers in the way of women wishing to pursue careers in science and technology.

- ***The WBG recommends that Government have at the heart of its scheme to make science a priority in schools, a strategy to encourage more girls and young women to take up science subjects.***
- ***The WBG urges Government to develop and implement an action plan to increase the numbers of women in science and innovation to contribute to its agenda of competing in a globalised economy.***

Further education

3.6 Further education (FE) provides vital opportunities to women to return to education, improve their skills and combine work with study. Sixty per cent of FE college students are women, more than three quarters study part-time and nearly three quarters are of working age (between 19 and 59 years). FE colleges also have more black and minority ethnic students and more students from disadvantaged backgrounds than in the population as a whole¹³. We particularly support the recommendation in Andrew Foster's report that the DfES work with the AoC and FE colleges on a Workforce Development Strategy recording key workforce data and setting out an approach to key areas, including skills shortages, the ageing workforce and low pay. Any strategy must include a gender perspective to ensure that women, especially from BME communities, are not disadvantaged in their access and opportunities.

3.7 We are also concerned about the reduction in funding for adult education in Local Authorities, as it means that many colleges have reduced their learner support funds, and with them the possibility of paying for childcare for students. Moreover, the current concentration on basic skills (e.g. numeracy and literacy), and employment related learning, limited to level NVQ2, hampers women's potential. In order to unleash women's learning and earning potential, greater skills development, including training to level NVQ3, is necessary.

3.8 We welcome the commitment for free education for 19-25 year-olds studying for their first level 3 qualification, as detailed in the Further Education White Paper. However, for this to be meaningful, additional support with the cost of

living and childcare must be provided for FE students. This means extending the care to learn scheme to students over 19 years, and providing Adult Learning Grants to part-time study, in addition to full-time study, whilst ensuring they do not negatively effect other benefits.

3.9 Moreover, we believe free further education should be available to women of all ages. The current age restriction (a form of age discrimination), is also gender discrimination, as it indirectly discriminates against women who may, because of early child-bearing, have delayed their studies.

- ***The WBG recommends that the Government take up the Foster report's recommendation for a Workforce Development Strategy, and include a gender impact assessment within it.***
- ***We urge the Government to offer free further education for all ages.***
- ***Support should be provided to help with costs of living and childcare costs in all forms of education.***

Higher education

3.10 There needs to be higher education undergraduate maintenance and tuition fee support available for part-time students and for a second attempt at training, irrespective of previous study. The 54 years upper age limit restriction on student loans should also be lifted. These current restrictions discriminate against women who are more likely to have reasons preventing them entering and completing full time education when younger. Moreover, women can face insurmountable fees for unregulated part-time costs and no support for childcare if they study part-time. Similarly, financial support is required for students who need to intercalate (suspend from their studies), particularly for pregnancy and caring duties.

3.11 The burden of student debt is harder on women as they earn less than men¹⁴are more likely to take career breaks and enter a labour market marked by a gender pay gap. They may also be less willing to take on debt, given the unpredictability of women's working lives compared with men's. If the cap on top-up fees is lifted more women may be deterred from entering or returning to higher education, or will be more likely to choose cheaper courses. This could only be mitigated by grants to students that ensure women's participation continues rising.

- ***The WBG urges the Government to provide more financial support to students studying part-time, and those that may have suspended their studies for a period of time.***
- ***We urge the Government not to lift the cap on top-up fees, as an increase in fees would result in women curbing their educational aspirations.***

4: Increasing employment opportunity for all

Part-time employment

4.1 The Government needs to tackle the poor quality of much part-time employment in the UK, where women comprise 78% of the workforce¹⁵. Initiatives to tackle women's low pay and skills in part-time work is critical, as evidence shows that the longer women are in part-time employment, the less skills they accrue and the lower their (relative) future wages become¹⁶.

- ***The WBG recommends that government tackle the low-paid and poor quality of part-time employment.***

New Deal Employment Programmes

4.2 The WBG would like Government to act on various gender budget analyses and gender impact assessments of the outcomes of the New Deal employment scheme. Previous research by the WBG in 2001¹⁷ and analysis done by HMT and DWP in 2004¹⁸ found that far fewer resources are channeled towards the New Deal for Lone Parents, than towards other major schemes, and this trend appears to be continuing. For example, the cost per job for the New Deal for Lone Parents is £244 compared to an average cost of £2,047 across New Deal programmes, and a cost of £3,377 for those on the New Deal 25 Plus¹⁹.

4.3 This gender budget analysis, and other analysis of the New Deal for Lone Parents has made clear that more resources are required to this scheme to ensure that women and men participating in the New Deal for Lone Parents are offered real training chances and access to jobs with opportunities for in-work progression²⁰. Research by the DWP has demonstrated that many lone parents are cycling in and out of poor quality jobs, rather than remaining in employment.²¹ It found that lone parents with fewer young children were staying in employment. This points to the need for any employment strategy to consider women's unpaid care work. Similarly, nearly 25% of women and men in their fifties have caring responsibilities for another adult²². If more older workers and their partners are to be attracted back into the labour market this must be recognized.

4.4 We also urge Government to eliminate proposals for compulsory interviews for lone parents at certain points in their children's lives. We are concerned that these will not improve work opportunities for lone parents, but will put them under pressure. It has been noted that JobCentre Plus staff said they are struggling to meet targets now, and it may be all but impossible for them to support additional NDLP claimants²³.

4.5 We also urge the Government to consider the role of self-employment in women's lives, and how this impacts on their access to the New Deal schemes. Many low paid women, needing flexible employment and unable to find it, have sought to become self-employed. For example, evidence shows that the levels of female self-employment has increased between 1979 and '97²⁴. However, since

the time spent in unemployment to qualify for the self-employed option of the New Deal is 18 months, many women seek low-paid work before becoming eligible. In addition, the test trading period of 6 months is insufficient for a woman with caring and financial responsibilities for family members to overcome barriers and find alternatives to providing this care. Qualitative evidence has found that Jobcentres do not provide comprehensive advice on self-employment and how it interacts with benefits, which is a further barrier to women exploring this position²⁵. Policy research on this topic has suggested that the test trading period be extended from six to twelve months, and that the entry eligibility for the self employment option of the New Deal be lowered to 6 months²⁶.

The WBG recommends that New Deal schemes should incorporate:

- ***a gender budget impact analysis;***
- ***access to higher level training, not just basic skills;***
- ***support that builds on the approach taken in the Employer Retention and Advancement Demonstration project;*²⁷**
- ***adequate attention to women's caring responsibilities, and consider the impact this will have on employment options***
- ***shortened eligibility period for the self-employment option of the ND, and extend the test trading period to 12months.***

Pathways to work

4.6 The Budget's update on the Pathways to Work Pilots demonstrates that they have moved towards a more individualised approach to intervention for Incapacity Benefit (IB) claimants. There has been an increase in the number of women claiming IB, and a gender sensitive approach is needed to help these women return to employment. Many require flexible employment options, and the Government should extend its encouragement to employers to offer flexible employment opportunities to cover new employees. This is particularly important for people with chronic health conditions who, for example, may require regular hospital appointments. For the current welfare reforms to meet its objectives, we believe a gender analysis of expenditure should be conducted to assess to what extent the reforms can support women IB claimants.

- ***The WBG urges Government to conduct a gender budget analysis and impact assessment of Incapacity Benefit reforms.***

Women and Work Commission (WWC)

4.7 We look forward to Government's action plan to close the gender pay gap, based on the recommendations of the WWC's report *Shaping a Fairer Future*. We are concerned, however, that mandatory pay audits were not recommended for the private sector by the WWC, where a large and persistent pay gap exists, and urge Government to consider including this in their action plan.

- ***We recommend the introduction of mandatory pay audits for the private sector***

5. Building a fairer society

5.1 The WBG welcomes the Government's commitment to promoting fairness alongside flexibility and enterprise in *Chapter 5 of Budget 2006*. We continue to argue that a sustained strategy to tackle unfairness in terms of gender must be integral to this commitment.

Support for families and children

Child Poverty

5.2 The WBG commends the Government for lifting 700,000 children out of relative poverty since 1998/99. However, we are disappointed that the first target of reducing child poverty by a quarter by 2004/5 has been missed. We believe this may reflect in part the lack of gender analysis in the government's child poverty strategy to date, the importance of which has been stressed in the findings of our report *Women's and children's poverty: making the links*²⁸. Given that the well-being of children cannot be divorced from that of their mothers, tackling women's poverty will be critical to the long-term success of the present Government's child poverty strategy, while also being significant in its own right. For example, supporting the needs of Bangladeshi and for Pakistani mothers, who have larger families on average than White mothers, could contribute to the child poverty target. Their employment rates are very low, not least because the Childcare element of the Working Tax Credit does not meet the needs of families with more than two children. As half of all children in poverty come from families with at least three children, the current bias towards small families in our system of child support needs to be addressed.

- ***The WBG recommends that anti-poverty strategies incorporate a gender-sensitive approach, and consider women's poverty in its own right, and in relation to children, maintaining analysis and sensitivity to the needs of particular minority ethnic groups.***

Tax credits

5.3 The delivered and ongoing increase in the child element of the Child Tax Credit (CTC) at least in line with average earnings continues to give welcome extra resources, paid via the main carer, to many families with children. However, as stated in our response to the pre-budget report, uprating only the child element of the CTC in line with earnings, means that the overall value of tax credits is declining relative to average earnings. This means that tax credits overall will make a declining contribution to alleviating poverty given poverty is a relative measure.

5.4 The Government must continue to improve the administration and increase take-up of tax credits. Whilst take-up rates of CTC have increased, they are still lower than the 98 per cent take-up rate for universal child benefit.²⁹

5.5 As stated in our pre-budget response, we welcome the change in the disregard for increases in income from one tax year to the next - from £2,500 to £25,000. This is likely to give more certainty for claimants and provide more of an incentive to seek employment, which should be helpful to second earners. However, there have been comments that it would be preferable – and easier for claimants to understand – if there was a return to the fixed term awards which were obtained under previous systems. The WBG continues to have reservations about the changes proposed for April 2007 (the *quid pro quo* for the increase in the disregard) that will reduce the time within which recipients must report changes in work hours or domestic circumstances from 3 months to 1 month. The requirement to report changes to domestic circumstances, especially with respect to partnership, is particularly concerning as a date at which such a change happens can often only be determined retrospectively. This problem is particularly important from a gender perspective, as female lone parents rely heavily on tax credits as part of their income.³⁰

- ***The WBG recommends the Government uprate all elements of child support at least in line with earnings, so that they can continue to contribute to decreasing rates of child poverty.***
- ***The WBG urges the Government to focus on increasing the take-up of CTC to reach levels of take-up of the universal child benefit.***
- ***The WBG urges the Government to adopt a ‘light touch’ approach with respect to reporting of changes in domestic circumstances for Tax Credits.***

Child Benefit

5.6 Child benefit (CB) is particularly valuable for children and their mothers, as it ‘follows the child’; it continues to be paid regardless of changes in partnership status as well as employment status. As stated in our pre-budget response, whilst the WBG welcomes the extra support offered to families through the tax credit system, we believe that the most effective financial support for children is provided by CB. Moreover, the positive contribution that CB makes to families should be enhanced by increasing the amount for second and subsequent children. This would help larger families who are still at greater risk of poverty,³¹ and will be vital to try and get the child poverty target back on track.³²

5.7 We welcome the extension of CB to continue financial support to 19 year olds completing a course of non-advanced education or unwaged training that they started before their 19th birthday. This will enable many young women who have not been able to finish a course before this time, as a result of either childbirth or other circumstances to do so.

- ***We recommend that Child Benefit be increased for second and subsequent children, and that more resources be channeled towards Child Benefit, ensuring that it increases at least in line with earnings in the next spending round.***

Activity allowance

5.8 The WBG welcome the introduction of an Activity allowance targeted at the most disadvantaged 16-17 year olds to try and reintegrate them into education or training. However, we hope that activity agreements will work to tackle gender stereotypes and increase the number of women in non-traditional female sectors where there are higher rates of pay. Moreover, this must be tackled if young men are to be attracted into care and education apprenticeships and raise pay in the lower paid sectors in which women predominate. Recent research by the EOC³³ has shown that at level 2, early years care and education apprentices, 97% of whom are female earn the lowest rates, averaging only £78 per week compared with construction apprentices at £136 per week.

5.9 However, the allowance must not be misused to compel young mothers into education or training before they are ready, and their time is committed to caring for a new baby. Early motherhood can be a chaotic and disruptive time, and adjusting to life changes can demand all of a young woman's attention³⁴. We urge for advisers to be fully aware of the needs of young mothers and that those who decide they are not ready to enter employment or education are not penalized for this.

Childcare and work-life balance

5.10 The WBG responded in detail to the ten-year childcare strategy set out in the 2004 Pre-Budget Report³⁵, as well as to the childcare strategy itself³⁶. We have also submitted evidence on the maternity and paternity leave proposals³⁷. Whilst we are pleased to see that the flat rate of Statutory Maternity, Paternity and Adoption Pay and Maternity Allowance will be increased to £108.85 per week as of April 2006, this may still not be enough to make taking time out to care affordable for both men and women. Men in particular are unlikely to take time out to care unless such leaves are paid on an earning-related basis.

5.11 We welcome the Government's commitment to providing accessible childcare in the UK through capital grants for small and medium-sized employers to establish workplace nurseries. This has the potential to meet the needs of families who are not able to use state provided childcare as a result of irregular work hours. However, we urge that this scheme be closely monitored, and its success measured accordingly. We also welcome initiatives to increase the affordability of childcare. However, we are concerned that by keeping the cap on the maximum eligible childcare costs at £300, many of the poorest families and those with higher childcare costs (e.g. parents of disabled children) will continue to struggle.³⁸ We would also like to see further commitment to providing affordable and accessible childcare for those parents who are not in work. We feel greater supply side funding to providers would expand access to childcare to the poorest lone parents including those parents who are not in work.

5.12 The WBG welcomes the development of professional standards for Early Years Professionals. This will not only improve the quality of childcare provision but also be beneficial for the childcare workforce itself which is predominantly female and one of the lowest paid. Proposals to increase the training element and qualifications of workers in this sector will offer gains for many women, providing that an increase in wages follows.

- ***We recommend that further measures be put in place to ensure that carers are not penalised in their future careers because of their caring responsibilities.***
- ***We urge the government to put greater long term investment into increasing the affordability and accessibility of childcare provision for parents who are not in employment.***

Adult personal allowances in benefits

5.13 We are disappointed that the Government has not taken account of our concerns regarding levels of adult benefit outlined in our response to the pre-budget report. Increasing adult personal allowances in income support and income based jobseeker's allowance only in line with inflation ignores the links between women's and children's poverty³⁹.

5.14 Moreover, the WBG continues to be dismayed by the discrepancy in benefit rates provided to young mothers (i.e. aged between 16 and 18). Young mothers receive state benefits at a maximum rate of £114.67/week, compared to those over 18 who receive £126.47/week.⁴⁰ The costs of caring fall heavily on young mothers, and they should not be penalised because of their age.

- ***The WBG recommends that the Government urgently review adult benefit rates and implement real improvements. In the short term, It should also give consideration to whether additional payments should be made to pregnant claimants.***
- ***The WBG recommends that the Government provide young mothers with the same Income Support rate as provided to their adult counterparts.***

Support for children and young people

Children and Young People Review

5.15 The WBG welcomes the launch of a policy review of children and young people to inform the 2007 Comprehensive Spending Review and money being made available through the Youth Opportunity and Youth Capital Funds. We hope that the government adopts a gender-sensitive approach to this review to consider the different needs and interests of girls and boys. For example, the £2m being made available to the Football Foundation to help reduce crime and anti-social behavior is unlikely to benefit as many girls as boys. Research has also shown that many young women benefit from single-sex work, especially

young women facing particular disadvantage and young women from certain cultural groups⁴¹. We would like to see dedicated funding to increase the availability of single sex youth work.

- ***We urge the Government to increase the amount of women-only youth work as part of the Government's Youth Offer.***
- ***The WBG recommends that the Government ensure that young girls facing poverty and disadvantage are consulted on the use of Youth Opportunity and Capital Funds.***

Promoting saving, asset ownership and inclusion

Child Trust Fund (CTF)

5.16 The government has announced that extra payments will be made at age seven into the CTF, with £250 available for all children and £500 available for lower-income families. Whilst we are pleased to see that children from the poorest families get a larger top-up, WBG believes that there are more effective means meet their needs. The tax relief given by the scheme will disproportionately benefit the children of families who can afford to save. Although this may provide some incentive to save, it will also exacerbate inequalities between children, with those from the poorest families least likely to benefit from such tax relief. The WBG does not therefore support an extension of the Child Trust Fund, and recommends that funds be allocated instead directly to early years provision and/or Child Benefit.

- ***The WBG recommends that no more funds should be directed to the Child Trust Fund in future, and instead such resources should be invested in early years provision and/or Child Benefit.***

Financial capability and inclusion

5.17 The WBG welcome the government's commitment to tackle financial exclusion and increase financial capability through improving access to information and services. The link between financial exclusion and debt and the implications of this for mental health and well-being, makes it a particular cause for concern, especially for low-income women. Research a decade or so ago showed not only how women manage poverty but also 'once debt exists [they] are the principal managers of the debt negotiation and debt recovery processes'.⁴² Access to banking is a particular issue for lone parents (approximately 90% of whom are women) a third of whom manage their money without a current account, compared with just 3% of two-parent families.⁴³

- ***The WBG urges the Government to recognise the gendered dimension of debt and financial exclusion and design initiatives accordingly so that they meet women's particular needs.***

Improving women's income in retirement

Winter Fuel Payment and Council Tax Relief

5.18 Women pensioners in particular are at a higher risk of economic hardship. Over 1 in 5 single women pensioners live in poverty. We welcome the Government's efforts to provide for pensioners who face particular economic difficulties on low fixed incomes. Last year we particularly welcomed increased support for covering the costs of council tax, health care, and transport which will help to stretch limited individual budgets further. However we regret that there is no commitment to index the Winter Fuel payment to fuel prices. We are also very concerned that the pensioners Council Tax rebate of £200 has been withdrawn for 2006, as Council Tax bills are again in excess of inflation, causing severe hardship since pensioners incomes are pegged to RPI. Indexing and taxing these payments, which cost £3 billion annually, would ensure that poorer pensioners, most of whom are women, gained the most. The simplest and least costly way of doing this would be to add them to the taxable basic state pension (BSP). At the same time it would give some longer-term security for paying these bills.

- ***We recommend continuing the 2005 council tax relief for pensioners and indexing to council tax prices; indexing the winter fuel payment to fuel prices; and adding these amounts to the taxable basic state pension.***

Free national bus travel

5.19 We welcome the Chancellor's adoption of the WBG recommendation for the extension of free bus travel to include national travel. Female pensioners are less likely to have access to private transport so this provision is important in preventing their social exclusion. Provision on a national basis is important because many pensioners have a widely dispersed social network of children, grandchildren, friends and family, requiring travel across borough boundaries. They may also need to cross boundaries to reach the nearest doctor, dentist, hospital, Post Office or bank, especially as the latter two services are becoming scarcer in rural areas.

- ***We recommend that the Government consider extending the offer of free travel to trains and trams.***

Women's Pensions

5.20 These measures, however, deal with the symptoms of women's poverty in retirement rather than its causes. The WBG is concerned that little attention has been paid in the Budget 2006 and in the Green Paper on Welfare Reform to the sources of the problems faced by women pensioners. There are gaps in the rewards provided in state pension schemes for women's unpaid caring contributions. As long as the generally low level of state pensions is combined with women's partial state pensions and their disadvantage in private pensions, women pensioners will continue to be at a greater risk of poverty than men. At present, the pension system is based on a male full-time earner model, with

inadequate support and recognition of the impact which women's unpaid caring responsibilities for children or for elderly relatives have on their lifetime earnings. We do appreciate, however, that the Government is working on a Pensions White Paper, to contain proposals for improving women's pensions' position. We eagerly anticipate that and hope it addresses our concerns as set out below.

Means testing

5.21 We share the Pensions Commission's concern about the disincentive to save arising from the growing emphasis on means tested pension provision. The present policy of expanding means testing has particular problems that negatively impact on women's pension income. First, take-up amongst pensioners today still leaves 20% of those in need without the additional Guarantee Credit to which they are entitled and between 30-40% without the full amount of Pension Credit to which they are entitled⁴⁴. This is largely due to the complexity and stigma still associated with claiming means-tested benefits. Second, it reduces incentives for women to save, not only because, like all low earners, it is difficult to save enough money to earn a pension above the minimum guaranteed by the credit but also because of the interaction between a woman's individual pension and the joint means test. In general, the low level of the BSP combined with the operation of the pension credit, housing benefit, council tax benefit and other benefits linked to the receipt of pension credit result in high marginal rates of tax. A good Basic State Pension (BSP), which lifts women above means-testing, and to which more women are entitled in their own right, is needed.

- ***We support the Pensions Commission proposal to link the BSP to earnings, but this needs to start in 2007 rather than 2010.***

Pensions Commission recommendations

5.22 Given the bias against women in the current pension system, we welcome the Pensions Commission's acknowledgement of the need to properly account for and reward women for their unpaid care. In particular, we agree that a universal-residence based pension for the 75+ will help a minority of older women, and that improved carer credits in the State Second Pension (S2P) and accrual of residence-based rights to a basic pension for all aged under 45 will help increase women's pension entitlement. But, we regret that the Pension Commission's proposals provide for a residence-based pension for women under 45 and over 75 but exclude those aged 45-74. We also urge Government to include enhanced caring credits in the proposed NPSS, similar to those the Commission has recommended for the S2P. We want to emphasise the importance of implementing the Commission's reforms in their entirety since the proposals would be less effective if not introduced in a comprehensive manner. However, we believe the proposals do not go far enough to improve the pensions of working age women, and we therefore outline an enhanced system of caring credits, building on those proposed by the Commission, in our response to the Pensions Commission, which we believe will properly account for unpaid care.⁴⁵

- ***The WBG recommends the take-up of the Pension Commission’s proposals to account for women’s unpaid care through a universal pension, and improved caring credits in the state second pension. Moreover, the NPSS should have a system of caring credits introduced to ensure women live on an income that is well-above the poverty line***
- ***We recommend that a residence-based basic pension be paid to all pensioners on reaching state pension age, pro rata for those with less than the required years of residence.***

State Pension Age

5.23 An increase in the SPA after 2020, as proposed by the Pensions Commission, will affect women disproportionately as they are less likely than men to have the financial capability to take early retirement.

5.24 Although women may be forced to work longer, and many may wish to do so, it is important to recognise that this may be very difficult for them because of their caring responsibilities. Women approaching SPA may be caring for a spouse, parents or in-laws, or grandchildren which affects their opportunities for paid work⁴⁶. Although a fifth of men and over a quarter of women in their fifties are carers, far fewer men than women either give up employment or work part-time as a result. Moreover, women may suffer particular gendered ageism in the workforce. This makes it difficult for older women to return to employment when their caring responsibilities cease. We would ask that the gender dimension of increasing the SPA be considered carefully, and that any negative impacts on women be accounted for in the future development of pensions policy.

- ***Proposals for an increase in the SPA need to be examined through a gender impact assessment.***

Supporting Women’s Third Sector Organisations

5.26 We welcome the review being undertaken by the Treasury into the role of the third sector in social and economic regeneration, which will feed into the Comprehensive Review Process. We understand that a wide range of third sector organisations will be consulted, and we believe that the women’s voluntary and community sector, as a marginalised part of the wider voluntary sector, need to be specifically addressed during this process.

5.26 Women’s organisations provide high quality, cost-effective solutions to improve the social welfare of women and wider society. However, women’s organisations are disproportionately disadvantaged by the change from grant funding to procurement because they tend to be smaller than mainstream organisations and work on politically unpopular issues. This is having a direct impact on their already minimal funding. A 2004 Home Office report⁴⁷ stated that

women's organisations received only 1.2% of central government funding in 2001-2 despite making up approximately 7% of registered charities.⁴⁸

The WBG recommends:

- ***The women's voluntary and community sector need to be consulted during the review into the future role of the third sector in economic and social integration.***
- ***A gender impact assessment of the Invest to Save Budget, Capacity Builders programme and Futurebuilders Fund should be undertaken to assess how much investment is going to women's and other marginalised organisations.***

6. Delivering high quality public services

Olympics and Sports funding

6.1 The Budget gives attention to additional funding provided for both elite Olympic athletes and the promotion of sport amongst school-aged children. We welcome the additional funds, but urge the Government to ensure that this spending is able to meet the needs of girls and women, which are different from those of boys and men. The Equal Opportunities Commission (EOC) has identified research showing inequalities in sport and physical activity rates between men and women. In addition there is evidence of policies and processes which indirectly discriminate, particularly against women in the delivery of sport and physical activity programmes and facilities. Inequality issues between men and women, boys and girls include participation, but also infrastructure and delivery mechanisms. Funding inequalities, and barriers to access as both participants and spectators, need to be addressed in the delivery of the Olympic Games, and other sport funding instruments. Gender budgeting is a tool which would reveal hidden gender inequalities.

6.2 For example, gender budget analysis research by the EOC and the Sports Council for Wales found that activities with high levels of female participation tended to be more dependent upon self-funding. For example, aerobics classes, popular among women, often require an attendance fee to cover costs. However, football, which is much more popular with men, is subsidised by the public purse.⁴⁹

Education and personalisation

6.3 We welcome the extension of free 'A' level courses to all up to the age of 25 as detailed in the White Paper on the Reform of Further Education published on 27 March, but regret that in order to fund this older learners will have to pay more for their adult education courses. This particularly affects women as their disposable income is lower than men's.

Ensuring value for money

6.4 Women make up a large proportion of both public service users and the public service workforce. The allocation of significant investment for key parts of the public sector has the potential therefore to benefit women in a number of ways. For this reason, the WBG welcomes the increases in investment, the Public Services Agreements framework for assessing outcomes and three year budget cycle to allow for better planning which are noted in the Budget Statement.

6.5 The public sector has led the way in creating equal opportunities at work, providing good job and career opportunities for women in all parts of the UK. Many women now feel that these opportunities are being threatened and that, particularly in London and the South East, and particularly for women from black

and minority ethnic groups, there will be fewer good quality jobs available in the labour market.

6.6 The WBG believes that the introduction of the duty to promote gender equality in the public sector offers a unique opportunity to examine whether policies, procedures and resources do actually result in services which meet women's needs.

- ***The Government should use this opportunity to encourage all public bodies to make proper use of impact assessment tools, including gender budgeting techniques. These assessments should recognise that equality of treatment or input does not necessarily equate to equality of outcome.***

Efficiency

6.7 The WBG notes that the Government is continuing its commitment to the "efficiency" programme as represented by the Gershon review, with the assumption that there is a differentiation between "front-line" and "back office" work. As we have commented in previous responses to Treasury statements, the WBG is not convinced by this distinction. Scrimping on the "back office" can often hinder the "front-line" in its dealings with service users. Women as both users and providers often bear the brunt of this unhelpful approach.

Lyons Relocation

6.8 Whilst recognising that the relocation of Government sector posts from London and the South East to other areas of the UK can assist in providing better quality work opportunities for women in the receiving areas, the WBG has concerns about the concomitant effect that this policy is having on women workers in London and the South East, particularly those from Black and Minority Ethnic communities, who make up a large part of the public sector workforce. The WBG therefore supports the view of public sector trades unions that government bodies should carry out assessments of the impact of all such proposals on women, BME and disabled workers, and take steps to mitigate any discriminatory impacts.

Workforce reduction

6.9 Figures published by National Statistics indicate that of the 20.5% of workers employed in the public sector, around 65% are women. This compares to around 40% in the total workforce. In addition, many workers employed in the private sector on government contracts are also women. Reductions in public sector employment therefore reduce employment opportunities for women and lessen the chances of reducing the gender pay gap.

Public Sector Pay Audits

6.10 The WBG urges the Chancellor to follow the recommendations of the Women and Work Commission by ensuring that public sector pay systems are

subject to full equal pay audits on a regular basis and that funding is made available to address all discriminatory practices – not just those where cases are brought under the Equal Pay Act.

6.11 HMT may be aware of the Gender Employment in Local Research Labour Markets Project being carried out by the Centre for Social Inclusion at Sheffield Hallam University. This project is supported by the EOC and the TUC and has so far demonstrated considerable complexities in women's participation in local labour markets. The WBG urges the Treasury to ensure that the Pay Review Bodies are made aware of this research and that they incorporate an assessment of gender impacts into their deliberations⁵⁰.

- ***The WBG recommends that all changes to public service provision be assessed in terms of their effect on women employees and users using gender impact assessment techniques.***
- ***Following the recommendations of the Women and Work Commission, the WBG recommends that the Government ensures that the potential effects on women's employment opportunities and pay levels of its policies on public sector employment and pay be considered by the appropriate bodies.***

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