

**Women's Budget Group Response to the 2004 Pre-Budget Report
February 2005**

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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.

WBG is co-chaired by Adele Baumgardt, Kate Bellamy, and Sue Smith.

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.

Women's Budget Group
c/o The Fawcett Society
1-3 Berry Street
London, EC1V 0AA

Tel: 020 7253 2598
Email erin@fawcettsociety.org.uk
www.wbg.org.uk

Key recommendations

- The WBG recommends that gender mainstreaming should be incorporated across Government, including through the use of gender budgeting.
- We recommend that organisations should be required to demonstrate their accountability, transparency, monitoring and action on equal employment, including equal pay, as part of the public procurement tendering process.
- We recommend that the Chancellor develops analysis and policy instruments to target the gender productivity gap.
- The WBG recommends that all Government schemes to develop skills and encourage employment incorporate a gender-sensitive approach, including promoting non-traditional fields of employment, and supporting part-time and flexible learning.
- The WBG recommends that schemes focused on women returners and lone parents be developed and extended to take account of their particular needs such as 'soft-skills' training and confidence building.
- The WBG urges the Government to include a gender analysis in any attempts to eliminate children's poverty, and to create a target for eradicating women's poverty.
- We recommend that paternity leave be provided independently from maternity leave and that both maternity and paternity leave be extended and paid at earnings-related levels.
- We recommend that measures be put in place to ensure that carers are not penalised in their future careers and pension prospects because of taking up rights related to their caring responsibilities
- We recommend that the Government set aside additional funds to the Transformation fund to adequately meet the needs that will accompany the enhancement of the childcare workforce.
- The childcare element of the Working Tax Credit (WTC) should be proportional to the number of children in the family, and its level increased faster than earnings to allow for the improving the pay of childcare workers.
- The WBG recommends that the Government recognises that carers of adults and of older children need support in achieving a work-life balance by introducing similar policies to those developed for parents of young children, including a right to request flexible working.

- The WBG recommends that all financial inclusion schemes incorporate a gender analysis that will reach out to all women, including women whose very low incomes don't allow them to save.
- The WBG recommends that no more funds should be directed to the Child Trust Fund in future, and instead should be invested in early years provisions or child benefit.
- The WBG recommends that the current contributory state pension system be extended to account for women's unpaid caring work through an increased Basic State Pension that is indexed to earnings, and more substantial caring credits.
- The Women's Budget Group urges the Government to make sure that the potential and actual impacts on women of public sector efficiency measures do not negatively impact on women's quality of life and careers in the sector.

1. Introduction.

1.1 The Women's Budget Group (WBG) commends the Chancellor on his continuing concern with macroeconomic stability. An understanding of the 'global economic challenges and opportunities for the UK' is crucial to establishing the UK's stability in the longer term. This longer term perspective on global economics, and its implications for the UK, presents an opportunity to develop economic decision-making that creates just and fair practices, promoting gender equality both in the UK and abroad.

1.2 We particularly welcome the Government's continued commitment to improving childcare with the introduction of the Ten Year Childcare Strategy. Childcare is essential to building a fairer society. It is essential for children's development, increasing employment opportunities for all, and improving productivity. However, we are concerned with some gaps that the Ten Year Strategy does not adequately address: lack of support for 1 and 2 year olds and the financing of high quality childcare through a better trained workforce. Although extra funds are proposed, we are concerned that they do not meet the necessarily high costs of ensuring that childcare throughout the UK becomes high quality, affordable and available for all that want it.

1.3 With the current emphasis on children, pensioners must not be neglected in spending plans. The current British pension system, state and private, is grossly inadequate for women and therefore in need of a radical overhaul. This is starkly exposed by the fact that 1 in 5 single female pensioners currently live in poverty.¹ Pensions must be restructured so as to reward rather than penalise women (and men) for their substantial contribution to essential caring work. We need a pension system that recognises equally the contribution that men and women make to society, not one that will reward women only in so far as they conform to male norms. Crucially, the state contribution system needs to be extended to account properly for women's unpaid caring contributions to the economy by raising the Basic State Pension, indexing it to earnings and creating more substantial caring credits.

Gender analysis

Gender Analysis of Expenditure Project

1.4 The WBG is delighted that the UK Government has made progress towards incorporating a gender perspective into economic and social policy in 2004. The publication of the pilot gender analysis of expenditure project makes the UK Government a European leader in gender budget analysis². HM Treasury's (HMT) recognition that gender analysis is essential not only to achieve gender equality, but also to improve policy-making is warmly welcomed. As Julie Mellor, chair of the Equal Opportunities Commission (EOC), said with reference to the pilot: "Delivering sex equality is crucial if the Government is to fulfil its objectives on modernising public services, supporting business and boosting productivity."³

¹ *Households Below Average Income 1994/5 – 2002/3* (2004) Department for Work and Pensions.

² Gender Analysis of Expenditure Project: Final Report, July 2004, HMT and DTI. Available at: http://www.womenandequalityunit.gov.uk/research/gender_analysis.pdf

³ 'Push to make spending fair to women', David Turner, Financial Times, November 27, 2003

The project should now be extended to ensure the benefits reach beyond the limited pilot project.

1.5 We look forward to seeing this approach developed and taken forward in the course of the next Spending Review. One essential next step is for HMT to provide a gender breakdown of expenditure figures so as to facilitate the meeting and monitoring of the Public Service Agreement (PSA) on gender equality. Such figures would also be useful, in the longer term, in gender mainstreaming all PSAs.

Gender mainstreaming and gender budgeting

1.6 The Government should incorporate a gender perspective within all policy-making 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.

1.7 To give one example, the Carter Review of Funding for Sport would benefit from a gender mainstreaming approach. Spending on sports programmes tends to be gender blind, and therefore gender imbalanced. 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, are subsidized by the public purse.

1.8 Gender mainstreaming should be incorporated into UK policy-making. Rather than attempting to do this immediately across all Government spending, a focused approach should be adopted at this stage. For example, the WBG suggests that the following areas raised in the Pre-Budget Report would benefit from a gender mainstreaming approach

- Gender analysis of who benefits from tax relief on pensions;
- Gender impact assessment on gender roles of childcare strategy.

Gender statistics

1.9 Attempts to adopt a gendered approach to policy-making and spending decisions will fail unless the government disaggregates and analyses data by gender.

- ***The WBG recommends an incorporation of gender mainstreaming across Government, including using gender budgeting techniques.***

2. Macroeconomic stability

Macroeconomic performance

2.1 As the Chancellor notes, the macroeconomic performance of the UK economy is stable, with the UK carrying on one of its longest periods of growth. However, the Chancellor fails to note the areas where UK performance is worse than that of other EU countries. Many of these are areas with important gender implications. Notably, compared with the rest of Europe, the UK has:

- a bigger gender pay gap
- the longest full-time working hours
- the highest childcare costs to parents
- low productivity, especially among women
- the lowest level state pensions, especially for women

The golden rule

2.2 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 support that principle, but 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'. Expenditure on the services that are critical for the creation and maintenance of 'human capital' (such as caring, nursing and teaching) also create long-lived benefits but such capital building investment is not included in the capital account. The current interpretation of the golden rule therefore leads to underinvestment in these social services, and underinvestment in the training of people who provide them. Both sorts of investment should count for the golden rule, and they need to be thought about together.

UK 2005 Presidencies of the G7/8 and EU

2.3 The UK Presidencies of the G7/8 and EU in 2005 present a valuable opportunity for the Government to lead in advancing gender equality in Europe and beyond. The UK Government's steps towards promoting gender equality such as the Gender Analysis of Expenditure Project and the Women and Work Commission provide a model for other Government's to take forward. However, further steps must be taken for the UK's period of leadership to be transformative.

The Women's Budget Group recommends the following steps to contribute towards this:

- ***rolling out the gender analysis of expenditure pilot project to areas of Government where gender analysis is particularly lacking;***
- ***ensuring that recommendations to close the gender pay gap arising from the Women and Work Commission are actually implemented.***

3. Meeting the productivity challenge

Public procurement

3.1 The European Commission has confirmed that EC procurement rules permit public authorities to require a supplier to implement measures that are designed to promote equality between men and women, and that if Procurement Regulations apply, gender equality issues may come into consideration at the pre-qualification and tender stages of the contractual process. Local authorities have a duty to make best use of public funds and to get the best value from the money they spend. By including gender considerations in procurement, authorities can achieve better value for money, more successful delivery of services, greater equality of opportunity in employment, and fairer competition between providers by removing unfair advantages rooted in unequal practices.

3.2 The new duty on public bodies to promote sex equality should require public sector organisations to set gender equality goals for their employees. These should include 'requiring their private or voluntary sector contractors to meet fair employment standards'⁴. Private contractors will need to demonstrate how they comply with Equal Pay Act and the Sex Discrimination Act. Equal Pay Reviews provide one obvious way to demonstrate such compliance. The West Midlands Forum Race Equality Standard has been used for assessing service providers since 1998, helping providers to comply with their legal obligations for non-discrimination, and helping Councils to take steps within their legal powers to ensure that service providers practice equal opportunity in employment. This good model needs now to be extended to gender equality. We are aware that the climate for taking such considerations into account in the procurement process is favourable, however there is still much confusion on the legal issues involved, and there is a need for Government to be bolder in helping local authorities to be proactive in this area.

3.3 A number of countries require companies of a certain size to develop an action plan for equal employment, for the advancement of women in the workplace, and/or equal pay, and to report regularly on their progress (e.g. Sweden, Australia, Canada). The government should consider requiring such reporting which could considerably increase accountability on gender equality in the workplace.

- ***We recommend that the government apply the lessons learnt from the West Midlands Forum Race Equality Standard to the issue of gender equality in public procurement, giving clear guidance to local government on the legality of, and rules for, considering gender equality in the procurement process. This should be done in advance of the new public sector duty to promote sex equality.***
- ***We recommend that organisations should be required to demonstrate their accountability, transparency, monitoring and action on equal***

⁴ 'Delivering quality services, meeting different needs. Promoting sex equality in the public sector' EOC September 2004

employment, including equal pay, as part of the public procurement tendering process.

Gender productivity gap

3.4 We welcome the Chancellor's re-iterated commitment to a high skill, full employment economy. However, we think that the Chancellor is letting slip opportunities to produce such an economy. The UK has a larger gender gap in productivity than many comparator countries⁵.

The productivity gap could be closer with greater success if the effects of gender were more overtly acknowledged. We are disappointed by the continued reluctance to produce analysis and policy specifically targeted at the gender dimension of the productivity gap.

3.5 Additionally, it should not be assumed that all women doing unskilled employment are themselves unskilled. Many women are doing jobs that do not use previous skills due to time out of the labour market for caring and subsequent re-entry into a low skill job because either they have 'lost' their skills in their time out, or because the low skill job better accommodates their caring responsibilities. This is a waste of actual as well as potential skills. A real and effective right to flexible working for older as well as younger carers could reduce this problem.

- ***We recommend that the Chancellor develop analysis and policy instruments to target the gender productivity gap.***

Skills development

3.6 The WBG welcomes the Government's recognition that skills are a key driver of productivity, and that the case for Government intervention is recognised, both through support for employers and through support for individuals, in ensuring that appropriate levels of training are available. The WBG agrees that the market has failed to meet the needs of some groups of learners and welcomes the attempts to address this problem.

3.7 We urge the Government to ensure that all its proposals on skills are carried out in a way that pays particular attention to making the most of women's capabilities, since women are currently often employed below their capacity. All advisors and providers should be charged with encouraging women (and men) to take a broader and more imaginative view of the skills and career choices open to them. This in turn will encourage a better gender balance and help address the continuing problem of the gender pay gap. Awareness of this issue should also form part of Sandy Leitch's review of skills needs. The points below illustrate how gender sensitivity would help to ensure that women benefit from the Government's proposals on skills.

3.8 If labour is to be increasingly drawn from both domestic, and international markets, we urge the Government to ensure that women's working rights are maintained and strengthened.

⁵ Walby, S. & Olsen, W., *The Impact of Women's Position in the Labour Market on Pay and Implications for UK Productivity*, Department of Trade and Industry, 2002

New deal for skills

3.9 Extending the pilot schemes of skills coaches to provide low-skilled benefits claimants with face-to-face, personalised advice on training and continuing support as they enter employment will help address the particular problems faced by individual women. This includes providing much needed support to those who lack confidence in seeking information and assistance from other sources. We urge that these advisors be required to make claimants aware of potential non-traditional job options and give appropriate support where a claimant expresses interest in a non-traditional field of employment (whether male or female). This may require awareness training for the advisors themselves, and for local employers.

3.10 The introduction of a pilot approach from April 2006 to allow long-term claimants and economically inactive adults to take up free full-time training will help to integrate employment and learning opportunities. This is particularly welcome for women, who may have difficulty accessing family resources for their own training and education. Again, advice on taking up training in non-traditional skills would increase the options available to women. The WBG urges that the pilots also incorporate access to flexible and part-time learning so that caring responsibilities do not create a barrier to women in taking up such training. Part-time learning opportunities can address the gender pay gap by allowing women to continue to participate in the workforce whilst also improving their skills. The pilots could be used to assess the most appropriate options.

3.11 The comments concerning supporting people in non-traditional training and career choices apply with even greater urgency to young women and men. Young women and men should be given the widest scope for employment opportunities at the earliest stage possible to reduce occupational segregation.

- ***The WBG recommends that all Government schemes to promote employment and develop skills incorporate a gender-sensitive approach, including promoting non-traditional fields of employment, and supporting part-time and flexible learning.***

4. Increasing employment opportunity for all

Incapacity benefit claimants

4.1 The WBG welcomes the Government's commitment to greater support for incapacity benefit (IB) claimants moving back into employment. Although the majority of IB claimants are male, there has been a significant rise in the number of women claimants; so this will improve women's chances of financial independence.

4.2 The extended provision of advice tailored to individual needs has the potential to help women. A gender-sensitive approach to advice and support would address the particular employment issues that relate to women. To be able to re-enter the workplace many IB claimants, particularly many women, need flexible working options; these should not only be available to those already in employment. The government should be extending its encouragement to employers to offer flexible working opportunities to cover new entrants to the labour market.

4.3 While we welcome the proposal to pilot schemes to place advisors in GPs' surgeries to advise and help those with a disability or long term illness who wish to return to paid work, these advisors should also be supporting patients in claiming the benefits to which they are entitled. A recent pilot study which placed advisors in 10 GPs' surgeries and 5 hospitals in the South West found that three-quarters of those given help to claim benefits were successful in their claims. The researchers calculated that the cost of providing support of this kind across the country would be less than one week of benefit payment for each patient⁶. The proposed advisors in GPs' surgeries should also take a gender-sensitive approach when dealing with IB claimants. Specific awareness and skills training may be required if such an approach is to be applied.

4.4 Women's experience of Health and Safety (H&S) in the workplace is different from that of men. Because the majority of people managing and advising workers on H&S issues are men, women's needs in this respect are often not taken into account. This may be contributing to the increasing number of women claiming IB. The WBG therefore suggests that the Government seeks to work with employers and trade unions to encourage better involvement of women in H&S structures.

- ***The WBG recommends that Government adopt a gender-sensitive approach to advice and support available for IB claimants. This should include supporting claimants to understand and acquire claims to which they are entitled, but may not yet be receiving.***

Women returners and lone parents.

4.5 The WBG welcomes the pilot scheme for women returners. We urge the Regional Development Agencies piloting these schemes to take account of

⁶ Kirwan, J. (2004) University of Bristol Research Review 8, Dec. 2004.

women returners' particular needs, and promote all types of education and training, including 'soft-skills' training. Monitoring and evaluation of these pilots should be in place to review their success, and a New Deal for Women Returners considered in light of the pilot. Similarly, the WBG welcomes the extension of the In-Work Credit to a further 6 areas. However, we are concerned that the New Deal for Lone Parents (NDLP) is less beneficial to those mothers who are most marginalised, for example women experiencing multiple discrimination. As with women returners, we want to emphasise the need for 'soft-skills' training, to develop participants' self-confidence in returning to the labour market.

- ***The WBG recommends that any schemes focused for women returners and lone parents take account of their particular needs such as 'soft-skills' training and confidence building.***

Older workers.

4.6 The WBG welcomes the Government's plan to legislate against age discrimination in 2006. However, we have two concerns. First, it is disappointing that the Government plans to allow an exemption so that employers may retain a retirement age of 65. While no one should be forced to work beyond state pension age, we believe it is vital to enable those who wish to do so to continue working. If employers are allowed to set a normal age of retirement, employment beyond that age will be at the employer's discretion undermining the effect of the legislation and perpetuating the current situation where employers often discriminate against older workers in recruitment and retention. This will hamper those who wish to work beyond age 65, for example women who need to maintain their earnings or improve their low pension entitlements, due to previous interruptions in their employment history for caring. A normal retirement age of 65 will also impact on training offered by employers to older workers, since they are likely to be seen as a poor investment as they approach age 65.

4.7 Second, we regret that the legislation is restricted to employment and training. Combating ageist attitudes and promoting full participation by older people requires a more inclusive approach in which age discrimination is unlawful in education, insurance, health care and other services.

We recommend that age discrimination legislation:

- ***Should not include an exemption allowing employers to set a retirement age beyond which employment is at their discretion***
- ***Should be extended to include all other forms of age discrimination***

Labour mobility.

4.8 The WBG has reservations about the use of "labour mobility" as an indicator of a "strong economy". Mobility often has adverse impacts on family and social networks and can undermine the "social capital" that supports people in their working lives. This in turn can cause or exacerbate stress, which may in turn be reflected in sickness absence. It may also impact on family structures and social behaviour in undesirable ways. Women, in particular, often require support networks to combine their paid work with their unpaid caring responsibilities. The balance between employment and care could be unsettled for many families with labour mobility, impacting on their capacity to earn and raise their family.

Moreover, Equal Opportunities Commission research has found that careers of women with caring responsibilities' are often at a disadvantage compared to those without caring responsibilities by geographical labour mobility requirements⁷. It should not therefore be used uncritically.

Minimum wage and the WTC.

4.9 The introduction of the minimum wage has had a significant impact on the gender pay gap and has been beneficial to part time workers. The Government should ensure that increases to the minimum wage are set at a level which maintains this effect. Raising the minimum wage would have a much better effect on gender equality than subsidising low wages through the WTC. It is a wasteful subsidy to employers providing low quality jobs to set the minimum wage so low that those working 30 hours can qualify for the WTC.

⁷ David Blackaby et al (1999) *Women in Senior Management in Wales*, Equal Opportunities Commission.

5. Building a fairer society

Child poverty

5.1 The Government's long-term goal to eradicate child poverty by 2020, the WBG would argue, cannot succeed without an express recognition and analysis of the links between women's and children's poverty. The stress of poverty can significantly undermine parental capacities to perform an effective parenting role that is identified by the Government as critical to its child poverty strategy. Moreover, the relationship between women's employment and children's poverty is significant. However, any programmes to promote women's participation in the labour market should also support mothers who decide not to return to the labour market until their children are older. The WBG, in a forthcoming paper, seeks to demonstrate the critical links between women's and child poverty, thereby making the case for a gendered strategy to tackling child poverty. The paper demonstrates the vital links between not merely the causes but also the consequences of women's and children's poverty. Women's poverty should also be tackled in its own right, with measures of success and a target to aim for similar to those that have been created for the elimination of children's poverty. Currently, there are 500 000 more women than men living in poverty⁸.

- ***The WBG urges the Government to include a gender analysis in any attempts to eliminate children's poverty, and to create a target for eradicating women's poverty.***

Choice for parents, the best start for children: a ten-year strategy for childcare

Parental leave

5.2 In extending the rights of parents to take leave, the Government should be aware of the effect that a growing disparity between the leaves that men and women can take may have on women's career prospects and earnings. The gender effects of extending maternity leave on labour market inequality can be rectified only by giving an equal entitlement to men in a form that is likely realistically to be taken up. Allowing women to transfer "maternity" leave to men will not have that effect.

5.3 First, it is not clear whether the Government is intending that the right to take the leave would be transferred to the man, or only the leave. But secondly, even if that right was transferable, calling it maternity leave makes it much less likely that men would take it. Countries that have given fathers a right to realistically paid leave in their own right – i.e. a right that is only for them and not transferable to the mother – find that after a slow start there is now a high take-up by fathers. This is good for children in giving them two parents with experience of sole care for the child (assuming both parents' leaves cannot be taken at the same time) and also helps to counteract the

⁸ Households Below Average Income 1994/5 – 2002/3 (2004) Department for Work and Pensions.

deleterious effects of mothers' leaves on their labour market position relative to men's.

5.4 Further, the rate at which maternity and related leaves are currently paid is too low to attract men, and indeed some women, to take it up. Because of existing wage inequalities, fathers frequently provide the majority of a family's income. Replacing that by just £106 per week will not be affordable for most families. In order that all children benefit from parents able to make choices in their children's best interests in the first year of their lives, we would recommend that all such leaves be paid on an earnings-related basis for longer than the current six weeks, and at whatever stage they move onto a flat rate payment that should be at least at minimum wage levels. We already have enough evidence from across the EU that men will only take parental leave if their earnings are replaced⁹. There is no need to wait for a British study to confirm this. The first year of a child's life is not when any family should have to live on a reduced income. Many families have financial commitments that mean that they cannot afford to do so, and parents will continue to return to employment earlier than they would otherwise choose if leave is paid at too low a level. In addition, thought should be given as to how financial help can best be given to those not in employment when they have a newborn child.

5.5 Extending the right to work flexibly to carers of adults and older children is a necessary and fair step. Measures should be implemented to ensure that those who take such leaves are not disadvantaged in their future careers. Consideration should also be given to ways of protecting the value of pensions and other earnings-related benefits during such periods. The gender breakdown of those who ask for and succeed in using this right should be monitored and families actively encouraged to plan and share in the taking up of such rights.

- ***We recommend that paternity leave be provided independently from maternity leave; that both maternity and paternity leave be extended and paid at earnings-related levels.***
- ***We recommend that measures be put in place to ensure that carers are not penalised in their future careers and pension prospects because of taking up rights related to their caring responsibilities.***

Availability of childcare.

5.6 The WBG is pleased to see the Government tackling the issue of availability of childcare. The supply of childcare is unevenly distributed across Britain. Despite good progress made since 1997 in creating new childcare places, demand for childcare still outstrips supply. There is only one registered childcare place for every four children under the age of eight and

⁹ Christensen, Thomas. EUROBAROMETER 59.1: THE EURO AND PARENTAL LEAVE, MARCH-APRIL 2003 [Computer file]. ICPSR version. Brussels: European Opinion Research Group EEIG [producer], 2003. Cologne, Germany: Zentralarchiv fur Empirische Sozialforschung/Ann Arbor, MI: Inter-university Consortium for Political and Social Research, 2004.

the turnover of suppliers is high suggesting that sustainability is a major problem. We therefore welcome the Government's commitment to deliver 3,500 children's centres by 2010, connecting group-based and home-based care providers, including wraparound childcare from 8am to 6pm all year round through the extended schools initiative. However, further details on the coverage of the extra childcare places planned through the ten-year strategy will be needed. In particular, it appears that the pledge of 'a children's centre in every community' is now being interpreted as 3,500 children's centres or 'five in every constituency', some of which might just coordinate rather than provide childcare. There are questions as to whether 3,500 children's centres will be sufficient to cover the early education and care needs of all children (particularly under 3s) and how they will coordinate with extended schools. The WBG is also concerned about whether the model of offering fewer services in centres in the less disadvantaged areas will succeed in reaching the almost half of poor children who live in these areas.

5.7 Childcare centre funding. Moreover, the funding proposed for these new centres seems small: only a £1 billion more for a five-fold increase in provision. This suggests that the facilities envisaged for the 2,000 new centres will be far less extensive than for the existing 550 existing Sure Start centres, especially as this figure includes the cost of turning a third of schools into extended schools. It would be a mistake to destroy the good reputation of Sure Start as one of the big successes of this Government in providing support for children and their families, by claiming that similar provisions can be made for far less resources in other areas. Childcare and other children's services are expensive and will become even more so once the very welcome improvements in training and standards in childcare, promised in the Childcare Strategy, are put into practice.

5.8 Informal carers. We welcome the acknowledgement of the contribution and the invaluable role played by informal care both in combination with and as an alternative to formal care. Research shows that mothers' decisions about whether and when to return to employment can depend on the availability of informal childcare. We welcome the announcement that informal carers will receive support through children's centres and drop-in facilities and argue below that they should also be supported in other ways

5.9 Free part-time early education. The WBG applauds the extension of the free part-time early education places for three and four year-olds from the current 12.5 hours a week for 33 weeks a year to 38 weeks a year from 2006 and to 15 hours a week starting from 2007, as well as the long-term goal of extending it to 20 hours a week for 38 weeks a year. Parents have welcomed this initiative since it was introduced, as demonstrated by the high take-up of free places. But more outreach is also required to ensure that children from hard to reach families take up the free early years education and care. For many parents, 2½ hours a day is not sufficient to enable them to go back to employment or training and the resulting complex mixture of childcare arrangements is often unsettling for both parents and children. The WBG therefore welcomes the extension of such universal entitlement and the increased flexibility in its use across a minimum of three days taking up to five

free hours a day. Increasing the flexibility for parents to use these hours will be valuable for children and parents. The WBG looks forward to further details on the timetable for the extension to 20 hours a week free education and care.

5.10 Provision for one and two year olds. We are however concerned that the strategy does not tackle the issue of childcare provision for one and two year-olds, nor does it mention any follow up to, and evaluation of, the pilot scheme extending part-time early education places to 12, 000 two year-olds in disadvantaged areas around the country. Even with maximum take-up of both paid and unpaid maternity leave, there is still a two-year childcare gap between maternity leave and guaranteed early education during which time parents may lose their attachment to the labour market.

5.11 School-based childcare. The WBG welcomes the initiative to provide school-based childcare for children between 5-14 years of age for 48 weeks a year and urges that any financial contribution by parents be set at truly affordable prices. We are however concerned that holiday provision is not part of the package for children under 5. We urge the Government to look into extending the free entitlement for free early education in the future to 48 weeks a year.

5.12 Families living in poverty. Lack of affordable and appropriate childcare has a marked impact on specific groups of families, particularly lone parents, parents of disabled children, parents of larger families and parents who work outside standard working hours. These households are more likely to live in poverty and 9 in 10 lone parents are women. Additionally, mothers of disabled children are less likely to be in employment than other mothers. The WBG therefore welcomes the recognition in the childcare strategy that these groups experience specific barriers to accessing childcare. However there is a failure to recognise that the childcare element of the WTC, although improved, does not adequately meet the needs of families with three or more children in which half of all poor children live.

5.13 Local Authorities. The WBG welcomes the recognition of the need for local authorities to consult with disabled children and their families and the voluntary sector on the planning and delivery of services and monitor take-up of services by these families. Similarly, we welcome the announcement that local authorities will need to support the recruitment of ethnic minority members of staff to reflect their local population as well as consulting with and monitoring the take up of services by families from ethnic minorities.

- ***The Women's Budget Group urges the Government to ensure that such requirements on local authorities are clearly included in the new statutory duty placed on local authorities to ensure that local childcare needs are met and that such requirements are fully implemented.***
- ***The WBG recommends that more outreach be incorporated into the strategy to ensure that children from hard to reach families take up***

the free early years education and care. We believe that provision should be made available for all one and two year-olds.

Quality

5.14 The WBG warmly welcomes the Government's vision to make childcare services in this country among the best in the world. The quality of the workforce is crucial to address the question of quality in provision. We welcome the acknowledgement in the ten year strategy of the need for a radical reform of the early years and childcare workforce through a new qualification and pay structure and that the division between education and care needs to be eliminated. Research shows that settings with well-trained staff and led by a teacher or staff qualified at degree level are particularly effective and lead to the best outcomes for children¹⁰. Yet, currently the childcare sector is characterised by a low level of qualifications, low pay and lack of a clear career ladder for the workforce. Currently, the workforce includes fewer than 10% from a minority ethnic background. They are mostly young and significantly less well qualified and paid than teachers alongside whom many of them work¹¹.

5.15 **Commitment to skilling the workforce.** This situation of poor pay and low status both reflects and reinforces the undervaluing of care and gender inequalities. The WBG welcomes the Government's long-term goal of ensuring that degree-qualified early years staff lead all full-time daycare settings, that more workers will be trained to degree level, and that a single qualification and quality framework will be put in place together with greater opportunities for existing workers to increase their skills, including childminders and home carers. We also welcome the attention in the strategy to models for early years workers well established and highly valued in other countries such as the pedagogue model¹².

5.16 **Current childcare workforce.** However, the effects of these policies on current workers and potential workers in this field must be carefully managed. There is likely to be a time lag before sufficient numbers of qualified workers are available to cover this level of provision. The training needs of current workers must be reviewed, as well as those of potential recruits. The WBG urges an imaginative and flexible approach to generate a better gender balance in the childcare workforce and which gives existing staff the opportunity to upgrade their skills and be better rewarded for the important work they carry out. We also urge the Government to assess carefully the range and type of provision required and ensure adequate support for areas of specialist care, such as for children with special needs or challenging behaviour.

5.17 The WBG welcomes the announcement of a consultation on the future of the workforce and urges the Government to look particularly closely at pay

¹⁰ The Effective Provision of Pre-School Education (EPPE) Project : Findings from the Pre-School Period Summary of Findings, available at: www.ioe.ac.uk/projects/eppe

¹¹ Cameron, C, Candappa, M.,McQuail, S, Mooney, A Moss, P. and Petrie,P (2003) The Workforce, Early Years and Childcare International Evidence Project, DFeS.

¹² Moss, P. (2004) Setting the Scene: A Universal Vision of children's Spaces, Daycare Trust.

and conditions of staff employed in the private sector where, according to the DfES 2002-03 Childcare and Early Years Workforce Survey, lower paid and lower qualified (predominantly female) staff are concentrated.

5.18 The WBG questions the capacity of all childcare employers to deliver training for the qualifications required: a new type of qualification is proposed, but the childcare market is very diverse. How will the Government make the connection between the funds and the employers who are actually providing or supporting the training?

5.19 **Diversity in the workforce.** We also urge the Government to ensure that the composition of the Children's Workforce Development Council for England, which will take forward the outcome of the consultation, is fully representative of the sector. The involvement of the workforce and trade unions, along with training bodies and employers, in planning and agreeing the right level of qualifications will be vital.

5.20 **Transformation Fund.** We welcome the announcement of a Transformation Fund of £125 million a year from April 2006 to support investment by local authorities in high quality, affordable, flexible and sustainable childcare provision. While investment in a transformation fund is welcome, we urge the Government to recognise that public investment in childcare will need to grow continually, at least as fast as – and in the short-term faster than – earnings in the economy as a whole. This is because childcare is a personal service which cannot expect to keep up with other occupations in raising productivity. Indeed in childcare, as in other caring occupations, increased productivity (reduced adult/child ratios) is synonymous with reduced quality. This means that costs will inevitably rise in line with average earnings, unless the childcare workforce is prevented from sharing in the benefits of rising prosperity by their wages increasingly falling behind those of other occupations.

5.21 Childcare is currently badly paid and this is causing recruitment and retention problems. These problems are recognised elsewhere in this report; tackling them will not be a one-off expense but will require continued and rising investment, at a faster rate than average earnings, if wages in the caring workforce are to catch up with those elsewhere in the economy.

5.22 As is also recognised elsewhere in this report, training standards are low in childcare in the UK. To rectify this will require not only investment in training but higher pay for more qualified staff. Improving the quality of the workforce is another reason why investment in childcare will have to grow faster than average earnings if standards of childcare are to improve.

5.23 To achieve a bold vision of universal good quality childcare and early education, sustainable, long-term funding is necessary. The WBG welcomes the allocation of an extra £600 million a year, including (we assume) the £125 million Transformation Fund to the current spending on early years, though as noted above to keep provision sustainable this figure should be increased year on year somewhat faster than earnings. However, we note that,

according to calculations by PricewaterhouseCoopers¹³, Britain currently spends 0.8 % of GDP on early years services, compared to 2-2.5 % in Sweden and Denmark¹⁴. We welcome the recognition in the ten year strategy for an enhanced role of supply-side funding in driving up quality and ensuring sustainability; but in order to achieve a truly bold vision for childcare and early years, a significant rise in public funding will be necessary.

5.24 Pay gap in the caring sector. As workers in care and education services work more closely together, particularly in Early Years services, the greater the awareness of disparities in pay will become. For example, an experienced nursery nurse's rate of pay is significantly less than that of a nursery teacher. If these services are to become truly integrated, a common grading structure will need to be introduced so that these pay gaps can be reduced.

Based on the above, we make the following recommendations:

- ***The WBG urges an imaginative and flexible approach to generate a better gender balance in the childcare workforce and which gives existing staff the opportunity to upgrade their skills and be better rewarded for the important work they carry out.***
- ***We also urge the Government to assess carefully the range and type of care provision required and to ensure adequate support for areas of specialist care, such as for children with special needs or challenging behaviour.***
- ***We recommend that the Government set aside additional funds to the Transformation fund to adequately meet the needs that will accompany the enhancement of the childcare workforce.***

Affordability

5.25 High costs a barrier to employment. The cost of childcare is a major concern to many families and a crucial barrier for many women wanting to return to employment. Lone mothers in particular find that the rising cost of childcare stops them from getting and keeping a job and staying in paid employment. 78% of lone mothers and 63% of all mothers currently out of the labour market) say they would go out to work or study if they had access to good quality, reliable and affordable childcare.¹⁵ In 2004, the typical cost of a nursery place for a child under two is £134 a week, almost £7,000 a year¹⁶. Despite increased financial help from the Government, the main contributors

¹³ Daycare Trust , (2004), Universal Early Education and Care in 2020: costs, benefits and funding options.

¹⁴ *ibid*

¹⁵ Woodland, S., Miller, M., Tipping, S., (2002) Repeat Study of Parents' Demand of Childcare. DfES Research Report.

¹⁶ Daycare Trust (2004)

to the cost of childcare remain parents, who, in 2002-03, paid in the region of £3 billion a year¹⁷.

5.26 Working Tax Credit. We welcome the increase in the limits to the childcare element of the Working Tax Credit and, for the reasons outlined above, recommend that these limits should automatically be increased in line with earnings or indeed at a slightly greater rate.

5.27 We also welcome the increase in the maximum percentage that can be claimed, from 70% to 80% of costs. This should help considerable numbers of women who cannot currently bridge the gap between high childcare costs and low women's earnings, particularly in London. Attention to gender inequalities in pay would be another way to cope with that gap, since it is largely women's earnings that are used in families' calculations as to whether childcare is affordable, and when it is not, it is almost invariably women's labour force participation that suffers.

5.28 However, we are concerned that the limit for the childcare element for the Working Tax Credit is not proportional to the number of children. Many families have children of different ages using different types of childcare, and even where siblings are with the same childcare provider, there are few, if any, economies of scale in childcare costs in the formal sector. Not raising the limit for third and subsequent children must therefore reflect an opinion that it would be too expensive to spend more than £300 per week on enabling a parent to be employed. If this is the reason, it should be made explicit and justified by a cost benefit analysis that takes account of the long-term effects of a parent that wishes to be employed losing their attachment to the labour market, including the costs of ending up on means-tested benefits for a significant proportion (as a lone parent, or if their partner loses his job). Further restricting help in this way to the parents of large families will make reaching child poverty targets harder.

5.29 Currently half of all children in poverty are to be found in families with three or more children, although only a third of all children live in these larger families¹⁸. It is essential that they have access to affordable childcare, so that it is possible for mothers in these families to take up paid employment in order to help lift their families out of poverty. In some minority ethnic groups there are higher proportions of large families, and these groups are over-represented among those living in poverty. They need childcare which is not only affordable but also sensitive to their needs. This requires a more diverse workforce as well as appropriate practices and policies to involve these families¹⁹.

5.30 Voluntary childcare approval scheme. We welcome the voluntary childcare approval scheme which will allow parents to claim financial support

¹⁷ National Audit Office (2004), *Early Years Progress in Developing High Quality Childcare and Early Education Accessible to All*. The Stationery Office. London

¹⁸ Department for Work and Pensions (2003) *Opportunity for All*.

¹⁹ Cameron, C. (2004) *Building an Integrated Workforce for a Long-term Vision of Universal Early Education and Care*, Policy Paper No. 3, Daycare Trust.

through the childcare element of the WTC for extended forms of childcare. This initiative will particularly benefit parents who work atypical hours and families with children with special needs. We are, however, concerned that through such a scheme childcarers will not have to register with Ofsted and will not have to meet the National Standards.

- ***The childcare element of the Working Tax Credit (WTC) should be proportional to the number of children in the family, and its level increased faster than earnings to allow for the improving the pay of childcare workers.***
- ***The WBG recommends that in the plans to improve the quality of the childcare workforce attention is paid to increasing its diversity with respect to ethnicity as well as to gender***

Employer supported childcare.

5.31 The most important way in which the Government could help parents and other carers change employers' employment practices is by strengthening the law governing the right to request leave and to work shorter hours. We welcome the proposed extension of these rights to carers and would like to see them extended as well to parents of children over 6 years old. In this context, we regret the Government's decision to continue its opt-out of the EU Working Time Directive. The opt-out helps maintain the UK's long-hours working culture and contradicts the Government's support for flexible employment and work-life balance.

5.32 Few employers provide workplace nurseries; but where they do, they are highly valued by their employees. It would be regrettable if the introduction of vouchers, which are much cheaper to employers, led to some of these being closed for this would result in an overall loss of childcare places.

5.33 Employer supported childcare vouchers cost employers very little beyond administrative costs - they are not *funded* by employers. However, the interaction of these vouchers on employees' entitlements to tax credits and statutory benefits including sick pay, maternity and paternity pay, as well as in the long term their state pension, may be detrimental to many who take up the vouchers. The regulations governing childcare vouchers make no mention of the lower earnings limit (LEL), and that in taking up this offer of employer supported vouchers, a person could take their earnings below the LEL.

5.34 These are matters of great concern to the WBG, particularly as the majority of those using the vouchers will be women. We would like to see a review of the take up and impact of these vouchers on mothers' and fathers' tax credit and benefit entitlements at the end of the first 3 years.

5.35 While we recognise that the announced increases in the support available through tax credits and employer-supported childcare will be a financial help for some families, the WBG believes that the current demand-side approach of providing subsidies to childcare for some low-income families presents fundamental problems.

5.36 First, while the uptake of the childcare element has doubled since 2002, eligibility is still too limited and only 15% of couple families receiving the Working Tax Credit and 24% of lone-parent families get the childcare element of the tax credit. According to a survey conducted by the National Audit Office²⁰, 20% of low-income parents still pay all the costs of childcare themselves. Also, as explained above, despite the increases announced, the system of financial support remains too biased towards the first child and smaller families.

5.37 Second, financial support remains too tightly tied to employment and household status. Parents need support with childcare costs while training. We welcome the childcare grants now available to students in higher education and further education recently extended to student nurses but there are still too many gaps. The WBG strongly supports extending the entitlement to the childcare element beyond seven days between jobs and would welcome initiatives to extend childcare support to parents who are employed less than the current 16 hours a week

5.38 Finally, the current demand side approach, by not taking into account the failures of the childcare market, does not ensure sustainability of provision. (Currently nearly one in five childcare providers give up each year.) Such an approach is likely to leave out the very groups that the Government is trying to reach through its anti-poverty policies. Countries with successful universal provision of early years services, such as Sweden and Denmark, have opted for a supply-side approach, a focus on public investment and a maximum level for parental contributions. The approach adopted in the UK is also administratively cumbersome, expensive and a burden on parents, for example, having to report changes in childcare costs of £10 or more.

- ***The WBG recommends that Government monitor the take up and impact of employer supported childcare vouchers.***
- ***Eligibility for childcare subsidies, such as through the WTC, should be broadened. In particular, eligibility should be less tightly tied to employment.***
- ***The WBG recommends that to achieve universal provision the Government it should now focus on a supply-side approach to childcare by increasing public investment, and setting a maximum level for parental contribution.***

Social Care Services and Carers.

5.39 We welcome the proposal that carers are to be given the right to ask their employers to work flexibly. However, we are disappointed that this policy is the only explicit and positive measure for carers to be found in the Report (and even this is embedded in the sections discussing childcare). We would

²⁰ National Audit Office (2004), Early Years Progress in Developing High Quality Childcare and Early Education Accessible to All. The Stationery Office. London

like to see policies to support carers given much higher priority, so that the vital contribution they are making to the well-being of millions of frail elderly and disabled people is valued, supported and sustained.

5.40 Estimates based on data from the new Household Satellite Accounts and the latest Time-Use surveys show that the value of care provided within the family and household amounts to over a quarter of the total value of household production – valued at £870 billion in 2000 (ONS, 2002). It is therefore neither helpful nor accurate to refer to full time carers as ‘unoccupied’ or ‘inactive’, with the implication that they are a burden on taxpayers. Formal adult care services could never fully replace this care - and in any case, that is not what most givers and receivers of care would wish.

5.41 Combining care and employment. Many carers of working age wish and need to combine paid employment with their caring responsibilities. The shift from underpinning wages and benefits policies by a male breadwinner model to an individual citizen worker model has implications for older workers, as well as for parents of young children. Too often poverty is the price carers pay for caring and this could be reduced, at least in part, if they could continue in employment.

5.42 This is also consistent with the Government’s policy to increase the economic activity rates of everyone of working age. For women in their 50s, whose economic activity rates have been steadily increasing over the past twenty-five years to reach two-thirds, this means a further increase to reach 75%²¹. However, half of all carers are aged between 45 and 64²². Among men and women in their 50s, one in five is providing informal care. A recent study suggested that one in ten is providing informal care both for an adult and for grandchildren²³. A number of measures would help carers achieve the work-life balance that the Government has gone some way to recognising that parents of young children want and need.

- Carers should be able to qualify for financial support, for example the Working Tax Credit on the basis of 16 hours’ employment, in the same way that parents of young children and people with disabilities already do²⁴. Eligibility should be based on the individual not the family unit and could be achieved by further relaxing the qualifications for and restrictions on carers allowance, which is non-means-tested, non-contributory and individual. The Government has already increased the earnings threshold and could go further.
- The practice of allocating domiciliary care to those needing the most care i.e. potential ‘bed-blockers’ and those without a family carer means that those with fewer needs and those with a carer are not allocated any services. This is particularly the case where the carer is co-resident. Between 1992 and 2001, within the home care service the

²¹ Pension Commission (2004) Pensions: Challenges and Choices.

²² National Statistics (2001) Census 2001.

²³ Mooney, A Statham J. with Simon, A. (2002) The Pivot Generation, Policy Press.

²⁴ We understand that some discussions are already taking place within Inland Revenue to this effect.

number of contact hours has increased 71% but the number of households receiving care has fallen by 28%²⁵. All assessments for social care services should be 'carer-blind' so that carers and those they care for have a choice about the balance between formal and informal care, thus enabling carers to take up employment, training, education or indeed enjoy some leisure. We regret that this proposal has not been implemented and that the current choice of 'targets' by which local authorities' performance are judged continue to militate against this proposal.

- We welcome the Carers (Equal Opportunities) Act 2004, which gives local authorities the duty to support carers not only in their capacity as carers but also in helping them into training, education, employment and leisure. However without additional resources this Act will make little difference to carers' lives. As the money for carers allocated to local authorities is no longer to be ring-fenced, there are signs that resources for carers in some authorities are being reduced rather than increased.

5.43 Carers of all ages are too often poor. This can be seen through the high number of women pensioners living in poverty (see section 5.6). This is largely as a result of interruptions in paid employment due to their caring responsibilities. Access to employment is not a solution for all carers, who themselves may have health problems or are elderly. Many of those with disabilities are not aware of all the benefits to which they are entitled. As eligibility for the Carers' Allowance, which regrettably remains the lowest of all earnings replacement benefits, depends on the receipt of either one of the higher caring components of the Disability Living Allowance (DLA) or the Attendance Allowance, carers as well as those who depend on them miss out and risk remaining in poverty.

The WBG urges the Government to consider the needs of carers. This could be achieved in part through the following recommendations:

- ***More support for carers on the basis of 16hrs' employment rather than 30 or 35 hours as at present This could be done either by extending the WTC to this group or by improving the Carers Allowance***
- ***More resources should be channelled towards implementing the Carers (Equal Opportunities) Act 2004.***

The social care workforce.

5.44 There are three-quarters of a million social care workers in residential homes, day care centres or home care services. This is twice as many as in the childcare and early-years workforce²⁶. They have much in common with family carers. Indeed, in many cases they are the same women. Nearly half of domiciliary and two out of five residential care workers are women over 50.

²⁵ National Social Services Commission (2002) Final Report.

²⁶ ToPSS England Workforce Intelligence Unit, (2004) The State of the Social Care Workforce.

5.45 We do not know how many social care workers have family caring responsibilities themselves. Research studies cited in the ToPSS report found between a third and three-quarters of social care workers have such responsibilities²⁷. However in common with the childcare workforce, half are employed part-time, suggesting that the actual proportion lies somewhere between these two figures. Sadly, it is also not surprising that they are also low paid, with many getting no more than the minimum wage. Many could earn more stacking shelves in the local supermarket.

5.46 A reduction in the pay gap between women employed part-time and men working full-time would do much for the social care-and childcare- workforce. The health workers alongside whom many paid carers now work are likely to be receiving at least double their rate of pay. Like the childcare workforce, the social care workforce needs clear and progressive pay structures with training opportunities that value and widen their experience and develop their skills.

5.47 While there are some resources for training, too much depends on the willingness and ability of private-for-profit providers to invest in training. As in the childcare sector, those who are willing to invest fear that their staff are then poached by other employers, so there is a worrying disincentive to devote resources to training. In addition, in common with the current childcare market, providers range from the sole owner of an old people's home to large trans-national corporations with very different capacities to respond to Government training initiatives. There is little evidence from the current training policies and the methods of supporting them that the Government fully recognizes this.

5.48 Quality of care depends on familiarity and trust in the carer. A paid carer's job satisfaction depends a great deal on building a relationship with her clients. Staff turnover is therefore a good proxy for quality of care. Overall, turnover rates in the private-for-profit sector, where two thirds of this workforce are now found, are higher than those in the statutory sector in England. For example, turnover rates in the private sector elderly care homes are 27%, compared with 13% in the statutory sector. In the domiciliary sector, the comparable figures are 36% and 16%²⁸.

5.49 The WBG recommends that measures of quality of care should be taken into account when the 'productivity' of the public sector is compared with that of the private sector. On current evidence, the latter does not appear to be more 'productive'. The private sector certainly does not offer older people a greater choice of continuity of care.

• The WBG recommends that the Government implement policies to challenge the gender pay gap, including in the social care sector.

²⁷ ibid

²⁸ ibid

- ***The Government should focus funds and energy on increasing the quality of the social care sector, through training opportunities and enhanced career structures.***
- ***Measures of the quality of care should be taken into account when the 'productivity' of the public sector is compared with that of the private sector, as suggested in the Atkinson Review.***

Promoting women's financial inclusion

5.50 The WBG welcomes the Government's commitment to tackling financial exclusion, but stresses the need to incorporate a gender analysis when developing and implementing policies to do so. If not, women will continue to be excluded. The female face of financial exclusion is illustrated by the following figures:

- Women are less likely than men to have a current bank account (79%, compared with 83%)²⁹.
- The gender difference is more pronounced when we consider women's diversity. For example, among Bangladeshis, women are twice as likely as men to access no financial products, 31% compared with 14%³⁰.
- Financial exclusion is most likely in households headed by a person in a full time caring role. Research has shown that only 22% of lone parents save regularly, in comparison to 47% of couples with children³¹. Moreover, 55% of lone parents have no savings at all, compared to only 20% of couple families³².
- In addition, women and men prioritise differently how and why they save and spend their money. For example, it has been found that women are more likely to spend money on their children than men are³³.

5.51 The PBR presents numerous proposals from Government on how it aims to promote financial inclusion, which may have particularly gendered impacts, including:

- ***Post Office Card Account (POCA):*** POCA will be likely to benefit those most financially excluded, including women. However, their restrictive service of cash withdrawal only limits this capacity, and doesn't adequately tackle financial exclusion
- ***ISAs:*** Women are less able to take advantage of tax subsidies to saving, in products such as ISAs and pensions because of their lower earnings, or lack of earnings because of unpaid care work.
- ***Access to money advice:*** We welcome the increased provision of financial advice, and urge the Government to ensure that it is provided in a

²⁹ Graham M and Warren R. 2001. Women and personal finance: the reality of the gender gap, FSA, Consumer Research Report No. 7, FSA, London.

<http://www.fsa.gov.uk/pubs/consumer-research/crpr07.pdf>

³⁰ *ibid*

³¹ Barnes M, et al. (2004) Families and Children in Britain: Findings from the 2002 Families and Children Study, Department for Work and Pensions.

³² Middleton, S. (2002) How People on Low Incomes Manage Their Finances. ESRC, Swindon.

³³ Rosenblatt and Rake. (2003) 'Gender and Poverty', Fawcett Society.

gender-sensitive manner, taking account of women's particular needs and circumstances.

5.52 Regardless of the diversity and intentions behind developing financial inclusion schemes, especially those that promote savings, very poor women will remain excluded, as they do not have the means to save in the first place. Therefore, there is a need to tackle the underlying gender inequalities that are the cause of women's low incomes.

- ***The WBG recommends that all financial inclusion schemes incorporate a gender analysis that will reach out to all women, including those most excluded, women on very low incomes that do not allow them to save.***

Child Trust Fund

5.53 The Women's Budget Group is not pleased to see that the Government is considering extending the Child Trust Fund by adding an additional payment at age seven. As we argued in our response to Budget 2004 there are more effective means of facilitating a less unequal start in life for children. Money could be better spent on improving the conditions in which children in poorer families grow up, rather than giving them a hand out at 18 that can never reach the level to make a major difference to their life chances. The Government's own research shows that spending on the education of pre-school children is more effective than on young adults in improving life chances. This will be even more true of the Government contribution to the Child Trust Fund, of which only a proportion can be expected to be spent on education or training.

5.54 Further, 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, the benefit of this will be heavily outweighed by exacerbating inequalities among the poorest children. The WBG does not therefore support any extension of the Child Trust Fund and recommends instead that funds equivalent to the proposed top-up at aged and all associated tax reliefs be allocated instead directly to early years provisions or child benefit.

- ***The WBG recommends that no more funds should be directed to the Child Trust Fund in future, and instead should be invested in early years provisions or child benefit.***

Fairness for pensioners.

5.55 The WBG agrees with the view expressed in the PBR that in a fair society all pensioners would share in rising prosperity. However, as long as the state pension system does not fully reward women's unpaid caring contributions this will not be the case. Women pensioners are at a greater risk of poverty than men, and rely more heavily on state pensions as their sole source of income in later life. As it stands, the pension system is based on a male-breadwinner model, with inadequate support and recognition of women's unpaid caring responsibilities.

5.56 To eliminate female pensioner poverty, the WBG believes that the contributory system should be extended to account properly for care, and in so doing provide individual entitlement to women and men, regardless of their participation in paid employment. This would entail some of the following proposals: an increase in the Basic State Pension (BSP), indexed to earnings; enhancing pension caring credits; and a revision of the State Second Pension (S2P) to act as a viable alternative to occupational and private pensions³⁴. We feel that extending the current contributory system is a practical way of meeting the needs of current and future pensioners. This option may elicit public support because of attachment to the contributory system. But it updates that system, by rewarding the contributions to the economy of both paid *and* unpaid work.

Increasing women's entitlement to state pensions

5.57 The present means of crediting carers needs improvement. We recommend that someone should be able to have the advantage of credits without being in paid employment for a total of twenty years as is currently the case. In order to provide adequately for women's unpaid care, which is often flexible, and fluctuates according to a family's changing circumstances, Home Responsibilities Protection (HRP) and State Second Pension (S2P) credits should be calculated on a weekly basis rather than on the current annual basis. Allowances for caring should be in the form of a credit, rather than reducing the number of years required for a full BSP. This would more clearly and positively recognise the value of caring. Credits should be provided for a broader variety of carers, such as grandparents who leave employment to care for their grandchildren. Rewarded hours of care should be reduced from 35 hrs/week to 20 hrs/week, and HRP should be applied retrospectively.

The WBG recommends that the current contributory state pension system be extended in the following ways:

- ***Replace HRP with positive carer credits, as in S2P***
- ***Extend the childcare period eligible in S2P for credits from 5 years to match that for HRP, currently 16 years.***
- ***Allow credits for part years of caring and for a wider range of carers***
- ***Allow credits for those providing care for at least 20 hrs/week instead of the current requirement of 35 hrs/week***
- ***Remove the requirement for at least 20 years of contributions paid from earnings to qualify for BSP***
- ***Apply HRP to those who received Child Benefit before 1978***

³⁴ The WBG's response to the First Report of the Pensions Commission details our argument on revising the state pension scheme, and is available at:
<http://www.wbg.org.uk/documents/WBGPensionsCommissionResponse31.01.05.pdf>

Increasing the level of the BSP and indexing it to earnings.

5.58 Redistributing resources towards the poorest pensioners would, in our view, be more effectively achieved by extending the contributory system – including increasing the BSP and indexing it to earnings - than through the Pension Credit system. Take up of the basic pension is near-universal and increases would be received in full by the poorest, while those who pay income tax (a slight majority) would receive less. Take-up of means-tested benefits remains below 75%, leaving many of the poorest pensioners on a very low income. Pensioners over the age of 80, the majority of whom are women, are least likely to claim means-tested income support. In pensioner couples women get their own BSP, even if it is based on their husband's contributions, whereas the pension credit is usually paid to one of them – mostly the man – for the couple. That is, women in couples get their own individual income as pensioners via the BSP, but not via the means-tested payment.

- ***The WBG recommends that the single person's BSP should be increased immediately to at least the level of the Guarantee Credit and indexed to average earnings.***

Winter fuel payment and eye tests.

5.59 The PBR states current measures in place to tackle pensioner poverty include winter fuel payments and free eye tests. It would be consistent with the aim of redistributing towards poorer pensioners if the Winter Fuel payment were taxed in the same way as other income, allowing a larger increase in the basic pension or other benefits. Free eye tests are valuable in encouraging regular visits to an optician, thus improving early detection of medical conditions such as glaucoma. But the cost of spectacles is such that many pensioners cannot afford new lenses when a change is prescribed.

Payment to over 70s.

5.60 While pensioners strive to economise on their living expenses, this is not possible when Council Tax which has risen far more than inflation. We welcome the Government's recognition of this difficulty for pensioners over age 70. We welcome recognition by the Government of this reality. However, it is not only pensioners over age 70 who face a problem in paying rising Council Tax on a fixed low income. We therefore urge that help is extended to pensioners aged under 70. Increasing the current 25% discount on Council Tax for lone pensioners would help this group, who are mainly women and are significantly poorer on average than couples.

- ***The WBG recommends that local authorities are adequately funded to meet their current obligations, as well as providing a 50% discount on Council Tax for lone pensioners.***

Pension tax reliefs and rebates.

5.61 The increase to £1.5m of the cap on the pensions fund from which pension contributions attract tax relief helps the highest earners to pay even less income tax than in the past, reducing the resources available to improve state pensions for the less well off, mainly women. Over half (55%) of the tax

relief on individual and employee contributions to non-state pensions, which totalled £12.9 billion net of tax paid on pensions³⁵, goes to 2.5 million higher rate tax payers. This group of tax payers comprise fewer than one in seven of all tax payers receiving that relief³⁶. Of the top 10% of earners (who benefit from half the tax relief on pension contributions), it is estimated that at least 80% are men³⁷. This is due to women's generally lower earnings, their lack of access to good pension schemes, and the need of mothers to use such disposable income as they have to provide for the needs of their children rather than invest in their pensions.

5.62 The practice of contracting out of the state earnings related pension which involves expensive rebates on NI contributions, should be reviewed and the WBG looks forward to the Pension Commission's Final Report later this year. Contracting out greatly complicates pension administration for employers and also presents employees with difficult decisions. It has resulted in mis-selling of personal pensions and there is a high risk of mis-selling stakeholder pensions to women and the low paid, as recognized by providers. Employees who were in the past compelled to contract out into occupational schemes face the risk of losing much of the value of their pensions if their scheme becomes unviable. Moreover, rebates for those contracting out of S2P represent a substantial cost to the NI Fund. For these reasons, we question whether it is sensible to continue to allow contracting out with rebates.

- ***The WBG recommends that a full gender audit of tax reliefs and rebates for pension saving should be carried out and the results published.***

³⁵ Inland Revenue (2005) 'Tax expenditures and ready reckoners', Table 1.5, available at: http://www.inlandrevenue.gov.uk/stats/tax_expenditures/table1-5.pdf

³⁶ Calculation by Adrian Sinfield (2005) A Response to the First Report of the Pensions Commission', based on Inland Revenue 2005, table 7.9

³⁷ Agulnik and Le Grand (1998) Fiscal Studies 19.4.

6. Delivering high quality public services

Women as users of, and workers in, public services

6.1 Women are significant users of public services, as well as making up a large proportion of the public sector workforce. The WBG is therefore concerned with both these aspects of the Government's proposals.

6.2 We welcome the decision to provide increased resources for the public sector and to 'lock in' the previous increases in investment. However, the proposals for efficiency savings do hold some particular dangers for women.

6.3 It is disappointing that there is no specific recognition that investment in the "infrastructure" of the public sector must of necessity include investment in the pay, development and training of the workers who provide the services. In particular, there is still a need to address gender distribution and pay inequalities across public sector jobs. We hope that the Women and Work Commission will make a positive contribution to the development of Government action on this issue.

6.4 We are concerned that efficiency improvements will impact on women differently from men. Already, the lack of clarity about which jobs and services will be affected has caused uncertainty among public service workers and users.

6.5 The closure of local service points and the way in which services are delivered have a cumulative effect on women's lives. For example, the loss of post offices and changes to the way in which pensions are paid has reduced the independence and social contacts of the oldest pensioners, who are mainly women. Changes to adult education and day centre provision have resulted in carers finding it harder to make arrangements for elderly relatives. Integrated services at the local level are vital in enabling people to make choices about how they cope with such responsibilities.

Possible cuts in jobs, relocation of employment and changes to job content are likely to impact most strongly on lower graded staff, many of whom are women.

6.6 The WBG considers that the Government's demarcation between front line and back office posts will result in less varied and fulfilling job design at the lower grades. The proposals may also reduce women's opportunities for career development and promotion and thus undermine attempts to reduce the gender pay gap in the public sector.

6.7 Women who are also members of other minority or disadvantaged groups, such as disabled women, black and minority ethnic women and lesbian women, have specific concerns about the relocation of jobs away from London and the South East. In particular, they are likely to find it harder to replicate the support networks that they draw on at present.

- ***The Women's Budget Group urges the Government to make sure that the potential and actual impacts on women of public sector efficiency measures do not negatively impact on women's quality of life and careers in the sector.***

Higher education

6.8 The WBG is concerned that women in higher education receive adequate support to balance their educational aspirations with their other responsibilities, including caring. For example, there should be higher education undergraduate support to protect previous study (i.e. if someone has studied before, then wants to retrain later in life, the previous study should not stop them from accessing financial assistance to retrain or study further); no age restriction on student loans; and support for students who intercalate (suspend from their studies), particularly for pregnancy and caring duties; and the provision of childcare for students/workers undertaking unsociable hours (for example, nursing students on clinical placements, shift workers, workers in the hospitality industry).

Joined-up thinking across policy areas

6.9 The WBG is particularly concerned with a lack of 'joined up' thinking across policy areas in practice, despite the declared commitment to it in principle. This is vital to ensure that the needs of individual women and men are not sacrificed as a result of poor communication and coordination within Government. For example, in some local authorities (LAs), day centres for adults with physical and learning disabilities are being closed by LA social services departments, at the same time as some regional Learning Funding Councils are withdrawing funding from adult learning centres to teach courses for adults with learning difficulties (e.g. basic IT, cookery etc.). These services play a critical role in providing enough training for some to get employment and give them and others some social contacts. However, if funding is withdrawn they will become more dependent on their carers and more isolated socially. This in turn may adversely affect their own health and well-being as well as that of their carers.