

Women's Budget Group
Response to the 2003 Pre Budget Report

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

WBG is co-chaired by Professor Susan Himmelweit (Open University), Dr. Katherine Rake (Fawcett Society) and Professor Sylvia Walby (University of Leeds).

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 Manager, Kate Bellamy, or look on our website: -

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

Tel: 020 7253 2598 ext. 203
Email: kate@fawcettsociety.org.uk

www.wbg.org.uk

Key Recommendations

1. WBG is delighted that the UK government has made significant progress towards incorporating a gender perspective into economic and social policy in 2003. We look forward to seeing this approach developed and taken forward in 2004 and in the course of the next Spending Review. One essential next step is for HM Treasury to provide a full gender breakdown of expenditure figures so as to facilitate the meeting and monitoring of the Public Service Agreement (PSA) on gender equality and, in the longer term, all PSAs. In addition we would like to see the Gender Analysis of Expenditure Project Report made public. Not only would publication establish the UK as a forerunner on gender budget analysis in Europe, it would be an important step in setting standards for the development of best practice in the UK.
2. The New Deal for Skills should provide for the needs of low skill women, particularly returners and part-timers, and the needs of those most detached from the labour market must also be addressed as part of the Low Skills strategy. Current New Deal programmes, particularly New Deal for Lone Parents, should be revised to incorporate a greater training element as part of the Low Skills strategy.
3. We welcome the recognition by government of an argument put forward by WBG that starting a job can be a stressful time since children have to be settled into childcare, and that the costs of a formal childcare place for a lone parent who has found work through the NDLP will be met for up to one week before they start work. Help with childcare costs should be extended to other groups of parents likely to be unable to pay for childcare before entering employment. In particular all lone parents who start work whether or not they have found work through the NDLP and all parents who will become eligible for the childcare element of working tax credit when they start work.
4. The childcare element of Working Tax Credit needs to be reviewed in the context of the whole system of benefits for children and adapted to the needs of large families. Maximum levels of support need to be raised to more realistically reflect rising childcare costs in an undersupplied market, and the extension of coverage to home based childcare which can be much more expensive.
5. The wage-replacement levels for the first 6 months of maternity leave and for paternity leave should be raised and measures should be introduced to encourage parents to share the second 6 months allowance by integrating it into a system of paid parental leave. While parental leave remains unpaid, Working Tax Credit entitlement should be extended to cover any period of unpaid maternity or parental leave.
6. The government recognises the need to expand the childcare workforce. The medium term aim should be to close the pay and skills gaps between the teaching and childcare professions. This will require substantial and on-going investment in training and an increase in pay. It is essential that childcare providers are fully committed to and involved in improving the skills and qualifications of all their workers.
7. Currently only the state is able to remove the financial impact of the unpredictability of women's working lives in relation to pension provision. It is therefore essential, if both current and future generations of women pensioners are to be lifted out of poverty, that the number of women entitled to the Basic State Pension (BSP) be raised, for example by adjustments to the current National Insurance contribution rules, and the adequacy of the BSP be improved.

1. Introduction

1.1 The WBG commends the Chancellor on his continuing concern with macroeconomic stability and his choice therefore to spend, rather than retrench, at this stage in the economic cycle. Public spending is particularly important to women, who make up the majority of public service customers and employees. We also welcome the Chancellor's commitment to full employment and to continued public expenditure as a way of avoiding a potential deflationary spiral. In particular we applaud the near £1 billion spent on the child tax credit in an effort to relieve child poverty.

1.2 We are also delighted that the UK government has made progress towards incorporating a gender perspective into economic and social policy in 2003, with the Women and Equality Unit's 'Delivering on Gender Equality' and the pilot gender analysis of expenditure project. HM Treasury's recognition that gender analysis is essential not only for achieving gender equality, but in order to improve policy-making is most welcome. We look forward to seeing this approach developed and taken forward in 2004 and in the course of the next Spending Review.

1.3 On policy, we welcome the government's continued commitment to improving the availability of childcare. Childcare is essential to building a fairer society, increasing employment opportunities for all and to improving productivity. The measures to encourage employers' provision are welcome, but these are relatively small and we believe that government action must now be bolder if the childcare challenge is to be met. Substantial funds must be made available if childcare in the UK is to become high quality, affordable and available for all that want it.

1.4 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 4 single female pensioners currently live in poverty.¹ Pensions must be restructured so as to reward rather than penalise women for their contribution of 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 number of women entitled to the Basic State Pension must be raised and the Basic State Pension should be indexed to GDP.

¹ Fawcett Society briefing 'Pay, pensions and poverty: How do women fare?', 2003

2. Gender Analysis

2.1 Gender Analysis of Expenditure Project

2.1.1 WBG is delighted that the UK government has made progress towards incorporating a gender perspective into economic and social policy in 2003, with the Women and Equality Unit's Delivering on Gender Equality objectives to be taken forward across government departments, and the pilot gender analysis of expenditure project which is set to make the UK government a European forerunner on gender budget analysis. HM Treasury's recognition that gender analysis is essential not only for achieving gender equality, but in order to improve policy-making is warmly welcomed. As Julie Mellor of the Equal Opportunities Commission 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."²

2.1.2 We look forward to seeing this approach developed and taken forward in 2004 and in the course of the next Spending Review. One essential next step is for HM Treasury to provide a full gender breakdown of expenditure figures so as to facilitate the meeting and monitoring of the Public Service Agreement (PSA) on gender equality and, in the longer term, all PSAs.

2.1.3 We would like to see the Gender Analysis of Expenditure Project Report made public. Not only would publication establish the UK as a forerunner on gender budget analysis in Europe, it would be an important step in setting standards for the development of best practice in the UK.

2.2 Gender Mainstreaming

2.2.1 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 policy and programmes.

2.2.2 To give one example, the Chancellor's proposal to cut taxes for sports clubs to enable them to promote sports in their communities would benefit from a gender mainstreaming approach. Spending on sports programmes tends to be gender blind and as a result gender imbalanced. Preliminary gender budget analysis research by the Welsh Sports Council found that Welsh sports club funding was very much biased in favour of men and boys (for example with large amounts of money being spent on men's rugby) and suggested ways in which the gender balance could be rectified.

2.2.3 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, as a first step the WBG recommends the following

²Push to make spending fair to women', David Turner, Financial Times, November 27, 2003

policy areas raised in the Pre Budget Report would benefit from a gender mainstreaming approach:

- *Tax breaks for sports clubs. HM Treasury should draw on work done by the Welsh Sports Council;*
- *Analysis of who benefits from tax relief on pensions;*
- *Plans to compel jobseekers to travel greater distances for employment.*

2.3 Gender Statistics

2.3.1 Attempts to adopt a gendered approach to policy-making and spending decisions will fail unless the government disaggregates and analyses data by gender. The Pre Budget Report does include some welcome examples of data disaggregated by gender, for example in Box 3.5 on the Employer Training Pilots, but many figures remain gender blind. We particularly regret the lack of gender disaggregated statistics in the expenditure on the New Deals and other welfare to work programmes (Table 4.3).

2.3.2 We recommend that any gender analysis work done by DWP on the New Deal programmes be published, and that this best practice in the production of gender disaggregated statistics be emulated across government.

3. Meeting the Productivity Challenge

3.1 Tackling Low Skills

3.1.1 We appreciate the Government's moves to tackle the problem of low skills and urge government to recognise that most people with low labour market skills levels are women, including many women wishing to return to the labour market after a period of caring and many women working part time. The New Deal for Skills is a welcome attempt to tackle low skills, but if it is to be effective it must recognise and address the specific difficulties faced by these women.

3.1.2 Crucially, much more needs to be done to improve the skill levels of those furthest away from the labour market, particularly those lone parents about to be returned to Job Seekers Allowance when their oldest child reaches 16. This could assist government in meeting targets for lone parent employment.

3.1.3 There is currently too little provision for training and education within existing New Deals, particularly the New Deal for Lone Parents and New Deal for Partners, and this issue should also be addressed as part of the low skills initiative. A gender analysis of spending on the New Deal programmes reveals that those programmes most commonly accessed by women have the least money spent on them and this is directly related to the low level of training provision on the programme.³ More spending on these programmes is vital to enhance the training elements and tackle the low skills of women. Many such women are likely to have skills that may just need updating following time out of the labour market for caring, and that therefore they are likely to offer a good return on training investment.

3.1.4 The New Deal for Skills should provide for the needs of low skill women, particularly returners and part-timers.

3.1.5 The needs of those detached from the labour market must also be addressed as part of the Low Skills strategy.

3.1.6 Current New Deal programmes, particularly New Deal for Lone Parents, should be revised to incorporate a greater training element as part of the Low Skills strategy.

3.2 Employer Training Pilots

3.2.1 Employer training pilots are welcomed, particularly given their success and the way in which they have reached low-skilled women (and we welcome the fact that the data given on them is disaggregated by gender as demonstrated in Box 3.5) but again the scheme does nothing to help those who are more detached from the labour market.

3.2.2 In practice we would also urge the government to display some caution in extending the scheme without consideration of what works, as previous government experience of involving employers in training has

³ 'Men First' by Dr. Katherine Rake, The Guardian, 20.06.00

been mixed. Evidence from the social care and childcare sectors shows that employers have very low expectations of their responsibilities for training and reviews of both Modern Apprenticeships (with non-completion rates of 80%) and the newer Foundation Degrees show that employer involvement and commitment can be problematic.

3.2.3 Government should monitor the Employer Training scheme for its accessibility to people in part-time employment, the majority of whom are women.

3.2.4 Government should consider 'what works' in terms of employer training. WBG stresses that it is crucial that time off for training is paid and that training is done within working hours (to be inclusive of those with caring responsibilities).

3.3 Modern Apprenticeships

3.3.1 We recognise the potential value of the Modern Apprenticeship scheme but believe it is currently severely limited by extreme sex segregation. The modern apprenticeships programme is even more heavily gender segregated than the labour force as a whole. 96% of engineering apprentices are men whereas 89% of health and social care apprentices are women. Continuing gender segregation limits people's opportunities, especially women's, and places costs upon the economy as a whole. Tackling the problem should also help expand the number of workers, in those 'feminised' areas (such as childcare) where there are staff shortages.

3.3.2 WBG welcomes the establishment of the employer-led Taskforce on Modern Apprenticeships. The terms of reference for this group's work must include an examination of the causes of gender inequalities, with particular emphasis on how to resolve the heavy gender segregation between the Modern Apprenticeship programmes.

4. Increasing Employment Opportunity for all

4.1 Compulsion

4.1.1 Overall, we welcome moves to help and support lone parents and partners in the transition into work. However we are concerned about any moves towards compulsion for these groups, and would like to see better training provision and support within the New Deal for Lone Parents. With an increasing governmental focus on the importance of parenting, the need for lone parents to have a balance in their lives between their parenting role and their paid work must be acknowledged.

4.1.2 The increase in the minimum number of steps to find work required by JSA claimants and increases in the area over which JSA claimants are required to travel to find work concern us. It is our view that the Chancellor's demand that job seekers travel greater distances to find work has not been thought through from a gender perspective; it requires a gender impact assessment as it risks being indirectly discriminatory against women and carers. Many women will find it extremely difficult, time consuming, expensive or even impossible to travel greater distances for their job given that they are more likely to rely on public transport and to have primary responsibility for childcare. It may also impact negatively on their children who may as a result be subject to longer, more costly or less secure care arrangements.

4.1.3 We are also worried by the increased frequency in work focussed interviews for lone parents whose youngest child is 14 or over and the introduction of a compulsory action plan. While we support moves to help lone parents gain work, we are concerned about any measures that encourage them to take actions they feel are inappropriate for their own situation.

4.1.4 The proposal that jobseekers travel greater distances for employment must be rethought and allowances made for those with caring responsibilities. As a first step the proposals should be subject to gender impact assessment as set out in the Women and Equality Unit guidance.

4.1.5 We would like clarification over what type of actions will be prioritised in the compulsory action plan for lone parents whose youngest child is 14 or over; who will decide on the actions to be taken, what will be the penalties for non-compliance with the action plan, or for failing to engage with the process of drawing it up.

4.1.6 The needs and position of women, parents and carers, and particularly lone parents, should be taken into consideration when considering moves towards compulsion for the unemployed.

4.2 Lone Parents

4.2.1 Covering the costs of a formal childcare place for lone parents for the week before they start a job found through NDLP

4.2.1.1 We welcome the recognition of an argument often made by WBG that starting a job can be a stressful time since children have to be settled into childcare, and that the costs of a formal childcare place for a lone parent who has found work through the NDLP will be covered for up to one week before they start work.

4.2.1.2 However we do have concerns about the limits of current proposals. We are concerned that childcare paid for through this method is of good quality and will be sustainable for the lone parent once they do move into work. One potential problem is that places fully funded for this week might not be affordable for a lone parent having to meet 30% of childcare costs through the childcare element of the Working Tax Credit. We would also like to see childcare costs covered for a reasonable period after lone parents leave paid employment to enable them to remain engaged with the labour market. Additionally, we would query whether the week proposed will be long enough in all cases to settle a child into childcare, since alternative arrangements will have to be made if this initial place proves to be unsuitable. We would suggest that a more flexible period be allowed where needed.

4.2.1.3 We further welcome the pilot schemes in which lone parents taking part will be entitled to a free formal childcare place while undertaking work search activities. We hope to see this scheme extended to all parents looking for work who need childcare to help them do so. Countries such as Denmark and Sweden which not only provide wrap around daycare, but guarantee a childcare place for all children under 3, see high rates of lone parent employment.⁴ Other countries, such as Australia, help lone parents looking for work by providing subsidies for childcare (not necessarily full time) for all parents from low-income households during job search.

4.2.1.4 Help with childcare costs should be extended to other groups of parents likely to be unable to pay for childcare before entering employment. In particular:

- *all lone parents who start work whether or not they have found work through the NDLP; and*
- *all parents who will become eligible for the childcare element of working tax credit when they start work.*

4.2.1.5 The scheme should be monitored with consideration given to:

- *offering childcare costs at the end of a period of employment to enable the lone parent to remain engaged with the labour market;*
- *ensuring the quality and sustainability of childcare provided;*
- *flexibly extending the time period for which free childcare is offered beyond one week before entering employment where needed.*

⁴ *Policy and Employment of Lone Parents in 20 Countries* (1996) Bradshaw et al, European Observatory on National Family Policies

4.2.2 £40 in work credit for lone parents in London who have been on income support for a year or more and £20 Worksearch premium for lone parents in pilot areas

4.2.2.1 Moves to increase the gains to work and the support available to lone parents are welcome. However schemes such as this tend to ameliorate rather than address the problems faced by lone parents in London. Affordable childcare and housing are essential if women (who are more concentrated in social housing) are to be able to live and work in London.

4.3 Partners

4.3.1 New Deal for Partners

4.3.1.1 We welcome the extension of the New Deal for Partners for those on Income Support but we would like reassurance that the options available on both the New Deal for Partners and the New Deal for Lone Parents provide real high quality support for women wanting to return to work.

4.3.1.2 More emphasis and funding must be given to training and education within both these programmes.

4.3.2 Individualising benefits

4.3.2.1 We welcome the government's statements that 4.30 '*The Government recognises that there is further to go in modernising the benefit system to reflect today's society*' and '*There is a strong case in principle for extending an individual's right to payment [of benefits] as and when this is practical*'. Individual benefits follow logically from the shift from a male breadwinner model, which underpinned the UK's tax and benefit system for the last century, to the current dual earner model. Extending an individual's right to payment is practical and viable now so as to reduce financial dependency, which the PBR notes is an 'outdated concept'.

4.3.2.2 However, we are concerned that the government's focus seems to be on introducing joint rather than genuinely individualised claims. On the surface, joint claims to benefit appear to be more egalitarian than having a 'claimant plus partner' approach. However, while joint claims extend responsibilities to both partners, by making both responsible for the information supplied, and also ensure access to dependent partners by the Employment Service, they are not the most obvious route to achieve independent rights to benefit. Just as 'joint and several liability' for the poll tax proved problematic, it is not clear what will happen with overpayments, fraud etc. with joint claims, as they are relatively untested. We would welcome feedback from the government on any problems encountered before proceeding further with joint claims for other benefits.

4.3.2.3 Moreover, currently under joint claims one partner still claims benefit for both. The government appears to be suggesting individualisation of payment in the longer term (4.30), albeit within the context of joint claims. This would seem to be necessary to complete its

agenda of 'extending rights and responsibilities', by giving partners a right to benefit payments.

4.3.2.4 However, whilst the principle of individual payment may be easily agreed, the practice is more complex. In particular, recent research has shown that because men's and women's definition of 'personal' spending differs, it is possible that if benefit payments means-tested on household income were divided between a couple, the woman could have less to spend on household and children's needs than before.

4.3.2.5 By contrast, there are some benefit systems which are much more conducive to individualisation. A structure of largely universal benefits, or one in which benefits are means tested only on an individual's access to resources, would be a much better foundation for promoting individual treatment within the benefits system.

4.3.2.6 Whilst we support the principle of individualising benefits, we recommend that government give serious consideration to how best to do this, with particular reference to the impact on women, and in consultation with civil society groups such as the WBG.

4.4 Sick and Disabled People

4.4.1 The WBG welcomes the recognition that 'disabled people often face additional costs when participating in the labour market' (4.36) but we believe the extra costs faced by those disabled people who are carers, for example the additional cost in taking a child to school, also need to be recognised within the benefits system.

4.5 Housing Benefit Reform

4.5.1 We welcome the increased childcare disregard in Housing Benefit and efforts to make the administration of the system more efficient. We would also welcome any action that reduces the steep withdrawal rates which are a widely recognised and significant contributor to poverty and unemployment traps.

4.5.2 The pilots of Local Housing Allowance need to be carefully monitored to ensure that people are not forced into substandard accommodation due to an inability to find decent accommodation set at the local rate. There is also some concern over the restructuring of rents in social housing to reflect the quality of accommodation. Those on low income (e.g. lone parents) may be forced into poor accommodation thus increasing their own and their children's risk of social exclusion.

4.5.3 Local Housing Allowance pilots should be introduced to the social sector as soon as possible.

4.5.4 The impact of both Local Housing Allowance pilots and the restructuring of social housing rents should be monitored carefully for their impact on quality of accommodation and living standards

4.5.5 While the reform of Housing Benefit is underway there is a need for a system similar to the Social Fund to help those whose claims are taking a long time to process and who face eviction.

4.6 Relocation of Civil Servants

4.6.1 While not opposing the proposal to conduct a study to consider transferring staff out of London, we have concerns about how this is done, and the impact on women and others with caring responsibilities. Indeed there is case law to show that there is potential issue of sex discrimination over any compulsory moves of staff.⁵ Those who move might be moving away from childcare arrangements, whether formal or those provided by relatives. There might also be implications for those who do not go, because of reduced promotion opportunities.

4.6.2 Government proposals to relocate civil servants should consider the impact on women employees and those with caring responsibilities.

⁵ Meade Hill v British Council, 1995, IRLR478

Chapter 5 - Building a Fairer Society

5.1 Child Tax Credit and Eradicating Child Poverty

5.1.1 We welcome the increase in the Child Tax Credit as a means for distributing money to those families in most need and tackling child poverty.

5.1.2 However we regret that the childcare element of Working Tax Credit has not been reviewed. The maximum levels paid do not realistically cover 70% of childcare costs. In particular, the way it is currently set up and distributed discriminates directly against large families and may discriminate indirectly against particular faith and ethnic minority groups who tend to have large families. Poverty is found disproportionately among children from larger families. The increase in uptake in the past 12 months is encouraging, but is mainly accounted for by couples with one or two children, mainly under 5 years of age. The number of larger families receiving it has not changed. This is not surprising because the credit is less for the second child and *nothing* for subsequent children. Childcare providers do not provide free care for 3rd and subsequent children.

5.1.3 A third of all children have at least 2 siblings but they account for *half* of all poor children. Most are living with two parents and their father is employed. Their mothers however, find it much harder to help to take their families out of poverty by becoming the second earner because they face bigger childcare problems. Even greater problems arise for lone parents of larger families. The government will not meet their target of reducing child poverty by half by 2010 unless all mothers of larger families also have access to affordable childcare.

5.1.4 The UK has a child support system which is now biased against larger families and Bradshaw's recent study of these systems in 20 countries suggests that this is one of the reasons for the UK's high poverty rate among children.

5.1.5 The childcare element of Working Tax Credit needs to be reviewed in the context of the whole system of benefits for children and adapted to the needs of large families. Maximum levels of support need to be raised to be more realistic in the light of rising childcare costs in an undersupplied market, and the extension of coverage to home based childcare which can be much more expensive.

5.1.6 The Child Element of the Child Tax Credit needs to be ring-fenced so that any overpayments of Working Tax Credit cannot be recouped through the Child Tax Credit.

5.2 Balancing work and family life

5.2.1 Although welcoming moves to improve paternity leave provisions, the WBG remains concerned that the rate of pay for both maternity and paternity leave generally is not sufficiently high to allow new parents to take advantage of this time with their children. We fear that many new mothers will not be able to afford to take their entitlement to 26 weeks of leave, because after the first six weeks this is only paid at £100 per week

(well below minimum wage levels). We know from research done by the DTI in 2000 that over half of new mothers did not take their full 18 weeks entitlement because they could not afford to. The new rates may have improved that situation, but the financial pressures now extend over a longer period. Similarly, some fathers may be discouraged by the low rate of pay from taking even the two weeks of paternity leave to which they are entitled.

5.2.2 Government's priority should be to improve women's maternity coverage for the first 6 months by improving the wage-replacement level, and possibly extending it slightly to allow mothers to breast feed for the recommended six months as well as take some leave before the birth. Improving the rate of replacement pay is also an important child poverty reduction measure, since those who take maternity leave will find that they experience a substantial drop in income at the same time as the expense of a new baby, yet their ongoing financial commitments will still have to be met during this period. Not all parents experiencing these pressures will be eligible for working tax credit.

5.2.3 We would also recommend introducing measures to encourage parents to the share of the second 6 months allowance by integrating it into a system of paid parental leave. Consideration should also be given to making some part of that leave available only to fathers, as has successfully been done in Sweden and Norway. In the meantime, while parental leave remains unpaid, Working Tax Credit entitlement should be extended to any period of unpaid maternity or parental leave.

5.2.4 We welcome the recognition of the need for fathers to attend ante-natal classes but feel that introducing this as 'best practice' for employers will do little to ensure that this is taken up.

5.2.5 We also welcome the assurance that first time parents who were working 16 hours a week before taking maternity paternity or adoption leave will be able to claim Working Tax Credit.

5.2.6 The wage-replacement levels for the first 6 months of maternity leave and for paternity leave should be raised.

5.2.7 Measures should be introduced to encourage parents to share the second 6 months allowance by integrating it into a system of paid parental leave.

5.2.8 While parental leave remains unpaid, Working Tax Credit entitlement should be extended to cover any period of unpaid maternity or parental leave.

5.3 Childcare

5.3.1 Employer supported childcare

5.3.1.1 We are keen to see employers encouraged to give support to their employees' childcare needs. However, we are worried about some aspects

of the proposed extension of the childcare vouchers scheme and its tax and national insurance breaks. We welcome the scheme in so far as it provides *additional* benefits to parents and does not erode salary levels and other employment benefits.

5.3.1.2 However, there are indications that many employers will offer it to their workers as part of a salary sacrifice scheme. This raises a number of issues that should be considered. Women already lose employment-related benefits, including pension benefits, through lower pay and time out of the labour market. Because of this women are already far more likely than men to end up in poverty as pensioners. Although these schemes will be open to men as well as women it is likely to be women who are more likely to take them up and employers with a large number of women workers who are more likely to offer them. In so far as this is the case, this will increase the earnings gap between men and women and will have a negative impact on women's pensions' position. Government should retain oversight of how the scheme affects women's pay and benefits.

5.3.1.3 It is surely unfair that tax relief for childcare should be available only to those whose employers join such schemes. Tax relief for some or all of the costs of childcare, as a necessary employment expense, should be available to all parents.

5.3.1.4 We welcome the Chancellor's condition attached to the tax/NICS relief that for an employer to take advantage of this scheme, they must offer support to every employee. It needs to be simple for employers to implement so all employees can benefit. We need to know how this will affect agency workers, staff on temporary and fixed-term contracts and those who work in 'contracted-out' services. We would also like assurances that the benefits to lower paid workers of existing schemes that offer more generous terms to lower than higher paid workers will not be undermined.

5.3.1.5 Voucher schemes and the impact on pensions are complex and dependent on the type of pension scheme involved. The Government needs to ensure both employers and employees fully understand how voucher schemes operate, the choices involved and the impact on other benefits and pension, as well as tax credits, before such schemes are implemented within the workplace.

5.3.1.6 It is crucial that advice is offered to those whose salary will be brought below the Lower Earnings Limit by a salary sacrifice scheme, and that the implications of this be made clear.

5.3.1.7 Government should encourage those employers offering childcare vouchers as part of a salary sacrifice scheme to at least treat the vouchers as notional salary so that their value is included in calculations for employment related benefits such as pension contributions.

5.3.1.8 In the longer term the government should consider providing tax relief on all or a portion of childcare costs for all parents in employment.

5.3.2 Childcare Centres

5.3.2.1 Employer provision should never be relied upon as a substitute for an adequately funded national system of childcare provision, the funds for which are still too meagre. We await the outcomes of the recent Childcare Review and expect this will reveal the need for considerable funding commitment to childcare provision in the 2004 Spending Review.

5.3.2.2 Despite significant investment over recent years, there is still only one childcare place for every five children under the age of eight. Investment has risen, but by international comparison it is still low. The government only spends 0.3% of GDP on childcare at present and this compares with over 2% in the Nordic countries and 1% in France.

5.3.2.3 The cost of childcare is a major concern for many families. The typical cost of a nursery place for a child under two is £128 a week or over £6,650 a year and many families pay much more. Approved childcare is still not available to or affordable for many families.

5.3.2.4 We welcome the pledge "to create a thousand [Children's] centres around the country within five years, with a longer term ambition of children's centres in every community, which will become 'as much a focus of community life as the local school, the local place of worship and the local park'. Our goal: a Children's Centre for every community; this generation meeting its obligations to the next."⁶ Children's centres bring together quality childcare, early years education, health, family and employment support to give children a good start in life and help parents work and train.

5.3.2.5 The Government announced the first 61 children's centres earlier this year, so another 939 children's centres need to be established before 2009 just to cover the 20% most disadvantaged areas. Multiplying this up means that to meet this pledge requires 5,000 children's centres in total and could take twenty-five years to achieve. This doesn't take into account the differing needs of rural areas etc. and assumes funding at the same rate.

5.3.2.6 We anticipate the development of a timetable and detailed investment plans over the coming months to ensure government pledges on children's centres become a reality.

5.3.3 Childcare Registration

5.3.3.1 We welcome the announcement that the restriction of home carers to registered childminders is to be reviewed. In particular, many nannies have childcare qualifications and it should be possible for them to be registered. It is an important step for almost two-thirds of working families have at least one parent who works outside traditional office hours (Mon-Fri 9-5) and more than one fifth have one who works shifts. Families with children with disabilities are less likely to be able to access

⁶ Chancellor's pre-budget speech 2003

childcare due to a lack of facilities or suitably qualified staff. What people need is home-based childcare which is not always affordable or available.⁷

5.3.3.2 Registration for childcare should be extended to nannies to help those parents who work irregular hours or who need childcare based in their own homes.

5.3.3.3 Maximum levels paid for childcare under WTC will need to be raised if they are to genuinely cover 70% of childcare costs, especially where more expensive home base childcare is needed.

5.3.4 Informal Care

5.3.4.1 Informal care is very important to many mothers in employment. Indeed research shows that mothers' decisions about whether and when to return to employment can depend on the availability of informal childcare. This is not going to change unless the government's commitment to a Children's Centre in every locality is more rapidly acted upon than appears to be planned at present.

5.3.4.2 The WBG would therefore welcome policies which supported and sustained this invaluable care. One third of grandmothers today are in their 50's and two thirds of them are in paid employment. It should be recognised that many informal carers restrict or give up their employment in order to provide this childcare and this has implications for their current and future (pension) income.

5.3.4.3 The needs of informal child carers should be addressed. Twenty five years ago this problem was recognised in the case of carers of adults with the introduction of the Independent Carers Allowance so there are precedents for this.

5.3.5 Childcare Workforce

5.3.5.1 We welcome the acknowledgement that the UK's investment in workforce training has historically been low. The childcare sector poses a particular challenge in this respect because its track record in training has made it a very poor relation to education. However, if the government is to succeed in expanding good quality childcare provision this challenge must be met. In particular Children's Centres will only work well if education and care are integrated.

5.3.5.2 This means that the gap between the pay and career prospects of childcare workers and teachers must be closed. The average hourly pay for childcare workers is just £5.12, significantly lower than the national average and much lower than average hourly pay for women.⁸ The government will not succeed in attracting and retaining more childcare workers unless pay is raised and training improved.

5.3.5.3 Employers in the childcare sector range from the owner of a single nursery to the trans-national corporation with a chain of nurseries in the

⁷ DfES – Supporting the cost of home-based childcare 2003

⁸ Daycare Trust, Peter Moss, 2003

UK and North America. Training policies must be sensitive to their different capacities, but it is important that expectations of, and commitment to, training are raised across the whole sector. For example OFSTED could give more information about training budgets, qualifications gained and turnover rates when they inspect daycare providers.

5.3.5.4 The new Modern Apprenticeships scheme and the new Foundation Degree provide important routes to higher qualifications in the childcare sector but recent reviews show that too often the involvement of employers is the weakest link. The very welcome additional money to be spent on training in the social care and childcare sector, as described in *Every Child Matters*, will not be used as productively as it needs to be unless this is addressed. The government's Childcare Strategy will not succeed if recruitment and retention problems remain and this means taking the childcare workforce out of the traditional female ghetto where it has been for far too long.

5.3.5.5 The government recognises the need to expand the childcare workforce. The medium term aim should be to close the gap between the teaching and childcare professions. This will require substantial and on-going investment in training and an increase in pay. It is essential that childcare providers are fully committed to and involved in improving the skills and qualifications of all their workers.

5.4 PENSIONERS

5.4.1 Taxation

5.4.1.1 While we welcome simplification of pensions and their tax treatment, we are concerned that, under government proposals, more effort is being made to help top earners than the low paid. The £1.4m cap is already set at a generous level yet modifications to the cap set out in para 5.54 of the PBR seem to be designed to help the highest earners to pay even less tax. In contrast, there is nothing to help the low paid, mainly women, who have the most difficulty in saving for an adequate pension. Para 5.5 states that the proposed modifications would carry a 'modest cost' to the Exchequer although the amount is not given.

5.4.1.2 The recent fall in tax revenues relative to forecasts is cause for concern, as it affects the resources available for welfare. Yet the amount of revenue forgone due to tax relief on private pensions is rising. It is estimated as £13.7bn in 2000, equivalent to over 40 per cent of state spending on the basic NI pension.⁹ Tax relief and contracting out rebates were estimated as 15% of personal income tax revenues¹⁰ and as over 2.5 per cent of GDP in 2001.¹¹ Although tax relief and rebates have been justified as providing incentives to save through private pensions, half the benefit is received by the top 10 per cent of taxpayers and a quarter by

⁹ Sinfield, A. (2002) 'The cost and unfairness of pension tax incentives', Memorandum PEN61, House of Commons Work and Pensions Committee, *The Future of UK Pensions, First Report of Session 2002-2003, Volume III*, HC 92-III: 300-5.

¹⁰ OECD, 1994

¹¹ Pensions Policy Institute, 2003

the top 2.5 per cent.¹² Such individuals do not need incentives to save and the social rationale for the taxpayer subsidising high earners' pensions to a greater extent than for the low paid is not clear. We also expect that men are the chief beneficiaries of tax spending, with women receiving relatively little.

5.4.1.3 We recommend that:

- *a gender audit of tax relief be conducted to determine what proportion is received by women*
- *rebates be strictly limited to the amount saved in S2P and*
- *tax relief be phased out or replaced with co-payments by the government into individuals' pension schemes, including for periods where contributions are reduced or stopped because of childcare or eldercare commitments.*

5.4.2 Pension credit

5.4.2.1 We welcome the stabilisation of the pensioner poverty rate at around one fifth of pensioners but note that one in four single female pensioners still live in poverty.¹³ There are limits to how far the Pension Credit will work to reduce women's poverty.

5.4.2.2 By setting the Pension Credit threshold at the rate of the full basic pension, the Credit will not enhance the incomes of those with only a partial basic pension and a modest amount of additional savings or pension. This is a problem for female pensioners as currently only 13% of women pensioners are entitled to the full Basic State Pension.

5.4.2.3 In addition, the Pension Credit operates on a family means-test so there is no individual reward to savings and occupational pensions. Many married or cohabiting women are either be rendered ineligible for Pension Credit because of their partner's incomes or do not receive the credit directly.

5.4.2.4 Of those women who are entitled to claim, 380,000 currently choose not to do so. Many pensioners do not apply for means tested benefits because they are complex and considered degrading. Most pensioners, even those who can understand Housing Benefit, find the calculations entailed in the means test incomprehensible and cannot understand a benefit that rewards savings up to a certain point but then starts to penalise them. None of the leaflets and charts can tell them what their entitlement will be, so they need to go to a trained advice worker to find this out in order to see whether it is worth applying. Pensioners over the age of 80, the majority of whom are women, are least likely to claim means tested support.

It is disappointing that the PBR does not mention a number of pension issues that are important to both working age and older women:

¹²Agulnik, P., and Le Grand, J. (1998) 'Tax Relief and Partnership Pensions', *Fiscal Studies*, Vol. 19(4): 403-28.

¹³ *Pay, pensions and poverty: How do women fare?*, Fawcett briefing, 2003

5.4.3 Annuities

5.4.3.1 The lower annuities available to British women, compared with men having a similar fund, exacerbate older women's poverty and diminish the incentive for women to contribute to a money purchase pension scheme. The proposed Directive from the EU in November 2003 requires sex equality in the provision of goods and services, including annuities. A transition phase of 8 years is allowed for implementation and the Directive would not be retrospective. Studies show that sex is only one of many factors – such as region, occupational class and housing tenure – that are associated with health and life expectancy, yet these other factors are not taken into consideration when calculating annuities.

5.4.3.2 We urge the government to support the proposed Directive requiring sex equal annuities.

5.4.4 Carer protection

5.4.4.1 We have long known that women lose out in pensions, especially private pensions since these do not make any allowances for loss of contributions or lower contributions due to caring for children or older people.

5.4.4.2 The pension credits for caring (including HRP) should be redesigned to better meet the needs of carers:

- *They should be provided as a positive credit which actively rewards caring rather than simply reducing the overall eligibility requirements for the BSP.*
- *It should be possible to combine part-years of HRP and to mix HRP entitlement and employment across years.*
- *Credits should also be provided for a broader variety of carers. For example grandparents who care for their grandchildren and so are unable to stay longer in paid employment.*
- *The credit system should allow carers to combine caring with some participation in the labour market by relaxing the 35 hour rule by which carers have to care for more than 35 hours per week to qualify.*

5.4.5 Entitlement to the Basic State Pension

5.4.5.1 Currently 51% of women do not receive a Basic State Pension in their own right, only 13% women pensioners receive a full Basic State Pension, and recent research suggests that as many as 22% of women aged 55-59 and 12% of those aged 50-54 will not reach full pension entitlement even though these cohorts of women will benefit from full Home Responsibilities Protection. More women should be entitled to the BSP given the volume of work, paid and unpaid, that they contribute to the UK economy.¹⁴

5.4.5.2 The gaps that remain in BSP coverage must be plugged by making changes to the eligibility criteria:

¹⁴ Provisional estimates for the value of unpaid work based on the 1999 Household Satellite Account Time Use Data have been calculated – these range from 44% of GDP to 104%

- *The Lower Earnings Limit (LEL) should be reconsidered (currently there are 1.4 million women earning below the LEL in the UK)*
- *There should be a reduction in the number of years of paid employment required for entitlement to a full BSP.*
- *The definition of contribution year must also be relaxed to allow the aggregation of part years or part time work.*
- *The 25% rule should be abandoned.*
- *Allowance should be made for the combination of multiple part time jobs to bring somebody over the Lower Earnings Limit.*

5.4.6 Indexing the Basic State Pension

5.4.6.1 Currently only the state is able to remove the financial impact of the unpredictability of women's working lives in relation to pension provision. It is therefore essential, if both current and future generations of women pensioners are to be lifted out of poverty, that the adequacy of the Basic State Pension (BSP) be improved.

5.4.6.2 The merit of the basic pension for women, in providing HRP to protect the entitlements of carers, will be lost if the pension is allowed to diminish relative to general living standards.

5.4.6.3 The BSP should be increased to at least the current level of means-testing, linking the growth in the level of the BSP to earnings growth, and considering raising age-related additions.

Chapter 6 – Delivering High Quality Public Services

6.1 Student Loans and Tuition Fees

6.1.1 We are concerned that the increasing burden of student debt likely to be incurred if variable 'top up' fees are introduced will impact negatively on women, and may discourage them from choosing more expensive, better quality courses, or even to go to University at all. Research has concluded that it will take women graduates four years longer to repay their debts than their male counterparts due to their lower earnings and their time out of the labour market for caring.¹⁵ So not only do women have to pay off their debt over a longer time period, they also incur a more costly debt as interest builds up over time and rises with inflation. This problem will be exacerbated for students paying top rate variable fees.

6.1.2 Another important issue in relation to student debt is that the loan repayment income threshold is 'flat rate' - and takes no account of an individual's circumstances for example the presence of children. This discriminates against all parents, but women in particular are more likely to be supporting and caring for children on their own. This is particularly likely to affect lone parents and create another barrier to their either going to university in the first instance, or taking up employment on graduation as it means they have to start paying off their debt. For lone parents, the move from benefits to student financial support is very complex and they may not be better off.

6.1.3 Living costs are an even more major issue for all students with dependent children, especially lone parents. Consideration should be given to a specific grant to help lone parents and other students with dependants with their living costs while studying.

6.1.4 It has also been suggested that student debt is a contributory factor to the gender pay gap because women tend to be more risk averse than men and so accept lower paid jobs with less chance of career progression in order to move into work swiftly after graduation.

6.1.5 The gendered impact of student debt and the introduction of variable fees should be considered and monitored.

6.1.6 Consideration should be given to a specific grant to help lone parents and other students with dependants with their living costs while studying.

¹⁵Women graduates face top up fees crisis: *Observer* 14/12/03