The Impact on Women of the Budget 2011

UK Women's Budget Group - April 2011

This gender impact assessment of the Coalition Government's 2011 Budget has been produced by the UK Women's Budget Group in partnership with the Fawcett Society.

Introduction

In the UK today, economic inequality between women and men remains persistent and entrenched. In general, women earn less, own less and are more likely to live in poverty than men[1]. This not only limits women's financial power and freedom but also hinders their full participation in public life, including in positions of power and influence.

In order to comply with equality law, the government is required to pay "due regard" to the impact of their policies and functions on equality between women and men. In order to comply effectively with this duty, public authorities - including central government departments - must assess the impact of their current and proposed policies and practices on gender equality in order to reveal any impacts that may worsen gender inequality, thus enabling them to consider where mitigating action may be taken to remove or lesson any negative impact.

In a recent application for judicial review of the 2010 emergency budget by the Fawcett Society[2], the presiding judge ruled that the preparation and presentation of measures outlined in national budgets are subject to equality law. The judge further recognised that there is a need for improved data collection and analysis in order to adequately assess the impact of budget measures on equality between women and men.

We welcome that recognition has been granted at the highest level of the need to assess the impact of economic policy on equality between women and men. It is important to note that it in order for any such assessment to be useful it must explicitly recognise and address the impact of economic decisions on wider society. Decisions made by the Chancellor have an impact not just on the economy but on the structure of our society. Each measure in the budget therefore has the potential to further the progress of equality, produce no change in existing levels of inequality, or further entrench inequality.

What follows is a detailed analysis of individual measures contained within the March 2011 budget and the accompanying *Plan For Growth*. While the impact of individual measures may seem negligible, what emerges from the whole is a cumulative failure to address the inequalities that exist between women and men and to mitigate against austerity measures that threaten to further widen inequality.

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[1] For example: women experience a full-time pay gap of 15.5% (Office for National Statistics, *Annual Survey of Hours and Earnings* (2010). Statistics based on men's mean hourly earnings excluding overtime compared with women's mean hourly earnings excluding overtime; 64% of low paid workers are women (IPPR, *Working Out of Poverty: A study of the low paid and the working poor*, 2008); women's average personal pensions are only 62% of the average for men (National Equality Panel, *An Anatomy of Economic Inequality in the UK,* 2010).
[2] [2010] EWHC 3522

1. An alternative economic strategy is needed

This budget is a disappointing one for women. WBG's assessment suggests that gender equality is under threat, both in terms of income, and of jobs, and of ability to reconcile employment with the time to care for family, friends and neighbours.

The expenditure cuts announced in the Spending Review will hit women, especially lone mothers and female lone pensioners, harder than men[3]. By 2014/5 the average household will lose public services worth 6.8% of their income. But female single pensioners will lose 11.7 % and lone mothers 18.5%. This budget does nothing to mitigate the effects of this. Women also paid for 72% of the savings made by the government through changes in personal taxes and cuts in benefits in its June 2010 budget.[4] The 2011 budget does nothing to redress that imbalance.

We call upon the government to pause and to reconsider its economic strategy.

The budget fails to address the issue of women's employment. It is now clear that hundreds of thousands of women will lose their jobs in the coming year. The number of unemployed men has begun to fall, but the number of women who are unemployed is rising. If current trends continue, women's rate of unemployment will be higher than that of men.

The economic strategy contained in this budget means that progress towards gender equality in the labour market will be halted, and that gender inequality may well increase. It is far from clear that the private sector will replace the jobs lost in the public sector in terms of quantity; and any new jobs are likely to be worse in terms of quality.

The budget is providing millions in tax reductions and tax breaks for business, but men stand to gain more from these measures than women, as they outnumber women in ownership of shares and businesses. At the same time, funding is being withdrawn from organizations that support women to set up businesses.

Investment in apprenticeships, technical training and science is welcome. But it is disappointing that the government is combining this investment with a withdrawal of funding from initiatives to combat entrenched gender occupational segregation, which results in a concentration of young women in training for jobs that pay far less than those in sectors such as science and engineering.

The government claims to be making a bonfire of red tape. But what is under attack are those rights that foster a more equal labour market, and which allow people to provide unpaid care for one another as well as earn a living.

The government has introduced changes in income tax that it claims will create a fairer system. But the rise in the personal allowance that will give most taxpayers £48 will benefit fewer women than men. This report shows that these changes will give £ 514 million to women who pay tax and £680 million to men who pay tax.

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[3] See Women's Budget Group, *The Impact on Women of the Coalition Spending Review 2010*, November 2010, available at: http://www.wbg.org.uk/RRB_Reports_4_1653541019.pdf

[4] See www.guardian.co.uk/politics/2010/jul/04/women-budgets-cuts-yvette-cooper

The rise in the personal allowance will do nothing to help the millions of people who earn less than this, of whom the majority are women. In 2009/10, 3,769,252 people had earnings below the threshold of £7475 - of these 73% were women. For mothers in this group, a more effective use of resources would be, for example, to raise Child Benefit, rather than a three year freeze as is currently being implemented.

Those "taken out of tax" will in the main actually gain less from this measure than higher earners[5]. Moreover, some of the gains lower earners enjoy will be clawed back by changes in the way that National Insurance Contributions (NIC) thresholds are uprated to allow for price rises (switching from the Retail Price Index to the lower Consumer Price Index). Indeed 370,000 people earning between £7500 and £7900 will find that all the gain in 2011/13 is wiped out by their having to pay up to £6.25 extra NIC a year. [6] Most of these people will be women.

The personal allowance is being raised at the same time that welfare benefits and public services are being cut. This takes a lot away from the poorest and gives a small amount back to those in 'the middle'. The personal allowance rise does nothing to counteract the overall adverse cumulative impact of the measures introduced in the June 2010 Budget and the October Comprehensive Spending Review.

The Chancellor emphasised the benefits of his decision not to proceed with the fuel duty escalator, and to reduce fuel duty by one penny per litre. WBG analysis shows that the greatest gains, in cash terms, will go to working age couples without children, whereas the smallest gains will go to single women pensioners and single mothers.

WBG is concerned that the growth strategy put forward in the budget relies on growing personal indebtedness. New job creation in the private sector depends on growth of demand for the goods and services that businesses produce. The forecasts of the Office of Budget Responsibility reveal that the government is relying on people borrowing more to support demand. The Chancellor has frequently told the nation that it is wrong for the government to borrow more (to "max out" the government credit card, as he sometime puts it). But now it appears that his strategy for growth and jobs requires us to "max out" our own credit cards.

It cannot be the right strategy to rely on people borrowing more for consumption in order to support economic growth. Despite what the Chancellor has said, the government has not "maxed out" the national credit card. Public debt as a percentage of GDP is fact lower today than it was in the period from 1920 to 1970[7]. Moreover, the UK public debt is long term debt- it does not have to be paid back quickly. It is more like a mortgage used to buy a house than a credit card used to buy consumable goods. Government borrowing can be used to create assets for the future. The UK government can get far better terms and pay a far lower interest rate than those available to individuals - and it can invest in infrastructure, education and training, and care and health services that are needed for sustainable employment.

[5] Because they will not earn enough to gain fully from the new personal allowance.
[6] HM Treasury, *Budget 2011 (The Red Book),* p.79
[7] Victoria Chick and Ann Pettifor, *The Economic Consequences of Mr Osborne,* June 2010, www.debtonation.org.

We call on the government to learn from the worsening indicators of employment and output, and to rethink its economic strategy, as it is rethinking its health service strategy. Appropriate public expenditure can support the creation of decent jobs and greater progression toward economic prosperity and equality. It should be evaluated according to a holistic understanding of efficiency that takes into account quality as well as quantity, and unpaid work as well as paid work. As any far-sighted businessperson knows, what is cheapest in terms of financial costs today is not necessarily the most efficient in terms of building a sustainable future.

2. The government's gender impact assessment of budget measures

Some assessment has been provided on the gender equality impact of some of the measures in the budget. We welcome this step forward. But the assessment is far from adequate and it says nothing at all about jobs.

The main budget document, *Budget 2011,* the so-called *Red Book*, does not contain any gender equality impact assessment. It follows the pattern of the *Red Book* for the June 2010 budget in providing, in Annex A, a comprehensive analysis of the impact on household income of changes in taxes, tax credits, benefits and spending on public services. While we have several reservations about the detail of the analysis, we welcome the continuation of this innovation. But we are disappointed that no attempt has been made to include a comparable analysis on gender equality impacts, distinguishing households by their gender characteristics. WBG, in partnership with Howard Reed of Landman Economics, pioneered this type of analysis in our response to the Comprehensive Spending Review.

The government has provided some equality impact assessment information for the tax measures contained in the budget in a new document, *Overview of Tax Legislation and Rates.* This is a step forward, but the assessment is limited to tax changes that affect individuals, on the grounds that businesses have no sex or race or age or dis/ability characteristics. This is misplaced - those who own and manage businesses have these characteristics, and they stand to benefit (or lose) income from these measures.

Some assessment is provided for tax measures that affect individuals, but it is superficial and at times completely misguided. For instance, the government assesses that one tax break for business investment will go to investors that tend to be "male, located in the South of England and have higher overall income levels." The judgement is that:

> The changes to the scheme are not likely to change that position. We have no data to suggest that there will be impacts on other groups. From the data available therefore we do not think these changes will have a disproportionate impact.[8]

Clearly the government's own data shows that this tax break will perpetuate existing patterns of inequality.

[8] HMRC & HM Treasury, *Overview of Tax Legislation and Rates,* 23 March 2011 (http://www.hmrc.gov.uk/budget2011/overview.pdf). p. A5

With respect to other measures, while the government recognizes that there will be differential impacts on the incomes of different groups, it provides no detail. It claims these impacts are outweighed by benefits from the impact on incentives, without proving evidence for this. For instance, the equalities impact assessment of the change in tobacco duties says:

> Any change to tobacco products duty will have an equalities impact because of differences in smoking prevalence across gender, age and marital status. The proposed taxation change will raise revenue and discourage smoking. These benefits will outweigh any unintended effects on equality groups.[9]

If there are benefits to raising tobacco tax through its impact on behaviour, then these benefits require a gender impact assessment just as much as the distributional effects on disposable income. Such benefits do not constitute an argument for not examining gender impact; knowing about the impact on behaviour of different groups can help to better achieve the intended effects of a measure.

The equalities impact assessment for the change in fuel duty says:

> Motorists who drive the same car and drive the same number of miles should broadly be affected by the same amount.[10]

An equalities impact statement of this measure should not just cover whether a measure is directly discriminatory, but also the extent to which it in practice impacts men and women differently because there are gender differences in car ownership and use. The fact that no mention is made of this in assessing fuel duty, whereas it is mentioned in assessing tobacco duty, suggest that there are no common standards in operation in determining equalities impacts.

We call upon the government to improve its capacity to conduct gender impact assessments; and to go beyond piecemeal analysis of each measure, and assess economic strategy as a whole from a gender equality perspective.

3. Impact on women's employment

This budget was delivered against a background of worsening economic forecasts from the Office of Budget Responsibility. Growth was forecast to be lower in 2011, and slightly lower in 2012, than previously expected. Although Gross Domestic Product (GDP) was forecast to be slightly higher in 2013 and 2014[11], GDP levels would remain lower in 2015 than previously anticipated. Employment levels would be lower than previously forecast throughout the period, and average earnings would not recover to the levels predicted in November 2010 until 2014. Most seriously, unemployment is expected to be even higher than previously forecast, with the numbers of people claiming

[9] Ibid, p. A90
[10] Ibid., p. A96
[11] The higher forecast for 2013 and 2014 is built into the way in which the OBR forecasting model works. It assumes that if growth slows in the short-term, it will speed up in the medium term, as there will be spare capacity in the economy.

unemployment benefit rising to 1.54 million in 2011, and remaining almost as high in 2012[12]. Unemployment is forecast to rise from 8.0% in April 2010 to 8.2% in 2011, and to remain as high as 8.1% in 2012.

Unfortunately the OBR does not give any gender breakdown for employment in its forecast, so we do not have predictions for male and female unemployment. Nor has the Chancellor provided a gender impact assessment of the implications of the strategy for employment. Available evidence suggests that gender inequalities in the labour market will be worsened by the deficit reduction strategy. The Chancellor has not introduced any effective actions to mitigate the worsening impact of the deficit reduction strategy on existing gender inequalities in employment.

In the first phase of the economic crisis, men were losing jobs at a greater rate than women and the male unemployment rate rose to 8.6%, while for women it was 7.1%. But now it is women who are starting to lose their jobs at a greater rate. Over the three months to February 2011 the number of unemployed men has fallen slightly (by 31,000), but the number of women who are unemployed has risen by 14,000[13]. This trend can also be seen in the 18-24 age group, with a 0.3 percentage points fall in the rate of unemployment for men, but a much larger 1.6 percentage points rise for women[14]. Whilst unemployment is devastating for anyone, regardless of their gender, access to the jobs market has been the single greatest factor in securing economic autonomy for women and has hence been instrumental in reducing economic inequality between women and men. Any significant reduction in the numbers of women in employment threatens to undermine progress in reducing this gap, which still persists today.

If current trends continue, we could expect unemployment rates to become higher for women than men, both overall and for the young. Moreover, there is every reason to expect that the rise in women's unemployment will accelerate, owing to their concentration in the public sector, from which most of the predicted job losses are expected to come. If unemployment begins to fall, any new jobs will be coming from the private sector, which has a tendency to hire men in greater proportions than women.

The budget means that women continue to be asked to contribute more to this government's method of cutting the deficit, experiencing a greater impact of cuts in public services, not only as users of these services, but also as providers of these services . These effects are connected. On average, women lose more from public service cuts than men because women tend to be poorer and thus more dependent on those services - often because they have taken on caring roles and responsibilities that have reduced their earnings capacity. In addition, women are more likely to make up for the loss of public services to themselves and their families through their own unpaid work, sometimes having to give up their own employment opportunities to do so - for example, when childcare or after school care services are no longer available.

[12] See Office For Budget Responsibility, *Economic and Fiscal Outlook 2011*, Table 1.1, p. 8, available at http://cdn.budgetresponsibility.independent.gov.uk/economic_and_fiscal_outlook_23032011.pdf
[13] http://www.statistics.gov.uk/cci/nugget.asp?id=12
[14] See TUC, 'TUC analysis: women in the labour market', available at: http://www.tuc.org.uk/extras/womenconference.pdf

This also explains why women's work is concentrated in jobs providing public services. It was the growth of statutory care services that enabled many women to enter paid employment – unsurprisingly, it was often women who were recruited into jobs providing such services. Moreover, public sector employment practices became more sensitive to the caring responsibilities of its workforce, and so women remained in such jobs.

In comparison, private sector employment tends to be less flexible with respect to caring responsibilities, with a far larger gender pay gap than that in the public sector (20.8% in the private sector compared to 11.6% in the public sector[15]). Not surprisingly, the private sector workforce is male dominated. Any growth in private sector employment may not therefore benefit women, either in terms of the number of jobs provided, nor their quality, and will not replace what they will lose from the public sector.

The government claims that the imposition of the public sector pay freeze will mean fewer jobs would be lost than without this measure. Thus, those women who keep their public sector jobs are being expected to pay for them in lower wages - in those parts of the public sector that have been relatively sheltered from major cuts, 73% of those subject to the pay freeze are women[16]. This will inevitably increase the gender pay gap.

Further, as the WBG showed in its response to the Spending Review, the particular pattern of job losses in the public sector is likely to increase the public sector pay gap. Sectors where cuts are deeper are those where gender inequalities are somewhat less[17]. As a result, overall gender inequalities in the public sector could increase through these cuts. Since the gender pay gap is worse in the private than the public sector, any shift in employment from the public to the private sector will make the overall gender pay gap wider.

However, it is far from sure that many new private sector jobs will be created. To create enough jobs, the economy will need to grow. This budget was announced as a budget for growth. However, the OBS forecast that there would no significant effects on growth or employment from those budget measures about which they had enough timely information to consider. The OBR judges that the effects of those that they were not able to include, such as cuts in corporation tax and fuel duty, "would be minimal"[18].

We call upon the government to reconsider the depth and speed of the expenditure cuts, and to recognize the role of public spending in supporting economic growth and employment creation, and creating the conditions for more progress towards gender equality.

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[15] Office of National Statistics, *2009 Annual survey of hours and earnings*.

[16] UK Women's Budget Group, *The Impact on Women of the Coalition Spending Review 2010,* November 2101, Table1, p. 13. www.wbg.org.uk

[17] UK Women's Budget Group, *The Impact on Women of the Coalition Spending Review 2010,* November 2101, Table 2, p. 13. www.wbg.org.uk

[18] See Office for Budget Responsibility, *Economic and Fiscal Outlook 2011*, p. 3, available at http://cdn.budgetresponsibility.independent.gov.uk/economic_and_fiscal_outlook_23032011.pdf

4. Reduced tax for businesses

The aim of the budget is to "create the most competitive tax system in the G20"[19]. It is assumed that this will support economic growth via incentives for investment and enterprise. Some of the measures refer to reductions in taxes on profits of businesses, and some to reductions in taxes on incomes of individuals that invest in businesses. We welcome improvements in the administration of taxes, but we are sceptical that reduction of business taxes is a key factor in promoting economic growth and job creation. We note that some of the European economies that have recovered well from the crisis, such as Germany, have not achieved this success by competing to reduce business taxes. German businesses pay corporation tax at 29.4%.[20]

Moreover, tax is only one of the factors that companies consider in investing and creating jobs. A growing market for what they sell is also important. The tax reduction measures mean less revenue for the government. If this revenue had been collected, it could have been spent on public services and sustained public sector employment. This would have helped support the market for the goods and services that businesses produce.

Annex A of the *Overview of Tax Legislation and Rates* provides systematic information about the expected impact of the tax measures, including the equalities impact. We welcome this innovation, but we are concerned that the government regards taxes on businesses to have no equalities impact, citing businesses as corporate entities that do not have a sex or an ethnicity. Only taxes on individuals are considered to have an equalities impact. This ignores gender and ethnic differences in ownership of businesses and of shares. We call upon the government to extend equalities impacts to business taxes.

Reduction in corporation tax

The budget announced a reduction of a further 1 % in the main rate of corporation tax. From April 2011, the rate will be reduced from 28% to 26%, and by 2014 it will be 23%. This will cost a total of £4220 million, over the period 2011/12 to 2015/16. We conclude that there are better ways of spending this money. The reduction in corporation tax mainly benefits large and medium companies, as only a minority of small businesses pay corporation tax at the main rate. The immediate beneficiaries will the owners, shareholders and senior managers of corporations, as more profit will be available for distribution as dividends and bonuses.

The equalities impact provided in the *Overview of Tax Legislation and Rates* is as follows:

> This measure concerns the taxation of the body corporate which is a non-gender/race specific entity in law. As such it is very unlikely that there will be any impact on equality.[21]

[19] Budget Statement by the Chancellor of the Exchequer, http://www.hm-treasury.gov.uk/2011budget_speech.htm

[20] Financial Times , Budget 2011, March 24, p.6. This takes into account both federal corporation tax and corporation tax at state level.

[21] HMRC & HM Treasury, *Overview of Tax Legislation and Rates,* 23 March 2011, p. A40

This ignores the fact that considerably fewer women than men hold shares, are senior managers, or owners of businesses. For instance, in 2010 women made up only 12.5% of the members of the corporate boards of the FTSE 100[22]. This is up from 9.4% in 2004 – the Equalities and Human Rights Commission has estimated that at this rate of change, it will be over 70 years before we see gender balanced board rooms in the UK's largest 100 companies[23]. Women now occupy just 242 of the 2,742 board seats of FTSE 350 companies. Across the FTSE 250, just 7.8% of directorships are held by women – equating to 154 compared to 1,812 male directorships. Only 2% of chairs of FTSE 100 companies are women[24]. Given the predominance of men at senior levels of corporate management, reductions in corporate tax liability can be expected to benefit more men than women.

The government will also reduce the tax liability of corporations by introducing new rules on the treatment of companies based in UK with branches overseas. Previously an overseas branch paid corporation tax in the country where it was located; if after-tax profits were then transferred to UK, they would be taxed at the difference between the overseas tax rate and the UK tax rate. These rules are changing, so that companies with branches in other countries will now pay no corporation tax at all on profits generated by their foreign branches. This will make the UK and Switzerland the only two countries in the world that allow money passing through branches in tax havens to remain untaxed on arrival in the UK. In addition, the UK will become the only country in the world which allows businesses to continue to claim the expenses of funding its foreign branches against tax it pays in the UK.[25]

This needs to be taken into consideration when evaluating the claims of the Chancellor that he will raise £1billion a year through tackling tax avoidance. Tax avoidance cost HMRC £14billion in 2008. Tax expert, Richard Murphy, claims that £1billion is a tokenist amount, and simply the figure that every Chancellor cites. He argues that it would be reasonable to expect £20billion to be raised instead[26]. We call upon the government to ensure that corporations make a much bigger contribution to the costs of sustaining a more equal and caring society.

Tax breaks to support small and medium businesses

The government is also introducing new tax breaks to support investment in small and medium size businesses. Previously, the Enterprise Investment Scheme (EIS) allowed individuals investing in shares in businesses with less than 50 employees to benefit from income tax relief on 20% of the amount they invest. The amount of income tax relief will rise to 30% and the size of firm will rise to include those with up to 250 employees.

An assessment of the equalities impact of this measure is provided in Annex A of the *Overview of Tax Legislation and Rates*. It states that about 10,000 individuals invested through the EIS in 2008/9, the last year for which figures are available. It notes that:

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[22] *Women on Boards*, Department for Business, Innovation and Skills, 2010, p. 3, available at: http://www.bis.gov.uk/assets/biscore/business-law/docs/w/11-745-women-on-boards.pdf
[23] Equality and Human Rights Commission, *Sex and Power*, 2008, p. 3
[24] Ibid., p. 11
[25] George Monbiot, www.monbiot.com/2011/02/07/a-corporate-coup-detat/
[26] Richard Murphy, Tax Research UK, quoted in *The Guardian*, 24.03.11, The Budget 2011 supplement, p.10

> EIS and VCT investors tend to be male, located in the South of England and have higher overall income levels. The changes to the scheme are not likely to change that position. We have no data to suggest that there will be impacts on other groups. From the data available therefore do not think these changes will have a disproportionate impact.[27]

This seems a very strange conclusion to draw. What the data clearly shows is that high income men in the South of England will disproportionately benefit from this tax break. The fact that this tax break perpetuates an unequal distribution of the tax reduction is a key aspect of its equalities impact. No evidence is provided on which businesses are likely to benefit if the tax break leads to more investment.

A further tax break is provided to encourage small and medium sized enterprises to invest in research and development. The equalities impact statement states:

> This change only affects companies involved in research and development and not individuals. It is therefore considered that these proposals have no significant impacts on age, race, disability, or gender equality.[28]

This reflects a misunderstanding that runs throughout the government's assessment of changes in corporate taxes. Though the immediate impact is on businesses, there will be knock-on effects on individuals through impacts on employment and on incomes from ownership of businesses, including the ownership of shares.

To conduct an adequate gender equality impact of measures to support small and medium enterprises, we need to know the gender distribution of employment by size of firm, and the gender distribution of business ownership. There is not much difference in the distribution of male and female employees by size of firm, as the Table 1 shows.

However, there are gender differences in business ownership, such that men are disproportionately likely to benefit from tax breaks that lead to increases in business profits. There are comparatively few solely women-owned businesses in the UK. Table 2 shows that most SME employers were owned by men, or led by a management team with a majority of men.

[27] HMRC & HM Treasury, *Overview of Tax Legislation and Rates,* 23 March 2011, p. A5

[28] Ibid., p. A50

Table 1:

Distribution of men and women by size of firm

	Men	Women	All
<=10	21%	21%	21%
btw 10 and 250	54%	55%	54%
>=250	25%	24%	25%
All	100%	100%	100%

Male and female shares of employment by size of firm

	Men	Women	All
<=10	51%	49%	100%
btw 10 and 250	51%	49%	100%
>=250	52%	48%	100%
All	51%	49%	100%

Source: WBG using data from Quarterly Labour Force Surveys (April 2009 – March 2010)

Table 2: Business leadership by gender: 2006/7 and 2007/8

Business Leadership	2007/08 %	2006/7 %
Majority-led by women	14	14
Equally-led	24	26
At least 50 per cent female leadership (majority-led by women and equally)	39	40
Women in a minority	8	7
Entirely male-led	53	52

Source: *Annual Small Business Survey (ASBS) 2007/8*, Matthew Williams & Marc Cowling, Institute for Employment Studies, available: http://www.bis.gov.uk/policies/enterprise-and-business-support/analytical-unit/research-and-evaluation/cross-cutting-research

The ASBS survey also documents that women-led businesses tend to be smaller than other businesses – 90% of women-led SMEs were micro businesses, compared to 83% of those not led by women. Tax breaks do not help firms that are too small to pay tax, so have the potential to exacerbate the already pronounced gap in male and female new venture and business creation[29].

In the past there has been government support to enable more women to start up businesses, but expenditure cuts are starting to reduce this. WEETU (Women's Employment, Enterprise & Training Unit), based in Norwich, received a 50% cut to its Local Enterprise Growth Initiative. This cut threatens the survival of WEETU which - founded in 1987 - was one of the first independent voluntary organisations offering support for women to take control of their economic lives with free support for business start ups and training in employment, IT, personal development and money management skills.

In any case, new tax breaks are unlikely to compensate for the main problem facing small and medium enterprises: lack of customers. If small and medium enterprises are going to create more jobs, they need expanding markets. But the Office of Budget Responsibility forecasts lower consumer spending and lower business investment, as well as lower government expenditure. Some small and medium businesses will be able to find overseas customers, but for the majority, demand prospects are not encouraging.

We recommend that the government places more emphasis on ensuring that there is a thriving market for the products of small and medium enterprises; and to increase rather than reduce support for women to start small businesses.

5. Regulations

The government boasts of a bonfire of red tape to enable businesses to expand. In the Budget it dropped proposals for regulations that, it claimed, would have otherwise cost business over £350 million per year. This includes not extending the right to request time to train to businesses with less than 250 employees; and not introducing dual discrimination rules that would have allowed an individual to bring a combined claim (e.g. age and gender, race and gender). The Budget also announced a "moratorium" exempting businesses employing less than ten people and new business start-ups from any new domestic regulation for three years from the 1st April 2011[30].

But what the government calls red tape for business are the rights of millions of women and men. Improved employment rights have helped huge numbers of women – old, young and mothers - to enter the workforce. These rights remain indispensable to the large numbers of women who are now required to enter the workforce or are moving into employment in the private sector. From April 2011 mothers will be expected to return to paid employment as soon as their youngest child is five years old. Table 3 shows the number of men and women in workplaces of different sizes.

[29] GEM GLOBAL Women's Report 2007, p. 10, available: http://www.gemconsortium.org/about.aspx?page=special_topic_women

[30] HM Treasury, *Budget 2011,* p. 3

Table 3: Number of employees by size of workplace and gender

	Men	Women	All
<= 10	2,742,085	2,600,294	5,342,379
Btw 10 and 250	6,982,461	6,797,405	13,779,866
>=250	3,317,245	3,002,863	6,320,108
All	13,041,791	12,400,562	25,442,353

Source: WBG using data from Quarterly Labour Force Surveys (April 2009 – March 2010)

There is no equality impact statement in the HM Treasury and Department for Business, Innovation and Skills joint document *The Plan for Growth*[31], published alongside the Budget. Under the moratorium exempting micro and start-up businesses from new domestic regulation for three years from 1 April 2011, there is a statement that "impacts on equality will be taken in to account when making decisions on whether to exempt micro businesses". But this is just in "exceptional instances, and only where there is a compelling argument" [32]. Thus there is a recognition that gender, and other equality impacts might need to be assessed but only '"in exceptional cases". This is to misunderstand the point of equality impact assessments, namely to help uncover such impacts, including where they are inadvertent. By definition, checking for the inadvertent will be inadequate if it is only to be done in those exceptional circumstances where an equality impact is suspected.

But there are clear gender impacts of the Government's measures. The Government is not extending the right to request time to train to employees in businesses with less than 250 employees. This will affect the 19 million men and women who work in firm which employs fewer than 250 people. It is at odds with the Chancellor's ambition to create a more skilled workforce to boost Britain's competitiveness. It will particularly affect women, who are more likely to take time out from employment, change careers over a life course and need training opportunities. It will also hinder attempts to improve the quality of care services provided by the private sector. Social care jobs (over 90% of which are held by women) are now found almost entirely in businesses in the private-for profit sector, and many are still small workplaces. As the annual reports of the Care Quality Commission (and the former Commission for Social Care Inspection) have consistently shown, compared with the public and voluntary sectors, workers in the private sector get far less supervision in general, and little or no time and support to train in particular.

The Government is also not bringing forward the dual discrimination rules which would have allowed an individual – for example a black woman who has experienced discrimination on the grounds of sex and race - to bring a combined claim of direct discrimination, rather than two separate claims.

The Government is still consulting on whether to extend the right to request flexible employment to all employers. Given the moratorium on new domestic legislation for micro businesses and start ups there is a danger that if introduced, it would not genuinely apply to "all". The almost five and half

[31] Available at http://cdn.hm-treasury.gov.uk/2011budget_growth.pdf
[32] HM Treasury and Department for Business, Innovation and Skills, *Plan for Growth*, p. 52

million women and men who are employed in companies with less than 10 people would not gain this support for combining paid work and family responsibilities. The government will continue to restrict the right to flexible work to those who have been employed in their current workplace for at least 6 months. This will particularly affect those with caring responsibilities for a frail or elderly adult, whose needs are far less predictable than those of children. Among people in their 50s and early 60s a higher proportion (one in four) of women than of men (one in six) have such caring responsibilities.

It is a mistake to see flexible working as a cost to businesses. Recent research has shown a positive relationship between flexible working and individual performance. Currently many countries in Northern and Western Europe have more flexible workforces than the UK, and have interpreted "flexibility" in ways which favour employees as much as employers. As result the gender pay gap, especially for part-time workers is smaller than in the UK, and levels of productivity are often higher.

Moreover, the government is not just scrapping regulations - in some areas, it is increasing them. It has increased regulations regarding the employment of skilled migrants, putting a cap on the numbers that can be employed. Researchers at the National Institute of Economic and Social Research estimate that this will reduce output by between £2 billion and £4 billion by the end of the this parliament.

There is no evidence to suggest that reducing workers' rights will lead to an expansion of employment. The main constraint on an expansion of employment is the lack of demand for extra output that businesses might produce. On the contrary, regulations such as the right to request time to train are a low impact way to offer male and female employees the opportunities to improve their skills which will contribute to economic growth and competitiveness. Failing to extend this right is a false economy. We recommend that the government ensure that all employees have the right to request time for training and for flexible working hours that permit employees to combine paid work with care for their families.

6. Skills and Training

One of the stated aims of the 2011 budget is the creation of a "more educated workforce that is the most flexible in Europe"[33]. The Women's Budget Group supports this broad aim, but is concerned that some of the changes announced in this and the June 2010 budget may undermine these good intentions, especially for women.

Cuts in education and training were announced in 2010. These are cuts in *investment* in the human capital of individuals' and of wider society. They cannot be equated with efficiency savings, and will affect both our current and future prosperity. The WBG therefore regrets that subsidies for courses in Further Education are being more and more narrowly targeted on those aged under 25 years and/ or those on Job Seekers Allowance (JSA) or Employment Assistance Allowance (EAS). The WBG regrets the cuts in Education Maintenance Allowances, for they act as an important bridge from school into further training and education. Limiting free English as a second language (ESOL) courses to those on JSA or EAS is knocking away the bottom rung of the ladder into employment and

[33] HM Treasury, *Budget 2011,* p. 4

progress into a career for newcomers to the UK. Women who have come to this country either with or to join their husbands will face diminished opportunities to acquire English language skills, increasing the probability of isolation as well as making it very difficult to enter education or the labour market. Their husbands may not be willing or able to pay for their training and education. In general, research shows that women on tight budgets find it very difficult to give expenditure on developing their own human capital higher priority than expenditure on their children and their partners.

The WBG welcomes the government's commitment in the 2011 Budget to fund an additional 80,000 work experience places for young people, ensuring up to 100,000 places will be available over the next two years. The WBG also welcomes the funding of up to 50,000 additional apprenticeship places over the next four years, especially given the high levels of youth unemployment.

However, the WBG is concerned that there are no measures being made to ensure that women will enjoy equal opportunities in these training and apprentice opportunities. Will women be able to develop new skills - and make good use of existing skills – in light of the technical bent of the Government's training commitments? The proposed expansion of the University Technical Colleges programme to establish at least 24 new colleges through partnerships between universities, colleges and businesses will provide technical training opportunities for 11 to 19 year olds[34]. But no equalities impact assessment has been provided of the measures to improve skills.

A growth in apprenticeship opportunities is welcome and needed. But an additional 50,000 places is very small compared with the unmet need for good training in vocational skills.

Moreover, there is every likelihood that these apprenticeships will not provide equal opportunities for young women and men. A report by the TUC and the YWCA[35] shows that while there has been an increase in female participation in apprenticeships, it has been primarily driven by new apprenticeships being created in sectors such as retail and business administration, rather than an influx of young women into traditionally better paid and male dominated sectors such as engineering. It is regrettable that 55,000 social care apprenticeships aimed at the young (under 25 year olds) long term unemployed announced only two years ago have already been abolished.

In 2008/9 there were 119,300 female apprenticeship starts out of a total of 239,900 (just under 50%). But the female apprenticeships tended to be much shorter than the male apprenticeships (typically less than one year, and in some cases only a few weeks). According to the most recent data on the gender pay gap in apprenticeships (2007), female apprentices earn, on average, 21% less than male apprentices. As low-paid workers, they would not be eligible for NI-linked benefits such as Statutory Sick Pay or Statutory Maternity Pay. There are also few opportunities for apprentices to work part-time or flexibly, making it hard for young women to combine on the job training with caring responsibilities. Women apprentices are concentrated in the lower paying sectors, as is shown in Table 4.

[34] Ibid., p. 4, 34
[35] *Apprenticeships and Gender*, A joint TUC and YWCA paper, available at: http://www.tuc.org.uk/extras/Apprenticeships_and_Gender.pdf

Table 4: Proportion of women apprentice starts by sector (%) and average pay

Sector	Women apprentice starts - 2007	Average pay per week - 2007
Electro-technical	1%	£210
Engineering	3%	£189
Construction	1%	£174
Automotive Industry	0%	£170
Retail	69%	£168
Business Admin	81%	£168
Health and Social Care	92%	£157
Childcare	97%	£142
Hairdressing	92%	£109

Source: TUC and YWCA Table 3 using data from Statistical First Release 2007/8 and DIUS Apprentice Pay Survey 2007

The gender pay gap amongst apprentices can to some extent be explained by entrenched patterns of occupational gender segregation. Progress in encouraging more girls and women into non-traditional apprenticeships has been slow. According to the TUC/YWCA report, young women are often unaware of the vast difference in pay between different sectors when they make careers choices. There is little in the way of visible information on pay rates on employer websites or on the National Apprenticeship Service's Vacancy Matching website, which serves as a recruitment portal for prospective apprentices. This gendered segregation is not just problematic for women. Men wishing to work in childcare or hairdressing may be dissuaded, not only by the low pay prevalent in those sectors but also by stigma attached to men doing "women's work".

The measure announced in the budget ignores the need of older women to retrain at different stages of their lives. Women are more likely than men to have disrupted career trajectories and to require (re)training after periods out of the labour market. Women are expected to work increasing numbers of years before retirement. Funding for schemes such as Train to Gain have highlighted the benefits of providing these services for older workers including older women, but funds have already been redirected to apprenticeships for young people. No announcement was made in the 2011 Budget regarding training opportunities for older cohorts of women at different stages of the life cycle.

The Chancellor said that science is central to our future, and pledged £100 million for equipment and maintenance at four major research centres. But this is tiny in comparison with the £1.4 billion cut in capital spending for science facilities outlined in the Comprehensive Spending Review. He said nothing in his Budget about measures to reduce gendered occupational segregation.

It does not seem as if the Government is concerned about women being part of the science that is central to our future. Only 5.3% of working women are employed in science, engineering and technology (SET) occupations, as compared to 31.3% of all working men. Women are only 12.3% of all people working in SET occupations, although they represent 45.1% of the UK workforce. Yet as of April 2011, the Government will no longer provide funding to UKRC, the leading body in the UK offering advice and services to address the under-representation of women SET. While a significant number of women study SET subjects at graduate level, few go on to enter SET professions and, of those who do end up working in SET sectors, they are less likely to progress than their male counterparts - many find it hard to return to work after maternity leave if they have children.

This points to another fundamental problem: the waste of women's skills through inflexible job opportunities. The Chancellor identified a lack of skilled workers as a key problem facing UK - contradictorily, current policies and practices are wasting women's skills. Many women are already qualified and skilled, but are severely limited in jobs that combine their caring role with work. A study by Gingerbread found that 83% of jobs advertised in London papers had no flexibility and just 11% were advertised as part-time[36]. For women, overall research shows that 51% of women aged 25-54 working part-time and below their potential were doing so because it was the only work that they could get where they could combine work with caring for children[37].

The pressure on female benefit claimants to take any job available is also leading to a waste of women's skills, shown by an investigation last year by the Citizens Advice Bureau:

> I was hoping to find someone who would be understanding and try to help me to find strengths to build on (I have studied at degree level) but instead found someone who believed I 'should just get back to work even if that meant stacking shelves'. It is not that I am unwilling to stack shelves, far from it but I would have liked to see someone who was able to see I was hoping to move on and gain employment which would help my recovery not hinder it. I am not work-shy but felt that the interviewer was judging me in this manner… (Woman, aged 25-49, had been claiming IB for more than two years).
>
> I was told that having a law degree does not entitle me to choose a legal career. I was told in a very rude fashion that I should consider working on the check out at Asda. (Woman, lone parent aged 49)
>
> I went to an interview with Jobcentre who basically told me that I would have to find my own childcare, that they couldn't help me and that I had to lower my expectation – I am a

[36] Gingerbread, *Changing the workplace: the missing piece of the jigsaw,* 2010, p. 3 available at: http://www.gingerbread.org.uk/uploads/media/17/6948.pdf

[37] Holmes, K., Ivins, C., Hansom, J., Smeaton, D. and Yaxley, D, (2007) 'The future of work: individuals and workplace transformation', *Equal Opportunites Commission Working Paper Series,* Manchester, as cited in *Flexible Working: working for families, working for business*, Family Friendly Working Hours Taskforce, p. 19, available at: http://www.dwp.gov.uk/docs/family-friendly-task-force-report.pdf

trained accountant and just need an update course. They showed me vacancies for account clerks and shop assistants. (Woman, lone parent, aged 42)[38]

The Chancellor made several comparisons with other European countries, whose skills and competitiveness were argued to be higher than those of the UK. We would like to draw his attention to policies and practices in Netherlands and Germany that make it easier for women to use their skills and care for their families by promoting good quality part-time work. In the Netherlands it is assumed that nearly every job can be done part-time, and 46% of the population work part-time[39]. The German Government, together with employer associations, have agreed targets to increase the "proportion of job adverts mentioning family friendly options from a quarter to a third within two years"[40]. German part-time employment laws have also significantly increased the proportion of managers who work part-time rising from 3.7% in 2001 to 9.8% in 2003[41].

We recommend that the government do much more to ensure that women's existing skills are not wasted because of pressure on Jobcentres to get people "off their books" ; and to do much more to create family friendly working practices in both public and private sectors.

7. Taxes on Individuals and Households

(i) Changes to Personal Income tax and National Insurance

Personal Income Tax: Increase in personal allowance for those aged under 65

The personal allowance for those aged under 65 will rise in 2012/13 from £7475 to £8105. The threshold for higher rate payments at 40% will not rise, but will remain at £42,475 as in 2010/11. This will ensure that there is no increase in the numbers of people liable to pay higher rate income tax at 40 %.

The Treasury estimates that this will take 260,000 of the lowest income tax payers out of income tax in 2012/13, but it will also benefit higher rate tax payers, though not additional rate tax payers who do not have a personal allowance. The Treasury estimates that 25 million taxpayers will have an average gain of £48 a year and 550,000 will lose on average £48 a year – all of whom have incomes over £115,970.

The Treasury has provided an equalities impact assessment[42], which we welcome. It confirms that HM Revenue and Customs does hold data on income tax payers by sex. It reports that:

> "43% of the 25 million tax payers who will gain are women": thus the majority of those who gain will be men.

31. All from Citizen's Advice Bureau, *Fair Welfare: supporting claimants into work,* pp., 17 – 18, available at: www.citizensadvice.org.uk/pdf-sp-fw-report.pdf

[39] Isusi & Corral, 2004, available at: http://www.eurofound.europa.eu/ewco/reports/TN0403TR01/TN0403TR01.htm

[40] Ariane Hegewisch, *Flexible Working Policies: a comparative review,* pp., 47 – 8, available at: http://www.equalityhumanrights.com/uploaded_files/research/16_flexibleworking.pdf

[41] Ibid., p. 25

[42] HMRC & HM Treasury, *Overview of Tax Legislation and Rates,* 23 March 2011, p. A25

> "56% of the 260,000 people taken out of tax are women": thus the majority of those who gain less than the standard £48 per year will be women, and these are the lowest earners who gain at all from this measure.
>
> "16% of the 550,000 individuals who will be worse off are women": thus more of the very high income people who will actually lose from their measure are men

It is useful to have this data, but this does not provide a full gender equality impact assessment. We also need to know the numbers of people who will *not* benefit from this measure because their earnings are below £7457, or because they have no earnings, and the proportion of these that are women.

Data from the Quarterly Labour Force Survey, April 2009- March 2010, shows that 3,769,252 people had earnings below £7475 - of these 73% are women, most of them part-time workers (93%). This does not, however, give us information on those who do not gain at all because they have no income. We can safely assume that because of the lower employment rate of women, there are more women than men who do not gain because they lack earnings.

As well as representing a small majority of those low earners who gain a little but not as much as most from this measure, women are a large majority of those workers who do not gain from this measure at all because their earnings are too low. From the figures given above, we can calculate that this measure will give £ 514 million to women tax payers and £680 million to men tax payers[43], i.e. roughly one third as much to men as to women. Furthermore, the poorest women - those most hit by the expenditure cuts - lone mothers not in employment and single women pensioners, will not benefit from this tax cut at all. The WBG believes that all the money given away in this cut could have been better spent rectifying some of the worst effects of the expenditure cuts on low income women.

CPI Indexation of National Insurance Contribution Rates, Limits and Thresholds

Some of the same women who do not benefit from the raised personal allowance will be hit by changes to the indexation of National Insurance. From 2012/13, National Insurance Contributions (NIC) will be uprated in line with the Consumer Price Index, not the Retail Price Index. The CPI does not include housing costs and mortgage interest payments, while the RPI does include them.

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[43] Calculated on the assumption that those earning between the old and new personal allowances have earnings equally distributed between those thresholds, as follows:
gain to women
= (43% of (25million - 260,000)) gain £48 + (56% of 260,000) gain £48/2 -16% of 550 lose £48
= (10,638,200 + 145,600/2 – 88) x£48
= £514,123,776
gain to men
= (57% of (25million - 260,000)) gain £48 + (44% of 260,000) gain £48/2 -84% of 550 lose £48
= (14,101,800 + 114,400/2 – 462) x£48
= £679,609,824

The CPI was 4% in January, and the Office of Budget Responsibility (OBR) expects it to be between 4 % and 5 % in 2011. RPI was 5% in January, and the OBR expects it to remain at a higher rate than the CPI, and in the long run to be 1.2 percentage points higher.

This decision means that the thresholds for paying contributions will rise less than they otherwise would, and raise the government extra revenue, estimated by the Treasury to amount to an extra 105 million in 2012/13, 230 million in 2013/15, 615 million in 2014/15 and 1020 million in 2015/16.

The Treasury estimates[44] that an additional 70,000 more low earners will build up entitlement to contributory benefits and statutory payments. This is a welcome move. The Treasury gives no estimate of the gender breakdown of this figure, but given that women predominate among low earning employees and employees heavily outnumber the self-employed, we can assume that many of these are women.

However, 370,000 employees with only slightly higher earnings will be brought into paying NICs and will pay 12% of their income above that threshold, losing up to £6.25 per year while not gaining from the personal allowance increase[45]. In all, 21 million employees will lose £6.25 pounds a year on average in 2012/13 in NICs, but for all except those 370,000 of the least well paid and 550,000 of the highest paid this will be counterbalanced by a gain in their personal allowance.

20,000 more low earning self-employed people will be liable to pay Class 2 NICs. These people will lose £2.40 per week. Because the amount that they pay will also be indexed by CPI, the Treasury estimates that Payers of Class 2 NICs will benefit by £2.60 a year.[i] Within this group the lowest earners lose out while higher earners gain from the switch to CPI indexation.

However, except for very low earners, most self-employed people also pay Class 4 NICs. The Treasury estimates that 10,000 more self employed people will have to pay Class 4 NIC, as a result of the change in indexation - these will all be low earners. Taking account of the reduction in Class 2 NICs, which Class 4 payers will also receive, Treasury estimates mean the net loss of payers of Class 4 NICs will be £2.40 a year on average.

Class 3 NICs, paid by those who wish to pay extra to make up their contribution record, will also rise at a lower rate through CPI indexation. One of the categories of people making such voluntary contributions are married women who elected before 1977 to reduce their right to NI benefits in return for a reduced NIC. There is no information given on the numbers of women in this category.

The Treasury does not provide any estimates of impacts on different categories of NICs payers beyond 2012/13, though it does note that "these impacts increase over time, as the difference between CPI and RPI accumulates"[46].

HM Revenue and Customs holds data by gender on NICs, and the Treasury uses this to provide the following gender impact assessment:

28% of the total winners (from lower class 2 and 3 rates) are women ;

[44] Overview of Tax Legislation and Rates, p.A28.
[45] HM Treasury, *Budget 2011 (The Red Book)* , p,79
[46] HM Treasury, *Budget 2011,* p. A29

41% of those brought into the NICs are women;

42% of the losers are women.[47]

We welcome this gender impact assessment, but it does not provide a full understanding of the gender impact. For that we would need to know *by gender*:

- Who will, as a result of CPI indexation, build up entitlement to contributory benefits and statutorypayments.
- How those brought into NICs are distributed over different categories of NICs. We find it surprising that the Treasury assesses that only 41% of these are women, since women predominate among lower earners, but the Treasury has not provided enough information to fully understand the basis of this figure.
- Not only the numbers of losers and winners, but the amount of those gains and losses, and how they are distributed over different categories of NICs. In particular, where one category gains or loses far more than other - as we have identified for those liable to pay Class 2 NICs for the first time.
- A breakdown of gains, losses and changes of category, by part-time and full-time status of workers, or by their hours of work, as this difference has important gender effects. This may only be possible for employees.

Lack of assessment of the joint gender impact of the change in the Income Tax Threshold and the change in indexation of NICs

The Treasury has not provided any gender impact assessment of the joint impact of both measures, so it is impossible to know, from their analysis, what proportion of the gains in disposable income from the increase in the personal tax allowance will be taken away by the uprating of NIC thresholds in line with CPI rather and RPI, and any differential gender impact of the combined measures. The Treasury has provided an assessment on the joint impact on this by households divided into income deciles. There is no reason why this could not be done by households of different gendered types as in the WBG analysis of the impact of the spending cuts[48]. We recommend that the Treasury provides such an assessment.

(ii) Changes to tax reliefs

A number of changes in the levels of tax reliefs and allowances were included in the Budget. Some were designed to simplify and reduce such reliefs and allowances. While in principle, we support this objective, below we pick out some measures whose gender impact was inadequately assessed, including three measures that increased allowances.

Approved Mileage Allowance Payments

[47] Ibid., p. A29
[48] HM Treasury, *Budget 2011 (The Red Book), p. 81-83*

The mileage allowance for expenses not paid by employers will be increased from 40p per mile to 45p per mile for the first 10,000 miles of business travel in a tax year. This measure provides tax and NICs relief for payments to employees using their own cars or vans for business use. This measure will cost £35 million per year and is "not expected to have significant economic impacts". It is however likely to benefit men more than women, as men are more likely than women to use cars for business.

Bizarrely, the Treasury equality impact statement for this measure simply states:

> The change is a relieving provision which applies equally to all employees who use their own car or van for business mileage.[49]

Given that the Treasury recognises in other areas that an equalities impact statement should not just cover whether a measure is directly discriminatory (few are), but also the extent to which it in practice impacts men and women differently, this statement may be the result to be of insufficient oversight of the process of constructing gender impact assessments, across officials and departments in the Treasury. It may reflect insufficient importance being given to the equality assessment process overall.

Entrepreneurs' Relief: Increase in the Lifetime Limit

Currently 25,000 to 30,000 people each year claim Entrepreneurs' Relief. Only a small number of these are estimated by the Treasury to benefit from a doubling to £10 million of the lifetime CGT relief given on the disposal of enterprises. All the people who gain from this measure will have gained at least £5 million from such disposals over their lifetime. This measure "reduces a barrier to serial entrepreneurs who want to grow their business and reinvest gains, helping to make the UK a more attractive location for entrepreneurs."[50]

Not surprisingly, few women will benefit from this measure, which will cost the treasury £100million by 2014-5. The equalities impact statement recognises this by saying

> Our data indicate that 85 per cent of individuals claiming the highest amounts of Entrepreneurs' Relief are male, with the same percentage being higher rate income tax payers. The increase in the lifetime limit is not likely to alter that position.[51]

However, the statement then goes on to conclude that "From the data available we therefore do not think a doubling of the lifetime limit will have a disproportionate impact."[52] We are unclear under what circumstances the Treasury would have thought such a measure to have a "disproportionate impact". We can think of many ways in which £100 million could be used which did not disproportionately benefit rich men, or even better was used to reduce gender inequalities in income or wealth.

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[49] HM Treasury, *Budget 2011,* p. A8
[50] Ibid., p. A9
[51] Ibid., p. A10
[52] Ibid., p. A10

Reduced Childcare Relief for Higher Earners

This is a measure designed to restrict the amount of tax relief available to higher rate and additional rate taxpayers using childcare vouchers, so that it matches the amount available to basic rate taxpayers. It will save the Treasury £100 million by 2014-5, and its equality impact statement says that approximately two-thirds of those affected will be men[53], reflecting the higher proportion of men among higher rate and additional rate taxpayers. However, this statement fails to recognise that whoever actually claims childcare relief, it is almost always a contribution to what in many families are still seen as the costs of women working. It therefore has a wider gender impact then simply the issue of which individuals gain or lose from its imposition.

A gender impact assessment should assess the impact of a measure on existing gender inequalities. There is an existing gender inequality in after-tax income, so assessing relative impacts on that for men and women is an important part of carrying out a gender impact assessment. However, there are also gender inequalities in caring roles and the extent to which these impact on employment opportunities. This measure should also be assessed for its impact on these. Even where men are the direct recipients of childcare relief, such relief may help women enter and stay in employment. The effects on gender inequalities in caring and employment opportunities should be assessed too.

This is an inherently fair measure. However, it seems strange to have picked out this one particular measure to ensure that higher and additional rate payers do not gain more than basic rate tax payers from it, while that remains the case for other quantitatively more significant tax allowances and reliefs that do not help reduce inequalities in gender roles.

(iii) Indirect taxation

The budget introduced some immediate changes in several indirect taxes[54]. The main changes were as follows:

Alcohol duties were increased by 2% above the RPI, adding 4 pence to the price of a pint of beer, 15 pence to the price of a bottle of wine, and 54 pence to the price of a bottle of spirits.

Tobacco duties were also increased by 3% above RPI, and the duty was restructured, adding 50 pence to a packet of economy cigarettes and 33 pence to a packet of premium cigarettes.

The fuel duty escalator, introduced by the Labour Government in 2009, was abolished. (This had ensured that fuel duty rose above the rate of inflation). In addition the main fuel duty rate was cut by one pence per litre.

These changes are on top of the rise in VAT to 20%, introduced in the June 2010 budget, which came into effect at the beginning of 2011.

WBG will shortly be publishing a quantitative gender impact assessment of the changes in indirect taxes, showing their incidence on the incomes of different types of households (i.e. the proportion of household income that is paid for these taxes). It will show that the incidence of the measures in this

[53] Ibid., p. A14
[54] Details are from HM Treasury, *Budget 2011 (The Red Book),* p.61-63

budget have been very small, compared with the very large effect of the rise in VAT. But there have been differences in the incidence on the incomes of different types of households, related to their gender characteristics.

The measures introduced in the June 2010 budget had a greatest proportionate impact on couple households, and least impact on single men, with impact on single women in between. Conversely, the measures introduced in the March 2011 budget have had greatest impact on the incomes of single men, as compared to single women and couples. For instance, single men are paying more in alcohol duties, driven by the higher alcohol consumption of single men.

Most of the changes in indirect taxes are rises, but in the case of fuel, there has been a fall compared to what would have been the case if the fuel duty escalator had continued to operate and if the duty had not been reduced by one penny per litre. These measures mean a loss in revenue of £1,900 million in 2011-12.[55] This money is in effect being given away to motorists. How is this money distributed? What is the equalities impact?

The government does provide an equalities impact in the *Overview of Tax Legislation and Rates.* It says:

> Motorists who drive the same car and drive the same number of miles should broadly be affected by the same amount.[56]

But an equalities impact statement should not just cover whether a measure is directly discriminatory, but also the extent to which it in practice impacts men and women differently. Men are more likely to own and drive cars than women – that information should have been taken into consideration.

Our gender impact assessment of the impact of this on households and individuals [57]shows that couples gain the most, and single women gain least from the cancellation of the fuel escalator and the reduction in fuel duty. This is shown in chart 1 which shows the total reduction in the amount of cash that different types of household will pay for fuel following the budget compared with what they would have paid without these changes.

[55] HM Treasury, *Budget 2011 (The Red Book),* p.42
[56] Overview of Tax Legislation and Rates, p. A96
[57] There will also be gains for haulage businesses and transport businesses, which are probably more likely to be owned by men, but the data to provide a gender impact assessment of this are not available. There is no guarantee that these gains will be passed on to customers.

Chart 1:

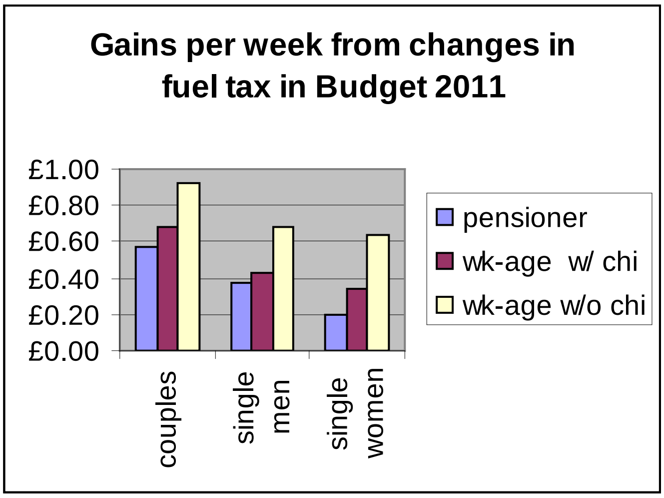
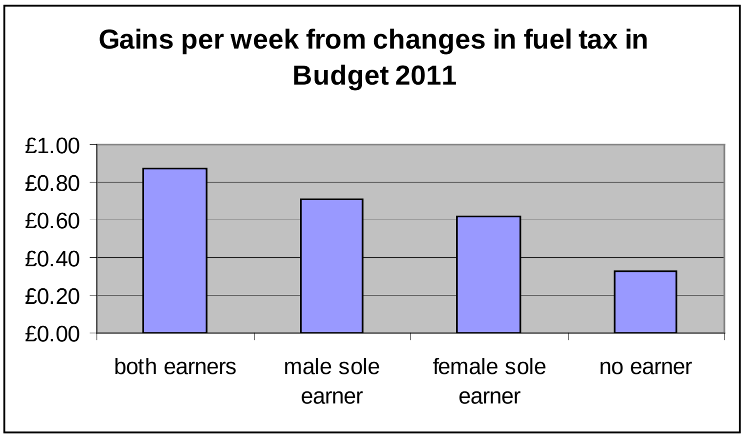


Chart 1 also shows that it is those without children who gain most, while pensioners gains least. In particular it is clear that the households that gain least are those of single women pensioners and female lone parents, precisely the same two groups who will lose most (in relation to their incomes) from the cuts to public services. This is yet one more example of the government using this budget to help middle income groups at the expense of poorer households, particularly those in which women predominate. Our calculations show that households in the top decile gained more than four times as much from these fuel tax measures as those in the bottom two deciles.

Chart 2 shows one gendered way in which this has happened. Households with male earners use more fuel than households with only female earners, possibly because men tend to take less responsibility for caring in households and are therefore feel able to commute longer distances to work; men also use public transport less than women. But these are precisely the better off households who have a male wage coming in to them. Those households with no earners gain the least.

Chart 2:



8. Pensioners

WBG research has shown that women pensioners, particularly single women pensioners, will lose substantially from the cuts in services planned for the next four years[58]. They will also incur losses in real income as a result of the Budget. This is occurring in a context in which older women experience both gender and age discrimination. The Treasury did not provide an equalities impact assessment of any of the measures we will discuss below.

Indexation

All benefits and tax credits that are relevant to pensioners, the State Second Pension, Serps and the Graduated Pension will be uprated by the CPI from April 2011, as will public sector pensions. This is a cut in the level of all these elements of pensioners' living standards compared with the previous system of uprating by the RPI. Since most pensioners who rely on these sources of income, are women, few of whom have generous pensions, this will hit the standard of living of older women particularly.

The basic pension will be subject to a 'triple lock' from 2012: it will be uprated by the highest of earnings, CPI or by 2.5% per annum. Since all three parts of the 'lock' are projected to rise well below the RPI in the short-term, this is effectively a cut in the basic pension too.

Moreover, neither the CPI nor the RPI reflect the particular consumption patterns of pensioners. The cost of the basket of goods bought by pensioners is rising faster than the CPI and RPI because they need to buy more gas and electricity than the average person of working age. This is a particular issue for single pensioners, the majority of whom are women, who do not benefit from the economies of scale that apply to the consumption of fuel.

Adequate indexation is necessary for pensioners to maintain their living standards. This is especially so for women because they live longer, giving more years for inadequate indexation to erode the value of their income. A more accurate index of pensioners' rising costs is needed.

Increased Personal Tax Allowance

No increase has been proposed in the personal allowance for those over 65. The personal allowance is set at a higher level for older people for good reason – as a recognition that they may have a higher level of basic needs. To reduce the differential between the allowance for those under and over 65 erodes this principle, and will do so to a greater extent if the personal allowance is increased only for under-65s in the future. The erosion of this principle also has a gender impact which should be assessed - along with its effect on age inequalities - which has not been noted by the Treasury's equality impact assessment of the increased personal allowance.

[58] WBG, Impact on Women of the Coalition Spending Review 2010, p.8.

We recommend that any changes to the personal allowance should incorporate the needs of the most unequal, including through retaining the principle that the allowance be set at a higher level for the over 65s.

Cuts in Winter Fuel allowance

The winter fuel allowance has been cut by £100 to £300 for households with members over 80 years old, and by £50 to £200 for pensioner households whose members are under 80, despite rising energy costs and winter deaths amongst the over 75s. Up to 3 million pensioner households are already spending more than 10% of their income on fuel bills, meeting the definition of living in fuel poverty[59]. Since women form the vast majority of those living in pensioner households, this will have a large gender impact, threatening the health and well-being of up to 2 million older women.

We call on the government to reverse this cut and to restore the winter fuel allowance to a level that takes account of rising fuel prices.

State Pension Age (SPA)

The Chancellor has suggested that the SPA be raised in line with increasing life expectancy. There are several reasons why this may disadvantage women more than men:

a) *Older women's unpaid commitments*
The bulk of caring for grandchildren and frail older relatives is done by older women rather than men. Older women are also more likely than older men to engage in voluntary work in their communities as well as caring for neighbours and friends. Society as a whole would be greatly impoverished if older women did not perform this unpaid work.

b) *Shortage of employment opportunities for older women*
Ageist attitudes persist and are more pronounced towards older women's employment than men's). It is always harder to re-enter employment than to retain an existing job and women's employment patterns are more often fragmented by their caring roles, so more likely to be without a job in their 60s.

c) *The gender pay gap and part-time pay penalty*
The gender pay gap is widest among older workers and there is a part-time pay penalty too. Women have often worked part-time before their 60s and may not have the opportunity to move into full-time work.

d) *Older women's own ill-health*
Longer active life cannot be inferred from increasing longevity. Although on average older women survive longer than men, they also have more years of disability and of residence in a care home than men. At age 60, 40% of women have some limitation on activities of daily living and for 20% the disability is severe[60]. Impaired mobility is twice as high among women

[59] NPC Budget Briefing March 2011
[60] Banks, J. et al. (2010) *Financial Circumstances, Health and Wellbeing of the Older Population in England,* the 2008 English Longitudinal Study of Ageing, London: IFS, pp., 260 - 1

as men in all age groups from 65 to over 85[61]. Moreover, disability is more frequent among older people with low income and in deprived areas, among whom women predominate.

Furthermore, being unable to find paid employment may have a more severe effect on women's incomes. Older women are less likely than men to have any private pension or redundancy payment to tide them over. In part this may be due to the expectation that they will receive their state pensions at 60. Women who are facing a faster time–table for raising their SPA will not have the opportunity to make alternative provisions for their own financial support.

A longer lead-in time for the raising of the SPA is needed to enable women in their 50s to prepare for it.

If the SPA is to be increased in line with life expectancy, some alternative form of financial support should be considered for those people in their 60s unable to take employment or contributing to society in ways other than paid employment.

Proposals for new combined single-tier state pension

While in principle a move to introduce a *single-tier* pension would be welcomed, and would benefit women in particular, some safeguards are needed about its levels, eligibility criteria, survivor benefits:

a) The eligibility requirement for the full amount of the new pension needs to be 30 years of contributions/credits, as in the current basic state pension, and not the longer time required currently for the state second pension. Credits for caring and the 30 years rule have been a major advance for women, and any extension of the eligibility period would return to previous injustices in which women were penalized for their domestic and caring roles.

b) Survivor benefits of 100% of the deceased's entitlement should remain for those who will not qualify through their own contributions. This is particularly important for women since they are more likely to be the surviving member of a heterosexual partnership.

c) It is important that the *single-tier* pension is set at a level that is above the official poverty line, rather than at what is considered the minimum level that a pensioner is deemed to need. This is particularly important for women, since they tend to have smaller occupational and personal pensions, if any, than men. So long as there is any gender difference in caring responsibilities, women will continue to have fewer opportunities than men to build up their own private pension pot – as such, their standard of living will be more reliant on the level of the state pension.

We urge that the eligibility requirement for the new the level at which pension is kept at 30 years, carer credits and survivor benefits are retained and its level is set above the official poverty line.

Existing pensioners and all those retiring before any new pension arrangements are in place are to be excluded. This will introduce a two-tier pension system in which an increasingly large majority of

[61] S. Arber and J. Ginn (1991) *Gender and Later Life: A Sociological Analysis of Resources and Constraints*, London: Sage

those on the poorer system will be women. If nothing is done to rectify poverty and gender inequality among existing pensioners, the introduction of the new system may well worsen gender inequality in pensions for some years. State pensions will become increasingly discriminatory against older pensioners, and thus women pensioners too.

We recommend that along with the single-tier pension arrangements for future pensioners, resources be devoted to ensuring that existing pensioners are not left behind in a system that leaves many women and older pensioners in poverty.

About the UK Women's Budget Group

The UK Women's Budget Group is an independent, voluntary organization which brings together individuals from academia, non-governmental organizations and trade unions. We have been scrutinizing the gender implications of the budgets and spending plans of UK governments since the early 1990s.

About the Fawcett Society

The Fawcett Society is the UK's leading campaign for equality between women and men and traces its roots back to 1866, to Millicent Fawcett's peaceful struggle for women's right to vote. Fawcett's vision is of a society where women and our rights and freedoms are equally valued and respected and where we have equal power and influence in shaping our own lives and our wider world.

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