The Impact on Women of Autumn Financial Statement 2012

and Welfare Benefits Up-rating Bill 2013

Executive Summary

George Osborne delivered yet another blow to women's rights and gender equality in the December Autumn Financial Statement (AFS). As 2013 begins, the government is introducing the Welfare Benefits Up-rating Bill, to implement the AFS measures on social security and tax measures

The Chancellor had the opportunity to mitigate the adverse impact on gender equality; instead women continue to lose out. The government's strategy to reduce the country's debt by cutting spending on benefits and services rather than increasing tax revenue has hit women hard. These policies adversely affect people receiving tax credits and social security, and those most reliant on public services. Women are over-represented in both these groups.

- The Chancellor's decision to uprate most working age benefits and tax credits by just 1% for three years from April 2013 will have a devastating impact on people in poor and low income households. The Chancellor mislabels them "shirkers". But these people are not shirkers: they are people in working households on low incomes, they are mothers providing necessary care for children, they are unemployed people desperately searching for suitable jobs in a context of high unemployment. Women are disproportionately hit by this cut in the real value of social security and tax credit payments. Women will pay about two-thirds of the money raised by this measure, and men one third, according to estimates made by House of Commons Library.

- When changes to income tax are also taken into account, women will be hit four times harder than men by the AFS measures, according the House of Commons Library's research. Women pay 81% of the costs of the £1.065m raised in 2014/15. Cumulatively, women are paying over three quarters of the cost to household income from the net direct tax, benefit, pay and pension changes introduced by the government since June 2010.

- The Chancellor says the cuts to working-age benefits will raise revenue to fund two tax giveaways – the cancellation of the fuel duty increase and a further rise in personal allowance on income tax. The WBG has shown in previous analysis that these measures benefit more men than women. Women are less likely to drive cars than men. Women are more likely than men to be in part-time or low paid employment. Among those who do not earn enough to benefit from the increase in personal allowance, 67% are women.

- Women's unemployment – currently 7.7% - is at its highest level since 1994. The WBG is concerned that men and women are not benefiting equally from any new private sector employment opportunities that the Chancellor's supply-side and rights-reducing strategy for recovery are supposed to deliver. The AFS announced further cuts to corporation tax, plans for Employee Ownership in return for a reduction in labour rights, and an extra £5bn investment in physical infrastructure. Yet the Chancellor failed to allocate more funds for essential social infrastructure, such as health, education, child and social care. Spending on social infrastructure create jobs for women as well as men, while providing vital services for communities.

Though the overall impact of the AFS is detrimental to the economic position of women, WBG acknowledges that the Chancellor did introduce some measures that are supportive of women and gender equality.

The WBG welcomes the announcement that pensioners' benefits will be uprated by 2.5% under the "triple lock" guarantee[1]. Lone women make up the majority of poor pensioners already being hit by cuts to health and social care. Older women have an income in retirement of just 57% of men's because of an inadequate pension system that fails to cater for women who take time out of employment to care for children and parents.

We also welcome the decision to cap tax relief on pensions' savings at £40,000 per annum and the reduction of the lifetime allowance from £1.5 to £1.25m, which will raise £1.1bn by 2017-18. However, the Chancellor should have gone further and capped all such tax reliefs at the basic rate; this would have saved £7bn.[2] It remains unjustifiable that those on higher incomes gain far more from such tax reliefs than people on lower incomes.

---

[1] The Treasury has created a system where state pensions will rise by whichever of the following is the highest: rise in average UK earnings, the rise in inflation (CPI) or 2.5%.

[2] Michael Johnson (2012) 'Costly and Ineffective: Why Pension Tax Reliefs Should be Reformed', Centre for Policy Studies

The Chancellor says the burden of austerity must be shared. The WBG agrees but believes the Chancellor has fallen short of delivering the fairness implicit in this statement. In our response to the AFS, we demonstrate that the burden continues to fall on poor and low income women. These women are not “shirkers”. They work hard in low-paid jobs, try to cope with unemployment, raise families, and provide vital care for those unable to support themselves.

The Chancellor says he wants to support households and reward work, yet he failed to acknowledge the significance of women’s unpaid contribution to the well-being of families and the economy as a whole. Many women work fewer hours and earn lower hourly pay than men because they provide the majority of care for children and elderly family relatives (72% of the total time, while men provide 28%). Women of working age (20-59) on average spend 280 minutes per day on unpaid domestic work, which is almost double the time spent by men (148 minutes per day). As a result of cuts in public services, more women have to plug the gaps by stepping in to provide care for children and elderly relatives, another barrier preventing them from participating in paid employment on equal terms with men.

We urge the Chancellor to rethink his economic strategy. His plan A is not working. WBG proposes a plan F – a feminist economic strategy – to ensure everyone is fairly rewarded for the paid and the unpaid contributions they make to the economy, their communities, and to their families. The WBG finds that women gain far more from greater public spending, as compared to tax cuts and advocates increased spending on public services, benefits, tax credits and state pension, all areas that help the poorest women, funded by increases in taxation on people and corporations that can afford to pay more.

The Overall Economic Strategy of the 2012 AFS

The Chancellor’s Autumn Financial Statement fails to address the increasing economic and social inequality between men and women – the impact of cuts to public services on women; the greater burden of unpaid care on women; women’s greater reliance on public transport; the dramatic increase in unemployment in women over 50; the increase in reporting of domestic violence; the impact on single parents of losing a twelfth of their annual income.

Nothing has been allocated for the expansion of social infrastructure. Instead, the Chancellor is once again relying on supply-side measures to get the economy growing: tax cuts for business, and an allocation of £5bn investment in physical infrastructure, paid for by underspends in previous allocations. This, despite the fact that there is little evidence to show that tax cuts will stimulate private sector investment in a depressed economy in which banks are still not lending to small and medium business. And despite the evidence that allocations for physical infrastructure often fail to translate into real spending. Similar announcements about allocations for infrastructure were made in the 2011 Autumn Financial Statement, but less than half has been spent so far.[3] The Office of Budget Responsibility (OBR) shares these doubts and has built an under-spend into its forecasts, which assume that only an additional £2bn will actually be spent in 2013/14.[4]

The Chancellor is sticking to austerity with spending cuts planned up to 2017/18 in order to meet his self-imposed targets of balancing the national budget within the next five years and reducing debt as a share of GDP. The Chancellor claims that 80% of the contribution to the elimination of the budget deficit till 2015/16 will come from spending cuts and 20% from increases in tax revenue. However, analysis by the Institute for Fiscal Studies (IFS) of the plans announced to date suggests that by 2017/18, 85% will come from spending cuts and 15% from rises in tax revenue.[5]

On average, current spending by central government departments will be cut by 1% in 2013/14 and 2% in 2014/15. Local government budgets will not see further cuts next year, but in 2014/15 will be cut by a further 2%. Further cuts to spending on public services will be announced in the 2013 Spending Review.

Benefits and tax credits, including Universal Credit which begins to come into operation on 2013, will be cut in real terms by uprating most of them by only 1%, which is below the rate of inflation and amounts to a cut of £1883m a year 2014/15. Progress in achieving greater equality for mothers in the workplace with the support of tax credits and maternity pay, has been eroded with up-rating limited 1% a year for the next three years. Parents on low income already have to pay more towards the high cost of childcare, because the government reduced the Childcare Tax Credit from 80% to 70% of child care costs. Moreover, the measures in the AFS will lead to a further reduction in

---

[3] Only a fraction of capital spending promised last year has materialized
http://www.guardian.co.uk/uk/2012/dec/04/autum-statement-analysis-george-money

[4] Tetlow, G. (2012) 'Borrow Now, Cut Spending Later', Institute of Fiscal Studies.
http://www.ifs.org.uk/conferences/BNCSL_GT.pdf

[5] Tetlow, G. (2012) 'Borrow Now, Cut Spending Later', Institute for Fiscal Studies

the income needed for single parents to combine paid employment with looking after their children, at a time when welfare reform is forcing them into the lowest paid jobs.

The real cuts to benefits and tax credits pays for two tax cuts, the cancellation of the fuel duty increase and the further increase in the income tax personal allowance. There is also a tax cut for business, with corporation slashed to just 21% next year. The financial statement did include two increases in tax on the wealthy. The threshold for higher rate income tax will go up by 1%, and not by the rate of inflation; and tax relief on pension contributions will be reduced.

The Chancellor argues that the extension of austerity is necessary to meet fiscal targets because there has been less economic growth than expected and tax revenues are lower than forecast. In 2010, when the Chancellor introduced his first budget, the OBR forecast that in 2012 Gross Domestic Product (GDP) would grow at 2.8% a year, rising to 2.9% in 2013. Now the OBR forecasts that GDP will fall by 0.1% in 2012, and grow by only 1.2% in 2013. Unemployment is forecast to be 8% in 2012, rising to 8.2% in 2013. Growth is forecast to recover in 2014 and reach 2.8% a year by 2017. But unemployment will remain high at 7.1% in 2018.

The effect of austerity has seeped into the prospects of the current and future workforce. Public sector employment will fall even further: the OBR has forecast a fall in general government employment of 1.1 million between 2011 and 2018. The forecasts do not include the growth of underemployment (people in part-time work who want a full-time job). The Office of National Statistics says that 1 in 10 workers want more hours; these are predominantly people in involuntary part-time work, and 52% of this group are women. Since 2008, the number of underemployed female workers has risen by 495,000.[6]

Other forecasters are pessimistic about growth prospects. The National Institute of Economic and Social Research (NIESR) thinks growth will only reach 2.3% by 2017, and argues that the OBR underestimates the negative effect of measures that reduce demand, such as the uprating of benefits by less than the rate of inflation.[7] NIESR research shows that national austerity measures are self-defeating if countries

---

[6] www.bbc.co.uk/news/business-20509189 and TUC Economic Report ‘Women and work’ issued 19 September 2012, http://www.tuc.org.uk/economy/tuc-21436-f0.cfm

[7] NIESR GDP estimates December 2012 http://www.niesr.ac.uk/pubs/searchdetail.php?PublicationID=3392

undertake them collectively, as is the current situation within the European Union. Output in each country is reduced and instead of debt to GDP ratios falling, they rise. NIESR concludes that the current austerity strategies being pursued are fundamentally flawed and make things worse rather than promoting recovery.[8] There is no guarantee that the pain of further austerity will eventually restore prosperity.

In the following pages, the WBG analyses how the AFS policies will impact on the lives of women, especially low income women, and their long-term implications for gender equality. We begin with a discussion of the government's record in providing such analysis in the 2012 AFS.

Gender Equality Impact Assessment

Analysis by government departments

Once again the government failed to publish an overall gender equality impact analysis of the AFS. HM Revenue and Customs did publish an impact assessment of the financial statement's tax measures, which included gender equality impact.[9] However, this is not only incomplete, but also frequently seriously misleading. One example is the gender equality impact analysis of the decision to cancel an increase in fuel duty. The Chancellor cancelled the fuel duty increase that was due to take effect on 1 January 2013. The impact assessment notes that this "will benefit all motorists" and save "a typical motorist" £40 a year. It also says: "No impacts are expected on groups sharing protected characteristics." This fails to take into account that women are more likely to use public transport and drive less than men; therefore cancelling a planned rise in fuel tax benefits men more than women, increasing gender inequality. WBG provides a better analysis of this measure in the section of this report that deals with social security and household taxation.

In addition to the information provided by HMRC, the Department for Work and Pensions published a revised impact analysis of the introduction of Universal Credit, updated to take account of the AFS measures, on the day of the Chancellor's statement.

---

[8] Holland, D and Portes, J. (2012) 'Self-defeating austerity?', *National Institute Economic Review*, No.222.

[9] An impact analysis of tax measures, including gender impact, was made available subsequent to the Autumn Statement on the website of HM Revenue and Customs on December 11th 2012. It was not signposted on the home page but can be found at www.hmrc.gov.uk/tiin/2012/autumn-dec12.htm in a document called Tax Information and Impact Notes.

Neither DWP nor the Treasury had published an impact analysis to accompany the Welfare Benefits Up-rating Bill by 3rd January 2013.

The Treasury has argued that because most benefit/tax credit/universal credit payments are calculated and delivered on a household basis, it is not possible to analyse the impact by gender. However, as the WBG has shown, the impact of such policy measures can be analysed by the gendered characteristics of households; for instance, single person households can be divided into male and female, and couple households by the gender of the earners. [10] The DWP used some elements of this methodology, albeit sporadically, in the section of its Universal Credit impact assessment entitled *Impact on household income for protected groups*. Therefore the WBG cannot understand why the Treasury did not produce a gender equality impact assessment of the overall impact of the benefit/tax credit/universal credit and household taxation measures.

The Treasury published a distributional impact assessment on households by decile. It analyses the cumulative impact on household income in 2013/14 of all tax, tax credit and benefit changes introduced by the current government, and measures announced and still being implemented by the last government. The distributional assessment shows that the impact, as a percentage of net household income, is largely regressive. The Treasury chose to emphasize the fact that the richest tenth loses the most as a percentage of income. However, their loss is only slightly greater than the loss of the poorest tenth. The Treasury did not publish any analysis of the specific impact of the tax and benefit measures announced in the 2012 Autumn Statement alone.[11]

The Treasury says that it is not possible to provide a full gender impact assessment of such measures because it is not possible to analyse how incomes are shared within households. The WBG argues that though such analysis is challenging, it is possible to make some guiding assumptions. For instance, the National Equality Panel report of 2010 says it can be assumed that individuals have more control over income they

---

[10] See for example, Jerome De Henau and Cristina Santos (2011) 'Gender analysis of the changes in indirect taxes introduced by the coalition government, 2010-2011' , UK Women's Budget Group. http://wbg.org.uk/pdfs/Indirect_tax_Budget_2011_final_report_June_20.pdf
This method has been recognized by the Institute for Fiscal Studies: See J. Browne (2011) 'The Impact of Tax and Benefit Reforms by Sex: Some Simple Analysis' , Institute of Fiscal Studies, http://www.ifs.org.uk/publications/5610

[11] HM Treasury (2012) Impact on Households: distributional analysis to accompany the Autumn Statement (www.hm-treasury.gov.uk/as2012_index.htm)

receive directly. The employment status of household members influences how much they benefit from household resources, according to Open University research.[12] This points to the need for any equality impact assessment of social security policy to look not only at the immediate impact on income but also on the longer run impact on work incentives for men and women individually. This has not been done by Treasury, HMRC or the DWP.

Analysis by Institute of Fiscal Studies and House of Commons Library

The AFS measures are regressive, according to the Institute for Fiscal studies, with the poorest three deciles losing considerably more as a percentage of net income than the richest tenth[13]. In so far as women are more concentrated in the poorer households, once again they will be hit harder than men.

The income loss as a result of AFS income tax, tax credits and social security measures for women will be four times greater than men, according House of Commons library analysis. Shadow minister for women and equalities, Yvette Cooper MP, said: "Research from the House of Commons Library has shown that 81 per cent of the key additional direct tax, tax credit, and benefit changes today's Autumn Statement will come from women - that's £867m of the £1.065bn raised." This continues the pattern established by all the fiscal measures introduced by the government since June 2010. The House of Commons library estimates that the cumulative impact of all the income tax, tax credit and social security measures, from the June budget of 2010, to the December 2012 AFS, is that 24 % of the money raised comes from the pockets of men and 74% from the pockets of women.

Recommendations

The WBG calls upon the Treasury to publish evidence that it has properly considered the gender impact of the measures in the AFS and give reasons why it has not mitigated the disproportionately adverse impact on women. In the following sections we provide our own analysis of the most important measures in the AFS.

---

[12] Jerome De Henau and Susan Himmelweit1 Unpacking intra-household gender differences in partners' subjective benefits from household income, GenIX working paper No.1 http://www.open.ac.uk/socialsciences/genix/files/GenIX_WP1.pdf

[13] Adam, S.(2012) 'Personal Taxes and Benefits', Institute for Fiscal Studies

Social Security and Household Taxation

Social security benefits and tax credits

The Chancellor often portrays those on benefits as lazy "shirkers" who are unwilling to work, but in reality the majority have jobs or onerous, full-time caring responsibilities.; and those who have neither are usually searching for jobs in very difficult labour market conditions where jobs that pay living wages are very hard to come by.

The Chancellor announced that most working age benefits and tax credits would increase by only 1% for the next three years from April 2013 against an expected

inflation level of 2.7 - 3.1%. Child benefit will be frozen as planned in 2013/14, before rising by 1% in the following two years. Elements of tax credits will also be frozen as planned in 2013/14. Some disability benefits will be exempt from the freeze; however Employment and Support Allowance (ESA) is included, as are payments for maternity, paternity and adoption leave. Housing Benefit will also be up-rated by only 1% in most areas in 2014/15 and 2015/16. The earnings disregard for the new universal credit system, being introduced in autumn 2013, will be increased by 1% for two years from April 2014, rather than by the rate of inflation.

How will these cuts affect women?

WBG is concerned about the impact on low income mothers of these cuts to the tax credit and social security system, especially in the context of the lack of affordable child care services.

- Women are facing a real term cut in their statutory maternity pay and may therefore decide to take less leave than they would otherwise have chosen. When they do return to work they will face higher childcare costs and less support from the tax credit system. Statutory Maternity Pay and Maternity Allowance will rise by just 1% over the next three years, far lower than living costs. This amounts a loss of £180 in statutory payments for every new mother.

- The government has already abolished the Health in Pregnancy Grant, a payment to all mothers in the later stages of pregnancy, and restricted the Sure Start Maternity Grant for low-come parents to first babies or multiple births. The cumulative loss of benefits and reductions in maternity payments leave women with up to £911.87 less during pregnancy and maternity leave.[14]

- The latest Daycare Trust's annual survey found that during 2011 the average cost of a part-time nursery place (25 hours) had increased by 5.8% for a child of less than 2 years and 3.9% for an older child. HMRC figures show that since the reduction of the childcare tax credit to 70% in April 2011, the average claim had fallen by £10 per week and 44,000 fewer families were receiving any help at all.
- The cut from 80% to 70% of childcare fees refunded under Working Tax Credit, also applies to disabled children for whom childcare is particularly difficult to find and more expensive.
- Childcare during school holidays is becoming harder to find as local authorities with ever tighter budgets cut back on provision. Despite such increasing costs, the maximum amount that can be claimed for childcare costs has been frozen. This means that parents, in practice usually mothers, 'striving' to return to and stay in paid employment will find the necessary childcare services harder to find and more and more expensive.

The social security and tax credit cuts reflect the low value this government places on children and those who care for them. In the context of the recent increase (20%) in the number of births in the UK, these cuts over the next four years will bear even more harshly on low income families, and particularly on mothers irrespective of their employment status.

While the announcement that the Carer's Allowance, paid to people looking after adults who need care, will be up-rated in line with inflation is welcome, this has to be evaluated in the context of continuing cuts to benefits and services. Fewer carers will be eligible for the allowance because eligibility depends on the person needing care receiving the Personal Independence Payment (PIP), which is to replace the Disability Living Allowance next year. The details have yet to be announced but it is expected that half a million fewer people will receive the PIP than currently receive the DLA. Similarly, with the introduction of the Universal Credit, households with a disabled child may be entitled to a 'disability addition' but this will be half the rate currently paid through the

---

[14] Maternity Alliance: Autumn Statement - Cumulative impact on cuts on new mothers http://www.maternityaction.org.uk/sitebuildercontent/sitebuilderfiles/maternityactionautumnstatementbriefing2012.pdf

disability element of the current tax credit system. The Severe Disability Premium paid to those without a carer is to be abolished altogether.

Recommendations

The WBG has shown the damage done to women by this government's existing plans for social security, yet the Chancellor plans to go further and take an extra £10bn from benefits and tax credits. The IFS predicts that even more drastic cuts are needed for the Chancellor's to meet his fiscal targets; cuts it labels "close to inconceivable".[15]

It is crucial that social security and tax credits are not seen as dispensable, but as part of a framework that allows people to adapt to social and economic change, care for others and feel part of a society where risks are shared in common. And it is critical that the implications of further cuts to social security for women are fully recognised and a gender impact assessment of these planned is carried out.

Income tax and tax allowances

The proposed cut in the top rate of tax from 50% to 45%, announced in last March's Budget, will be implemented in April 2013. The AFS has done nothing to rectify that unfairness in cutting taxes for the very rich.

All income tax payers, except for those with incomes above £150,000, will gain from the personal allowance increase of £235 in April 2013 announced in the AFS. This will cost a further £1.1bn in 2015-2106, in addition to the £8bn spent on raising the personal allowance on income tax since 2010.[16] The WBG argues that raising the income tax threshold does not help the lowest earners who do not have incomes above this threshold. The latest increase means higher-rate tax payers stand to gain as much as standard rate tax payers, with most gaining £47 a year. In its equality impact assessment, the HMRC says:

> In 2013-14, females are projected to account for 43 per cent of all taxpayers and males 57 per cent. From this measure, 2013-14 estimated impacts are:
>
> • 24.4 million individuals gain an average of £47, of which 13.7 million (56 per cent) are male and 10.7 million (44 per cent) are female. Average gains do not differ between males and females.

---

[15] Quoted by FT editorial 'A coalition caught on a ringfence', December 9, 2012 7:59 pm http://www.ft.com

[16] HM Treasury (2012) Autumn Financial Statement 2012, p 46

• 245,000 individuals taken out of tax altogether, of which 102,000 (42 per cent) are male and 143,000 (58 per cent) are female. [17]

The majority of the 245,000 people taken out of paying income tax altogether are women, who gain less in cash terms than other taxpayers because they do not earn enough to make full use of the new higher personal allowance. Rather than noting what their average gain is, HMRC treats those taken out of tax as an especially favoured group in which women predominate. Indeed, the government may boast that the majority of the 2.2 million people taken out of tax during the course of this parliament are women, it fails to recognise that better-off tax payers, the majority of whom are men, have always gained more from those same measures.

Recommendations

At least 42% of women will gain nothing from raising the personal allowance; women make up 59% of those with no earnings, and a clear majority of those with earnings below the current personal allowance are women.[18]

Instead of implementing tax giveaways that will benefit mostly men and richer citizens, the government should spend more on public services. Women gain from greater public spending. WBG is against tax cuts, and would prefer to see increased spending on the services that help the poorest women. Personal income and wealth taxes are progressive ways to collect revenue, and should not be cut. Instead, if the government must implement tax cuts, reducing indirect taxes, such as VAT and other regressive taxes, is preferable.

Tax relief on pensions

The WBG welcomes the announcement that tax relief on pensions savings is to be capped at £40,000 per annum and the lifetime allowance reduced from £1.5m to £1.25m. This will raise £1.1bn in 2017-18 and only the very richest, the top 2% of

---

[17] HMRC Tax Information and Impact Notes (TIINs) Income tax personal allowance for those born after 5 April 1948 and basic rate limit for 2013-14 http://www.hmrc.gov.uk/tiin/2012/tiin1140.htm (The statement has been shortened to omit differential effects on those born before and after 5 April 1948).

[18] UK Women's Budget Group (2012) The Impact on Women of the Budget 2012 http://wbg.org.uk/pdfs/The-Impact-on-Women-of-the-Budget-2012-FINAL.pdf

savers,[19] in society will lose out. The Treasury's equalities impact assessment of these measures rightly concludes that: "The nature of the change means that those affected will be in higher income groups so they are less likely to be from ethnic minority groups, women or the disabled".[20]

However, the Chancellor should have gone further and capped all such tax reliefs at the basic rate; this would have saved £7bn.[21] It remains unjustifiable that those on higher incomes gain far more from such tax reliefs than people on lower incomes.

The WBG is also concerned about the millions of women who do not qualify for a full state pension, and thus won't receive the full benefits of the 'triple-lock' on pensions increases. According to the National Pensioners Convention, those women are likely to see a weekly increase of just £1.60 from next April, compared to those with a full state pension who will get the 2.5% rise at £2.70. This gives them a weekly pension of about £66.

Fuel tax

The Chancellor's decision to cancel a planned 3.02 pence per litre increase in fuel duty and defer the rise planned for 2013/14 means fuel duty will be frozen for nearly two and a half years, and cut by 8% in real terms over this Parliament.

Previous WBG analysis has shown that cutting fuel duty raises the disposable income of motorists more than public transport users, men more than women, and, in cash terms, higher income households more than poorer ones[22]. It benefits childless couples and single men the most, and lone mothers, and single female pensioners least.

---

[19]HM Treasury (2012) Autumn Financial Statement 2012, p 54 para 1.180

[20] HMRC Tax Information and Impact Notes (TIINs): Reducing the pensions tax annual and lifetime allowances. http://www.hmrc.gov.uk/tiin/2012/tiin1046-1048.htm

[21] Michael Johnson (2012) 'Costly and Ineffective: Why Pension Tax Reliefs Should be Reformed', Centre for Policy Studies

[22] Jerome De Henau and Cristina Santos (2011) 'Gender analysis of the changes in indirect taxes introduced by the coalition government, 2010-2011' , UK Women's Budget Group http://wbg.org.uk/pdfs/Indirect_tax_Budget_2011_final_report_June_20.pdf

Public Services and the Provision of Care

The WBG has previously published evidence that cuts to public services result in greater adverse impacts on women as public employees and service users. The Chancellor's decision to continue to rely 80% on expenditure cuts and only 20% of increases in tax revenues in attempting to meet his deficit reduction targets will reinforce this trend. The plan to cut spending further by reducing administration and property costs, and through the digitisation of public services, will mean more job losses for women, reduced local services and a risk that those who find digital access more problematic will lose out.

Investment in care services

The WBG argues that expenditure on caring and other services that contribute to human capital should be seen as investment. The £5m investment in capital infrastructure, using unspent funds taken from current expenditure, announced in the AFS, does not address much needed investment in such social infrastructure (beyond some limited improvement of buildings and equipment). Education, care and health services, together with local measures to address housing and environmental concerns, are more important for the current and future prosperity and well-being of the UK than "winning the global race".

WBG are pleased that the government has remained committed to the extension of the provision of free part-time early education to two-year-olds albeit restricted to those living in the most deprived areas. However, we are concerned that this may be at the expense of the important and valuable Sure Start programme, which takes a broader view of child development. Sure Start will no longer have its own ring-fenced grant but will be funded from the new Early Intervention Grant. Faced with cuts of over £28bn in their budgets over the next four years, local authorities must make tough spending decisions making, and may to choose to sacrifice Sure Start services over projects .Six centres have already closed and 124 buildings have been closed through mergers and re-organisation.

The government is currently exploring ways in which employers can make it easier for those with caring responsibilities to participate in the labour market. However, in the context of cuts in care services for children and for the frail elderly, helpful employment practices are not likely to be sufficient to bridge the gap. Replacement services, even if available, are becoming more and more expensive while the wages that can be earned do not rise in proportion.

With the number of older people rapidly increasing, especially those over 80 years, more resources are needed just to retain current standards. The refusal to consider some of the obvious ways of funding this, such as a "mansion" tax, a modest increase in inheritance tax, or a revaluation of houses for council tax purposes is disappointing.

Polices which impact on ability to provide unpaid care

Policies which are not directly concerned with the delivery of care *per se* may still impact on family members' capacity to care for each other – on average, across the EU, family and friends provide more than five times as much care as formal social care services. Proximity is a crucial determinant of a family's willingness and ability to provide care needed on a daily basis. This means that transport and housing policies impact particularly on those caring for others: mainly women who are more dependent on public transport than men and are much more likely to be caring for someone living in a different household. There is strong case for retaining free bus passes as a positive support to caring.

Current housing policies and related changes to housing benefit will inevitably mean that poorer family members will live further apart as they move further to find affordable accommodation. The spare bedroom, which housing benefit will no longer cover, may be essential to provide some respite care for a frail elderly relative, or conversely, it may be necessary to facilitate a relative having the children to stay during school holidays or to stay over when their mother has to work an early shift.

Although the gender gap in caring diminishes after retirement age, a much higher proportion of women than men of working age are involved in care. Piecing together their caring commitments together with paid work is a complex task that could be facilitated if the Chancellor takes the 'caring economy' as seriously as the market economy.

Employment

Public sector employment

The Chancellor's announcement that public sector pay would rise by just 1% per year, after a two-year freeze, ignores the damage being done to employment opportunities for women across the UK by cuts in public sector employment and pay freezes.

A report to the TUC Women's Conference in 2012,[23] comparing women's pay and employment in the public and private sectors, found that women working in the public sector benefited from a smaller gender pay gap, better representation in full-time jobs at different earning levels, more opportunities to work flexibly in higher grade jobs and greater access to a pension scheme.

Even if private sector growth is able to compensate for the number of jobs lost in the public sector, it is unlikely that they will match the pay, pension and employment prospects that have helped women enter and remain in the workforce in public sector employment. This will limit women's individual life choices and their ability to contribute to family income and well-being.

The WBG is deeply concerned by the Chancellor's plan for "market facing pay" and "pay in line with performance" in schools. This will undermine collective bargaining and result in a widening gender pay gap. A recent New Economics Foundation report challenged both the fairness and efficiency of making public sector pay more "market facing"[24]. An Income Data Services report[25] commissioned by Unison casts further doubt on the government's arguments in favour of regional or localised pay. A paper by several major teaching unions shows that in OECD countries where teachers are well remunerated (15% above GDP per capita), the introduction of performance related pay actually has a negative impact on pupil performance[26].The WBG is also concerned that performance related pay systems are prone to discriminatory and unfair outcomes as a result of stereotypical expectation and biased approaches.[27]

We welcome the Chancellor's decision not to pursue the introduction of regional pay in the civil service, NHS or Prison Service. All regions benefit from women workers having

---

[23] TUC Women's pay and employment update: a public/private sector comparison: Report for Women's Conference 2012

[24] http://www.tuc.org.uk/industrial/tuc-21216-f0.pdf

[25]http://www.unison.org.uk/file/IDS%20research%20report%20for%20UNISON%20on%20crowding%20out%20July%202012%20(2).pdf

[26] http://www.atl.org.uk/Images/Joint%20Union%20PRP%20submission%20-%20May%202012.pdf

[27] http://www.equalityhumanrights.com/advice-and-guidance/tools-equal-pay/checklists-equal-pay-in-practice/8-performance-related-pay/

access to fair wages and national pay rates reduce barriers to employees' ability to pursue careers in other geographical areas.

Women's unemployment

The rapid and significant job losses in the public sector have contributed to a women's unemployment rate of 7.7% - the highest since 1994. Women's benefit claimant count has risen even more dramatically than the International Labour Organization *(see table below)* count[28] due to changes in Lone Parent Obligations. Under the new obligations single mothers lose income support when then their children reach the age of 5; it is replaced with Job Seekers Allowance.

In recent months there has been a slight improvement in the unemployment figures for women, however, the OBR forecasts that unemployment will rise again and continue rising for the next three years.

Table 1.1: Economic forecast overview

	Percentage change on a year earlier, unless otherwise stated						
	Outturn	Forecast					
	2011	2012	2013	2014	2015	2016	2017
ILO unemployment (% rate)	8.1	8.0	8.2	8.2	8.0	7.6	7.1
Claimant count (millions)	1.53	1.59	1.66	1.69	1.63	1.53	1.43

Data from the GMB trade union shows that women make up two-thirds of those who have lost their jobs in councils and schools since May 2010, and that in 19 English local authorities, women accounted for 100% the jobs that were lost.

Underemployment and part-time work

Women's position in the UK labour market is characterised by the extensive use, and often misuse, of flexible forms of employment relationship, including self-employment, casual work and agency working.

Over recent years the UK there has been a rapid growth of the number of women employed in involuntary part-time employment. There are 1.7 million under-employed women workers, they make up 52% of all under-employed workers. Since 2008, the number of underemployed women workers has risen by 495,000.

The proportion of female part-time workers who would prefer full-time jobs is also rising. It passed 13% (from a previous peak of 8%) in November 2011 for the first time since the figures were first recorded in 1992. There is a striking difference between the

[28] The ILO Unemployment count is a monthly measure of everyone who is out of work, not just those claiming employment benefits.

figures for men and women – the proportion of men in involuntary part-time work rose suddenly only after the recession began, whereas the figure for women has been rising since 2004.

The number of zero hour contracts has risen from 75,000 in 2005 to 146,000 in 2011, according to the IFS. The increase in casualised employment has been particularly marked amongst female workers, rising from 32,000 in 2005 to 85,000 in 2011.

Women's self-employment

Women dominate public sector redundancies and new business start-ups - since the 2008 crash more women have started in business than ever before, and for the first time more women than men are becoming self-employed[29]. Women currently account for 29% of self-employed workers - a 54% of the increase since April 2008.

The WBG is concerned that much of this self-employment is bogus; a way for employers to save on National Insurance costs and key employee benefits such as pensions, paid holidays and sick pay.

An analysis of pay trends reveals that self-employment is increasingly associated with poor pay. The vast majority of the self-employed earn less than the average wage, particularly in the first few years. The median income of self-employed workers has fallen from £11,300 in 2001 to just £10,300 in 2010, even before allowing for inflation. The average income for employees has risen over the same period and is now nearly twice as high (£18,900). The government must do more to ensure that those new self-employed jobs genuinely replace the value of the public sector jobs lost.

Labour rights and employee ownership scheme

The Employee Ownership scheme proposed in the AFS will weaken labour rights for those enrolled in it. For instance, it will double the notice period for women planning to return to work early from maternity leave (to 16 weeks). This will affect the 84% of women on maternity leave who return to work within one year. The government's equalities impact assessment of the measures concludes that the proposal to extend the notice period for return from maternity leave will have no impact on gender equality or new mothers. The WBG contends that the extension of the notice period combined with the withdrawal of flexible working rights from employee-owners will force women to take longer leave than planned, and lead to more women not returning to work at all.

[29] http://www.tuc.org.uk/tucfiles/376/Economic_Report_Four.pdf

The government's equality impact assessment of the Employee Ownership proposals fails to consider the differential impact on particular groups of excluding employee-owners from the right to request flexible working. For example, according to the Department for Business, Innovation and Skills, 28% of women had requested flexible working in the past two years, compared to 17% of men. The report also says that 33% of women said flexible working was "very important" to them in deciding whether to take a job compared to just 14% of men.

It is also a matter of serious concern to WBG that the government has decided to introduce legislation on this proposal before full consultation has been completed and before a full impact assessment has been undertaken. The inclusion of this scheme in the AFS signals the government's intention to press ahead with the plans in spite of the lack of support from the business sector. The government appears intent on driving the policy through regardless of its impact on equality, employees, employers and the wider economy.

Reduction of regulations

The government aims to reduce the number of regulations on business by intensifying its One-In-One-Out rule with One-In-Two-Out method (p42 of the AFS). Clear and precise business regulations are important, however, the guiding principle for setting regulation should surely be quality, not quantity. There are some areas where under-regulation or de-regulation, rather than over-regulation, are problematic. The WBG disagrees with the arbitrary one in, two out proposals, and urges the Chancellor to facilitate more, properly targeted regulation.

Recommendations

In our opinion far too many women are already trapped in casualised, precarious, low paid work that deprives them of basic employment rights, including protection from unfair dismissal, the right to redundancy pay and family-friendly rights. Rising underemployment and part-time work has characterised women's labour market position recent years. The AFS offers no strategy to create jobs, training opportunities, or other measures to facilitate women's labour market participation, such as free or subsidised childcare. By seeking to create new forms of casualised employment, such as the new Employee Ownership scheme, the government will do significant damage to the labour market position of women. Rather than promoting the use of more insecure employment, WBG believes the government should work to prevent the mistreatment of vulnerable workers.

UK Business Tax Regime

Tax avoidance

The damaging impact of the changes proposed in the AFS on women must be considered against the background of the current scandal over corporate tax avoidance. The public spending and benefit cuts are presented as inevitable because the Treasury is struggling for revenue. Yet the Chancellor has done little or nothing to extract the billions of pounds of lost revenue owed by several large international corporations who fail to pay their fair share of tax. Women are asked to bear the brunt of cutting the deficit, yet corporations remain insufficiently challenged. Contributing to the state must be a prerequisite for corporations that seek to benefit from the infrastructure in the countries in which they operate. In addition, business entities benefit enormously from the corporate form, whether through limited liability in negligence actions or through the financial benefits of corporate structuring. Thus, corporation tax is a form of fee for benefits received.

This fee is widely seen as optional or one that can be avoided for a lesser fee to an accountant. Thus Starbucks deciding to pay £20m in corporation tax over the next two years, giving the impression that the money is a voluntary contribution to the tax system. This betrays how far 'paying dues' has become a discretionary matter for many global enterprises. Even the decision to pay £20m was a PR stunt to stem the damage caused by recent customer boycott threats and mass protests.[30]

In the AFS the Chancellor promised to clamp down on "the promoters of aggressive tax avoidance schemes and the closure of loopholes" and announced the creation of new unit tasked with tackling offshore tax evasion. He also committed funds to assist the OECD's effort to end tax havens.[31]

The WBG welcome efforts to reduce both tax avoidance and tax evasion by international corporations (and others). However, it is regrettable that the combination of these efforts and the significant funds promised to HMRC to tackle avoidance and

[30] Heather Stewart, 'Demands for global tax reform intensify as Starbucks "volunteers" to pay £20m', The Guardian, 9 December 2012

[31] http://www.hm-treasury.gov.uk/as2012_index.htm

evasion is predicted to collect a mere £2bn, at the same time as £18bn is being cut from the welfare bill.[32]

Corporation tax

The WBG is also concerned by the emphasis in the AFS on keeping the business taxation regime "competitive", shorthand for extremely low rates of corporation tax. The main rate of corporation tax for 2013 will be 23%, compared to the higher rate of income tax (on non-savings income) at 40%. The corporations are privileged at every point in this tax regime, and at the expense of the "non-corporate" taxpayer. Further, the Chancellor announced that corporation tax is to be cut further, beyond the 1% cut already planned, by an additional 1% to 21% in April 2014. The Chancellor boasted that the UK would then have "the lowest corporation tax rate in the G7 and the fourth lowest in the G20". This reveals the limitations of the Chancellor's commitment to cooperating internationally to make corporations pay adequate tax. He would rather win a race to the bottom than ensure that corporation tax provides a fair return, for the UK government and others, for the benefits companies gain from infrastructural spending and other public services.

The "arms length principle" in international corporation tax law allows international structuring of organisations in such a way that different subsidiaries are treated as separate individual entities. Professor Picciotto of Lancaster University argues that the tax treaty network system of the early twentieth century is too resistant to the machinations of corporate structuring, allowing transfer pricing and other forms of tax avoidance to flourish. The WBG supports Professor Picciotto's proposal for the implementation of a unitary tax in its stead, which would focus on the real economic substance of transactions.[33]

In its assessment of the equality impact of the cut in corporation tax, HMRC says: "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."[34] Despite the difficulties in assessing the incidence of corporation tax, this

---

[32] "Autumn Statement", Hansard Columns 878-879, 5 December 2012

[33] http://www.taxjustice.net/cms/upload/pdf/Towards_Unitary_Taxation_1-1.pdf

[34] HMRC Tax Information and Impact Notes (TIINs) Corporation tax: main rate http://www.hmrc.gov.uk/tiin/2012/tiin6400.htm

seems an extraordinarily short-sighted view of gender impact. Measures that are designed to allow businesses to keep more of their profits clearly benefit the owners of these businesses. Since share ownership is unequally distributed by gender, with men more likely to than women, this is yet another tax break that favours men more than women.

Recommendation

In this as in other areas, there has been insufficient attention to effects on gender inequality. The WBG recommends that when the UK assumes the presidency of the G8 next year, which the Chancellor has identified as an opportunity for working with the OECD to counter the problem of international tax avoidance, the impact of existing tax regimes on gender inequality is prioritised in this effort.

International Development

The WBG firmly supports the continuation of international development funding and meeting its commitment to 0.7% of GDP for development assistance in 2013. However, the Coalition government has continued to take the fall in GDP as an opportunity to impose a real cut to the budget of the Department for International Development (DfID). DfID will be cut more than any other government department in next two years, from 2.9% in the first year of the latest cuts, and more than 5% in a second year. The Coalition continues to include debt relief as part of development assistance, even though this does not provide any new resources to developing countries, and is re-orientating its aid away from direct financial assistance, aimed at reducing poverty that affects women and children most, in favour of private sector development and technical assistance which benefit UK businesses.

Further, the changes in the Controlled Foreign Company tax regime that the Chancellor introduced in 2011, "as a means of closing tax loopholes" continue to give UK multinational companies a strong incentive to move their profits out of poorer countries into tax havens, significantly reducing the tax revenues of developing countries and their capacity to invest in education, health services and other vital public services.

The AFS was a missed opportunity to:

- restore the real cuts in funding to the Department for International Development. Instead, a £6.6bn package of savings from welfare, overseas aid and departmental spending will be made in favour of funding £5.5bn of UK infrastructure investment and support for businesses;

- reverse the loosening of the 0.7% target by including within it debt relief on money that is never expected to be repaid;
- halt the upsurge in the use of UK private-for-profit contractors and the step backwards to tied-aid.

The WBG shares the concerns of other women's organisations that the narrowing of the development agenda has led to the abandonment of a broad agenda that puts gender equality at the heart of the UK aid industry. Addressing the causes of inequality, female disadvantage, and poverty requires a focus on women's rights, from conception to the old age. Women's views, rights, and needs should shape the government's international development policy. Incentivising tax dodging by UK multinational companies, cutting the UK aid budget, privatising aid, focusing on management processes and using women as cheap deliverers of services will not make international aid more effective, reduce the need for international assistance, nor will it deliver gender equality.

Stimulus Measures

Support for business investment

The AFS details plans to stimulate the economy and promote growth through investment in infrastructure and by supporting business investment. It sets out a £5.5bn capital package to fund infrastructure investment and support long-term private investment. The measures include: cutting the main rate of corporation tax from April 2014 to 21% (from 28% in 2010 and 24% in 2012); increasing the Annual Investment Allowance temporarily (for 2 years from January 2013) from £25,000 to £250,000 to encourage investment by small and medium sized businesses; establishing a Business Bank with £1bn capital; and facilitating loans to support exports through UK Export Finance with £1.5bn. The Chancellor also announced a significant increase in the role of Local Enterprise Partnerships (LEPS). From April 2015 the government will place more of the funding currently spent on local transport, housing, employment support and training into a single pot that LEPs can bid for.

The WBG is concerned that these new support measures will overwhelmingly benefit male-dominated business sectors. The focus of investment is on new roads and science infrastructure, as well as, free schools. The Chancellor has given a significant boost to manufacturing industry by increasing capital allowances for plant and machinery by a factor of ten. He committed further support for aerospace and advanced manufacturing. The number of women in leadership roles in manufacturing, science, engineering and technology (SET) firms is tiny. The Coalition government has cut several programme designed to support women in the SET industries. The government must do more to support development programmes to help more women succeed in SET careers, and ensure they benefit from the industry growth measures announced in the AFS.

As previously mentioned WBG believes it is as important for the wellbeing of people in the UK, to invest in social infrastructure as well in physical infrastructure. Social infrastructure currently generates a large number of jobs for women, and helps counterbalance the job creation targeted mainly at men that comes from investment in physical infrastructure. Of course, in the long-term, the WBG argues that measures are needed to end to gender segregation in all industries.

The WBG welcome the government's concern about the number of women in business leadership. The government acknowledges that businesses with mixed gender leadership perform better and has set out clear targets and timescales towards significantly increased female leadership on corporate boards. So far Local Enterprise Partnerships have performed poorly in terms of gender balanced leadership and representation. The government must ensure that new investment considers gender-balanced leadership targets.

Neglect of household spending

The Chancellor's emphasis on helping businesses thrive and expand is important, especially if associated with gains in productivity and job creation, but it is also necessary to shore up the other arm of domestic demand , namely household spending. The AFS acknowledges reduced domestic demand as a major obstacle to recovery, yet provides little to stimulate household spending. The focus on export-led growth comes as at a time when the economic environment outside the UK remains precarious and it may be very difficult to secure the desired increases in exports.

The WBG argues that increasing real incomes among low-income groups, particularly women, should be an integral part of the government's growth strategy.

Conclusion: Rebalancing the Economy to Promote Equality

The government's narrow focus on cutting the budget deficit and reducing public debt has failed to revive the economy. Yet this year's Autumn Financial Statement promises more of the same; cuts to social security, and reductions in public services, policies that hurt the women and undermine gender equality.

When delivering the AFS, the Chancellor referred to the need to the UK to be a winner in “the global race”. The WBG challenges him to define what this race is for, what the prize will be for winning it and what will happen to those who are beaten. Is the “race” designed to enable “winning” economies and their citizens to acquire the world’s riches, while the “losing” economies and their citizens whither and perish? And if the UK does “win the global race”, will this mean that public spending will increase and social security and public services sacrificed in the name of deficit reduction will be restored? Or will it mean that the country’s increased wealth finds its way into the pockets of the rich and stays there?

Rather than seeking to “win” some spurious “race” the chancellor should be encouraging his fellow finance ministers to find ways of enabling all their citizens to inhabit the world in co-operative and sustainable prosperity.

The Women’s Budget Group calls on the government to end austerity and kick-start a plan F for an inclusive, equitable recovery.

A balanced and equal economy can be built by investment in social infrastructure, such as education, health, and child and social care services, alongside spending on in public transport, green energy, and other physical infrastructure. Social infrastructure investment generates many more jobs for women and counterbalances the predominantly male job creation opportunities of current policy.

In particular, the WBG suggests that the creation and state-funded maintenance of high quality child and social care provision would have an immediate, positive impact on the economy. The high cost and low quality of current care provision is another barrier to women using their skills in the labour market, at great, and ultimately unsustainable, cost to the economy. To ensure economic recovery is broad based and benefits lower and middle income groups as well as the higher income groups, it is essential that women’s labour force participation rate rises.[35]

The investment in social infrastructure can be financed through imaginative and fairer forms of taxation. This can be done by taxing wealth more effectively using policies such a mansion tax, or through the revaluation of properties to make council tax more

[35] Mike Brewer, Lynn Gambin, Robert Joyce, and Rob Wilson (2012), ‘Who Gains from Growth? Living Standards in 2020’, Resolution Foundation

progressive. The WBG would also like to see a financial transactions tax introduced, and rules on tax allowance revised, together with a far more effective and ambitious crackdown on tax avoidance and evasion.

The WBG is a network of over 200 academics and activists. This response to the Autumn Financial Statement 2012 could not have been prepared without the hard work of many of our Members, and the WBG would like to thank them:

Fran Bennett, Ruth Lister, Susan Himmelweit, Ania Plomien, Diane Perrons, Jay Ginn, Scarlet Harris, Erika Watson, Diane Elson, Annelise Johns, Hilary Land, Sue Cohen, Jasmine Gideon, Penny Vera-Sanso, Kate Maclean, Pam Cole, Almudena Sevilla, Man-Yee Kahn, Ann Mumford, Gayatri Basu, Rebecca Omonira-Oyekanmi, Claire Annesley and Amy Watson