

# The impact on women of Budget 2014

## *No recovery for women*

The UK Women’s Budget Group is an independent, voluntary organization made up of 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.

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## 1. Summary

The coalition's latest Budget of March 19th 2014 claims to be for 'for the makers, the doers, and the savers'; to ensure that 'hardworking people keep more of what they earn – and more of what they save' and to ensure 'economic security for the people of Britain.' Whilst these claims have popular appeal, in practice they often exclude carers and those on low incomes, as demonstrated by many of the measures in this Budget.

### Tax giveaways for men...

The increased ISA allowance will benefit men more than women, given the higher savings of men. So will the Transferable Tax Allowance for married couples, which will go to men in 84% of cases, whilst threatening the principles of independent taxation. Cuts in beer duty and the freezing of alcohol duty, not funded by increases in other taxes, will also benefit men more than women.

Raising the personal tax allowance will benefit only those who pay income tax (57% of whom are men), but benefit lower earners less, as their gains are partially clawed back through reduced means-tested benefits and tax credits. It also does not reach those whose income is already below the current income tax threshold. The WBG estimates that at least 21 million such people aged above 16 will not benefit at all, of whom 63% are women. Moreover, it increases the number of low-earning employees (three quarters of whom are women) excluded from automatic enrolment into a pension scheme.

### ...paid for by cuts for women...

Further austerity measures are cutting the social security and public services on which so many women rely. Austerity has been imposed through a balance of 90% spending cuts versus 10% tax increases, a major divergence from the announcements in 2010 of an 80-20% divide, already challenged by the Women's Budget Group as disproportionately affecting women. According to the House of Commons library, some 80% of the revenue raised and expenditure saved through changes to personal taxes and social security since 2010 will come from women.

£12bn additional cuts per annum in social security benefits are planned for introduction over the first two years of the next parliament, equivalent to the £12bn a year revenue foregone due to rises in the personal tax allowance compared to pre-2010 plans. Moreover, the social security ('welfare') cap will include new help for childcare. It will therefore curb benefit spending and redistribute it between recipients, from poorer benefit recipients to higher income families claiming for childcare, while doing nothing to address the root causes of increases in needs.

### **...while employment recovery is inadequate.**

Women's unemployment is still 50% higher than its pre-crisis level (men's is 41% higher) while long term unemployment continues to rise overall and at a faster rate among women than men.

Employment levels have increased for women and men, although women's employment rate has only just now recovered to its pre-crisis level, after a severe interruption to its previous upward trend.

Concerns remain regarding the quality of employment. While full-time employment has been increasing, 86% of the net gain in employment since 2008 has been part-time, a significant proportion of which is involuntary, especially among women. There has also been a steep rise in self-employment for both women and men, especially among the over 50s. While this may in some cases reflect the development of new small businesses, in others it could be linked to the lack of available jobs.

Private sector job creation has not produced the well-paid and stable employment that the public sector offered: the gender pay gap is far higher in the private sector and there are three times as many young women doing low-paid jobs than 20 years ago. Meanwhile real earnings have not recovered and while the gender pay gap declined marginally between 2011 and 2013, this may have more to do with decline in male earnings which fell by 1.6% in real terms (hourly earnings) since 2011 than an improvement in women's earnings, down 1.1%.

### **Pension flexibility fails to secure women's economic future...**

Ending annuities will be popular for those who have been forced to buy them at exceptionally poor rates and may be particularly attractive to women who have a number of small 'pension pots' to cash in on retirement. However, allowing people to use their pension savings in this way is no substitute for proper reform of a pension system that leaves many people, particularly women, with an inadequate pension in old age.

The right to take the pension as cash from age 55 will help women to survive financially until pension age if they cannot find a job or are unable to manage full-time employment, but such support should be provided by the social security system and not cuts into a retirement pension.

### **...while new childcare support does little to curb price rises and tackle insufficient provision...**

The coalition government is proposing 'tax free' childcare, increases in childcare support in Universal Credit and extension of early years education to 40% of 2 year olds. Although extra childcare spending is welcome, increased subsidies are likely to raise already over inflated prices, rather than ensuring the supply of sufficient good quality affordable places and well

qualified childcare workers. This shortage should be tackled directly by public provision of childcare.

The newly announced £50 million early years premium for disadvantaged children is very welcome but seems to be a one-off expenditure item and, had it been available earlier, it might have been used to prevent some of these cuts in well-established and valued Sure Start Children's Centres.

### **...neither will the new housing-related measures address the affordable housing crisis.**

Budget 2014 includes a range of policies affecting housing that will affect women and men differently.

The Help to Buy scheme will disproportionately benefit men, who are more likely to be home owners, but the higher house prices that result will raise rents.

Rents are already rising faster than inflation, increasing the amount paid out in housing benefit. Without building more housing and reform of the housing market, an increasing share of the limited funds allocated to social security will go to private landlords, meaning even more pressure on women and others on low incomes, who are more likely to be benefit recipients.

The 'bedroom tax' has not freed up accommodation, with only 6% of people moving into accommodation with fewer bedrooms. The majority do not or cannot move, meaning that many women who can least afford to do so are receiving lower housing benefit.

### **Instead a plan F for investment in a caring economy is needed**

Budget 2014 also includes gender biased tax giveaways and subsidies for businesses, manufacturing and energy, which will mainly benefit men, and are unlikely to create the much needed boost in investment in the absence of strong growth in demand. Yet the takeaways in the form of continued cuts to social security, public sector jobs and social services will only deepen poverty and financial insecurity and depress growth.

A balanced and equal economy can and should instead be built by investment in social infrastructure, including education, health, and child and social care services, alongside spending on public transport, green energy, and other physical infrastructure, with efforts to diversify the labour force in these male-dominated industries.

Reconsidering what 'capital' really is – investing in social rather than just physical infrastructure - would enable people to develop skills and move into regular and rewarding employment and would generate demand to stimulate the economy. Spending on childcare simultaneously generates jobs and facilitates movement into employment, partially paying for

itself through increased tax revenues. Additional finance could come through imaginative and fairer forms of taxation.

## 2. Introduction

The Women's Budget Group (WBG) is concerned that, amid the government's talk of recovery, the entrenched problems affecting the employment and financial wellbeing of women remain unsolved.

The Coalition's latest Budget claims to be 'for the makers, the doers, and the savers'. Our analysis finds that these claims rest on a skewed definition of 'makers', 'doers', and 'savers', which excludes groups dominated by women, such as unpaid carers and low income workers, some of whom rely on social security and often have little left over to save.

George Osborne used the Budget to argue for more cuts in order to eliminate the deficit and achieve a small surplus by 2018/19. A continuation of austerity policies that hurt women most makes it less likely that they will partake in any real economic recovery. Women are more likely to be affected by public service cuts as well as by cuts in social security benefits and tax credits.<sup>1</sup>

In 2010, the WBG argued that raising 80% of revenue for deficit reduction from spending cuts and just 20% from tax increases would disproportionately affect women. Today the balance has shifted to 90% spending cuts and 10% tax increases. According to House of Commons library research, some 80% of the deficit reduction achieved through changes to personal taxes and social security will be borne by women.<sup>2</sup>

While reiterating a commitment to austerity, the Budget contains several 'giveaways' including an increase in the personal tax allowance and transferable tax allowance, reductions in alcohol duties, a cap on the cost of carbon emissions, and cuts to tax paid on savings income. WBG analysis of the impact of these measures shows that the distributional effects are likely to be regressive, as the specified gains will accrue disproportionately to higher income groups and men, while the unspecified cuts in public services are likely to fall disproportionately on women, ethnic minorities and all on low incomes.<sup>3</sup>

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<sup>1</sup> See WBG (2013) *The Impact of the Autumn Financial Statement on Women*. Available at: [http://www.wbg.org.uk/wp-content/uploads/2013/10/The-Impact-on-Women-of-Autumn-Financial-Statement-2013\\_final.pdf](http://www.wbg.org.uk/wp-content/uploads/2013/10/The-Impact-on-Women-of-Autumn-Financial-Statement-2013_final.pdf)

<sup>2</sup> Reported by Andrew Grice in *The Independent*, 8 March 2014.

<sup>3</sup> See WBG (2013) *The Impact of the Autumn Financial Statement on Women*. Available at: [http://www.wbg.org.uk/wp-content/uploads/2013/10/The-Impact-on-Women-of-Autumn-Financial-Statement-2013\\_final.pdf](http://www.wbg.org.uk/wp-content/uploads/2013/10/The-Impact-on-Women-of-Autumn-Financial-Statement-2013_final.pdf)

A further concern is that while the 'giveaways' in the form of, for example, raising the personal tax allowance are permanent, the Budget's 'takeaways', such as changes in taxes paid on pension withdrawals, will only bring temporary gains.<sup>4</sup> Thus, in the long term, the Budget is less balanced than it appears, suggesting that the Chancellor is playing for the 2015 election, and not thinking of a sustainable recovery. This could mean that further cuts to social security spending in addition to those already planned (approximately £12 billion per year, to be introduced in the first two years of the next parliament<sup>5</sup>) will be necessary post-election to maintain the commitment to a balanced budget, shared by both the government and the opposition.

This Budget offers little to reverse the current course of a fragile and weak recovery. The tax changes and giveaways for business will not create the much-needed boost in investment in the absence of strong growth in demand. Deep austerity measures have led to a process of recovery for the few - predominantly high income men - along with a crisis of low earnings and a lack of decent jobs for many people, particularly women. As the real wages of the majority of the population flatline, credit growth is once again substituting for real income growth to maintain consumption, which risks a future crisis.

The governments' policies place Britain back on a course where growth is based on debt-led consumption: the model at the root of the biggest financial crisis since the Great Depression. Instead, the WBG recommends that the government consider Plan F, a feminist strategy for economic recovery.

Plan F is a long-term vision for a prosperous and caring economy focused on investment in social infrastructure such as health, education, childcare, social housing and lifelong care, which benefit all, not just the few. Rather than give away short-term tax reliefs, which erode public finances and incentivise privatisation of social risks, a new social contract is needed where everyone contributes to funding public goods and reaps the benefits from a more inclusive society. Only then could it truly be said that 'we are all in this together'.

### 3. The Gender Employment Gap

The Chancellor referenced the Office for Budget Responsibility's (OBR) economic forecast to back up his claim that the economy is on the brink of recovery, pointing to rising growth, falling unemployment and low inflation. Yet Osborne provided little in the way of gender

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<sup>4</sup> Tetlow, G. (2014) Economy bouncing back more strongly but policy choices have increased long-run risks to the public finances, IFS. Available at <http://www.ifs.org.uk/publications/7153>

<sup>5</sup> Planned £12bn further cuts in social security spending over the first two years of the next parliament (and see Institute for Fiscal Studies Green Budget, Feb 2014, Chapter 2, p.4)

impact analysis for these indicators. WBG's own analysis shows that, regarding employment for women, the recovery is far from secure: women's unemployment is still 50% higher than pre-crisis levels, the number of women unemployed for more than 12 months is growing rapidly, and women continue to dominate part-time and insecure work.

### **Slow growth for female employment**

According to the Labour Force Survey (LFS), total employment has risen by 1.3 million since the first quarter of 2010, though faster for men than for women. Women's employment rate (ages 16-64), at 67.2%, has returned to its pre-crisis level, but remains 10 percentage points below men's, a difference unchanged since 2010. The gender employment gap had been decreasing steadily from 1998 and fell abruptly in the early stages of the economic crisis, although mainly because of a fall in male employment. However, austerity policies and slow economic growth since 2010 halted the trend towards greater equality of men and women's employment rates.

Unemployment has been falling since the last quarter of 2011, but faster for men (-14%) than women (-9%). In the last quarter of 2013, women's unemployment was still 50% higher than its pre-crisis level, while for men it was only 41% higher, despite a deeper recession for men in the early years of the crisis.

Throughout the crisis, the share of long-term unemployment (12 months or more) has risen for both men and women, from 29% to 40% for men and 18% to 32% for women. The faster growth in long-term unemployment for women resulted in their accounting for 38% of long-term unemployment at the end of 2013, compared to 31% at the beginning of 2008; this increase in the female share occurred across all age groups, and particularly among the 18-24 and 50+ groups.

### **Women dominate part-time and temporary work**

Women made up 46% of people in employment (up just half a percentage point since 2008) and 39% of the total actual hours worked (up one percentage point since 2008). Although 82% of the more recent increase since Oct-Dec 2011 was in full-time employment, 86% of the total net increase in employment since 2008 has been in part-time jobs, which means that full-time employment still has not recovered its pre-crisis level. And, despite more men in part-time employment, 73% of part-timers are still women (down from 76% in 2008).

A larger proportion of men who work part time do so involuntarily (called underemployment), but women still account for a majority of this group (55%, down from 59% in 2008). Women are also overrepresented in temporary employment (52%), among workers with second jobs (57%) and among employees paid below the minimum wage (53%), although all these figures have fallen slightly since the start of 2008.

By contrast, men are still a majority among the self-employed (69%) but less so than in 2008 (73%) due to a sharper increase in female self-employment (a 30% increase since 2008, compared to 7% for men). Since 2008, of the 636,000 extra people in employment by 2013, 80% were in self-employment. While this may in some cases reflect the development of new small businesses, in others it could be linked to the lack of available jobs.<sup>6</sup>

## Public sector employment

According to the public sector employment survey (PSE), the numbers employed by the public sector have fallen by 13% since the first quarter of 2010, or by 12% in terms of full-time equivalents (FTEs). The largest relative loss in FTEs has been in local government (16%) and the civil service (17%). Non-protected health and social care sectors lost 20% and HM Forces 16%. Note that the protected sector of the NHS saw a reduction in employment of 2%, while employment in education rose by 7%.

According to LFS data for which gender breakdowns are available, women accounted for 65% of public sector employment in 2013 while men accounted for 60% of job losses between Jan-Mar 2010 and Oct-Dec 2013. As women are over-represented in protected sectors such as the NHS and education, this might explain why more men than women appear to have lost their jobs overall.

When looking at occupations (Table 1), the only category whose numbers increased over the period for both men and women was professionals, which has become the largest group in the public sector (40% of employment). Other occupational groups such as managers and executives, associate professionals, personal services occupations, and elementary occupations actually saw a relatively larger loss of women's employment than men's.

Table 1 also shows that between 2010 and 2013 there was little change in the composition of employment conditions in the public sector, with similar proportions of people employed part-time (though slightly less for women) or in temporary contracts. The only noticeable difference is the increase in the proportion of employees reporting long hours (50 or more), from 12.2% to 13.3% for men, and 5.5% to 6.7% for women. This increase comes alongside a reduction in real wages, as shown below.

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<sup>6</sup> See Office for National Statistics (2013) Self Employed up 367,000 in 4 years, mainly since 2011. Available at: [http://www.ons.gov.uk/ons/dcp171776\\_298533.pdf](http://www.ons.gov.uk/ons/dcp171776_298533.pdf)



Table 1: Types of employment in public and private sector by gender (2010-2013) – percent

	2010		2013	
	Men	Women	Men	Women
Part-time incidence				
private	11	43.6	11.8	43.5
public	9.4	39	9.5	37.4
Temporary incidence				
private	4.7	5.2	5.3	5.9
public	7.4	7.6	7.2	7.8
% total actual working hours 50 or more				
private	18.2	5.8	19.1	6.3
public	12.2	5.5	13.3	6.7
<hr/> % occupational groups (public sector only)				
managers and senior executives	11.4	6.2	7.1	3.2
professional	27.8	24.2	36.8	40.8
associate professional	26.9	22.5	23.7	11.4
administrative	9.7	19.1	8.1	17.2
skilled trades	4.7	0.7	4.6	0.8
personal service occupations	6.4	18.4	7.0	18.4
sales and customer	0.9	1.1	1.5	1.6
process, plant and machine operatives	3.3	0.3	3.0	0.1
elementary	8.9	7.5	8.3	6.5

Source: LFS (quarters of 2010 and quarters of 2013; own calculations – weighted data)

## Earnings

Data from the Annual Survey of Hours and Earnings (ASHE) 2013 show that the real wages of employees remained essentially flat, although weekly earnings rose slightly for women employed part time in the private sector (Table 2). Men in the public sector lost most, with hourly wages down 2.9% and weekly full-time earnings down 2.4% in real terms since 2011.

Gender wage gaps have continued to fall in the public sector, but since 2012 have stopped decreasing in the private sector. Moreover, all types of gender wage gaps are at least 10 points larger in the private sector than the public sector.

Table 2 Real wages of all and full-time employees by sector (2011-2013) -GBP

	Weekly (all)		Hourly (all)		Weekly (Full-time)	
	2013	% 13-11	2013	% 13-11	2013	% 13-11
Men public	588.3	-1.5%	15.93	-2.9%	623	-2.4%
Men private	488.8	-2.2%	12.06	-0.7%	536.1	-1.7%
Women public	407.2	-0.4%	13.18	-0.2%	536.0	-2.0%
Women private	285.4	0.9%	8.77	0.1%	400.7	-0.4%

Source: ASHE (2011, 2013) - Office for National Statistics and own calculations (2013 prices)

Table 3 Gender wage gap and wage gap between private and public sector (2011-2013) - percent

	Weekly all			Hourly all			Weekly Full-time		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Gender gap									
All	36.5	35.8	35.5	20.7	20.2	20.4	18.2	17.8	17.5
Public	31.6	31.2	30.8	19.5	18.6	17.3	14.3	14.1	14.0
Private	43.4	42.3	41.6	27.9	27.2	27.3	26.3	25.1	25.3
Public-private gap									
Men	16.4	17.4	16.9	26.0	25.5	24.3	14.5	14.9	13.9
Women	30.8	30.7	29.9	33.6	33.4	33.5	26.5	25.9	25.2

Source: ASHE (2011, 2013) - Office for National Statistics and own calculations

## 4. Budget 2014 announcements

### a. Savings

The main changes in savings rules announced in the Budget are:

- Single New ISA (NISA) that simplifies the rules, allowing all savings to be held in cash accounts, and up to £15,000 to be invested each year.
- Savings taxed at 0% for everyone with a total income under £15,500 pa.

Both measures are part of a government's effort to increase savings, which are notoriously low in the UK, with household savings rates at about 5% in 2012, compared with 11% in Germany, 14% in Spain and 16% in France.<sup>7</sup>

The WBG welcomes the simplification of ISA rules for savers of all ages and the opportunity to invest up to £15,000 pa in a cash ISA may be especially attractive to women who are less likely to invest in the stock market. However, women's lower earnings and mothers' responsibility for day-to-day spending on children render them less able, on average, to save.

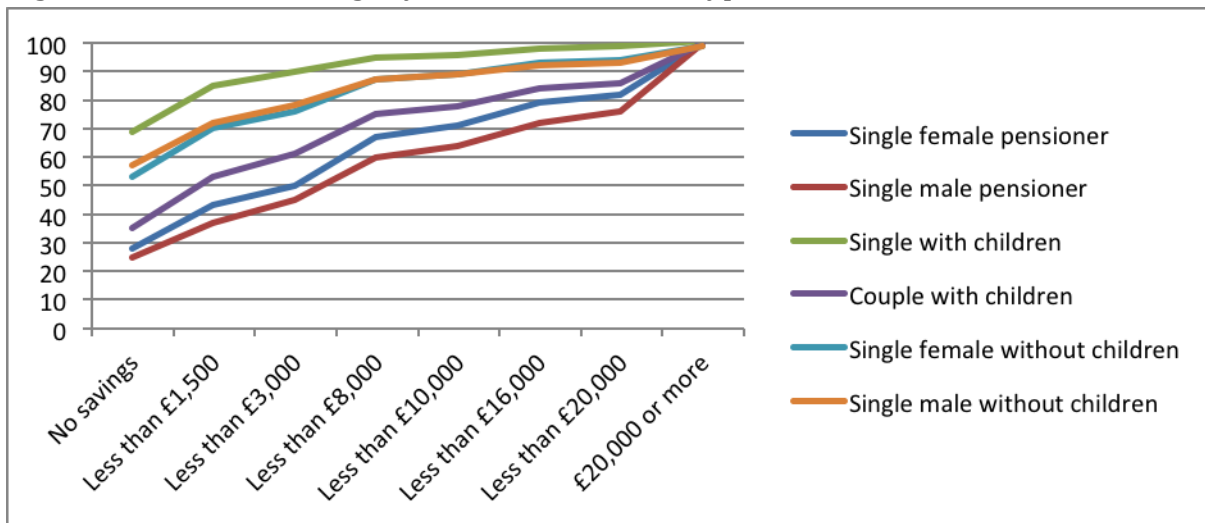
Neither of the above Budget announcements was accompanied by specific gender impact analysis. The impact statement for the reduction in the savings rate of tax to zero mentions that the majority of the 1.5 million individuals expected to benefit will be on low incomes, and 40% will be pensioners. Since women make up a larger proportion of individuals on low incomes, it is likely that more women than men may benefit from the measure.

However, the ability to benefit from the measure also depends on an individual having taxable savings income. The Family Resources Survey (FRS) for the tax year 2010-11 (the most recent edition for the tax year 2011-12 excludes data on savings) contains data on savings by family type. Selected data from this survey is shown in Figure 1. This gives a mixed picture on gender. Lone parent households (the majority of which are headed by women) are more likely to have no savings or a low level of savings, otherwise there is not a great deal of difference between men and women. The picture changes slightly when non-savers are stripped out. Figure 2 shows the cumulative amount of saving only for those families that do save. On this basis, lone parents are again most likely to have low savings, but now single female pensioners are also revealed as being slightly more likely than their male counterparts to have a low level of savings.

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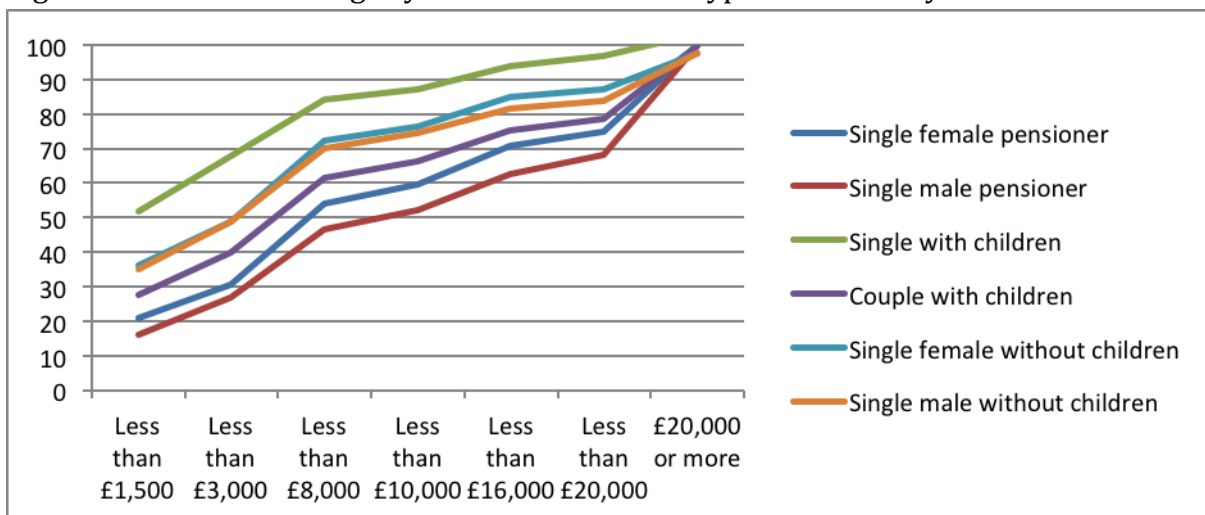
<sup>7</sup> OECD (2012), Economic Outlook, no. 91

Figure 1 Amount of savings by selected household type - all



Source: Calculations by Jonquil Lowe using data from FRS 2010-11 (DWP, 2012)

Figure 2 Amount of savings by selected household type – savers only



Source: Calculations by Jonquil Lowe using data from FRS 2010-11 (DWP, 2012)

## b. Pensions

The Chancellor announced a number of changes to pensions that could have differential gender effects. These include:

- Pensioner Bond for those aged 65+ (from January 2015) operated by NSI, expected to provide a fixed interest rate of 2.8% for a 1-year bond and 4% for a 3-year bond.
- New Class 3A voluntary NI contributions for some pensioners and people approaching pension age to top up their state pension income.

- The Winter Fuel Allowance for pensioners is frozen and included in the spending cap on social security benefits.
- Ending compulsory DC pension fund annuitisation (from April 2015). Following relaxation of the annuitisation rules from 27 March 2014, in 2015 those with pension funds may choose at age 55 to withdraw all the fund (with 25% as a tax-free lump sum as before) taxed at the marginal rate, or may withdraw part and annuitise part. The government has promised to provide free face-to-face advice on options available.

Pensioner Bonds, a risk-free Bond, are likely to be welcomed by those female pensioners who have capital available and who have experienced below-inflation interest rates for the past 7 years. However, since women pensioners have lower incomes and cash to invest than men, any advantage from the Bonds will accrue mainly to male pensioners.

The Class 3A NI contributions will only help those pensioners and people approaching pension age who have earnings or can otherwise afford the contributions, which is likely to be predominantly men. The freezing of the Winter Fuel Allowance, a savage cut given soaring fuel prices, will hit women pensioners harder than men, due to their lower income, higher average age, and greater prevalence of disability within each age group. In 2011-12, single female pensioners had an average original income 20% lower than their male counterparts, according to the Family Resources Survey.<sup>8</sup>

The biggest change by far in the package of pension-related announcements is the ending of the compulsory pension fund annuitisation. This change will benefit those with personal or defined contribution occupational pensions who have not yet annuitised their fund, but the benefits will bypass those who have already been forced to annuitise.

The new choice from 2015 may be particularly attractive to women, many of whom will have a number of small 'pots' and would have faced exceptionally poor annuity rates. The right to take the pension as cash from age 55 will help women to survive financially if they cannot find a job or are unable to manage full-time employment. Both caring commitments – for grandchildren and frail parents/in-laws - and disabilities are more common among midlife women than men of the same age, restricting women's employment and earnings.

However, the drawback of ending annuitisation is that the cash from women's small funds may be insufficient to last until the ever-higher state pension age (SPA), let alone to boost their income for the 25+ remaining years of retirement. Given the planned low level of the Single Tier Pension (STP) set just above the threshold for Pension Credit eligibility, the lack of any additional earnings-related pension will leave many future women pensioners either reliant on means testing or at risk of poverty.

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<sup>8</sup> Department for Work and Pensions (2014), Family Resources Survey, Table 23: Summary of the effects of taxes and benefits, by household type

In ending compulsory annuitisation, the government places emphasis on giving individuals the freedom to make decisions in their own best interests. But individuals make such decisions in the context of families, whose interests they may or may not consider. In practice, one reason why women are often poor in old age is because decisions taken in the context of a couple or a family often do not take account of how the surviving partner or parent will fare on their own.<sup>9</sup> Although already the majority of annuities taken out are 'single life', opening up a much larger range of options with the end of annuitisation is likely to result in surviving spouses being even less likely to receive income from a 'joint life' annuity. Since women are more likely to be the surviving spouse and likely to have the smaller pension pot, this will particularly affect women.

What is noticeably lacking from this Budget is any recognition that if the gender gap in pensions is to be reduced this requires a substantial improvement in the level and inclusivity of state pensions; private pensions cannot provide the redistribution to family carers that is such a valuable feature of state pensions. Yet older women often lack NI contributions from a time before carer credits were available and have also been unable to acquire good private pensions due to domestic and caring commitments and the uneven availability of Defined Benefit occupational pensions.

While the single tier state pension from 2016 will generally help low-paid women, it excludes existing women pensioners and many women approaching retirement. Moreover, the 35 years of contributions required – 5 years more than for a full basic pension - will result in more women than men receiving only a reduced STP amount. Improved state pensions are an effective way to reduce the gender gap in later life income. In contrast, any form of private pension tends to transmit or magnify the gender gap in lifetime earnings, effectively penalising most women for their domestic and caring roles, as well as for historic occupational segregation and past discriminatory practices.

The current private pension system is heavily regressive in providing large tax-payer subsidies to the highest earners. The rationale for having such subsidies, though not for their regressivity, is to encourage savings to provide for old age. To suggest that such people should now be able to spend "their money" in whatever way they choose undermines that rationale. Furthermore, it takes no account of how choices made by individuals affect spouses.

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<sup>9</sup> TShek-wai Hui, T., Vincent C, and Woolley F. (2011) *Women's economic empowerment and retirement savings decisions*, Ottawa: Social Research and Demonstration Corporation  
Lundberg, S. and Ward-Batts, J. (2006). Saving for Whose Retirement? Household Decision-Making and Household Wealth. Paper presented at the ASGE/IAFFE session of the ASSA meetings, January 7th, Boston.  
Phipps, S. and Woolley, F. (2008). "Control over money and the savings decisions of Canadian households," *The Journal of Socio-Economics*, Vol. 37, p. 592–611.

### c. Childcare

The WBG welcomes the government's recognition that formal childcare is costly and that it is not only poorer parents in receipt of tax credits who struggle to meet these ever rising costs. The Chancellor announced that tax-free childcare for children under the age of 12, worth 20% of eligible childcare costs up to £10,000, will be introduced from September 2015. This extends to self-employed parents and includes all parent(s) each earning between £50 a week and £150,000 a year. This new form of support will replace the current system of Employer Supported childcare from autumn 2015. WBG provided extensive analysis of this measure in our response to the Budget 2013, when it was first announced.<sup>10</sup> The latest proposal has announced a wider range of beneficiaries and covers higher costs, following public consultation last autumn.

The WBG is concerned about the lack of transparency around how the government plans to finance tax-free childcare, and thus the sustainability of commitment to this measure. Despite the changes to the proposal since it was first announced last year - increasing eligible childcare costs from £6,000 to £10,000, making the subsidy available for all children up to age 12, and opening it up to the self-employed - costs are lower than previously predicted. The Treasury has revised down the total number of beneficiaries, without giving any detail on the estimation process that led to this revision. It is now estimated that 1.27 million families will benefit from tax-free childcare (two-thirds of the 1.9 million families with 2.6 million eligible children will have qualifying childcare costs). The net cost (accounting for behavioural responses in take-up and including savings from phasing out Employer Supported childcare) is estimated at £220m in 2015-16, rising to £600m the following year.<sup>11</sup>

This is much lower than the maximum entitlement available; 2.6 million children eligible for a maximum subsidy of £2000 each would cost £5.2bn a year. Even with a more realistic number of weekly hours in care at, say 16 hours per child on average,<sup>12</sup> at the current average cost of £4.40 an hour,<sup>13</sup> the total funding would be nearly £2bn, more than three times as high as currently budgeted. Moreover, tax-free childcare is subject to the overall cap on social security spending, which casts doubt on the source of this extra money and the possible impact on the provision of other benefits.

Another change in the government's childcare subsidy policy is that recipients of Universal Credit not paying income tax will receive 85% of the costs of eligible childcare from 2016, in addition to households where both parents pay income tax (the first announcement in 2013

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<sup>10</sup> 'Impact of the Budget 2013 on women: A Budget for inequality and recession' Women's Budget Group (2013) <http://www.wbg.org.uk/budget-analysis/2013-budget-assessment/>

<sup>11</sup> HM Treasury (2014), Budget 2014: Policy Costings, p.56

<sup>12</sup> Assuming 25h needed weekly for 1-2 year olds and 10h for those aged 3 to 4 to complement 15h already available, then 15h thereafter up to 12y for after-school and holiday childcare

<sup>13</sup> Based on the latest Family and Childcare 'Childcare Cost Survey' of 2014

allocated the subsidy to income tax payers only). The government plans to cover the increased cost of £200m from unspecified sources within the Universal Credit scheme, which is also subject to the overall cap on social security spending (see below). Moreover, the 85% rate does not apply to tax credit recipients, so the extra childcare support will only become available as parents are moved on to UC. For them, unlike for recipients of tax-free childcare, eligible costs do not rise with more children beyond the second.

A new £50m early years premium to help improve outcomes for disadvantaged three and four year olds in government funded early education is also being introduced. However, it is not clear whether this is a one-off policy for 2015-16 as it has not been budgeted for in the subsequent years in the policy costing tables.

### The impact of the new scheme in context

'Tax-free' childcare aims to support parents directly or indirectly with the cost of childcare. At first sight this is a welcome increase in resources for childcare services that will directly help parents in employment (mainly mothers, as childcare fees are usually taken out of their wages). However, as the WBG has repeatedly argued, this is a limited perspective and is not the best way of using additional resources.

- First, childcare is seen as a means to an end and not an end in itself, which arises from children's rights as young citizens to high quality care integrated with early years' education, irrespective of the employment status of their parent(s).
- Second, although mothers' participation in the labour market has increased in recent years, in particular lone mothers', moving into paid employment is not a certain route out of poverty.<sup>14</sup> Today two-thirds of children in poverty are living in a household with at least one earner, compared with less than half 10 years ago.<sup>15</sup> The National Minimum Wage is too low and the objective should be to raise it to a significantly larger proportion of median wages.
- Third, it is not clear that in a period of austerity with tight limits on cash benefits, parents with a joint income of £300,000 need assistance from the state to pay for childcare. Of much greater significance to disadvantaged children and their mothers are the cuts made to the 3,500 Sure Start Children's Centres that existed in 2010, as the WBG commented in previous Budget responses. With continuing cuts in local government budgets more closures are currently planned despite considerable local opposition. The new £50m early years premium for disadvantaged children is

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<sup>14</sup> Brewer, M, Brown, J., Joyce, R and Sibieta, L. (2010) 'Child Poverty in the UK since 1998-99: lessons from the past decade', Institute for Fiscal Studies, Working Paper 10/23 (<http://www.ifs.org.uk/publications/5303>)

<sup>15</sup> Department for Work and Pensions (2003 & 2013), Households below average income 2001/02 & 2011/12, Table 4.3 (BHC)



welcome, but had it been available earlier it might have been used to prevent some of these cuts in well-established and valued Children's Centres, providing what OFSTED judged to be early years services of high quality.

- Fourth, there are no consistent principles in the current set of policies concerning childcare and early years' provision, further illustrated by the fact that childcare cash support under UC and tax-free childcare will be subject to the social security spending cap while Early Childhood Education and Care (ECEC) funding will not. The care that women in particular provide as wives, mothers and daughters needs to be shared and supported by the wider community and by men if gender inequalities are to be reduced and a child's right to quality care enforced.

The WBG would like to see more emphasis on the direct provision of good quality childcare services delivered by the state with highly qualified and well-paid staff, thereby recognising that market solutions for care (both for children and adults in need) have failed.<sup>16</sup>

### Self-employment and childcare support

Budget 2014 announced that 'tax free' childcare will extend to the self-employed, as will the Universal Credit 85% childcare support. Despite the problems identified above, including self-employed people within the reach of government support is welcome, especially given the growing numbers of women who are self-employed and often earning very little. The average income of self-employed women was £9,800 in 2011-12, compared to £17,000 for men.<sup>17</sup>

For mothers starting and trying to establish a new business, support with childcare is essential. Yet mothers can struggle to pay for childcare to unleash their entrepreneurial labour. Self-employed women are also under pressure to work during their maternity leave in order to ensure the survival of their businesses. Access to some childcare support while on maternity leave could help female-owned businesses to survive.

However, the WBG is still concerned about the treatment of the self-employed navigating between Universal Credit and 'tax-free' childcare systems; UC rules are less flexible, with monthly earnings reports required to assess eligibility (including for childcare), thus creating problems for self-employed mothers, many struggling on irregular income patterns.

These issues are another reason why increasing provision of universal public childcare services is greatly needed, allowing genuine support for many women whose incomes are

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<sup>16</sup> See WBG response to Budget 2013 for more details on market failure in childcare services ([http://www.wbg.org.uk/wp-content/uploads/2013/10/WBG\\_Budget-Analysis\\_2013.pdf](http://www.wbg.org.uk/wp-content/uploads/2013/10/WBG_Budget-Analysis_2013.pdf))

<sup>17</sup> HANSARD, parliamentary debates, average income of self-employment, 4 March 2014, p.132 (data from Survey of Personal Incomes (SPI) survey 2011-12)

irregular and hours of employment atypical, including periods of intense activity not yielding any revenue.

#### **d. Taxation and national insurance**

##### **Personal tax allowance**

The government has announced a further increase in the personal tax allowance for taxpayers under state pension age. The WBG has previously argued against increasing the personal tax allowance because it benefits more men than women, bypasses anyone earning less than the current threshold (the majority of whom are women), and erodes the progressivity of the personal income tax system. Indeed, unlike in some previous years in which higher rate tax bands were adjusted to ensure that basic taxpayers gained more relatively to higher earners, this time the Chancellor has reduced the difference in gains by increasing the higher rate threshold.

The government has estimated that there are 25.4 million individuals who will gain, of which 57% are men.<sup>18</sup> Most of the beneficiaries will gain an average of £61. However, two groups will gain less: the 288,000 people (58% of whom are women) who are “taken out of [income] tax” altogether, because they will not be able to make full use of the raised tax threshold; and those on means-tested benefits (among whom women predominate), because part of the increased income is withdrawn. Thus more men than women gain from this measure, and men are more likely to gain the full amount.

The government does not give a gender breakdown of those whose income is too low to benefit at all from this measure, but WBG calculations suggest there are at least 21 million such people aged 16 and above (63% are women).<sup>19</sup> Moreover, of the 4 million employees whose annual pay is below the income tax threshold, three quarters are women.<sup>20</sup> These figures dwarf the 584,000 people (83% are men) that do not gain from this measure because they have incomes above the breakeven level, near £121,000 per year, at which the personal allowance is tapered to zero.<sup>21</sup> Thus women are less likely to gain from this measure.

Moreover, employees who are “taken out of [income] tax” no longer benefit from automatic enrolment and therefore miss out on additional pension contributions by both their employer

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<sup>18</sup> HMRC, 2014, Overview of Tax Legislation and Rates, Tax information and impact notes, p.A3, <http://www.hmrc.gov.uk/thelibrary/tiins.htm>

<sup>19</sup> WBG calculations based on Survey of Personal Incomes and Labour Force Survey (2014)

<sup>20</sup> WBG calculations based on Annual Survey of Hours and Earnings (ASHE) (2013), estimations based on deciles provided

<sup>21</sup> HMRC, 2014, Overview of Tax Legislation and Rates, Tax information and impact notes, p.A3, <http://www.hmrc.gov.uk/thelibrary/tiins.htm>

and the state. Those whose income is only just above the old threshold will now lose their employer's pension contributions, typically of 3% of salary, as well as the 1% government additional support in reduced income tax, in itself cancelling the tax gain altogether. This is another example of the government trading off future income for short-term, current, giveaways. Thus this measure defeats the whole point of automatic enrolment which was implemented to help low earners save for retirement.

Further, the money allocated since 2010 to raising the personal allowance, estimated at a cumulative £12bn a year by the next increase in 2015,<sup>22</sup> could be far better spent. This foregone revenue is equivalent to the annual £12bn additional cuts in social security spending planned to be introduced over the first two years of the next parliament.<sup>23</sup>

## Excise duties

The Budget announced the following excise duty changes:

- The end of the alcohol duty escalator, a freeze in cider and spirit duties, and a cut in duty for beers by 1 penny a pint.
- A continuation of the tobacco duty escalator.
- An increase in fixed-term betting duties.
- A cut in the bingo duty paid on profits, from 20% down to 10%.

As mentioned above and in previous WBG Budget analysis, cuts in beer duty and freezing other alcohol duties will disproportionately benefit men, as will the previously announced scrapping of the fuel duty escalator. Men are also more likely to smoke than women: 21% of men and 19% of women smoke.<sup>24</sup> Previous analysis by the WBG has shown that, while this gender breakdown of smokers applies in general, tobacco duties have a particularly high incidence on the incomes of lone mother households, partly as a result of high rates of smoking among lone mothers and partly due to their low incomes.<sup>25</sup> WBG believes this highlights a need for specially targeted smoking cessation programmes, rather than presenting an argument for cancelling the tobacco duty escalator. The increase in tobacco duties will bring in some £40m of tax revenue in 2015-16 rising to £135m in 2018-19. This does not cover the cost of the alcohol duty give-away estimated at £300m a year.

The government's impact notes on alcohol duties mentions that 'men are more likely to drink beer and women more likely to drink wine', suggesting that both groups will benefit from this measure, without giving further details on quantities. However, in practice this give-away

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<sup>22</sup>, Compared to pre-Budget June 2010 plans, IFS post-budget analysis (<http://www.ifs.org.uk/projects/426>)

<sup>23</sup> Chancellor's New Year Economy Speech 2014 <https://www.gov.uk/government/speeches/new-year-economy-speech-by-the-chancellor-of-the-exchequer>

<sup>24</sup> *ASH Fact Sheet on: Smoking statistics* [http://ash.org.uk/files/documents/ASH\\_106.pdf](http://ash.org.uk/files/documents/ASH_106.pdf)

<sup>25</sup> [http://wbg.org.uk/pdfs/Indirect\\_tax\\_Budget\\_2011\\_final\\_report\\_June\\_20.pdf](http://wbg.org.uk/pdfs/Indirect_tax_Budget_2011_final_report_June_20.pdf)

heavily favours men. Previous analysis by the WBG shows that the incidence of alcohol excise duties is greatest on the incomes of households without children and of single men, and has least benefit on the incomes of single women.<sup>26</sup>

According to the English Health Survey, looking at all alcohol types taken together, men consume more alcohol and drink more frequently than women. Those in higher income households drink more than those in poorer households, indicating that men and those with higher incomes will benefit financially from this measure more than women and those on lower incomes.<sup>27</sup>

Moreover, the £300m foregone annual revenue from this measure equates to about £12 - £15 a year per drinker, that is about £1 a month, arguably a negligible amount despite its populist appeal. But as revenue this amounts to more than the £200m extra savings in UC needed to pay for the extension to childcare cost support. The WBG believes that the Chancellor has got his priorities wrong.

As far as bingo duties are concerned, although more women than men play bingo,<sup>28</sup> the direct impact of the measure of reducing bingo rates is on companies' profits, not players.

### Transferable tax allowance

The Chancellor confirmed the proposal to allow married couples and civil partners to transfer up to a certain amount of their personal allowance to their spouse/partner from 2015/16, provided neither pays tax above the basic rate. The transferable tax allowance (TTA) will be £1,050 in 2015/16, rather than the original £1,000. From 2016/17, the TTA will be 10% of the personal tax allowance for those born after 5 April 1938; those still entitled to the married couple's allowance will not be able to make the transfer.

The cost of the TTA announced in 2013 has been adjusted because of partial take-up, to £490m in 2015/16, rising to £780m in 2018/19. Table 2.1 in Budget 2014 shows the additional cost of increasing the TTA as £25m in 2015/16, rising to £40m in 2018/19.

Men make up 84% of the TTA beneficiaries, according to analysis in the government's 2013 Autumn Financial Statement, a figure confirmed in the Tax Information and Impact Notes (TIIN) published with the 2014 Budget. The note also mentions that 4.2 million married couples stand to gain an average £197 'between them'. But there is no guarantee that the additional income will be shared fairly within the couple, and together with other measures this could also reduce the incentive for a second partner in couples to work.

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<sup>26</sup> *ibid*

<sup>27</sup> Health Survey for England [http://healthsurvey.hscic.gov.uk/media/1025/chpt-6\\_alcohol.pdf](http://healthsurvey.hscic.gov.uk/media/1025/chpt-6_alcohol.pdf)

<sup>28</sup> NatCen Social Research <http://www.natcen.ac.uk/blog/the-budget-in-natcen-numbers>

Only 36% of married couples will benefit, and 35% of those who gain will be over pension age. These figures were not repeated in the Budget 2014 documents. The Institute for Fiscal Studies (IFS) estimates that only 31% of married couples, and only 18% of families with children, would receive the TTA; and in just 14% of such eligible families would the woman benefit.<sup>29</sup> Couples who are not married or in a civil partnership, even if they have children or others to care for, will not benefit. Neither will parents or other carers bringing up children alone. Those on Universal Credit will find 65% of any extra income deducted,<sup>30</sup> affecting those with children in particular.

The WBG has published an analysis of the TTA, drawing on research and additional figures provided by the IFS,<sup>31</sup> and our conclusions have not been materially altered by the latest Budget. In addition to the arguments above, the Tax Information and Impact Note describes the TTA as ‘taking the tax liabilities of a couple together’; this means that TTAs contradict the independent taxation for husbands and wives, introduced by a Conservative government in 1990 and supported by all parties.

TTAs incentivise the traditional one-earner family, at a time when it is increasingly important to have two earners in a family to escape poverty.<sup>32</sup> They will not go directly to the partner with low or no earnings. Instead, it would be better to ask why one person in a couple earns little or no income, and to investigate ways to enable them to access resources in a sustainable fashion.

The WBG believes that the funding for the TTA should be used in other ways - putting the money towards restoring the value of child benefit, for example, and moving back to universality, thus recognising that children are a real cost to all families rather than focusing subsidy on some marriages/civil partnerships.<sup>33</sup> The WBG has also suggested other potential uses for this revenue, including improving paid leave for parents and carers and making good some of the cuts to benefits and tax credits that have hit women hardest, as noted elsewhere in this response.

## The national insurance system

The future of national insurance looks increasingly uncertain. The continued real increases in the personal tax allowance create a growing gap between the point at which national

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<sup>29</sup> Additional statistics provided to the Women’s Budget Group by the Institute for Fiscal Studies.

<sup>30</sup> See blog by Donald Hirsch and Matthew Whittaker, ‘Who will benefit from the tax break for married couples?’, 21 October 2013.

<sup>31</sup> <http://www.wbg.org.uk/wp-content/uploads/2013/10/WBG-briefing-on-TTAs-final.pdf>

<sup>32</sup> Lawton, K. and Thompson, S. (2013) *Tackling In-work Poverty by Supporting Dual Earning Families*, York: Joseph Rowntree Foundation.

<sup>33</sup> The revenue from the ‘clawback’ of child benefit from higher rate taxpayers has now been revised downwards by the Office for Budget Responsibility by 40%, as reported in *Financial Times*, 21 March 2014.

insurance contributions (NICs) and income tax start to be paid. Research shows that 1.6 million people will pay employee NICs but not income tax in 2015/16.<sup>34</sup>

Both the abolition of employer NICs for those under 21 earning less than £813 per week, and the extension of the national insurance rebate for employers creating new jobs, emphasise the increasing manipulation of NICs for other ends (also practised by the Labour government). The national insurance system embodies the principle of collective sharing of risks which, when carried out by the state, can also benefit from cost efficiencies of size. The end of mandated annuity purchase for pensioners will now remove this principle from private pension provision as well.

While the national insurance system can be seen as based on a male life-course norm, such benefits are based on the individual rather than the family, and can therefore give some economic independence for women.<sup>35</sup> Moreover, contribution rules can be more or less demanding, and some non-means-tested individual benefits (such as carer's allowance) are non-contributory.

Women have increasingly been earning their own rights to these benefits as they enter and stay in the labour market in greater numbers. But as Hilary Land has noted in the past,<sup>36</sup> just as they do so the national insurance system is being cut back; the latest move is the termination of the contributory Employment and Support Allowance for those in the work related activity group after a year.

There is increasing discussion on both Left and Right of the political spectrum about rejuvenating the national insurance system. But such debates appear to be trying to ensure that people get 'something for something', rather than being focused on how to create an inclusive system that works for carers and part-time workers as well as those with traditional male earning patterns. Until this happens, they will be of limited relevance to many of the women who are rapidly losing newly acquired rights.

## **e. Social security benefits**

### **Social security spending cap**

The proposed cap on spending on social security and tax credits (the so-called 'welfare cap') was announced in the Autumn Financial Statement (AFS) 2013; but in Budget 2014 the

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<sup>34</sup> David Phillips, Institute for Fiscal Studies, post-Budget presentation, 20 March 2014.

<sup>35</sup> Bennett, F. and Sutherland, H. (2011) *The Importance of Independent Income: Understanding the role of non-means-tested earnings replacement benefits*, Institute for Social and Economic Research Working Paper Series 2001-09, Colchester: University of Essex <http://www.iser.essex.ac.uk/publications/working-papers/iser/2011-09>

<sup>36</sup> Land, H. (1986), *Women and Economic Dependency*, Manchester: Equal Opportunities Commission

Chancellor confirmed the arrangements and the amount (£119.5bn in 2015/16, increasing to £126.7bn in 2018/19, following the OBR's forecast of spending). On 26 March, this was voted on in the House of Commons and passed.

The only benefits excluded from the cap will be the basic and additional pension, and for working age people some cyclical benefits - jobseeker's allowance (and similar elements of universal credit) and associated housing benefit.<sup>37</sup> According to the IFS and the TUC, this omits other benefits linked to the economic cycle. The TUC says any localised benefit provision moves out of 'scope' (i.e. out of the spending cap), but may be subject to harsher cuts.<sup>38</sup> A parliamentary debate would be needed to exceed or change the level of the cap. The OBR will oversee compliance.

There will be a margin of 2%, which the IFS thinks will be constraining. The cap makes no allowance for new decisions on policy priorities, additional needs, population increases or other circumstances resulting in additional expenditure. The cost of the proposed scheme for 'tax-free' childcare from autumn 2015 will also be included in this spending cap, as will the increases in help with childcare costs under Universal Credit. Any increases in social security/tax credit expenditure will have to be financed from within the same budget.

The context of the cap is the Coalition government's prioritising of spending cuts over tax increases in its austerity programme (acknowledged as a choice by the Chancellor in 2013, and now estimated as 90% cuts and 10% tax rises after the election). The government is cutting the benefits budget to prevent higher cuts in other departments. However, the resources expended on increasing the personal tax allowance in real terms belie the argument that cuts in benefits are inevitable; political choices are being made.

The cap is likely to affect women more than men because a higher percentage of women's individual income is made up of benefits (though these are often being claimed on behalf of others such as children).<sup>39</sup> The House of Commons Library estimates that the cuts in benefits and tax credits will have a disproportionate impact on women; their latest figures show that the personal tax and benefit strategy since 2010 has cumulatively raised just over £3bn from men (21%) and £11.6bn from women (79%).<sup>40</sup> The announcement of the cap in 2013 was accompanied by no gender impact assessment, or discussion of its absence. Any knock-on

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<sup>37</sup> The list of benefits and tax credits 'in scope' (included) is set out in Table A.2 and Annex A of Budget 2014.

<sup>38</sup> Nicola Smith, 'What has been announced on the welfare cap?', 19 March 2014, online in Society & Welfare, based on analysis by Declan Gaffney.

<sup>39</sup> See, for example, Browne J. (2011) *The Impact of Tax and Benefit Reforms by Sex: Some simple analysis*, BN118, published by the Institute for Fiscal Studies.

<sup>40</sup> Reported by Andrew Grice in *The Independent*, 8 March 2014. Original figures available for download on website of Yvette Cooper, MP:

[http://www.yvettecooper.com/women\\_are\\_being\\_hardest\\_hit\\_this\\_year\\_changes\\_are\\_worst\\_of\\_all](http://www.yvettecooper.com/women_are_being_hardest_hit_this_year_changes_are_worst_of_all)

effect of the cap on the need for services (as Mike Turley of Deloitte's warned)<sup>41</sup> would also be likely to have a disproportionate effect on women, who use public services more.

The limit of any rises in the cap to inflation means that social security will be likely to take up an ever smaller proportion of GDP, leaving room for more tax cuts in future.<sup>42</sup>

The WBG believes that social security spending should not be singled out for an arbitrary cap, and that there should be reasoned debate about the desirability or otherwise of increases. There are positive arguments for social security provision, not least in terms of supporting caring and helping with the costs of caring, that are particularly relevant to women. A cap on spending is a crude mechanism, which fails to differentiate between varying reasons for additional spending, and which frames increases in benefit spending as negative or a sign of failure.

The OBR will report on benefit spending trends each year, beginning this autumn. It has already noted that benefits for children and working age claimants are due to fall sharply. Its reports could form the basis of a more nuanced debate about the reasons behind any increases in social security spending. The main pressures for additional social security spending come from the ageing population (as the OBR has also noted), as well as market-led price rises (eg. increased housing costs).

Any discretionary increases made as a result of policy initiatives should not automatically be paid for out of a fixed social security budget, but could be financed from other departments and/or from increases in taxation. Social security expenditure represents exactly that - spending on the social security of the community as a whole - rather than the 'bills of failure'. It often has to compensate for policy failures in other areas. Where it does so, it is these root causes that need to be tackled.

### Other changes in benefits and tax credits

The Chancellor did not draw attention to the meagre increases in most working age social security benefits and tax credits of 1%, due in April 2014. This increase applies for the three years from April 2013. (Only benefits for disabled people, and for carers, or elements relating to these situations, are exempt from this uprating by less than inflation. Even these go up by the Consumer Prices Index, itself lower than the Retail Prices Index by which they were previously uprated.) Child benefit rises by 1% after being frozen for three years in a row.

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<sup>41</sup> Deloitte (2014), 'Budget 2014: Deloitte comments on welfare cap', 19 March 2014 (available at: [http://www.deloitte.com/view/en\\_XB/xb/news/d486cc19349d4410VgnVCM1000003256f70aRCRD.htm](http://www.deloitte.com/view/en_XB/xb/news/d486cc19349d4410VgnVCM1000003256f70aRCRD.htm))

<sup>42</sup> Argued by Martin Wolf in *Financial Times*, 20 March 2014.



Again, this increase below inflation affects women more because they depend on benefits more. (Similarly, the 'bedroom tax' (or 'abolition of the spare room subsidy') affects more women because there are more female housing benefit claimants and they are more often the ones remaining in housing that has 'spare rooms' once children have moved on.)

The differential increase in disability-related benefits will change the relative balance of support among different groups to the benefit of carers and disabled people, more of whom are women.<sup>43</sup> But some benefits for these groups are differentially increased only by the elements that apply to disability or caring. And the benefit increases in general are unlikely to help women overall, given that they also often take on multiple roles to look after children and other adults.

## f. Housing

Budget 2014 promises new homes, new Garden Cities, support for urban regeneration and increased help for house buyers. But there is little mention of social housing or provision for renters, and little assessment as to how these measures affect men and women differently.

Housing policies affect women and men differently owing to gender differences in tenure categories, with lone parents, predominantly women, underrepresented among owner occupiers (29% compared to an average of 65.3%) and overrepresented among social renters (41% compared to an average of 17.3%). They are also highly likely to rent privately - 30.1% compared to 17.4% over all household types;<sup>44</sup> and private renting is an increasingly tenuous tenure, as shown by the high proportion of private renters having lived in their property for less than one year. This is particularly problematic for those with care responsibilities, such as women looking after older or younger generations, who are reliant on nearby services or networks of support as part of their provision of care.

### Housing benefit

Lone parents are overrepresented among those in receipt of housing benefit, so any cuts in this measure will impact most on this group that is already amongst the poorest.<sup>45</sup> Housing

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<sup>43</sup> In 2011, 73% of recipients of the Carer's Allowance were women according to the Department for Work and Pensions, 2011 <https://www.gov.uk/government/publications/developing-a-clearer-understanding-of-the-carers-allowance-claimant-group-rr739>. In 2011-12, 21% of women were disabled compared to 18% of men according to the most recent data of the DWP's Family and Resources Survey (2011-12).

<sup>44</sup> English Housing Survey, Headline Report 2012-3, pp.54-55, available online at <https://www.gov.uk/government/collections/english-housing-survey#reports>

<sup>45</sup> In social rented accommodation, 82.5% of lone parents with dependent children were in receipt of housing benefit, compared to an average of only 65.6% of all housing types in social rented accommodation. In private rented accommodation, 73.1% of lone parents with dependent children were in receipt of housing benefit compared to an average of just 25% across all household types. See English Housing Survey, Headline Report 2012-3, pp.54-55,

benefit, most of which is subject to the social security spending cap, is increasingly claimed by households in private rented accommodation, where market rents are rising faster than inflation. Thus an increasing share of the limited funds allocated to social security go to private landlords. The 'bedroom tax' has not freed up accommodation, with just 6% of people moving homes as a result, according to a recent BBC survey. The majority affected by the 'tax' remain in their homes, which means that the people who can least afford to do so are subject to extra 'taxes'.

## Help to Buy

Men are more likely to be home owners and thus benefit from the 'Help to Buy' scheme, of which the equity loan element has been extended to 2020. Government 'help' means that buyers only have to find 5% of the deposit<sup>46</sup> for a new home. However, when household budgets are compared against house prices it becomes clear that taking on such a mortgage would be prohibitively expensive for average families in more than two thirds of UK local authorities.<sup>47</sup> Even though this is a period of austerity, public support is being provided for private housing but, unlike housing benefit, Help to Buy is not regarded as a benefit and is not subject to the spending cap, and neither does it assist those most in housing need.

The Help to Buy scheme is also likely to have perverse effects on the housing market by increasing house prices. Price increases benefit only existing home owners, who are more likely to be men and people on higher incomes, and ultimately makes the market more difficult for those in housing need.

## Right to Buy

At the same time the supply of social housing has been reduced by the increased subsidy for the Right to Buy scheme. Around 80% of councils report that they have not been able to replace sales of council homes due to restrictions which determine that only those homes sold under the increased subsidy can finance new builds. As a result government figures show that more than 10,000 homes were sold in 2013, but only 1,662 replacement homes started.<sup>48</sup> The

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available online at <https://www.gov.uk/government/collections/english-housing-survey#reports> and See, for example, the National Housing Federation's response, published at <http://www.housing.org.uk/publications/browse/budget-2014-member-briefing>

<sup>46</sup> The government is also providing a mortgage guarantee to lenders, which will end in 2016

<sup>47</sup> See 'Help to Buy scheme out of reach of lower earners, say researchers,' *The Guardian*, 19 November 2013, available online at <http://www.theguardian.com/money/2013/nov/19/help-to-buy-mortgage-expensive>

And 'One foot on the ladder: How shared ownership can bring owning a home into reach', Resolution Foundation, November 2013, available at

[http://www.resolutionfoundation.org/media/media/downloads/One\\_foot\\_on\\_the\\_ladder.pdf](http://www.resolutionfoundation.org/media/media/downloads/One_foot_on_the_ladder.pdf)

<sup>48</sup> See also 'Larger right-to-buy discounts risk depleting council housing stock.' *The Guardian* September 16 2013. Available at: <http://www.theguardian.com/housing-network/2013/sep/16/right-to-buy-discounts-risk-council-finances>

WBG supports removing this restriction and diverting any money received to resolving existing housing issues for those on lower incomes.

### Garden cities, new developments and social regeneration

Large-scale developments and a new batch of Garden Cities are planned, but these have been very slow to get started.<sup>49</sup> For example, 15,000 new homes were promised as part of a new garden city at Ebbsfleet, Kent, but this was first announced in 2003 and to date few houses have been built.<sup>50</sup>

In addition there is £150m available in loans to fund the regeneration of the worst social housing estates. While this funding is welcome it is not clear how this will affect the availability of social housing in urban areas in the long term. In the short term, where redevelopment does not promise like-for-like replacement of social housing, this strategy risks disruption to existing estates and communities, especially for women who rely on local schools, care services and informal networks of support.

### Other housing measures

The threshold for stamp duty for properties bought through corporate envelopes is to be reduced from £2m to £550k.<sup>51</sup> This is a positive step in reducing the appeal of housing as a financial investment - but it is relatively weak. £150m finance has been made available to support the Right to Build. This will benefit only a few, and again, policies that prioritise home ownership do not in general benefit women.

Overall housing is critical to wellbeing and so the government should take greater note of the equalities impact of different forms of support. Home ownership is privileged with support being seen as some kind of right, while housing benefit is viewed as claimed only by those who are less deserving. Funding for all forms of housing must come with a guarantee to protect those on low incomes in social housing, many of whom are women, as well as measures to improve the quality and availability of housing in the shorter term. In addition, policies to regulate the private rental market are important both in increasing security of tenure and in reducing the scale of public support for private landlords.

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<sup>49</sup> The Budget 2014 document explains that a prospectus on garden cities will also be published at Easter and will set out how 'local authorities could develop their own, locally-led proposals for bringing forward new garden cities' (HM Treasury 2014:40) Available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/293759/37630\\_Budget\\_2014\\_Web\\_Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/293759/37630_Budget_2014_Web_Accessible.pdf).

<sup>50</sup> 'Ebbsfleet city plan criticized', BBC News 25 March 2014, available online at <http://www.bbc.co.uk/news/uk-england-kent-26722149>

<sup>51</sup> 'Budget 2014: Stamp duty clampdown hits rich buying houses through companies,' The Telegraph, 19 March 2014, available at <http://www.independent.co.uk/news/uk/politics/budget-2014-stamp-duty-clampdown-hits-rich-buying-houses-through-companies-9202370.html>

## **g. Employment and business measures**

### **Science Technology Engineering and Mathematics (STEM) employment**

The government announced £222m of investment in STEM projects (Alan Turing Institute, Graphene research, and centres for doctoral training). This is to address the need for a more skilled STEM workforce in order to compete internationally in new and expanding areas of science, technology and manufacturing. While this investment is to be welcomed, WBG urges the government to do more to address the low representation of women in the industries that benefit from this investment.

The government has cut funding to the bodies tasked with promoting the training, recruitment and retention of women in STEM (including the UK Resource Centre and WISE, an organisation working to sustain female talent) since 2010. Little has been done to address the recruitment issues in the sector, such as funding for high quality careers advice, or the retention issues, such as addressing the lack of flexible working in some STEM industries. According to figures from WISE, women make up just 6% of engineers in the UK – the lowest proportion in Europe. Women make up 21% of Physics A-level students, but this figure falls in Higher Education. Women are also poorly represented in STEM apprenticeships.<sup>52</sup>

The WBG would have liked to see a government commitment to improving access to STEM sector careers for women by committing funding to organisations such as WISE, by funding recruitment drives and careers advice initiatives targeted at women, and by using public procurement to ensure that employers are recruiting women into STEM sector apprenticeships.

### **Apprenticeships**

The government announced a further £85m investment in Apprenticeship Grants for Employers (AGE) of 16 to 24 year olds. This measure addresses the lack of success hitherto in using apprenticeships to reduce youth unemployment and the number of young people Not in Education Employment or Training (NEET). Apprenticeships have expanded exponentially in recent years due to government campaigns and investment; however, this growth has been driven by the 24+ age group. This trend is even more noticeable among women who are more likely to start their apprenticeship aged 24 or over than men. This has been largely attributed to “conversions” where employers put existing employees onto apprenticeship courses in order to tap into government-subsidised training. As a recent TUC report noted, women are far more likely to become apprentices via “conversion” as compared to men.<sup>53</sup> The AGE grant is a sum of £1,500 to employers of fewer than 1,000 employees to incentivise the recruitment

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<sup>52</sup> [http://www.wisecampaign.org.uk/files/useruploads/files/wise\\_stats\\_document\\_final.pdf](http://www.wisecampaign.org.uk/files/useruploads/files/wise_stats_document_final.pdf)

<sup>53</sup> [http://www.unionlearn.org.uk/sites/default/files/Under-Representation\\_In\\_Apprenticeships.pdf](http://www.unionlearn.org.uk/sites/default/files/Under-Representation_In_Apprenticeships.pdf)

of new (i.e. not conversions) apprentices under the age of 24. This is in addition to up to 100% of training costs being met by the government.

Government investment in AGE Grants is an ideal opportunity to incentivise employers in male dominated sectors such as STEM industries to take on more women apprentices.

The WBG would like to see a concerted government effort to improve the recruitment of women into high quality apprenticeship frameworks with genuine prospects of employment and career progression, as opposed to “conversions” onto short, poor quality apprenticeships with no prospect of promotion or increased pay as a result. Investment in careers advice would be another welcome step, as would measures to use public procurement to oblige employers to take on women apprentices.

### Other support to business

A range of measures designed to encourage investment and benefit business was announced. These include:

- an extension of business rate discounts;
- enhanced capital allowances of up to 100%;
- tax allowance on most plant and machinery of up to an annual £500,000 on research and development for SMEs of up to 225%;
- support for energy costs;
- a reduction of the duty on long haul passenger flights;
- and the corporate tax rate has been further reduced, even though it is already the lowest in Europe.

The WBG welcomes measures to support jobs but is concerned by the focus on manufacturing and energy intensive industries, which disproportionately benefit large companies owned and run predominantly by men. Since women are more likely to own small companies and less likely to have £500,000 to invest, they are less likely to benefit from these measures. These supply side measures are unlikely to create the much-needed boost in investment in the absence of strong growth in demand. Boosting the demand for output through raising the incomes of working people is also important in stimulating investment and raising productivity.

Existing supply side measures offering incentives through quantitative easing have not boosted investment and so the efficacy of providing further support for business while simultaneously maintaining a social security spending cap and doing nothing to reverse the decline in the wage share is unlikely to be effective. The IFS is also critical of these measures for being too small (with the exception of the capital allowances) to have any real impact on investment policies and because constant changes in policies creates uncertainty.

This attention to the business sector follows on from earlier plans to expand investment in physical infrastructure, albeit with hardly any new money, as pointed out in previous WBG analysis.<sup>54</sup> It reflects a similar view that sees the 'productive' sector of the economy as critical to growth and well-being. Of equal importance to a 'resilient economy' - and crucial to developing the UK's potential and improving the well-being of all - are questions of reproduction and investment in social infrastructure, such as childcare and elder care.

## **h. Energy policies**

Reforms to reduce the energy costs of businesses have been introduced as part of the government's commitment to support manufacturing and ensure that the UK is a competitive location for international business. Proposals include reductions to energy costs for businesses and capping the Carbon Price Support rate at £18 from 2016-17 to 2019-20. A new compensation scheme was also announced to help energy intensive industries with higher electricity costs resulting from the renewables obligations from 2016-17.<sup>55</sup> Issues of domestic energy use and fuel costs were not addressed despite the fact that 2.5 million households were living in fuel poverty in England alone in 2010.

The Coalition government claims that the energy package 'will benefit every household, business and region in the country saving a total of up to £7bn by 2018-19'<sup>56</sup> and families will save £15 per year on their bills.<sup>57</sup> Yet Ofgem shows that in the 12 months to October 2013, wholesale energy costs increased by 1.7%; consumer bills increased by 11%, and profit margins for utilities companies increased by 122%.<sup>58</sup>

No evidence is given as to how these benefits will affect different types of households, even though research shows that the lowest income households pay a 'poverty premium' for similar goods because of their inability to access discounts for direct debits and because they face higher credit costs. The accountancy firm PwC has calculated that the poorest 10% are paying £20 per week more than the highest income decile.<sup>59</sup> In addition, as poorer households

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<sup>54</sup> WBG (2013), *The Impact on Women of the Autumn Financial Statement 2013*, available at: <http://www.wbg.org.uk/budget-analysis/2013-budget-assessment/>

<sup>55</sup> There are some measures to support green energy sources, they are far from the commitments made, especially by the Liberal Democrats

<sup>56</sup> HM Treasury (2014) *Budget 2014* Pg. 33. Available at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/293759/37630\\_Budget\\_2014\\_Web\\_Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/293759/37630_Budget_2014_Web_Accessible.pdf)

<sup>57</sup> Chancellor George Osborne's Budget 2014 speech available at:

<https://www.gov.uk/government/speeches/chancellor-george-osbornes-budget-2014-speech>

<sup>58</sup> Ofgem, Electricity and Gas Supply Market Indicators, <https://www.ofgem.gov.uk/gas/retail-market/monitoring-data-and-statistics/electricity-and-gas-supply-market-indicators>

<sup>59</sup> PricewaterhouseCoopers, 2014, 'Living Standards - is the big squeeze nearly over?' <http://www.pwc.co.uk/the-economy/publications/uk-economic-outlook/living-standards-is-the-big-squeeze-nearly-over-ukeo-march14.jhtml>

spend a higher proportion of income on food and utilities, they experience higher Consumer Price Inflation rates compared to richer households.

## 5. Equalities impact assessment

Once again, the government, although providing some inconsistent analysis in the impact assessment of individual measures, has failed to address equality impact overall. The word 'women' was only mentioned once (and 'men' never) in the main Budget document, illustrating the continued lack of gender awareness. Below are some examples of the inadequacy of the equality impact analysis.

### Business taxes

The gender and other equalities impact assessment of various business tax changes suggests a poor understanding of the requirements of equality legislation. Take, for example, the equalities field in the tax information and impact notes (TIIN) for targeted anti-avoidance loss buying rules. The exclusion of Research and Development Allowances simply says: 'No equalities impacts have been identified because this measure only affects companies.' Clearly this is inadequate; the demographics of the ownership and management of companies must be considered before you can assert that a change to rules applicable only to companies does not impact more heavily on a particular equality group. If, for example, more men than women, more white than BAME, more older than younger, fewer or more people with disabilities are involved in owning and managing the companies that are affected by a change, it may have a differential impact, and there is a duty to consider whether the change impacts on equality.

The TIIN for capital gains business asset roll-over relief finds that the measure will affect a small number of farmers. However, the equality assessment that follows suggests that no consideration has been given to the make-up of this group and therefore what equality impact might result from the changes proposed.

The TIIN makes the following assessment: 'The gender split for CGT payers is relatively stable over time, with around 60 per cent of filers male and 40 per cent female. It is not known how this pattern might change for farmers but we do not expect this measure to create a disproportionate impact on a particular group of people.' While the superficial effort to divide the wider CGT-paying population between male and female suggests an evidence base, in fact this observation is entirely irrelevant to how the make-up of a small number of farmers is taken from the wider population.

Perhaps the clearest example of an inadequate consideration of gender is in the change to the Annual Investment Allowance, which increases the amount of spending on plant and

machinery that can be written off in a single tax year to £500,000. Clearly the majority of small businesses will not have half a million pounds to invest in any one year - a significantly large number of small businesses will not have turnover of half a million pounds at all. Yet the impact assessment asserts that 'the measure does not impact on the equality of groups with protected characteristics' without considering whether the ownership of the larger companies who will benefit from the change has a different demographic from that of smaller businesses who will not be affected by the measure.

## Excise duties

In the equalities impact assessment of the changes to excise and similar duties, there is simply a note of the different demographic. On the consumption of alcohol, for example, the assessment notes that equalities impact boils down to: 'Men are more likely to drink beer and women are more likely to drink wine. Younger people are more likely to drink spirits.' There is no analysis of whether the differences in consumption patterns means there is an equality impact that needs to be taken into account when deciding to alter the duty although, as mentioned above, WBG has suggested reasons why this might be the case.

Of particular interest is the measure giving a 40-year rolling exemption from Vehicle Excise Duty for classic cars, where owners of around 10,000 classic cars are expected to benefit each year. It would be highly unlikely to see no gender imbalance in that sample, however the TIIN asserts: 'Equalities impacts: There will be no significant impacts as a result of these changes.' This could mean that the number of beneficiaries is insignificant, but that is not the same as having no gender impact.

## Changes needed on Equality Impact Assessments

The Treasury and HMRC gave assurances that gender impact assessment was an important part of the Budget process and that they would improve the position from 2010. The level of analysis in the 2014 Budget TIINs suggests that there is still a long way to go - even if it is in a classic car, while sipping a glass of wine! The lack of consistency in the quality of equality impact analysis suggests that it is not accorded enough significance to warrant any overall supervision or quality assessment.

The Budget is accompanied by a detailed explanation of the expected distributional impact of the overall package assessed by household deciles rather than on an individual basis. Some gender impact analysis can be carried out using household level analysis, as the WBG has shown in other responses. Extending this distributional analysis to individuals would allow for the overall impact of the Budget on women and men, on young and old, and (depending on the granularity of the data) on other groups to be tracked over time and would be a powerful positive move towards creating policy with due regard to issues of gender equality.

Additionally, the regulatory Impact Assessments produced across government are externally validated by the Regulatory Policy Committee (RPC). As TIINs are the equivalent of Impact



Assessments for tax changes, it would seem reasonable that TIINs should also be externally validated. The RPC looks at the quality of the cost/benefit analysis; a panel of similar expertise, working under conditions of Budget secrecy, could be set up to give an external quality control of TIINs that includes the consideration of gender and other equality impact analysis.

## **6. Conclusion – No Recovery for Women**

George Osborne has declared that ‘the economy is continuing to recover.’ He attributes this recovery to the Coalition government’s austerity policies, which need to continue in order to sustain the growth. Yet few in the UK feel the benefits. Real earnings are yet to recover, the new jobs are often precarious, and continued cuts in benefits and public services will further reduce the standards of living of many women and those on lower incomes. The Coalition government claims that we are all in this together. Such an assessment derives from a partial analysis of the impact of austerity and of Budget 2014, as we have shown.

Despite commitment to continued austerity, Budget 2014 includes giveaways as well as takeaways and these are gender biased to women’s disadvantage and unlikely to lead to a balanced and sustainable development strategy.

In particular the tax giveaways and subsidies for businesses, manufacturing and energy, which will mainly benefit men, are unlikely to create the much needed boost in investment in the absence of strong growth in demand. Yet the takeaways in the form of continued cuts to social security, public sector jobs and social services will only deepen poverty and financial insecurity and depress growth. Even the reforms in pensions and savings do little to help women on low incomes.

A balanced and equal economy can be built by investment in social infrastructure, including education, health, and child and social care services, alongside spending on public transport, green energy, and other physical infrastructure, and efforts to diversify the labour force in these industries. Good quality universal childcare provision is essential to increase women’s labour force participation as well as nurturing children’s development and helping to ensure that economic recovery benefits lower and middle income groups as well as the higher income groups.

Budget 2014 provides support for childcare, but we question the emphasis on increasing the financing available to parents that could simply increase the overall cost. Instead investment in state-funded maintenance of high quality child and social care as well as qualified childcare workers is needed.

Such investment in social infrastructure will enable people to develop skills and move into regular and rewarding employment and be partially financed through its own multiplier

effects. Spending on childcare provision directly simultaneously generates jobs and facilitates movement into employment, which provides tax revenues and generates demand. Additional finance could come through imaginative and fairer forms of taxation – such as tighter rules on tax avoidance and evasion, a mansion tax, the revaluation of properties to make council tax more progressive and a financial transactions tax.

Budget 2014 offers little to reverse the current course of fragile and weak recovery. Instead of a balanced and sustainable development strategy, the government's policies are putting Britain back to a course where growth is based on debt-led consumption – a model that has been at the root of the greatest financial crisis since the Great Depression. Instead, measures to increase wages, and in particular the incomes of the bottom 50% rather than those at the top, are required to provide the necessary stimulus to growth.

The one bright spot announced alongside the Budget is the increase in the national minimum wage. However, this remains at a low level, well below half of median full-time wages, and more needs to be done to eliminate the gender wage gaps and generate an upward convergence in wages to create greater equality and overall a higher wage share, which in turn will lead to higher, more inclusive and sustainable development.<sup>60</sup>

Alternative policies based on feminist and heterodox economic analyses are required in order to create a sustainable and inclusive economy and society. Measures to improve gender equality are at the heart of such an alternative strategy.

There needs to be a reconsideration of capital spending and long-term investment policies, which should include the caring sector at its heart - not just physical infrastructure such as school building, childcare centres and homes, but also the public provision of care workers and their training as forces that build the social infrastructure and the country's human and social capital. Innovative sources of funding could therefore also include investment and infrastructure banks or bonds funded by the public purse, not just other forms of fairer taxation as suggested above.

As the WBG has argued in previous responses and briefings,<sup>61</sup> to ensure a balance and sustainable economic recovery that includes women, enables them to be financially autonomous, and supports gender equality, we need a Plan F, a set of feminist policies to create a caring economy in which:

- paid care workers (who are mainly women) receive better training, better pay, better employment rights, better job security;

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<sup>60</sup> Onaran, Ö. and Galanis, G. (2012) "Is aggregate demand wage-led or profit-led? National and global effects," *Conditions of Work and Employment Series No. 40*, International Labour Office

<sup>61</sup> WBG (2013) *To ensure recovery we need Feminist F Plan*. Available at: [http://www.wbg.org.uk/wp-content/uploads/2013/10/Plan-F\\_WBG-Parties-briefing\\_Sept-2013\\_final.pdf](http://www.wbg.org.uk/wp-content/uploads/2013/10/Plan-F_WBG-Parties-briefing_Sept-2013_final.pdf)

- unpaid carers looking after family and friends (who are mainly women) receive more support from public services and social security benefits, enabling them to take paid employment, if they wish to do so;
- both private sector and public sector employers recognize a duty of care to invest in the development of high quality care services;
- the roll-out of cuts to public services would be halted. By the end of 2013, the IFS estimated that only 31% of planned cuts would have been achieved;
- Universal Credit would be reformed to ensure that women with employed partners gain from earning - as it stands, many families in this situation will lose payments at a higher rate than in the current situation if they start earning;
- the national minimum wage would be raised to a higher proportion of median wages;
- social security measures that are destroying women's links with their families and communities, such as the bedroom tax and the benefits cap, would be repealed;
- more tax revenue would be raised from wealthy people and companies;
- and investment in social housing would be supported, rather than subsidizing lending for mortgages that does not address the slow pace of building and the consequent housing price hikes.

Until such a feminist economic strategy with gender and social equality at its heart is ensured there will be no real recovery for women.

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