

# The impact on women of the Autumn Statement and Comprehensive Spending Review 2015:

## *Still failing to invest in women's security*

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## Executive Summary

The Chancellor in his opening remarks to the Autumn Statement and Spending Review 2015 promised to 'put security first' and to 'leave to the next generation a stronger country than the one we inherited'. Yet with further cuts to the social infrastructure that will see public spending, as a proportion of national income, fall to nearly its lowest level since the war, the daily lives of many will be increasingly *insecure*.

Yet again women stand to lose the most, and gain the least. The Chancellor has reiterated his commitment to delivering a budget surplus by 2019/2020 and to achieving this largely through expenditure cuts, which, our analysis shows, disproportionately impact women and those on low incomes, such as lone parents and female single pensioners.

The main points of this analysis are:

- **Overall fiscal targets and public spending priorities: commitment to achieve a budget surplus based on uncertain economic forecast and entrenched spending cuts.** As expenditure as a share of GDP is set to be cut to its second lowest level since the end of the Second World War, even protected budgets such as health and education will see a fall in proportion of GDP. This is despite a commitment to increase the health budget over and above inflation, using savings elsewhere in public services. Further spending cuts were not a necessity to achieve such surplus. The total £24bn annual savings by 2019-20 in public services and social security spending are equivalent to the annual foregone revenue from the successive increases in the Personal Tax Allowance and other changes to the income tax bands (£18bn) and cuts in fuel and alcohol duties (£8bn) since 2010.
- **No thorough gender impact assessment.** The assessment produced along the Spending Review fails to adequately analyse the impact of social security and public service spending cuts on women despite existing methods that are straightforward to use. WBG own analysis shows that lone mothers and single female pensioners are set to lose most from the Spending Review decisions over this Parliament, having already lost most from cuts announced in the previous Parliament. In total, their living standards will be down by 10% in 2020 due to real term cuts in public services, compared to just over 2% for couples without children.
- **Employment is up, but there are concerns about the quality and pay.** The record high employment rate for women, including largest rise in full-time employment in the last three years, hides more entrenched gender inequalities. Unemployment has fallen less for women than for men since the recovery and is still higher than its pre-crisis level. Women still make up a majority of part-time employment, especially involuntary part-time, as well as temporary employees. They account for the largest share of the increase in self-employment since 2008, especially among lower paid occupations. The gender wage gap is down but has risen in the public sector since 2011. As earnings are still below their 2011 levels in real terms, the narrowing of the gender gap in pay is a story of continued downward convergence between men and women.
- **Social security cuts failing families' opportunities and security.** The July 2015 Budget has set out the details of the annual £12bn social security spending cuts to achieve by 2019-20. The claim of a reversal of cuts to tax credits announced in this Autumn Statement are merely just down to

postponing the full impact as tax credits will be replaced by universal credit by then, to which the July Budget cuts still fully apply. Even the implementation of the higher National Living Wage will not do the trick as those who would benefit are not the same as those who would lose out. Women again take on the lion's share of the changes in tax-benefit policies. Of the £16bn net cumulative revenue in spending cuts and tax rises announced since the 2015 election, 75% will be borne by women. Over the entire ten-year period of austerity, women will have borne 81% of the consolidation in personal tax rises and cuts to social security spending between 2010-2020.

- **Devolution will disadvantage poorer areas with the greatest needs of public services.** The big revolution in allowing councils to raise more of their revenue locally, in particular by earmarking council tax rises to fund social care services is bound to increase inequality in service provision as poorer areas with correspondingly greater needs of adequate public services will struggle to fill the gap left by withdrawal of central government funding. Even in the maximum scenario envisaged in OBR predictions, councils would at best manage (on average) to raise as much funding for local services as they currently do, despite already failing to meet current needs adequately.
- **Social care will still receive inadequate funding.** Changes to the system of funding for local government is perhaps the main issue of this Spending Review as far as social care services are concerned. A stealth blow to the provision of decent and high quality services, with major providers already on the verge of withdrawing from the market for lack of sufficient funding. The additional £3.5bn earmarked in this Review (from extra funding going to the Better Care Fund and the maximum potential £2bn from the 2% precept rise in the council tax) fail to compensate drastic cuts in central government funding and would hardly match the £8bn additional funding need that would be required by 2019-20 simply to match current delivery. Women again are set to suffer from the lack of proper investment in this part of the social infrastructure as primary unpaid caregivers who have to step in when services fail.
- **Increased childcare provision is welcome but leaves many behind:** the additional 15 hours of free childcare will only be available to those working a minimum of 16 hours a week at the National Living Wage (as will tax-free childcare), making it more difficult for many mothers to benefit, especially if they are young. Although the additional funding is welcome in principle, especially as it intends to increase the subsidy rate per place, overall public spending on childcare (including help with tax credits/UC) will remain roughly the same in proportion of GDP as it is now, thereby failing to achieve the ambition of investing in Britain's future claimed by the Chancellor.
- **Education - from public debt to private debt, and still no measures to address gender segregation**  
The further and higher education announcements were dominated by the removal of bursaries and grants, and their replacement with loans. This transfers responsibility (and risk) for funding education to individuals. Women, who are likely to earn less over their life-course, will be disproportionately impacted. The additional funding for apprenticeships, to be raised via a levy on employers, is welcome. However, it is disappointing that no measures have been put in place to tackle occupational segregation, which is marked in apprenticeships, and a significant contributor to the gender pay gap.

- **Helping those at the margins of home ownership, not those most in need**  
Housing was one of the main areas to benefit from investment in the Spending Review. However, this has been directed primarily at ‘help to buy’ schemes and ‘starter homes’ that will benefit those at the margins of home ownership. While providing individual gain for some, these measures will not solve the housing crisis. Women predominate in the socially-rented sector and, as such, are less likely than men to benefit from these schemes. In fact, coupled with the cuts to housing benefit and reductions in the grants to housing associations, women are more likely to see their housing situation get worse, rather than improve, as a result of the Spending Review.
- **Still failing to adequately invest in safer lives for women**  
While the Chancellor announced that domestic violence services would be among the beneficiaries of the ‘tampon tax’ and would additionally receive a dedicated £10m a year, this amount remains inadequate for services that have been hard hit by successive cuts. Worse still, some of the 29% savings extracted from the DCLG in this Spending Review could translate into further cuts to VAW services, despite the new funding announcements. Along with other commentators, we are also deeply concerned by the hypothecation of the ‘tampon tax’ for women’s charities, particularly those related to domestic violence. Tackling domestic violence should be the responsibility of all in society. Using tax revenues from the sale of female sanitary products makes the funding of these services both symbolically and literally the responsibility of women, rather than the State or the men who are the main perpetrators of the violence.

Far from providing for ‘security’, the announcements in the Spending Review undermine the social infrastructure – social security, health, education, and care systems – that, when properly resourced, acts as a vital safety net. Women, as this briefing shows, are again bearing the brunt of the cuts.

Pursuing deficit reduction in this way is a political choice, not a necessity. As the Women’s Budget Group has shown in successive briefings, there are alternatives that can lay the foundations for economic and social security. These requires a rebalancing to ensure that revenue is raised from those who can most afford to pay, rather than from those in most need, and public investment in a social security system and public services that can deliver a better future for all.

## Introduction

The Chancellor in his opening remarks to the Autumn Statement and Spending Review 2015 promised to 'put security first' and to 'leave to the next generation a stronger country than the one we inherited'. Yet with further cuts to the social infrastructure that will see public spending, as a proportion of national income, fall to nearly its lowest level since the war, the daily lives of many will be increasingly *insecure*.

Yet again women stand to lose the most, and gain the least. The Chancellor has reiterated his commitment to delivering a budget surplus by 2019/2020 and to achieving this largely through expenditure cuts, which, our analysis shows, disproportionately impact women and those on low incomes, such as lone parents and female single pensioners.

This disproportionately adverse impact on women is not surprising when the announcements are looked at in detail. While the decision to reverse the tax credit cuts may have improved the picture for women in the short term, many of the planned savings have merely been postponed rather than abandoned altogether. The announcement hardly constitutes a 'u-turn'. The Chancellor remains committed to saving £12bn and will achieve this by 2019/20, with the majority of savings to be realised from the freeze on benefits (£4bn), introduction of universal credit (£4-5bn) and housing benefit (£1.5bn). These benefits make up a greater share of women's incomes and are a vital safety net that provides security for individuals and families when they need it most. Of the £82bn in tax increases and cuts in social security spending announced since 2010 that will be implemented over this Parliament, 81% will come from women.<sup>1</sup>

The Chancellor has again failed to make adequate investments in social care to ensure the security of those in society who are unwell or frail. The care sector is in crisis, with funding not keeping pace with costs and need, and the Spending Review does little to help. It has been estimated that by 2020, additional funding of £8bn will be required in the social care sector, yet the announced measures will raise only £3.5bn at a maximum.<sup>2</sup> Women stand to lose the most from this as they are more likely to be in need of care and to be (paid and unpaid) carers.

Finally, many of the Spending Review announcements continue a trend of transferring responsibility and risk from the collective (State and society) to individuals. Housing policy becomes even more strongly focused on helping those at the margins of home ownership, rather than ensuring there is adequate supply of affordable social housing for those with the greatest need. In further and higher education yet more grants are replaced with loans. And, in what is perhaps the most stark and perverse illustration of this trend, the proceeds of the 'tampon tax' have been earmarked for domestic violence and women's health charities. Tackling domestic violence, which is so vital to ensuring the day-to-day security of women, should be a fundamental responsibility of all in society. Yet with this measure it becomes both symbolically and literally the responsibility of women: it is their money that pays for the consequences of violence that, in the majority of cases, is perpetrated by men.

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<sup>1</sup> Since 2010, 81% of savings (this includes announcements to 2019/20) have come from women's pockets. Research conducted by the House of Commons Library on behalf of Kate Green MP and Yvette Cooper MP.

<sup>2</sup> As quoted by Alice Hood from the TUC in her commentary about the Spending Review (see <http://touchstoneblog.org.uk/2015/11/local-government-funding-slashed-by-half-in-spendingreview/>)

The WBG have repeatedly shown that there is an alternative that is both economically sound and lays the foundations for better social outcomes. This alternative, which we refer to as 'Plan F', advocates large-scale investment in the social infrastructure – the health, education, and care systems. Such investment has the potential to deliver employment gains on par with investment physical infrastructure, and crucially would deliver on the Chancellor's promise to leave to the next generation a 'stronger country'.

## Overview of the Autumn Statement and Spending Review aggregates

### *Fiscal outlook*

The Chancellor may have abandoned his planned cuts to tax credits, but he has not abandoned austerity, nor the target of an overall budget surplus of 10bn by 2019/20. George Osborne continues to insist that in 'normal times' the government should run an overall budget surplus, and should not borrow to invest, even if the expected returns of the investment are much higher than the cost of borrowing. As noted by Financial Times columnist, Martin Wolf, 'it is impossible to understand why such a rule makes sense'.<sup>3</sup>

In order to comply with this rule, public expenditure is due to fall from 40.9% of national income in 2014/15 to 36.5% in 2019/20, which is close to its lowest level since the end of the nineties. The Treasury says that spending on health, schools, overseas development assistance and defence will be protected and will not fall, but on average the other departments will have cuts of 18% over the five years covered by the review, over and above the cuts planned at the 2010 and 2013 Reviews. The cuts to local government spending will be much higher, at over 50%.<sup>4</sup> These cuts amount to £21.5bn by 2020, £9.5bn more than the £12bn savings needed from departmental spending to meet the budget surplus target. This is how the government could commit to increasing the NHS budget above inflation by the same amount of around £9.5bn by 2020 (para 1.60), without increasing taxation. As the IFS notes, even though health will receive extra funding taken from other departments, the *cumulative increase* in health spending over the five year period will only be 3% in total, compared to an average 3% *annual* increase over the last 50 years<sup>5</sup>.

In fact expenditure in protected areas is far from being increased in line with GDP: defence, health, and education will all see their total budget (including depreciation and capital spending) *decrease* as a proportion of GDP, according to OBR and government projections. Only international development assistance budget will rise as a proportion of GDP but remains below the headline 0.7% share of GDP. In 2015-16, including capital spending, the health budget will make up 6.2% of GDP but in 2019-20, the total is equivalent to 5.8% of GDP.<sup>6</sup> For the education budget (with capital spending), the figures are 3.12% in 2015-16 and 2.8% in 2019-20.

Since health and education spending must cover changes in need which can have little to do with changes in general prices, it makes little sense to 'protect' them in real terms as opposed to maintain them in proportion to, for example, demographic changes or changes in the level of need. In contrast to education

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<sup>3</sup> M. Wolf (2015) 'The same destination but a gentler route', *Financial Times*, 26 November, p.12.

<sup>4</sup>G. Tetlow (2015) George the Builder: he can fix it. Post Autumn Statement Briefing, Institute of Fiscal Studies [http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/Tetlow\\_public\\_spending.pdf](http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/Tetlow_public_spending.pdf)

<sup>5</sup> P.Johnson (2015) Opening Remarks, Post Autumn Statement Briefing, Institute of Fiscal Studies . [http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/SR\\_Nov\\_2015\\_opening\\_remarks.pdf](http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/SR_Nov_2015_opening_remarks.pdf)

<sup>6</sup> Table 1.A on p.128 of the Statement shows that the health budget is set to be £112.9bn in 2015-16, rising to £125.5bn in 2019-20 (and an additional £4.8bn is earmarked each year for capital spending). GDP figures in nominal terms are £1,903bn in 2015-16 and £2,251bn in 2019-20, as per OBR Public finances Databank figures, that are consistent with the OBR fiscal and economic outlook published in November 2015 (available at <http://budgetresponsibility.org.uk/data/>).

and health, the defence and international development budgets are set to be maintained as a proportion of GDP, which is expected to rise by much more than inflation, according to the OBR November forecast.

Some tax increases were announced, which are expected to raise an additional £28.5bn: the apprenticeship levy (£11.6bn), higher council tax (£6.2bn) and higher stamp duty on second homes and buy-to-lets (£6.2bn). But drastic expenditure cuts are still needed to achieve a budget surplus, the increased tax revenue will only cover 17% of the 'fiscal consolidation' (ie deficit reduction) in the period 2010-2020.<sup>7</sup> Such decisions on the respective contributions of taxation and expenditure to the fiscal consolidation was made out of a political choice rather than necessity. The total £24bn annual savings by 2019-20 in public services (£12bn) and social security spending (£12bn) are equivalent to the annual foregone revenue in 2019-20 from the successive increases in the Personal Tax Allowance and other changes to the income tax bands (£18bn) and cuts in fuel and alcohol duties (£8bn), afforded since 2010.<sup>8</sup>

Whilst the Chancellor commits to cutting the £1,500bn of public debt, he has completely ignored the almost exact same amount (£1,450bn) of personal debt that is wreaking havoc on household finances. The Conservative government is strategically silent on the looming problem of astronomically high levels of personal (or household sector) debts. The Autumn Statement says that household debt in proportion of household income has fallen to 144% compared to its pre-crisis peak of 168% in 2008. But it fails to refer to the OBR forecasting this figure to reach 167% again in 2020. These figures contrast with the reduction of public debt (as a percentage of national income) to 74% in 2020. Cuts in social security benefits and public services will affect the incomes of the most vulnerable – elderly, disabled, lone parents – many of whom rely on government support and are more likely to have to resort to debt to make ends meet. Research from StepChange, the debt charity, is clear: job loss and reduction of working hours were the biggest reasons people had debt problems<sup>9</sup>. Next, was getting into debt because of a family member falling ill, divorce, an elderly parent needing additional care, or the arrival of a new baby. The unstitching of the social safety net means that these everyday life events are forcing people into debt.

### *Revised macroeconomic forecast*

The Chancellor was able to cut expenditure less than he had planned in July 2015 because of more optimistic forecasts from the Office of Budget Responsibility (OBR) on expected future tax revenue and interest payments on government debt, and on economic growth and employment. This has been estimated at around £27bn. However, according to the Institute of Fiscal Studies there is only a 50-50 chance of this revenue forecast being correct. This uncertainty accompanies the OBR forecast for economic growth as well. Recovery of GDP to date has mainly been based on a debt-led and consumption driven strategy rather than a

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<sup>7</sup> P. Johnson (2015) Opening Remarks, Post Autumn Statement Briefing, Institute of Fiscal Studies.

[http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/SR\\_Nov\\_2015\\_opening\\_remarks.pdf](http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/SR_Nov_2015_opening_remarks.pdf)

<sup>8</sup> Figures based on the OBR Measures database. Tax figures include transferable marriage allowance, rises in personal tax allowance, changes in income tax bands and rates and freezes and cuts in alcohol and fuel excise duties from June 2010 Budget up to and including July 2015 Budget.

<sup>9</sup> Statistics Yearbook 2014, Step Change



significant boost in social and physical infrastructure investment which would lead to more sustainable growth patterns in the long run.<sup>10</sup>

The UK's fall in public spending and a decline in private investment from 16% to 13% of GDP between 2000 and 2014 will, in the short to medium term, have a negative impact on output growth and job creation for women and men. In other words, sustainable long-term GDP growth can only be achieved by stimulating private as well as public investment, thereby requiring slowing down the pace of fiscal consolidation. Without this we should rightly question the long-term sustainability of the growth forecast and the increase in revenue for the government presented by the OBR. We should also be cautious about the OBR's assessment of the impact of cuts on GDP growth.<sup>11</sup> The OBR uses a fiscal multiplier of 0.5 whereby £10bn of spending cuts will reduce GDP by £5bn. Yet this is very conservative and ignores the International Monetary Fund (IMF) revision back in 2012, which argued that the multiplier was more likely to be somewhere between 1 and 1.7.<sup>12</sup>

The OBR has also revised up the level of potential economic output for the UK by 0.9% based entirely on expectations that inward migration (immigrants coming to the UK) will increase from 105,000 to 185,000 people a year, distinctly at odds with the government's desire to reduce net migration to a few thousand.<sup>13</sup> Without this increase in inward migration output growth would be negligible and a budget surplus would only be possible with yet further spending cuts or tax rises.

The OBR also admits uncertainties about the effect some of the new measures might have on the forecasts themselves. For example, the apprenticeship levy and the auto-enrolment into pension savings will increase business costs which will be passed onto employees<sup>14</sup> and may reduce tax revenues by weakening earnings growth. There are other uncertainties as pointed out by a number of commentators,<sup>15</sup> including a weaker than predicted demand for UK goods from abroad; the potential economic impact of the forthcoming referendum on UK membership of the European Union; and difficulties in predicting the revenue effects of proposed measures against tax avoidance.

Finally there are issues with the underlying model for the OBR forecast. For example the labour market component of the model does not disaggregate employment by sex. This means that OBR forecasts do not take into account any gender implications of measures such as the move from tax credits to universal credits, or the investment priority given to physical infrastructure over social infrastructure, and their repercussions on aggregate employment and output.

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<sup>10</sup> Bargawi, H. and Cozzi, G. (2015) *Engendering Economic Recovery: Modelling Alternatives to Austerity*. Greenwich Papers in Political Economy, #GPERC10, [http://gala.gre.ac.uk/14061/1/GPERC10\\_Cozzi\\_BargawiF.pdf](http://gala.gre.ac.uk/14061/1/GPERC10_Cozzi_BargawiF.pdf)

<sup>11</sup> The fiscal multiplier measures the ratio of change in national income (GDP) to a change in net government spending.

<sup>12</sup> <http://www.imf.org/external/pubs/ft/weo/2012/02/pdf/text.pdf>

<sup>13</sup> A. Nardelli (2015) 'Osborne reliant on rising immigration levels to achieve budget surplus' *The Guardian*, 1 December

<sup>14</sup> Office for Budget Responsibility (2015) *Economic and Fiscal Outlook*, November: p.9

<sup>15</sup> K. Allen (2015) 'OBR admits uncertainty over £27bn windfall behind tax credit U-turn' *The Guardian*, 25 November and K. Allen (2015) 'Weakening UK trade puts the brakes on GDP growth' *The Guardian*, 27 November

## *Equality Impact assessments*

In a document published alongside the AFS and CSR<sup>16</sup>, the Treasury claims that it has fulfilled its responsibilities in relation to the Public Sector Equality Duty, created under the Equality Act 2010, which requires the government to recognise the impact that its decisions have on people who share one or more of nine 'protected characteristics': gender, race, disability, age religion and other beliefs, gender reassignment, pregnancy and maternity, and sexual orientation. The Treasury claims to have benefited from continued engagement with the Equalities and Human Rights Commission, and that equality impact assessments provided by Departments were used to inform the Spending Review.

However, the published Treasury assessment fails to provide an assessment of the cumulative impact of the measures in the AFS/CSR on different social groups, despite having been provided with technical advice on how to do so in a report published by the EHRC last year.<sup>17</sup> Instead the Treasury simply lists a few measures that it claims will be of benefit to women, pensioners, young people and children, ethnic minorities, and people with disabilities, without any consideration of measures that will reduce their incomes or fail to provide them with needed services, or any consideration of the fact that some people are members of several of these groups.

Under the heading 'Gender', it mentions the doubling of free childcare from 15 to 30 hours a week for 3 and 4 year-olds, from September 2017, without mentioning the requirements on parents' working hours and wages (which will exclude many low income mothers from using this free childcare), or demonstrating that adequate funding has been allocated to allow providers to supply high quality care. It also mentions a commitment to spend £10m a year on domestic violence interventions, with no consideration of whether this compensates for all the cuts to funding for such services made since June 2010. Finally, it mentions that a new fund will be set up equivalent to the revenue from VAT on sanitary products, to provide additional support to women's charities, but fails to consider the gender equality implications of men not contributing to this fund. There is no mention of all the measures, which are documented in this WBG report, that will have a disproportionately adverse impact on women.

Under the heading Disability, the Treasury claims that 'The government will prioritise supporting public services which are disproportionately used by those with care needs, such as social care' whereas there will in fact be a growing shortfall in support, as documented elsewhere in this report. Moreover, it claims 'funding for elite sport' as a benefit for people with disabilities because this will help to support the Paralympics GB team in the next Olympic Games - with no mention of the cuts to funding that local governments need to maintain access to sports facilities for the mass of people with disabilities.

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<sup>16</sup> HM Treasury (2015) Impact on Equalities: analysis to accompany Spending Review and Autumn Statement 2015 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479720/Impact\\_on\\_equalities\\_SRAS\\_2015\\_final\\_25112015.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479720/Impact_on_equalities_SRAS_2015_final_25112015.pdf)

<sup>17</sup> Equality and Human Rights Commission (2014) Research report 94: Cumulative Impact Assessment: A Research Report by Landman Economics and the National Institute of Economic and Social Research (NIESR) for the Equality and Human Rights Commission by Howard Reed and Jonathan Portes. Available at: [http://www.equalityhumanrights.com/sites/default/files/publication\\_pdf/Cumulative%20Impact%20Assessment%20final%20report%2030-07-14.pdf](http://www.equalityhumanrights.com/sites/default/files/publication_pdf/Cumulative%20Impact%20Assessment%20final%20report%2030-07-14.pdf) Howard Reed is a member of WBG.

The Treasury also published an assessment of the cumulative impact on households with differing levels of income, divided into five groups from the poorest quintile (i.e. fifth) to the richest quintile.<sup>18</sup> This assessment continues to use the highly misleading approach introduced with the July 2015 Budget. It does *not* assess the cumulative impact of tax, social security and spending decisions in proportion to the different levels of household income, a method used by the Coalition Government. Instead it assesses the share of national spending received and tax paid by the five groups of households. Not surprisingly, the assessment shows that the poorer households receive a larger share of spending and pay a smaller share of taxes than the richer households in both 2010/11 and 2019/20. This is, of course, because the richer households have greater ability to pay and make less use of public services and social security benefits than do the poorer households.

The Treasury claims that because half of all spending goes to the poorest 40% of households, the distribution of spending is 'progressive'; it also claims that the distribution of taxation is also 'progressive' because in 2019/20 the richest 20% of households contribute as much in taxes as the remaining 80% put together. This completely distorts the usual meaning of the term 'progressive' in relation to public spending and taxation - it is normally used by economists to refer to the value of public spending received and taxes paid as a proportion of household income. A progressive tax system is one in which the proportion of household income paid in tax rises as the level of household income rises. A progressive system of public spending is one in which what households receive as a share of their income falls, as household income rises. It is also worth noting that, provided proportions remain the same, the analysis done by the Treasury would continue to label the distribution as 'progressive' even if spending and taxation dwindled to zero.

This WBG report, in line with best practice in the economics of public finance, presents an assessment of the cumulative impact of the Spending Review as proportion of the income of different households. This is something the Treasury should and could easily have provided.

Analysis by WBG member and Director of Landman Economics, Howard Reed, shows a breakdown of the impact on different household types of the changes in spending on public services announced in the 2015 Spending Review.<sup>19</sup> Preliminary results show that once again, households who stand to lose most are those where women predominate, namely female single pensioners and female lone parents, followed by couples with dependent children.<sup>20</sup> Figure 1 below shows the estimated impact of public service spending cuts compared to a benchmark in which spending was set to increase in line with CPI inflation over the 2015-20

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<sup>18</sup> HM Treasury (2015) Impact on households: distributional analysis to accompany Spending Review and Autumn Statement 2015.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479726/SRAS\\_2015\\_distributional\\_analysis\\_final\\_25112015.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479726/SRAS_2015_distributional_analysis_final_25112015.pdf)

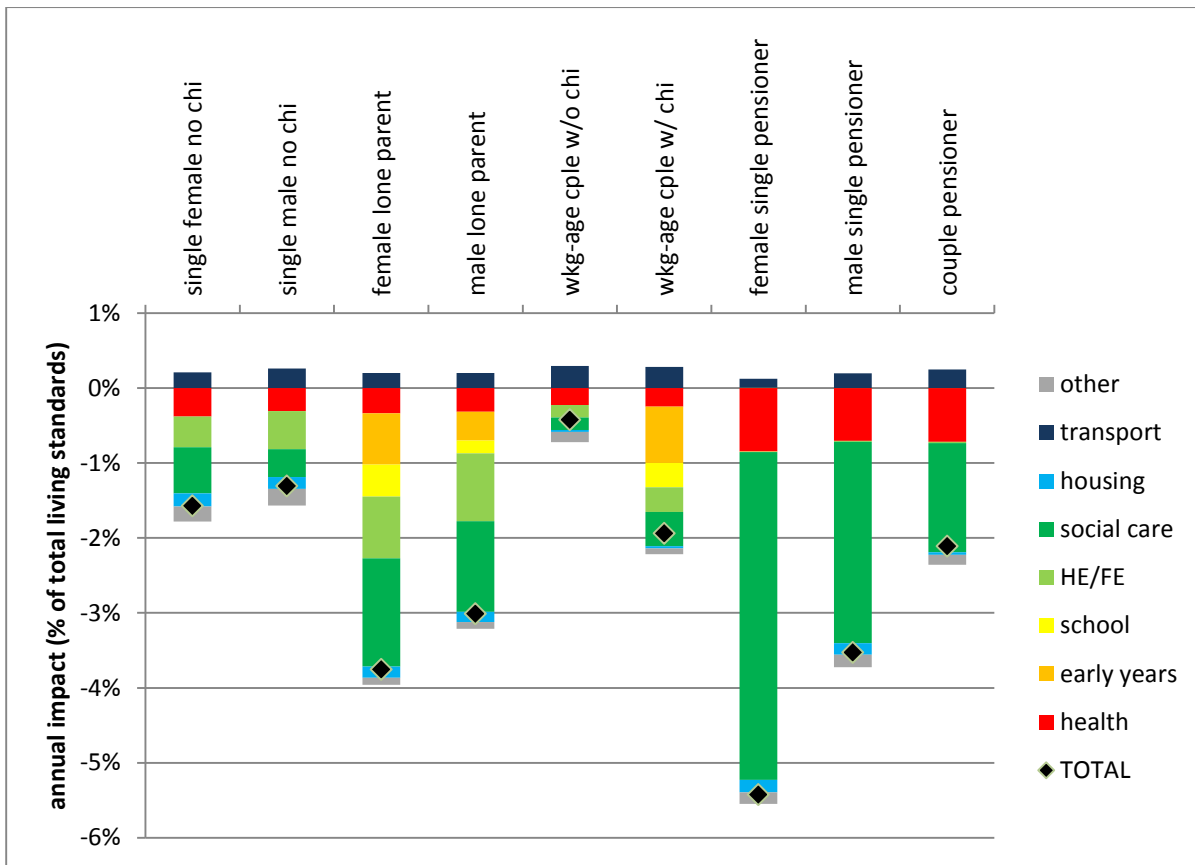
<sup>19</sup> See methodology on how to allocate public spending to households in the EHRC report written by Howard Reed and Jonathan Portes mentioned earlier (EHRC, 2014)

[http://www.equalityhumanrights.com/sites/default/files/publication\\_pdf/Cumulative%20Impact%20Assessment%20Final%20report%2030-07-14.pdf](http://www.equalityhumanrights.com/sites/default/files/publication_pdf/Cumulative%20Impact%20Assessment%20Final%20report%2030-07-14.pdf).

<sup>20</sup> The gendered breakdown of household types is a method developed by WBG members Sue Himmelweit and Diane Elson for their gender impact assessment of the 2010 Spending Review. See Howard Reed, Diane Elson and Sue Himmelweit (2013) An Adequate Standard of Living: A Child Rights Based Quantitative Analysis of Budgetary Decisions 2010- 2013, Office of the Children's Commissioner, [www.childrenscommissioner.gov.uk](http://www.childrenscommissioner.gov.uk)

period. The relative impact is shown as a proportion of 'living standards', where this represents the total disposable household income plus the value of the services for the household.

**Figure 1 Cuts in public services as proportion of living standards by gendered household type (2015-20)**



Source: Analysis by Howard Reed for the Women’s Budget Group using the Landman Economics public spending simulation tool

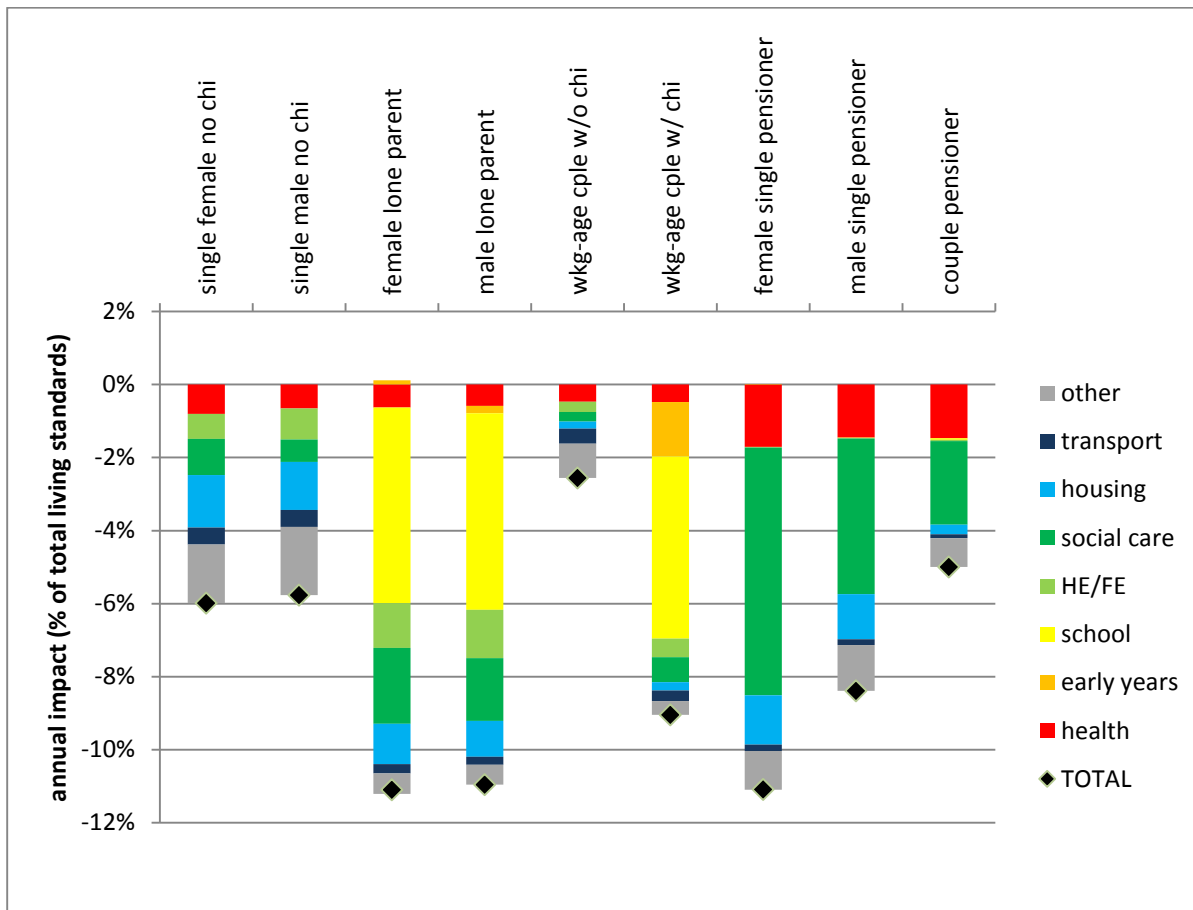
Figure 1 shows that female lone parents (90% of lone parents) would lose the equivalent of 4% of their living standard, mainly as a result of real term cuts in social care central funding, and education (all levels). Female single pensioners lose 5.5% of their living standards, mainly through cuts in social care (and health) in real terms.<sup>21</sup>

In cash amounts, lone parents would lose £1300 a year on average in 2020, more than four times as much as single adults without children while female single pensioners stand to lose around £1200, 50% more than male single pensioners or couple pensioners.

The cumulative picture, which takes account of all cuts in services since 2010, is shown in Figure 2, using a 2010 baseline of living standards.

<sup>21</sup> Note that the estimations do not include the possibility for councils to raise their council tax to fund social care (see below) but instead looks at reduction in central government funding.

**Figure 2 Cuts in public services as proportion of living standards by gendered household type (2010-20)**



Source: Analysis by Howard Reed for the Women’s Budget Group using the Landman Economics public spending simulation tool

Over the entire 2010-20period, lone parents and female single pensioners will have seen their living standards reduced by more than 10% as a result of cuts in public service spending. The gendered impact of austerity is even more pronounced when changes in taxes and benefits, which these figures do not capture, are also taken into account as it is the same households that are disproportionately impacted.<sup>22</sup>

<sup>22</sup> A more detailed analysis of the cuts, inclusive of July 2015 Budget social security cuts and tax changes will be made available soon by the Women’s Budget Group.

## *Employment outlook*

As reported in our response to the Budget of March 2015, headlines on improved employment indicators do not always reconcile with the reality when looked into more detail. Employment for both women and men has indeed increased steadily since 2011 and unemployment has continued to fall albeit at a faster rate for men than for women.<sup>23</sup> However there is still a problem with a lack of growth in earnings and the quality of new jobs as a significant proportion of new employment for women is a result of self-employment, where the gender pay gap is at its highest.<sup>24</sup>

The employment rate of women at 69% is now 2 percentage points higher than before the financial crisis (January-March 2008) and that of men has almost caught up with its pre-crisis level (78.5% compared to 79%). However women's unemployment rate is still higher than before the crisis while men's unemployment rate is now below its pre-crisis level. The proportion of long-term unemployed is still higher than in 2008, and among young people (18-24) it has dropped by 10 percentage points for both men and women since 2013 but is still higher than in 2008. And the share of long-term unemployment among unemployed men over 50 is now just below that in 2008 (at 42%) while that for women of the same age is still 7 points higher than in 2008 (at 38%).

Despite some growth in employment, many employment indicators are worse than their pre-crisis levels for women. This suggests that concerted action is required to help more women find jobs, including through a revised economic policy that includes job creation through investing in social infrastructure, rather than the present narrow focus on physical infrastructure alone, which results in jobs that predominantly go to men.

It is also noteworthy that self-employment has continued to rise, especially for women, whose share is now almost a third (32%) of self-employed people, compared to just above a fourth (27%) in 2008. Self-employed women in low-wage elementary occupations have seen their number almost double since 2010 (an 85% increase), even though the majority of the increase since 2010 (65%) was in more highly qualified occupations.

As already mentioned in previous WBG analysis there are a number of issues regarding the rise in female self-employment. The gender pay gap for the self-employed is much higher than for employees, with self-employed men earning £17,000 on average in 2014 compared to £9,800 for self-employed women. It is also questionable how many of the newly self-employed are genuinely 'self-employed'. With growth particularly in caring and cleaning (as well as administrative services for men), these may simply be outsourced employees that are now working with less security and quite possibly also for lower pay.

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<sup>23</sup> Data in this section are from the Labour Force Survey and the Annual Survey of Hours and Earnings, available from the ONS online database (<http://www.ons.gov.uk/ons/datasets-and-tables/index.html>)

<sup>24</sup> <http://www.acas.org.uk/index.aspx?articleid=4818>

As well as making up a significant portion of the precariously self-employed, women are also still the majority of those who are considered under-employed or precariously employed. Women make up 74% of those in part-time employment, 56% of those involuntarily working part-time and 52% of those in temporary employment. Table 1 summarises these figures and changes since the start of the employment recovery at the end of 2011.<sup>25</sup>

**Table 1 Employment indicators in 2015 and changes since 2011**

	Jul-Sep 2015			Change since Oct-Dec 2011		
	Men	Women	% women	Men	Women	% women
Employment	16,607	14,605	46.8%	6.4%	7.8%	51.4%
Unemployment	957	793	45.3%	-37.8%	-29.2%	36.0%
Part-time empl.	2,231	6,185	73.5%	10.4%	5.5%	60.5%
Involuntary Part-time empl.	557	700	55.7%	-6.3%	-7.2%	59.3%
Temporary	791	870	52.4%	7.2%	7.1%	52.1%
Self-employed	3,102	1,449	31.8%	8.4%	19.4%	49.6%
Empl. rate (16-64)	78.5%	69.0%		3.7%	3.4%	
Unemp. rate	5.4%	5.1%		-3.5%	-2.5%	
Long term unemp.	32.9%	25.1%		-3.2%	-2.0%	
LT unemp. 50+	41.6%	37.7%		-7.6%	1.8%	
LT unemp. 18-24	26.5%	18.7%		-2.2%	-2.5%	

Source: ONS Labour force Survey (2015)

There is also a worrying downward convergence in real terms between men's and women's earnings, as documented in the Women's Budget Group response to the March 2015 budget, continues. Using provisional data from the Annual Survey of Hours and Earnings for 2015, hourly earnings have picked up since 2014 with real term increases of 1.5% for both men and women owing to virtually no CPI inflation over the year. However since 2011, men's hourly earnings have been cut by 1.9% in real terms, and women's by 0.7% (see Tables 2 and 3).

Due to a slower rise in men's earnings than women's, the gender pay gap has narrowed further but only slightly and at a slower rate compared to the pace of reduction observed in the previous decade. The gender pay gap in hourly earnings for 2015 stands at 19.8%, down from 20.7% in 2011 but unchanged since 2014. The hourly gap remains much larger in the private sector than in the public sector (respectively 25.8% and 18.8%), although it has fallen more rapidly in the private sector. The public sector has seen an increase in the gender wage gap since 2013, especially in weekly full-time earnings, as cuts have begun to bite.

<sup>25</sup> As indicated by the start of a steady fall in the ILO unemployment rate, from the last quarter of 2011.

**Table 2 Earnings in public and private sectors by gender (2015) and changes since 2011**

	Weekly (all)		Hourly (all)		Weekly (Full-time)	
	2015	% 15-11	2015	% 15-11	2015	% 15-11
Men all	517.5	-1.9%	13.13	-1.9%	567.2	-1.5%
Men public	614.9	1.4%	16.69	0.2%	648.4	0.1%
Men private	498.3	-1.7%	12.25	-0.6%	546.1	-1.4%
Women all	338.0	0.8%	10.53	-0.7%	471.2	0.1%
Women public	421.9	1.7%	13.55	1.1%	545.8	-1.7%
Women private	295.1	2.8%	9.09	2.2%	419.5	2.7%

Source: ONS Annual Survey of Hours and Earnings (2011 revised and 2015 provisional)

**Table 3 Gender Wage gaps in public and private sectors (2011-2015)**

	Weekly all			Hourly all			Weekly Full-time		
	2011	2013	2015	2011	2013	2015	2011	2013	2015
<b>Gender gap</b>									
All	36.5	35.5	34.7	20.7	20.4	19.8	18.2	17.5	16.9
Public	31.6	30.8	31.4	19.5	17.3	18.8	14.3	14.0	15.8
Private	43.4	41.6	40.8	27.9	27.3	25.8	26.3	25.3	23.2
<b>Pub-priv. Gap</b>									
Men	16.4	16.9	19.0	26.0	24.3	26.6	14.5	13.9	15.8
Women	30.8	29.9	30.1	33.6	33.5	32.9	26.5	25.2	23.1

Source: ONS Annual Survey of Hours and Earnings (2011 and 2013 revised and 2015 provisional)

Overall, then, the picture is considerably less rosy than presented by the Chancellor in his statement. While employment is up, we must be cautious about the quality of the new employment opportunities, particularly for women. Earnings are still sluggish, underemployment remains high and significant growth has been seen in precarious – and not necessarily genuine – self-employment in low-wage sectors of the economy.



## Social security announcements

### *Working-age benefits*

Women on average receive more as a proportion of their income in benefits/tax credits than men, both because they tend to have lower incomes themselves (and so are more likely to need to claim), and because they often receive benefits for others whom they care for, especially children. Of the £16bn net revenue to be raised during this parliament (through benefit spending cuts and tax rises) announced since the 2015 general election, £12bn is coming from women - three times as much as from men<sup>26</sup>. Of all the tax-benefits announcements since 2010 that will result in money being saved/raised in the current parliament (£82.5bn), 81% is coming from women. Both these impacts are missing from the equalities impact analysis of the Autumn Statement.

Due to the decision not to cut tax credits the Autumn Statement by itself suggests an improved situation for many women in the short term. But this must be understood in the context of the government policy of cutting social security as a *principle* - to help to reduce the deficit, to minimise cuts to other departments and to progress towards a 'lower welfare' (higher wage, lower tax) society.

The Chancellor's own 'welfare cap', which limits annually managed expenditure on benefits, will be breached in 2016/17, 2017/18 and 2018/19, requiring a debate in parliament. But none of the unexpected windfall of £27bn was used to reduce the proposed £12bn annual total of cuts to social security spending by 2019/20. These cuts are merely postponed, with less than half delivered by 2017/18 and the rest - £4bn from freezing benefits, r £4-5bn from universal credit and £1.5bn from housing benefit to be delivered by 2019/20. Benefit spending in 2020/21 excluding pensions is forecast to be at its lowest as a share of national income for 30 years.<sup>27</sup>

Further reforms are already being debated in the Welfare Reform and Work Bill including:

- A 4 year freeze from April 2016 to the main rates of most working age benefits;
- Freezing certain tax credit elements and child benefit;<sup>28</sup>
- Reducing the benefit cap;
- Limiting to two the number of children for whom tax credits (or universal credit) is paid, for most new claims or new births from April 2017;
- Removing the family element of child tax credit for children born from April 2017 onwards
- Removing the work related activity component in employment and support allowance and its equivalent in universal credit;
- Increasing conditionality for carers of children aged 2-4 in universal credit (no savings); and
- Converting support for mortgage interest from a benefit to a loan

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<sup>26</sup> Analysis by the House of Commons Library for Kate Green MP and Yvette Cooper MP

<sup>27</sup> Andrew Hood, Institute for Fiscal Studies, at post Autumn Statement briefing, 26 November 2015:

[http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/Hood\\_Benefit\\_tax\\_credit\\_changes.pdf](http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/Hood_Benefit_tax_credit_changes.pdf)

<sup>28</sup> These and other savings taken from Child Poverty Action Group briefing on human rights implications of Welfare Reform and Work Bill.

The WBG argue that social security expenditure and revenue foregone by tax allowances and reliefs have similar economic effects and should be seen as equivalent. In particular, child benefit should be raised in line with personal tax allowances to ensure that families with children keep in line with childless people in relation to their tax-free income. This would also improve the level of income that mothers receive in their own right.

### Tax credits and universal credit

The Chancellor announced that he would rescind the proposed reduction in the income level at which tax credit begins to be withdrawn from £6420 to £3850 and the increase in the taper (withdrawal rate) from 41 to 48%, both of which he had proposed in the summer Budget to introduce by regulations. This would have saved £4.4bn in 2016/17 (now calculated as £3.4bn). This is good news for many women in the short term.

However, the halving of disregarded increased income in year in tax credits from £5000 to £2500 is going ahead from April 2016. And the universal credit work allowances (what someone can earn before benefit is affected) will still be reduced from April 2016, if the Welfare Reform and Work Bill gets through parliament. For disabled people and those with children it will be £192 per month if someone has housing costs (£397 per month if not), and it is abolished altogether for non-disabled childless claimants.<sup>29</sup> In addition, there will be a new minimum income floor for self-employed people claiming universal credit; instead of calculating benefit assuming that they earn a certain amount based on the national minimum wage (NMW), this amount will now be based on the higher 'national living wage' (NLW).<sup>30</sup>

The government justified its new position on the cuts as giving working families on tax credits longer to adjust to the transition to the higher wage, lower tax, lower welfare society it wants. But those who benefit from the NLW, and those who get most from increased personal tax allowances, are not necessarily the same as those who get tax credits; the Institute for Fiscal Studies (IFS) said before the Autumn Statement that it was 'arithmetically impossible' for all those losing from tax credits cuts to be compensated by these other measures.

The Resolution Foundation has calculated that, even taking account of the 'NLW' and tax cuts, the measures in the summer Budget and Autumn Statement together mean working universal credit recipients losing on average £1,000 in cash terms by 2020, rising to an average £1,300 for those with children (the same amount that 3.3m 'working households' would have lost in April 2016 originally). Some would lose by much more, including a lone parent with one child working 20 hours per week on the lowest pay, who would lose £2,800.<sup>31</sup>

The increased minimum income floor for the self-employed (which operates from 12 months after a business starts) could affect many women in particular who find it hard to earn an adequate living from self-employment, especially with children. In addition, here and in the new eligibility rules for tax exempt childcare and early years provision also proposed in the Autumn Statement, the government is applying a

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<sup>29</sup> [http://www.entitledto.co.uk/help/benefit\\_changes\\_april\\_2016](http://www.entitledto.co.uk/help/benefit_changes_april_2016)

<sup>30</sup> The government will allow a year for start-up self-employment when this does not apply, once every 5 years.

<sup>31</sup> <http://www.resolutionfoundation.org/wp-content/uploads/2015/11/SR2015.pdf>. (Note that those moving from tax credits to universal credit will receive 'transitional protection'; but this will not apply to the majority.)

threshold based on a NLW level for those aged 25 plus which will affect many of those under 25 who are likely to earn less.<sup>32</sup>

The cuts in out of work benefits mean that those with earning partners will have less to lose by entering paid work because their incomes out of work are lower. But in comparison with tax credits, universal credit creates greater obstacles to 'second earners' entering the labour market and earning an adequate income once they do. In our view, there is a chronic lack of gender analysis of tax credits, or their replacement by universal credit. Firstly cuts in tax credits are bound to affect women disproportionately, given that they are the main recipients of child tax credit, and many lone parents also get working tax credit and help with childcare costs. Secondly, tax credits and universal credit also act as a (poor) substitute for a proper system of well-paid leaves, adequate social security and public services to support those needing time out of the labour market and/or help with caring. Tax credits and universal credit are seen by many as topping up low pay - which in many cases has a gender dimension, related to the under-valuation of typically 'female' work. But they can also be seen as topping up low household income caused by low work intensity - which in many cases also has a gender dimension, related either to caring or to lack of individual entitlement to benefit.

### Conditionality

The Autumn Statement announced that those on jobseeker's allowance (JSA) will have to attend the Jobcentre weekly for the first 3 months of a claim. This will presumably include increased numbers of lone parents moving from income support to JSA as their children reach the age of 3. New programmes for long-term unemployed people and those with health problems will also be introduced. Some 'work for benefit' (workfare) schemes will be abolished, however.

92% of lone parents are women.<sup>33</sup> Under JSA single parents are allowed some flexibilities in relation to the JSA conditions. Previously this was written in regulations which made it clearer for the adviser and claimant. However, the government had already announced that this is in future going to be implemented through guidance. Guidance removes the legal obligation on the part of an adviser to actively consider and where appropriate apply the parent flexibilities to a claim. This removes vital safeguards from law which currently protect single parents from the inappropriate use of sanctions in circumstances where non-compliance is the result of a claimant having to fulfil their parental responsibilities. It will therefore be harder to show that a claimant has been unfairly sanctioned and to seek appropriate redress; and under universal credit this will also apply to partners with children.

Already, with these easements set out in regulations, lone parents experience multiple problems. For example, the JSA regime takes insufficient account of the distinctive circumstances of women's lives such as being stuck in low-paid jobs, the impact of their caring responsibilities and the fact that they are at much higher risk of domestic and sexual violence. Lone parents are more likely to be sanctioned than other groups without good reason – as documented in the Fawcett Society's independent inquiry into women and

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<sup>32</sup> On the other hand, in its pledge to ensure no one working 30 hours per week at the NMW will pay income tax, the government appears to have retained the NMW instead.

<sup>33</sup> Cited by Child Poverty Action Group (2015) in briefing on human rights implications of Welfare Reform and Work Bill.

Jobseeker's Allowance supported by the WBG.<sup>34</sup> 2 in 5 decisions to sanction lone parents are overturned suggesting that these women are often unreasonably sanctioned in the first place.<sup>35</sup>

There are wider issues about the move to increase obligations on JSA claimants as above, but also the additional 1.3 million people brought into conditionality by universal credit. However, this was a repetition in the Autumn Statement of the outcome of previous policy measures, rather than a new policy, so is not discussed here.

### Housing benefit

The Chancellor said that from April 2018, for tenancies from April 2016, the rent covered by housing benefit for social housing tenants will be capped at the relevant local housing allowance rate (which is the rate paid to private tenants) - including the shared accommodation rate for single childless under-35s. This saves £225m in 2020/21, and more in future; if applied now, 800,000 households would lose an average £1,300/year.<sup>36</sup> It is justified in terms of 'fairness' between those on housing benefit and those paying for it - ignoring the fact that these are often the same people.

Housing benefit has suffered some of the most significant cuts over the past 5 years already. The 'bedroom tax' affecting social housing tenants is the most well-known. But private sector tenants have seen more reductions, including the benefit cap (which is more likely to affect them) and the local housing allowance (the amount of rent counting for housing benefit), now fixed at the 30<sup>th</sup> percentile for local properties of the relevant size, and only indexed to the Consumer Prices Index.<sup>37</sup>

Mobility in the private rented sector is higher than in social housing, with disruptive consequences for those with caring responsibilities, especially lone parents, who may be forced to move away from social networks and contacts built up over time. Social housing is now to become increasingly insecure for its tenants as well. Women, with their caring responsibilities, are likely to feel the effects of this cut disproportionately. This will also outlast the 1% reduction in social housing rents and could have profound longer-term effects on the affordability of social rents for tenants, and potentially on social housing rent setting and allocation policies.

We know that the resulting stress and costs of trying to manage situations such as these, and the others above, are often borne disproportionately by women.<sup>38</sup> Cuts to housing benefit for social tenants are also particularly likely to hit lone parents. This coincides with a time when universal credit will be likely to be causing significant difficulties for many claimants trying to cope with a delay of some 7 weeks before getting a first payment<sup>39</sup> and subsequently having monthly payments in arrears of all their benefit in a lump sum.<sup>40</sup>

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<sup>34</sup> Ariss, A. *et al.* (2015) *Where's the Benefit? An independent inquiry into women and Jobseeker's Allowance*, London: Fawcett Society

<sup>35</sup> Gingerbread website: <http://www.gingerbread.org.uk/> (accessed 2 December 2015).

<sup>36</sup> Andrew Hood, Institute for Fiscal Studies, at post Autumn Statement briefing, 26 November 2015: [http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/Hood\\_Benefit\\_tax\\_credit\\_changes.pdf](http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/Hood_Benefit_tax_credit_changes.pdf)

<sup>37</sup> Andrew Hood, Institute for Fiscal Studies, at post Autumn Statement briefing, 26 November 2015: [http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/Hood\\_Benefit\\_tax\\_credit\\_changes.pdf](http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/Hood_Benefit_tax_credit_changes.pdf)

<sup>38</sup> See WBG (2006) *Women's and Children's Poverty: Making the links*, London: WBG.

<sup>39</sup> Citizens Advice (2015) *Waiting for Credit: The delivery of universal credit as experienced by Citizens Advice clients in England and Wales*, London: CA.

<sup>40</sup> See WBG analyses of universal credit, including specifically on payment issues: [www.wbg.org.uk](http://www.wbg.org.uk)

## Social security – the overall picture

All in all, it is therefore very difficult to see how these moves in social security spending can be part of providing opportunity and security for families, as the government claims. It is also hard to see how they can pass the ‘family test’ announced by the government a year ago,<sup>41</sup> which tries to assess how policies may have an impact on family formation, families going through key transitions, the ability of family members to perform roles including caring etc. And the WBG also concludes from its analysis here that once again the downgrading of social protection – in the sense of social security provision and complementary policies – currently being pursued will have a long-term damaging impact on women in particular.

## Pensions

### Go ahead for second-hand annuity market

The pension freedom changes that came into effect from 6 April 2015 allow many people aged 55 and over to use their pension savings in any way they like, for example taking cash out to spend or pay off debts rather than providing retirement income. The government has said people who have already bought an annuity (a type of insurance that promises to pay an income for life) have been disadvantaged by these new powers. Therefore the government has been consulting on proposals to allow this group, from 2017, to sell their existing annuity income in exchange for a cash lump sum or to buy a more flexible income.<sup>42</sup> In the Autumn Statement (para 3.30), the government announced that these proposals will go ahead, with details to be announced in December. This will effectively allow the development of a second-hand market in annuities.

As we have previously outlined there is a strong chance that people who sell their annuities are likely to get a poor deal. Buyers (who must be firms not individuals) will be prepared to pay more the longer the income is expected to last. This means that the life expectancy of a would-be seller will need to be checked and those in poor health will be offered least. The cost of these checks plus administration fees will take a large bite out of the cash released, especially where the income is in any case low and, if paid out as a lump sum, tax will also reduce the amount further. Moreover, the government has previously said that those who sell their annuities but find they cannot make ends meet later on will not be able to claim means-tested state benefits, potentially leaving them financially precarious. A further major issue is what happens to the rights of widows if their husband has sold a joint annuity – potentially this could affect widowers too but few women buy joint annuities. In the Autumn Statement (para 4.21), the government has proposed that joint annuities might be sold, provided those with the right to death benefits sign away their rights, but it is vital to safeguard against partners being put under duress to sign.

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<sup>41</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/368894/family-test-guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/368894/family-test-guidance.pdf)

<sup>42</sup> HMT/DWP (2015) Creating a secondary annuity market Cm 9046 [online] [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/413763/Creating\\_a\\_secondary\\_annuity\\_market\\_print\\_file\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413763/Creating_a_secondary_annuity_market_print_file_.pdf) (Accessed 18 March 2015)

A second-hand annuity market must have two essential safeguards built in. Firstly, would-be sellers – especially those on low incomes - must have access to impartial tailored advice (not simply guidance) so that they fully understand the value of the income they are giving up and the impact that selling this income may have on their future financial security. Since the cost of regulated advice will be disproportionate for those on low incomes, the current advice review needs to consider how this can be provided either free or at low cost to those who cannot afford to pay.<sup>43</sup> Secondly, there should be a ban on selling the rights of widows (and widowers) where the annuity to be sold is a joint annuity.

#### Delay in increasing automatic enrolment contributions

Automatic enrolment requires employers to put most of their employees into a workplace pension scheme and to contribute to the cost. The majority of newly enrolled employees are going into defined contribution schemes where the pension savings that are built up depend crucially on the amount paid in. Eventually, the minimum contribution will be 8% of earnings between given limits, with the employee paying half this, the employer 3% and tax relief adding 1%. However, under transitional rules, the total contribution is currently just 2% and had been due to rise to 5% in October 2017 and 8% in October 2018. In this Autumn Statement, the Chancellor has announced that the increases will each take place six months later on 6 April 2018 and 6 April 2019, respectively. The delay saves the government £390m in 2017-18 and £450m in 2018-19 in tax relief not paid over to savers.

Women traditionally have been poorly served by the private pension system because the amount of pension that can be built up is closely aligned to earnings and women are more likely to spend substantial parts of their working life in part-time jobs, on low pay and taking career breaks to address caring responsibilities for children and elderly relatives. Automatic enrolment does not solve these issues but at least it gives a boost to pension savings by, in effect doubling the contributions paid in, through the addition of the employer contribution and tax relief. The current 2% contribution is a small fraction of the 21% total that on average is paid into a defined benefit scheme<sup>44</sup>. If automatic enrolment is to provide a meaningful increase in retirement income, it is essential that the contribution increases to 8% as soon as possible. If the government saves £840m in tax relief over two years because of the deferral, this suggests that employees are losing £3.4bn of contributions once the employer contributions are accounted for. Contributions should be increased according to the original schedule, in other words in October 2017 and October 2018.

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<sup>43</sup> HMT/FCA (2015) *Financial Advice Market Review: terms of reference* [online] <https://www.gov.uk/government/publications/financial-advice-market-review-terms-of-reference/financial-advice-market-review-terms-of-reference> (Accessed 15 October 2015).

<sup>44</sup> ONS (2014) *Pension trends Chapter 8: pension contributions 2014 edition* [online] [http://www.ons.gov.uk/ons/dcp171766\\_386492.pdf](http://www.ons.gov.uk/ons/dcp171766_386492.pdf) (Accessed 30 November 2015).

## Spending Review announcements

### *Devolution and changes in local government finance*

The government announced a 'devolution revolution' giving new powers and responsibilities to local councils and aiming for them to become self-sufficient by the end of the parliament (paragraph 1.223). Funding for local authorities from the Department for Communities and Local Government will fall by 56% over the next four years. However the Treasury gave local councils the power to raise a 2% tax precept earmarked to pay for social care. In addition local councils can keep 100% of business rates, and elected city-wide mayors will have the power to levy a business rate premium for local infrastructure. Further local councils can lower the rates in order to compete for new businesses and create jobs, although as the IFS notes, this has been the case for a while and few councils have used this prerogative.<sup>45</sup> In any case total funding available to local councils by 2020 will be lower than in 2015 in real terms, even with maximum use of business rates (and based on OBR forecast in local tax revenue).

These measures risk exacerbating existing inequalities between areas. The government is handing local councils more responsibilities while withdrawing central government funding, and forcing councils to rely on their local population and businesses to finance services. This is portrayed as giving people more control over local services, however it risks geographical inequalities with poorer areas compelled to reduce the provision of key public services. Relying on funds generated from business rates and a 2% precept for social care from council tax will intensify the already high levels of inequality between regions and local areas because the amount raised will be uneven. Poorer areas will have a lower tax take but their needs are greater. The impact will be especially negative for women, who are more likely than men to be employed by the local council, more likely to use collective services such as parks, childcare centres and social care, and they provide the unpaid labour needed when services are cut.

The government's so-called 'devolution revolution' raises questions about the scale and quality of services that local councils in deprived areas will be able to provide, whose users are more likely to be women. WBG would like to see essential local services funded by central government through progressive taxation to ensure even quality across the country. Central funding based on progressive redistributive taxes rather than regressive local funding is required. At the very least council tax should be reformed so that it is not based in practice on highly regressive bands but rather raises money in proportion to household income.

The commitment to a Northern Powerhouse was also restated together with support for physical infrastructure (£13bn for transport in the north, innovative businesses and support for local business missions to emerging economies). In addition a Local Majors Fund has been established so that local councils can bid to fund large, expensive projects (for example, major road building).

Again this Spending Review has prioritised physical infrastructure over social infrastructure. What is especially interesting is that in the case of physical infrastructure the government recognises that local authorities can sometimes benefit from large scale projects that they cannot pay for, but fails to see that the

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<sup>45</sup> P. Johnson (2015) Opening Remarks, Post Autumn Statement Briefing, Institute of Fiscal Studies .  
[http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/SR\\_Nov\\_2015\\_opening\\_remarks.pdf](http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/SR_Nov_2015_opening_remarks.pdf)



same argument can apply to social infrastructure which likewise generates returns in the future in the form of citizens with better economic and social skills as well as higher levels of economic and social well-being.

### *Social care*

A serious and disappointing omission in this Spending Review was the failure to recognise and address the growing care deficit. The inadequacy of the adult social care sector in meeting rising demand caused by demographic transformation and growing needs for long-term care is well known. This sector has been severely affected by the 31% cut in local councils' budgets since 2010, amounting to a £4.6bn cut in spending on social care services. The implications of this are increased pressure on the NHS, 400,000 fewer people receiving publicly-funded care than did so in 2009-10, and a decline in the quality of care and working conditions of care workers.<sup>46</sup> The Women's Budget Group has covered this in previous responses and recently produced a special briefing on social care.<sup>47</sup>

In light of this, the Chancellor's modest proposals will do little to address the longstanding lack of investment in services. The government announced additional funding for social care to be made available to local councils from 2017 through the Better Care Fund. This amounts to just £1.5bn a year by 2020. An estimated maximum of £2bn could be raised from a 2% council tax precept, but this depends on local authorities being willing to impose council tax rises. As such, the extra care funding might not materialise, particularly in poorer areas where the need is greatest. And even if it does the maximum possible of £3.5bn a year by 2020 falls short of the additional funding necessary to meet care needs, which by then will have risen to £8bn, according to the Local Government Association.<sup>48</sup>

The Autumn Statement places an imperative on local government to develop an integration plan by 2017 including systems to integrate care records for those using a range of different services. The new funding has been criticised as 'too little and coming too late to help growing numbers of older and disabled people needing care and support.'<sup>49</sup> Integration should lead to better provision, but in the context of continued cuts in social care it is hard to see how this will be achieved. It is likely that the NHS will continue to bear the consequences of inadequate social care in the community. In particular, older people will continue to occupy costly hospital beds when, with adequate social services in the community, they could return home.

The Chancellor says the 2% council tax care precept is partly about local control and flexibility. However these reforms are a way of passing responsibility – and ultimately blame – for inadequate social services on to local authorities. In 2009, public spending on social care in England was 1.2% of GDP. It fell to just under 0.9% of GDP this year and if cuts continue at the same rate it will fall to 0.5% of GDP by 2020, according to

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<sup>46</sup> See <http://wbg.org.uk/wp-content/uploads/2015/07/social-care-briefing-june-2015.pdf>

<sup>47</sup> *ibid*

<sup>48</sup> As quoted by Alice Hood from the TUC in her commentary about the Spending Review (see <http://touchstoneblog.org.uk/2015/11/local-government-funding-slashed-by-half-in-spendingreview/>)

<sup>49</sup> See ADASS (2015), 'ADASS Responds to the 2015 Spending Review' available at <http://www.adass.org.uk/press-release-in-response-to-spending-review-2015/> (accessed 30 November 2015)



the King's Fund.<sup>50</sup> Moreover neither the cuts nor the new funding will be spread equally between local authorities. Poorer authorities will be unable to raise as much as wealthier authorities from the 2% levy, although their needs will be greater. Indeed some local authorities may choose not to raise council taxes at all. Despite the implementation of the Better Care Fund, the availability and quality of services will continue to be inadequately funded and unfairly loaded against those in the poorest areas.

There was hardly any mention in the Spending Review of a strategy to improve the working conditions, training and retention of the social care workforce. Due to recruitment difficulties, some parts of the UK, in particular London, are heavily dependent on recruitment from overseas. At the same time the government remains committed to reducing immigration. To this end, nurses who have come from outside the EU since 2011 will have their right to remain removed in 2016 unless they earn over £35,000. Few nurses in the social care sector earn that amount. The Chancellor reduced incentives for those already living in the UK by replacing trainee nurses' bursaries with loans. This is more likely to reduce the numbers entering the nursing profession.

Investment in training and continuing staff development is crucial as only three-fifths of the social care workforce have any relevant qualification. Yet there were no targeted measures to increase the number of apprenticeships in social care (just over 73,000 in 2013). Staff turnover is high (24% in the residential care sector and 31% in the domiciliary sector) and half of those who leave exit the sector altogether. By 2014, half of social care staff were employed full-time and 36% part-time, and 12% for undefined working time. A total of 300,000 were on zero hours contracts. Pay is low and for basic care workers, 87% of whom are women, close to the current minimum wage.<sup>51</sup> This means that the move to the higher so-called National Living Wage next April will be problematic for employers in the private sector who are heavily dependent on local authority sponsored residents. Modelling by the Resolution Foundation estimates that meeting the National Minimum Wage (NMW) and National Living Wage (NLW) commitments in July 2015 will cost an additional £2.3bn in the social care sector, of which £1.4bn will be an increase in costs to the public purse, almost wiping out all the gains from the Better Care Fund that will anyway only materialise after 2017.<sup>52</sup>

Three of the larger providers have already warned they will withdraw from publicly funded social care. In the six months to March 2015, there was for the first time a net loss of older people's beds with a reduction of 3,000 beds (out of a total of 487,000).<sup>53</sup> As a result of increasing property prices, smaller providers may be tempted to cash in on the increased value of the home and leave the sector altogether. Those providers who stay will be less able and willing to either invest in training and developing the skills of their staff or provide apprenticeships, despite the new levy, and may be tempted to try and economise on the numbers and pay of managers. This is what happened after the minimum wage was first introduced over 15 years ago. The

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<sup>50</sup> The Kings Fund 2015 Social care: a future we don't yet know (<http://www.kingsfund.org.uk/blog/2015/11/social-care-future>)

<sup>51</sup> Data on working conditions in the social care workforce are from Skills for Care (2015) 'The state of the adult social care sector and workforce report in England: 2014 (available at <http://www.skillsforcare.org.uk/Document-library/NMDS-SC,-workforce-intelligence-and-innovation/NMDS-SC/State-of-2014-ENGLAND-WEB-FINAL.pdf>)

<sup>52</sup> Resolution Foundation (2015) 'Care to pay? Meeting the challenge of paying the National Living Wage in social care (available at <http://www.resolutionfoundation.org/wp-content/uploads/2015/11/Social-care-NLW.pdf>)

<sup>53</sup> Final Report of the Commission on the Future of Health and Social Care in England, 2015

majority of the 1.3m workforce are women, which means failure to invest in developing a skilled and well-rewarded workforce capable of meeting the challenges facing the social care sector is a gender issue.

Moreover, several changes announced in the Autumn Statement will affect the support unpaid carers are able to give (and receive). Failures to tackle the housing crisis or to help families remain in their locality undermine the ability of families to care for the older generation when they become frail or ill by forcing relatives to move further away from each other. Indeed with the demise of social housing and shortage of new dwellings, affordable accommodation to buy or to rent nearby is far less available. The English Longitudinal Study of Ageing and other official statistics indicate that more than a million people who are struggling with basic daily activities such as getting out of bed, washing and dressing currently receive no help from either formal services, family or friends.<sup>54</sup> This figure increased by 100,000 in one year alone. Families who no longer live close enough to each other to provide such regular daily care probably account for much of this increase; proximity is a key determinant of intergenerational care. There is no technical fix. This particularly affects women, who when old and frail are more likely to live on their own, and also are more likely than men to be caring for someone living in a different household. Cuts in housing benefit and in particular the 'bedroom tax', which fails to recognise that without a 'spare' room an elderly mother for example cannot convalesce in her daughter's home, are being exacerbated by the housing crisis.

As the caring crisis becomes more and more acute and with limited attempts to address its structural causes, the Women's Budget Group once again calls for radical change to create a genuine caring economy with significant structural investment in social infrastructure. This includes support to unpaid carers, improved working conditions and care standards in the formal sector, and investment to plug the funding gap.

## *Childcare*

The Autumn Statement confirms the announcement made in the July budget to help with the cost of childcare by providing an additional 15 hours of free childcare for three and four year olds whose parents are in work. The Chancellor explicitly committed at least £300m a year from 2017 to improve the hourly rate paid to providers. The Women's Budget Group and others have repeatedly argued for more direct public funding in the provision of high quality childcare, necessary because above-inflation cost increases, a lack of available places and poor working conditions are making the industry unsustainable. Average childcare costs in England rose by 32% over the last Parliament, almost three times as fast as CPI inflation.<sup>55</sup>

Any initiative that promotes the provision of high quality, affordable and universal childcare is welcome. However, the Autumn Statement has redefined the eligibility conditions of the extra free hours, requiring parents to be in work for at least 16 hours and setting a minimum earnings threshold (equivalent to 16 hours at the National Living Wage) and a maximum earnings threshold of £100,000. It is estimated that this has reduced the number of eligible families from 600,000 to 390,000.<sup>56</sup> The same earnings and working

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<sup>54</sup> [http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/Briefing-The\\_Health\\_and\\_Care\\_of\\_Older\\_People\\_in\\_England-2015.pdf?dtrk=true](http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/Briefing-The_Health_and_Care_of_Older_People_in_England-2015.pdf?dtrk=true)

<sup>55</sup> See analysis of the sector by Jill Rutter (2015) Childcare Costs Survey 2015, Family and Childcare Trust, <http://www.familyandchildcaretrust.org/sites/default/files/files/Childcare%20cost%20survey%202015%20Final.pdf>

<sup>56</sup> <http://www.theguardian.com/money/2015/nov/25/stricter-rules-free-childcare-cut-eligible-families-third>

conditions will now also apply to the Tax Free Childcare support due to be implemented in early 2017. The government intends to save about £200m by 2020 by restricting eligibility in this way. The more stringent eligibility criteria are partly offset by extending access to the extra 15 hours of free childcare to parents on paid sick leave or parental leave, disabled parents caring for a relative (provided any partner also fulfils the employment and earnings conditions). The net savings of these eligibility conditions in the AFS policy costings (compared to July Budget) are estimated at £110bn a year by 2019-20.

The eligibility restriction for the additional 15 hours of free childcare contrasts with the current universal offer of 15 hours childcare to all children aged 3 and 4 (and 40% disadvantaged 2 year olds). This repositions the additional free early years childcare as an in-work benefit, rather than a common good. It is also only provided for 38 weeks, making it difficult for parents in employment for the full year to keep their children in regular care settings. Moreover, it will exclude young, low-income parents that by virtue of their age are earning below the new national living wage, and also lone parents who may work fewer hours. Any system that is not universal is bound to be more complex to administer. Specific work allowances for parents with varying weekly hours would need to be included at the very least.

We welcome the additional £300m funding for increasing the subsidy rate per childcare place (albeit only from 2017-18), which partially addresses the concerns of the childcare industry about the introduction of the National Living Wage from April 2016. However it is not clear this will be sufficient to cover the existing gap between current costs and subsidy rates, as well as any increases in this gap between 2016 and 2017. If not, cost pressures may be exacerbated by the increase in childcare subsidies, leaving many providers on an unsustainable path. Formal high quality affordable childcare is already in short supply and these measures fail to address this. There must be a significant increase in public investment in high quality childcare places (including a bigger pool of places and opening hours), and higher qualifications and pay for staff.

If the Chancellor is serious about making 'the long term investment needed to build a prosperous nation [which] means investing in education from childcare to college' (para 1.155, p.43 of the statement), a more ambitious plan is needed. The Autumn Statement says that by 2019-20 more than £6bn a year will be spent to help parents with the cost of childcare, including free provision, tax-free childcare and the childcare subsidy in the universal credit. Using OBR GDP forecast, this is equivalent to about 0.3% of GDP, hardly any increase from current levels of spending as a proportion of GDP (at about £5bn in 2014-15, which is also 0.3% of GDP).<sup>57</sup>

In contrast, providing free childcare places for all children aged six months up to their fifth birthday, regardless of their parents' employment status, would require about 2.5% of GDP upfront, according to new analysis.<sup>58</sup> This includes raising childcare workers' pay to that of primary school teachers. The figure is still 1.6% of GDP in a scenario in which at least the living wage is paid. Moreover, between 85% and 70% respectively of these costs (depending on pay level scenario) could potentially be recouped through increased direct tax revenue from employment (increased earnings from additional direct and indirect jobs),

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<sup>57</sup> Figures from <http://www.publications.parliament.uk/pa/ld201415/ldselect/ldaffchild/117/11706.htm#n52>

<sup>58</sup> Full analysis in De Henau, Jerome (2016, forthcoming), 'Costing a feminist plan for a caring economy: the case of free universal childcare in the UK', in Bargawi, H. Cozzi, G. And Himmelweit, S. (eds) *Lives after austerity: gendered impacts and sustainable alternatives for Europe*, London: Routledge.

increased indirect tax revenue from consumption and reduced spending on tax credits (due to increased employment of unpaid carers and unemployed).

## *Schools*

Public spending cuts, the public sector pay freeze, and the continuing process of removing schools from local authority control and oversight through free schools and academy status, have had a disproportionate impact upon women. Women make up 80% of the teaching workforce, over 80% of auxiliary school staff and 92% of teaching assistants.<sup>59</sup> Teaching unions report that these changes have led to stressful working conditions for the predominantly female workforce. Particularly hard hit are women teachers with caring responsibilities and older teachers who find themselves being “managed out” to make way for younger, newly qualified teachers who command much lower salaries and are less likely to complain about unreasonable workloads.<sup>60</sup> The WBG is concerned that the announcements in the Spending Review will intensify these trends.

### *Introduction of new national funding formula*

The Chancellor announced the introduction of a new funding formula that will see a national rate set per pupil, with additional funding for those with special needs (paragraph 1.163).<sup>61</sup> This change is designed to reduce geographical inequalities in school funding. The new formula reallocates existing funding, rather than providing any additional funds. Analysis by the National Union of Teachers shows that once the effects of inflation are considered, all but one local authority will see a reduction in funding in real terms.<sup>62</sup> That is, even local authorities that stand to gain under the new formula, will see that gain eroded by the effect of inflation. Many of the areas that stand to lose the most under the new funding formula are inner-city boroughs, where deprivation levels are often highest.<sup>63</sup>

The pressure on school budgets is further exacerbated by increased staff costs resulting from the rise in pension contributions (effective September 2015) and higher employer national insurance contributions (from April 2016). In practice, this is likely to translate into larger class sizes, increased work stress and job cuts for the predominantly female workforce.

### *Cut to the Education Services Grant*

The Chancellor announced a £600m cut to the Education Services Grant, which provides for services such as speech therapy, physiotherapy, music and occupational therapy.<sup>64</sup> As well as impacting directly on the welfare of school pupils who receive these services, this cut will disproportionately impact on the

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<sup>59</sup> <https://www.gov.uk/government/statistics/school-workforce-in-england-november-2014>

<sup>60</sup> [https://www.tuc.org.uk/sites/default/files/Age Immateral Women Over 50 Report 2014 LR.pdf](https://www.tuc.org.uk/sites/default/files/Age%20Immateral%20Women%20Over%2050%20Report%202014%20LR.pdf)

<sup>61</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479749/52229 Blue Book PU186 5 Web Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU186_5_Web_Accessible.pdf)

<sup>62</sup> <http://www.teachers.org.uk/node/25349>

<sup>63</sup> Ibid.

<sup>64</sup> [http://www.local.gov.uk/children-and-young-people/-/journal\\_content/56/10180/7587522/NEWS](http://www.local.gov.uk/children-and-young-people/-/journal_content/56/10180/7587522/NEWS)

predominantly female workforce that delivers them and on parents, often mothers, who will try to compensate for the lack of these services.

### VAT exemption for 6<sup>th</sup> Form Colleges that become academies

The Spending Review further incentivised the move to academies, with the Chancellor announcing that 6<sup>th</sup> Form Colleges adopting academy status would be exempt from 20% VAT. While there has been a call for all 6<sup>th</sup> Form Colleges to be exempt from VAT, this partial exemption is likely to have the effect of removing more institutions from local authority control, even though 80% of local authority maintained schools are currently rated 'good' or 'outstanding' by Ofsted.<sup>65</sup> The Women's Budget Group has previously said that the government's academy and free school project has been damaging to women's employment in the education sector. Furthermore, academy and free school freedoms, in relation to the curriculum and the teaching of sex and relationships education, potentially undermine the independent role of schools in challenging gender stereotypes and equipping young people with a broad education, which includes information about sexual wellbeing, contraception and abortion, relationships, and consent.

### Apprenticeships and Further Education

The Chancellor continues to move more of the funding of post-school education from central government to students, trainees and employers. This is a recipe for more financial insecurity for many trainees and students, and is more likely to adversely impact women as their earnings are often lower.

### Funding the apprenticeship system through an employer levy

The Chancellor previously announced the apprenticeship levy in the July 2015 post-election budget, but gave no details of its operation. In the Autumn Statement he announced that the levy will be introduced in April 2017 at a rate of 0.5% of an employer's pay bill (provided their wage bill exceeds £3m), and it will fund the delivery of three million apprenticeship starts by 2020. The government expects this levy to raise £3bn by 2019/20. This should produce an increased spend on apprenticeship training overall and the Chancellor argued that key providers of apprenticeship courses (i.e. colleges) will benefit from this increase in funding. The Chancellor says that the measure is designed to 'put control of apprenticeship funding in the hands of employers' and 'encourage employers to invest in their apprentices and take on more'. All employers who do not pay the levy will be able to access government support for apprenticeships (46).

While the WBG (and other organisations like the TUC) have welcomed the idea of this levy in the past, there are still issues the government must address for it to be effective.<sup>66</sup> The CBI argues that ultimately what is funded by employers will come out of employees' wage packets.<sup>67</sup> The government should act to ensure that employers cannot penalise workers – particularly low earning women – for the apprenticeship levy. As we

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<sup>65</sup> [http://www.local.gov.uk/children-and-young-people/-/journal\\_content/56/10180/7587522/NEWS](http://www.local.gov.uk/children-and-young-people/-/journal_content/56/10180/7587522/NEWS)

<sup>66</sup> <https://www.unionlearn.org.uk/news/TUC-welcomes-Apprenticeship-Levy-announcement-in-CSR>

<sup>67</sup> <http://www.ft.com/cms/s/0/Ofef3905e-9367-11e5-94e6-c5413829caa5.html#axzz3smuUw8Vo>

noted earlier, should the levy create downward pressure on wages there is a possibility it will impact on earnings growth and the government's ability to achieve its projected budget surplus.

We are concerned that, while the additional investment in apprenticeships is welcome, the measures do nothing to address the gender segregation of apprenticeships and the consequent impact on earnings. The majority of apprenticeships are presently held by women. Of 871,800 apprenticeships in 2014/15, 51% were held by women.<sup>68</sup> Research carried out by the Young Women's Trust shows that young women apprentices are under-represented in many key sectors such as construction and ICT, and dominate in health and social care.<sup>69</sup> After completing their apprenticeship some 16% of women were out of work compared to 6% of men, which could be explained by the fact that women dominate apprenticeships in already oversubscribed areas like hairdressing. Almost two thirds of female apprentices are employed in just five, often low paid, sectors such as health, social and personal services. Sectors that have a high proportion of young women also tend to be lower paid and have worse career prospects than the sectors where there is a high proportion of men. Female apprentices earn, on average, £4.82 an hour compared with £5.85 an hour for male apprentices.<sup>70</sup>

Unless a concerted effort is made to change the gender balance across all types of apprenticeships, there is a very real danger that the measures announced in the Autumn Statement will entrench these inequalities given the proportion of the new apprenticeships earmarked for areas of physical infrastructure investment, such as High Speed 2 (paragraph 2.85).

An increase in high quality apprenticeships in all areas is to be welcomed, as is the engagement of employers in, at least partly, funding them. However, to ensure that both men and women benefit from these measures, there should be support for initiatives that encourage women to enter typically male fields and targets to ensure that this happens. In addition, public investment in social infrastructure would also help secure high quality jobs for both male and female apprentices in health and social care, as well as better pay terms.

#### Freezing funding for further education (FE) colleges for the next four years.

Holding funding for core skills at £1.5bn for the next four years means a decrease in real income to FE colleges. Of the 2,613,700 adult learners participating in further education in 2014/15, 57% were women.<sup>71</sup> Any decrease in resources in this area will impact on more women and girls, and on the quality and availability of training and education outside the apprenticeship system. It will also impact on employment in the sector, which is 74% female and characterised by low pay and part-time working.<sup>72</sup>

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<sup>68</sup> Skills Funding Agency. (2015). Further Education and Skills Learner Participation, Outcomes and Level of Highest Qualification Held *Statistical First Release*. London: Department for Business Innovation and Skills, BIS.

<sup>69</sup> [http://www.youngwomenstrust.org/what\\_we\\_do/campaigning/apprenticeship\\_campaign](http://www.youngwomenstrust.org/what_we_do/campaigning/apprenticeship_campaign)

<sup>70</sup> [http://www.youngwomenstrust.org/what\\_we\\_do/media\\_centre/press\\_releases/319\\_apprenticeships\\_where\\_pay\\_goes\\_first\\_appears](http://www.youngwomenstrust.org/what_we_do/media_centre/press_releases/319_apprenticeships_where_pay_goes_first_appears)

<sup>71</sup> Skills Funding Agency. (2015). Further Education and Skills Learner Participation, Outcomes and Level of Highest Qualification Held *Statistical First Release*. London: Department for Business Innovation and Skills, BIS.

<sup>72</sup> The Education and Training Foundation. (2014). Local Authority Community Learning and Skills Workforce Survey Report, 2012/13.

## Converting maintenance grants to student loans and changes to eligibility

The Chancellor also made a number of announcements that continue to shift responsibility for the cost of education from the State to individuals, primarily by making more loans available and converting existing grants into loans.

Part-time higher education students will now be able to apply for loans under the same terms as full-time students. Tuition fee loans will be available for higher level skills in Further Education and for postgraduate Master's degrees. There has been a significant drop in the numbers of part-time students, with this first reported in 2013<sup>73</sup> and now continuing into this year.<sup>74</sup> Women make up the majority (61%) of part-time undergraduate students and (59%) part-time postgraduate students.<sup>75</sup> It is therefore welcome that full-time and part-time students are treated equally with respect to access to student loans. However, the long-term impact of loan debt on women, who on average have lower earnings than men, is likely to be negative with respect to their disposable income and their lifetime financial inequality. The prospect of lower earnings, even after graduation, is also more likely to deter women than men from entering education, particularly as mature students.

The Chancellor announced in the July budget that he intended to replace the maintenance grant paid to poorer students with a loan. In the Autumn Statement he confirmed that this will now be implemented and save the government £2bn a year by 2019/20. However, this 'saving' again is simply a transfer of public debt to private individuals, who in this case are also far less likely than their well-off counterparts to have highly paid jobs on graduating or over the course of their working life.

The government will now freeze the student loan repayment threshold for five years from 2016. This goes against the promise made in 2010 that the repayment threshold would rise in line with average earnings.<sup>76</sup> Graduates on lower earnings (in real terms) will now be making repayments when previously they would not have earned enough. This measure will impact more on women because although there is little difference between the wages of male and female graduates on graduation, within ten years the gender pay gap sees women's earnings fall significantly behind the earnings of men.

Bursaries for those studying nursing and midwifery will be replaced with loans. Framed by the Chancellor as a way of removing the cap on the number of nurses and midwives trained each year, the measures again transfer the cost of training and education from the state to individuals. It is expected that the state will save some £826m. However, contrary to the Chancellor's intention, the move to loans could increase the reliance within the NHS on nurses from foreign countries. Nursing and midwifery are well known as highly skilled but relatively low paid occupations and women entering these professions will now do so with a large loan debt. The new debt burden will impact on the attractiveness of nursing and midwifery as a profession, potentially reducing the number of women applying to study nursing. Unison has reported that nine in 10 nurses

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<sup>73</sup> Universities UK. (2013). *The Power of Part-time*. Review of part-time and mature higher education. Woburn House, London: Universities UK.

<sup>74</sup> <http://www.theguardian.com/education/2015/jan/15/part-time-university-students-numbers-fall>

<sup>75</sup> Higher Education Statistics Agency. (2015). *Students and Qualifiers: Table 6b*. Retrieved from: <https://www.hesa.ac.uk/stats>

<sup>76</sup> <http://www.theguardian.com/money/2015/nov/25/student-loans-george-osborne-criticised-freezing-repayment-threshold>



surveyed have said that they would not have studied nursing without the bursary.<sup>77</sup> It is also unsurprising that these measures will have a disproportionate impact on women, with women making up 91% of those studying nursing degrees in the UK.

### Cuts to the adult skills budget

The adult skills budget was cut by £360m, which the Chancellor justified by saying that funding would instead be prioritised for ‘participation’.<sup>78</sup> However, the adult education sector is already stretched and this cut will make it more difficult to provide vital skill development in areas such as English for Speakers of Other Languages (ESOL), an important service for many women. Further, cuts to the UK Commission for Employment and Skills budget will threaten its important work on gender and employment that seeks to address the gender segregation of the workforce, which is one of the key contributors to the gender pay gap.

### Housing

Housing was one of the primary areas of focus in the Spending Review. Most notably, the government has committed to a doubling of the housing budget and to delivering 400,000 affordable houses starts by 2020/21. This includes 200,000 starter homes; 135,000 homes for shared ownership; 10,000 available on Rent-Save-Buy schemes; and 8,000 specialist homes for older people and those with disabilities. This is in addition to 50,000 affordable homes already committed. Investment in house-building is welcome, however the government’s focus on “the homes that people can buy”<sup>79</sup> rather than social housing delivers a mixed picture for women.<sup>80</sup>

The cumulative effect of the measures announced in the Spending Review is strong: those at the margins of home ownership are prioritised over those – many of them women - in real housing need. The government has committed itself again to a short term fix, likely to disadvantage women and families on lower incomes. We urge the government to instead consider investment in housing that remains dedicated to the social good - an ongoing safety net for women and families - rather than their current commitment to subsidising the individual gain of largely middle-earners.

### Starter homes and reforms to planning

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<sup>77</sup> <http://www.publicfinance.co.uk/news/2015/11/nurses-would-not-train-without-bursaries-unison-finds>

<sup>78</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479749/52229\\_Blue\\_Book\\_PU1865\\_Web\\_Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf)

<sup>79</sup> <https://www.gov.uk/government/speeches/Chancellor-george-osbornes-spending-review-and-autumn-statement-2015-speech>

<sup>80</sup> The government announced a wide range of measures relating to housing in this Autumn Statement. We intend to publish a fuller review of housing policies within the next few months. Here, we focus on the headlines: starter homes, an increase in building for shared ownership, reductions to housing benefit in social housing, and the rise in stamp duty for second homes.



A key commitment in the Spending Review was to kickstart the building of 200,000 starter homes between now and 2020/21. A budget of £2.3bn has been earmarked to support the building of 60,000 of these homes; the remainder are expected to benefit from changes to planning legislation.

Starter Homes are newly built homes – up to the value of £450,000 in London or £250,000 elsewhere - available to first time buyers and sold at a discount of at least 20% of market value.<sup>81</sup> The challenge for many women, who are more likely to be on low incomes, and families will be that 80% of the market rate remains unaffordable, particularly in the South East and London.<sup>82</sup>

Many of those who can't afford to buy will remain stuck in expensive, unstable private rental accommodation, unable to save for a deposit while watching house prices rise further out of reach. The OBR forecasts supplied with the Autumn Statement suggest that this is only set to get worse. House price inflation is predicted to be 5% a year, thereby outstripping earnings growth over the same period and leading to an increase in the ratio of house prices to average earnings (paragraph 1.19).<sup>83</sup>

The Starter Homes provision will not address the causes of rising housing costs. And those who receive the subsidy will keep the benefits, as Starter Homes can be sold on at market value after only 5 years. This subsidy, then, is a one-off windfall targeted directly at middle-income households taking their first step onto the housing ladder. We may also see this translate into a subsidy indirectly to the housebuilders and landowners, as house prices for applicable new builds may increase.

The move towards Starter Homes comes at the expense of more traditional forms of affordable housing, including housing for below market rent. A key mechanism in delivering Starter Homes is that they have, since October 2015, been considered 'affordable' housing under section 106 agreements,<sup>84</sup> even though it is questionable whether these homes are indeed "affordable".

Some 16,193 affordable rented homes were delivered through section 106 agreements in 2013/14, comprising 37% of new affordable homes.<sup>85</sup> The reclassification of the planning guidelines and the government's discouraging of low-cost rented accommodation will severely threaten the ability of this mechanism to continue to deliver truly affordable housing.

The government has also committed to facilitating Starter Homes by releasing public sector land for development, as well as previously undeveloped industrial, commercial and retail land, and brownfield sites in the green belt.

Women are over-represented in the affordable rented sector, and under-represented among those buying property. As such, men are likely to be the primary beneficiaries of the announcements to support new Starter Homes. These measures entrench existing gender inequalities in housing and fail to address long-

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<sup>81</sup> <http://services.parliament.uk/bills/2015-16/housingandplanning/documents.html>

<sup>82</sup> <http://www.economist.com/news/britain/21672245-push-build-starter-homes-less-it-seems-david-camerons-affordable-housing-plan>

<sup>83</sup> [http://cdn.budgetresponsibility.independent.gov.uk/EFO\\_November\\_\\_2015.pdf](http://cdn.budgetresponsibility.independent.gov.uk/EFO_November__2015.pdf)

<sup>84</sup> <http://www.planningresource.co.uk/article/1372562/new-duty-include-starter-homes-reasonably-sized-sites-mean-section-106-negotiations>

<sup>85</sup> <https://www.jrf.org.uk/report/rethinking-planning-obligations-balancing-housing-numbers-and-affordability> and <http://www.housing.org.uk/blog/the-spending-review-challenge/>

term housing needs. To ensure long-term housing security, this investment should be directed at affordable homes that remain in social use.

### Shared ownership vs other grants

The government plans to deliver 135,000 Help to Buy, shared ownership homes with £4bn set aside to support the policy. This is intended to allow those unable to buy a home at market rate, to part purchase a house through the acquisition of shares in their home, and increase these shares over time. The scheme will be open to all households earning less than £80,000 outside London and £90,000 in London.

Here is another measure that fails to help low income households, and may yet be unaffordable to a significant proportion of middle income households. Shelter estimates that “at least half of households under 40 in England wouldn’t be able to afford to buy a shared ownership property in 2020”. The charity’s distributional analysis shows that many of those able to access the policy are likely to own their own home already.<sup>86</sup> Again, this is a policy for those at the margins of home ownership, rather than people most in housing need.

Measures to increase shared ownership come at the expense of other forms of more affordable tenure. The government announced harsh cuts in capital grants to housing associations - by 40% in 2017/18 for example. The grants will rise again to £1.2bn in 2019/20 and £1.7bn in 2020/21. However, by 2021 almost all grants received will be for shared ownership as opposed to the social sector (sole recipient of all grants in 2015/16) or ‘build to rent’. Funding for low cost rental accommodation (the so-called ‘social sector’) – in which women are over-represented - will drop from £960m in 2015/16 to £130m a year between 2018 and 2021.<sup>87</sup>

Furthermore, the details of this summer’s pledged 1% reduction in social housing rents are yet to be finalised. But we know already that forecasts for housing association building completions by 2020/21 are 34,000 lower than predicted before this measure was announced in July’s budget.<sup>88</sup> The extra grant promised in this budget will only soften the impact on housing associations’ development plans. It is expected to take until 2020/21 for housing associations to reach the rate of building that was anticipated prior to the rent cut.

### Stamp duty on second homes

The Women’s Budget Group welcomes the Chancellor’s decision to make second homes worth over £40,000 subject to an additional 3% stamp duty from April 2016. This is expected to generate £800m per year by 2019/20.

In the short term, the IFS has warned this could cause a rush to buy second or additional homes before April 2016. However, longer term this could support an increase in primary home ownership and potentially a

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<sup>86</sup> <http://blog.shelter.org.uk/2015/11/shared-ownership-who-does-it-work-for/>

<sup>87</sup> <http://budgetresponsibility.org.uk/economic-fiscal-outlook-november-2015/> and [http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/SR\\_Nov\\_2015\\_opening\\_remarks.pdf](http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Autumn/SR_Nov_2015_opening_remarks.pdf) and <http://m.insidehousing.co.uk/policies-will-lead-to-34000-fewer-new-homes/7012950.article>

<sup>88</sup> <http://budgetresponsibility.org.uk/economic-fiscal-outlook-november-2015/>

decrease in house prices as “buy-to-let” becomes a less attractive option. It might also cause landlords to increase rents to cover their costs.<sup>89</sup>

While it is important to allow easier access for first time buyers to enter the housing market, over buy-to-let landlords, this measure does little to restore the balance. With large firms exempted from the measure, any positive impact will be diminished.

### *Domestic violence services*

Violence against women (VAW) services have suffered significant funding cuts since 2010, and demand far outstrips provision. The Women’s Aid annual survey in 2014 found that a third of those seeking refuge were turned away, and some 32 specialist refuges closed down between 2010 and 2014.<sup>90</sup> Against the backdrop of these cuts, the Chancellor announced that £15m in revenue from the 5% VAT charge on sanitary products - dubbed the ‘tampon tax’ - would be given to women’s charities, with the monies split between domestic violence support services, such as Women’s Aid, and women’s health providers, such as the Eve Appeal and The Haven. In a welcome move, the Chancellor also announced a dedicated £10m a year until 2019 for domestic violence through DCLG, making permanent the ‘plug’ that was found for domestic violence services after a high-profile campaign in 2013/14.

However, the funding directed at VAW charities is small when compared to the amount cut from the sector, particularly by cash-strapped local authorities. The additional funds fail to address the high demand. Worse still, some of the 29% savings extracted from the DCLG in the Spending Review could translate into further cuts to VAW services, despite the new funding announcements. It is also worth noting that there was no mention of spending on support services for sexual violence, stalking and harassment, trafficking and prostitution, FGM and forced marriage – that is, any form of abuse other than domestic violence. Some 42% of Rape Crisis services currently do not have funding beyond March 2016, so the need for funding in this area is acute.<sup>91</sup>

In addition to the inadequacy of the funding, it is concerning that taxes raised from women (and some transgender men), in the form of the tampon tax, are being used to pay for services that help women deal with violence that is predominantly perpetrated by men. Ensuring the safety and security of women is the responsibility of all in society, and should not be paid for by a tax raised on sanitary products. The Chancellor likened the hypothecation of the tampon tax to the redistribution of bank Libor fines to charities. This analogy is deeply inappropriate. It compares fines for wrongdoing to taxes raised from products that are essential to personal care. It also again consigns violence against women as a ‘private’ matter dealt with by charities as opposed to a core state concern.

Finally, it bears remembering that the tax itself is unfair and has come under considerable fire from campaigners. Sanitary products are not a ‘luxury’ item, but a necessity. We strongly urge for the government

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<sup>89</sup> <http://www.fsmevents.com/ifs-26-november-2015/session02.html>

<sup>90</sup> <http://www.theguardian.com/commentisfree/2015/nov/26/tampon-tax-sanitary-products-domestic-violence-women>

<sup>91</sup> <http://rapecrisis.org.uk/news/rape-crisis-celebrates-international-day-for-elimination-of->

to lobby the EU to exempt sanitary products from the 5% VAT charge. We are concerned that because VAW services are being funded from the tampon tax, should the campaign to abolish this tax be successful it would again leave many VAW charities financially vulnerable.

### *National Citizen's Service*

This Spending Review, the Chancellor promised to put power back into communities. Yet, this is in stark contrast to five years of cuts to local authority spending on children and youth services, which have seen budget reductions of close to £500m since 2010 and resulted in the closure of 350 youth centres between 2012 and 2014 alone.<sup>92 93</sup>

Against this backdrop, the promise to boost funding for David Cameron's favoured National Citizen's Service provides little comfort. While many young people enjoy opportunities like The Challenge, well-funded summer holiday schemes are not sufficient replacement for the long term relationships which can result from year-round, open access, holistic provision in our communities. A lack of regular provision increases the likelihood of at-risk young people falling through the cracks and, ultimately, incurring far higher costs to the state as a result of offending and other negative outcomes.

The closure of community youth and children's centres also means that families, and in many cases women, pick up the emotional, social and financial cost; making the choice between paying for childcare or leaving young teenagers to take care of themselves while parents are working.

### *Prisons*

The Chancellor committed to closing down nine existing prisons, many of them on prime real estate in urban areas, and replacing these with nine new facilities, with five to be built during this parliamentary term and a further four shortly thereafter.

One of the prisons earmarked for closure is HMP Holloway, a dedicated women's prison in north London. Campaigners have for some time argued that HMP Holloway is not fit for purpose.<sup>94</sup> It houses primarily non-violent offenders, the majority of whom are themselves victims of violence and abuse, in an environment that has been described as 'bleak' and ill-suited to rehabilitation. Such large-scale settings, as the landmark Corston Review argued in 2007, cannot address the complex needs of non-violent female offenders and in many cases unnecessarily separate women from their families in a way that smaller, local units would not.<sup>95</sup> They are also costly when compared to community-based alternatives to prison and perform worse on a range of outcomes, including reoffending.<sup>96</sup>

As such, the closure of HMP Holloway is in some respects welcome. However, whether the outcomes are ultimately positive for female inmates will depend on what replaces the prison. The closure presents an

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<sup>92</sup> <http://www.cypnow.co.uk/cyp/news/1152925/councils-take-easy-option-to-cut-youth-services-says-youth-minister>

<sup>93</sup> <http://www.independent.co.uk/news/uk/politics/cuts-to-youth-services-will-lead-to-poverty-and-crime-say-unions-9659504.html>

<sup>94</sup> <http://www.telegraph.co.uk/news/uknews/law-and-order/12017131/Why-womens-prisons-do-more-harm-than-good.html>

<sup>95</sup> <http://www.justice.gov.uk/publications/docs/corston-report-march-2007.pdf>

<sup>96</sup> <http://www.neweconomics.org/publications/entry/unlocking-value>

opportunity, as the Prison Reform Trust and others have argued, to invest in community-based alternatives to prison for non-violent female offenders. The Women’s Budget Group supports these calls and urges the government to reconsider its plans to plough monies raised from the sale of existing prisons into building new ones. The evidence strongly suggests that community-based alternatives for non-violent female offenders, who do not pose a threat to society, deliver better outcomes for the women themselves, enable families to stay together and are ultimately more cost-effective.<sup>97</sup>

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<sup>97</sup> Ibid.

## Conclusion

The policy announcements in the 2015 Spending Review and Autumn Statement follow a now well-trodden path: responsibility, risk and debt is transferred from the state (public) to individuals (private), and very often to those who can least bear it, whether they are the young, low-paid, out-of-work, frail or elderly. And, as with previous announcements, it is women who bear the disproportionate adverse impacts.

Far from providing for 'security', the Chancellor is further undermining the social infrastructure – social security, health, education, and care systems – that, when properly resourced, acts as a vital safety net as well as the bedrock of a civilised caring society. The cumulative effect of these changes will be lives marked increasingly by insecurity, particularly for those at the lower end of the income spectrum and for women.

Pursuing deficit reduction in this way is a political choice, not a necessity. As the Women's Budget Group has shown in successive briefings, there are alternatives that can lay the foundations for economic and social security. These requires a rebalancing to ensure that revenue is raised from those who can most afford to pay, rather than from those in most need. This, in turn, enables investment in the social infrastructure as well as support for unpaid carers.

The Women's Budget Group has put forward 'Plan F', which advocates precisely such a path towards a caring economy.<sup>98</sup> The Chancellor and government must recognise that the value of investing in social infrastructure is as vital as physical infrastructure investment. This makes good economic sense, delivering employment and productivity gains, and provides the necessary conditions for better social outcomes. It also addresses some of the root causes of gender inequalities.

If the Chancellor and the government are indeed committed to delivering a 'stronger country' for the next generation, then a radically different path to a sustainable caring economy is necessary.

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<sup>98</sup> See Plan F: A Feminist Economic Strategy for a Caring and Sustainable Economy <http://wbg.org.uk/wp-content/uploads/2015/02/PLAN-F-2015.pdf>

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