

Gender Impact of the Autumn Financial Statement: Briefing from the Women's Budget Group

12 December 2016

The Chancellor pledged in his Autumn Statement to build a country and economy that 'works for everyone'. Yet, despite requirements of the Public Sector Equality Duty (PSED), the government did not provide systematic evidence of how different groups in society are impacted by the measures that were announced.

The Women's Budget Group (WBG) is an independent, not-for-profit think tank that has scrutinised the gender impact of social and economic policy decisions of successive governments for more than two decades.

This briefing provides a summary of the gender impact of the 2016 Autumn Statement. It puts the changes announced in the AFS in the context of changes since 2010, some of which are yet to be fully implemented, and projects the impact forward to 2020. A full gender impact assessment of the 2016 AFS will be available at www.wbg.org.uk from 14th December 2016.

WBG's cumulative impact assessment 2010-2020

The WBG has produced a quantitative assessment of the predicted cumulative impact of all fiscal measures implemented and planned since June 2010 on the net income of different households and individuals by 2020 (see appendix for detailed figures).

Individuals in the poorest households stand to lose most from tax and benefit changes, but in every income group women lose more of their individual income than men and BME women will lose the greatest amount. Disabled people and families with disabled children are also particularly badly hit:

- Black women in the poorest third of households stand to lose £1,926 a year in tax and benefit changes by 2020. Asian women will lose £2057 a year. In contrast white men in the richest third of the population will gain £79 a year (Table 4)
- A household with both a disabled adult and a disabled child stand to lose £13,000 per annum by 2020 as a result of cuts to benefits and services (Table 3)

Moreover:

- The 10% poorest households stand to lose on average 19% of their living standards (net income + the value of in-kind public services) by 2020, almost ten times as much as the richest 10% of households, who lose just 2% (Table 1)

The two groups that lose the most are the two that are predominantly female, lone parents and single pensioners:

- Lone mothers (91% of lone parents) are set to lose 18% of their household's living standards on average,¹ that is a real-term cut of almost £9000 per annum, mainly through cuts to the real value of benefits and spending on schools and childcare (Table 2)
- Single female pensioners (71% of single pensioners) are set to lose 11% of their living standards, the majority due to cuts to social care spending (Table 2)

Key measures and their gender impact

- **The Universal Credit taper will be reduced from 65% to 63%** from April 2017 allowing working households on universal credit to keep a slightly higher proportion of their income. This will not compensate for the cuts to work allowances announced in the July 2015 Budget. A lone parent with two children, on the National Living Wage, would lose about £560 by 2020 due to the work allowance cut and 'regain' only £140 if working 20 hours per week and £260 if working 40 hours per week from the change to the taper rate.² Reducing the taper rate in this way also fails to rectify the disincentive to second earner employment that the UC system will provide for couples and that will disproportionately disadvantage women.
- The Chancellor reaffirmed the **government's commitment to further raising the personal allowance to £12,500 and the higher rate threshold to £50,000 by the end of the Parliament (2020)**. These measures fail to benefit the more than 43% of adults who do not earn above the current personal allowance³. The majority (66%) of these are women. 73% of those benefiting from raising the higher rate threshold are men. This cumulative income tax give-away since 2010 will be costing £19bn per annum by 2020.⁴ £5bn of this annual amount comes from rises announced since the July 2015 Budget, which is more than either the £4bn working-age benefit freeze annual saving by 2020 announced in the July budget 2015, or the £3.5bn annual savings from the cut to the work allowance and reduced income disregard in UC, both of which disproportionately affect women.
- A new **National Productivity Investment Fund of £23 billion over the next five years** was announced for high-value investment, specifically in infrastructure and innovation. However the focus on roads, rail and IT overlooks the urgent need for investment in social infrastructure (healthcare, education, childcare and adult long-term care) which is also necessary to improve productivity. Investment in social infrastructure provides vital goods and services that people need and forms the bedrock of a sustainable economy and society. It also has the potential to create jobs and growth, expand the productive capacity of the economy and reduce long term public debt. WBG research has shown that investment in social infrastructure has the potential to create twice as many jobs as a comparable investment in construction⁵.

Missed opportunity to address the crisis in care

There was nothing in the AFS to address the universally acknowledged crisis in social care.

¹ In this analysis, living standards are to be understood as the sum of the net income of the household and the value of the subsidised part of the services they use. See more details on methodology in Reed and Portes (2014) at https://www.equalityhumanrights.com/sites/default/files/cumulative_impact_assessment_executive_summary_30-07-14_2.pdf

² See Stuart Adam (2016), Tax and benefit reforms, IFS post-Autumn Statement Briefing (https://www.ifs.org.uk/uploads/publications/budgets/as2016/as2016_sa.pdf)

³ Institute for Fiscal Studies (2015) Taxes and benefits: the parties' plans <https://www.ifs.org.uk/uploads/publications/bns/BN172.pdf>

⁴ Mark Whittaker (2016) 'Changing Tax', Resolution Foundation, November (<http://www.resolutionfoundation.org/app/uploads/2016/11/Taxbase-FINAL.pdf>)

⁵ <http://wbg.org.uk/analysis/briefing-papers/investing-2-of-gdp-in-care-industries-could-create-1-5-million-jobs/>

- The funding gap in social care facing local authorities is resulting in 1.86 million people over the age of 50 in England (1 in 10) having unmet care needs. This gap is likely to get worse due to a combination of rising demand and continued cuts to local authority funding.
- The announcement in the 2015 CSR that local authorities can raise council tax by an additional 2% to fund social care does not nearly cover the shortfall in funding.
- The government's plans to make local authorities 'self-sufficient' on business rates creates increased risks for social care funding, particularly for local authorities in poorest areas.
- Many commentators are calling for a completely new more generous system for funding social care with central government funding, better integrated with the health service, as the only sustainable way of meeting care needs.

Underfunding social care disproportionately impact women as the main recipients of social care services, and the majority of carers, both paid and unpaid.

Lack of equality impact assessment by HM Treasury

The Women and Equalities Select Committee has criticised the refusal of the Treasury (under both the current and the previous Chancellor) to reveal analysis of how the 2015 Spending Review affected women, black and minority ethnic people and disabled people.⁶ The Chair of the Committee, Conservative MP Maria Miller, said:

Without the information we have asked for or ministerial evidence it's not been possible to form a view of the government's work under the Public Sector Equality Duty. Promotion of transparency is a central aim of the public sector equality duty requirements⁷.

The report called for an independent evaluation of how robustly the Treasury has complied with the equality duty and how it can improve its equalities analysis. However, AFS 2016 provided no overall analysis of the impact of the measures announced on women (nor on black and minority ethnic people and disabled people).

In particular there was no equality impact analysis at all of the tax give-away in the AFS: the decision to continue with the freeze in fuel duty for a seventh consecutive year, a measure which disproportionately benefits men. The cumulative effect of all reductions in fuel duty since 2010 will cost £7bn a year by 2017-18.⁸

The cumulative impact analysis undertaken by WBG, and highlighted at the beginning of this briefing, shows that it is possible to produce systematic quantitative equality impact assessments of Treasury policy by gender, ethnicity, income and disability (and the intersections between these characteristics). We would welcome the chance to discuss our methods of analysis and the model that we have used for distributional impact analysis with the Treasury.

Further information

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⁶ <http://www.publications.parliament.uk/pa/cm201617/cmselect/cmwomeq/825/82502.htm>

⁷ <http://www.theguardian.com/society/2016/nov/18/mps-call-inquiry> (sorry, I think this is incomplete)

⁸ Mark Whittaker (2016) 'Changing Tax', Resolution Foundation, November (<http://www.resolutionfoundation.org/app/uploads/2016/11/Taxbase-FINAL.pdf>)

Appendix 1: Further data, graph and tables

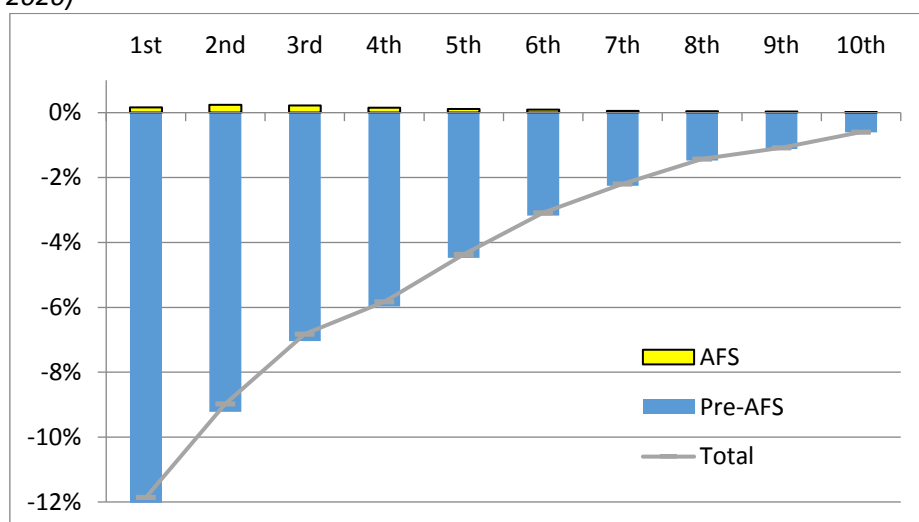
Cumulative changes in taxes and benefits 2010-20 by income decile group

The Landman Economics Tax-Benefit Model used in this analysis calculates the change in net income (after direct, indirect taxes and social security benefits) as it would be by April 2020 after all the changes announced since 2010 have been implemented compared to a baseline net income under the April 2010 system updated to 2020 levels using the RPI (as the index in place at that time).⁹

Figure 1 shows the impact on average net household income of the cumulative changes in taxes and benefits since 2010 that will accrue per annum by 2020-21 for households in different income decile groups (ten groups of equal size of households ranked by their disposable equivalised income, from the poorest in the first decile group to the richest in the tenth decile group).

The impact of the AFS 2016 announcements (including fuel duty freeze) has been highlighted to show their insignificance compared to the cumulative changes that will have accrued by April 2020.

Figure 1 Cumulative real-term impact of changes to taxes and benefits on net household income between April 2010 and April 2020, by income decile groups, as a % of household net income (per annum in April 2020)



Source: WBG calculations using Landman Economics tax-benefit model. The 1st decile group represents the 10% poorest households and the 10th decile group the 10% richest households.

Cumulative impact of tax benefits and public services by household income decile group

Using the Landman Economics public spending tool, we can also analyse the impact of public spending cuts over the same period. We can thus measure the cumulative impact of tax-benefit changes and public spending cuts in real terms between April 2010 and April 2020 on the living standards of different households (that is the net household income plus the value of the subsidised public services they use).

Table 1 Cumulative real-term impact of tax-benefit changes and spending cuts on household living standards between 2010 and 2020 by income decile group (real-term cash and % of living standards)

⁹ See more details on methodology in the report to the EHRC on cumulative impact assessment for the period 2010-15 by Howard Reed and Jonathan Portes (2014) at https://www.equalityhumanrights.com/sites/default/files/cumulative_impact_assessment_executive_summary_30-07-14_2.pdf

	Cash changes			% of living standards		
	Tax-benefits	Public services	Total	Tax-benefits	Public services	Total
1st (10% poorest)	-£1,782	-£4,372	-£6,154	-5.5%	-13.4%	-18.9%
2nd	-£1,962	-£3,468	-£5,430	-5.1%	-9.1%	-14.2%
3rd	-£1,738	-£3,726	-£5,464	-4.1%	-8.9%	-13.0%
4th	-£1,603	-£3,683	-£5,287	-3.7%	-8.4%	-12.1%
5th	-£1,314	-£3,384	-£4,698	-2.9%	-7.5%	-10.4%
6th	-£1,060	-£3,114	-£4,175	-2.2%	-6.4%	-8.6%
7th	-£851	-£2,727	-£3,578	-1.6%	-5.3%	-6.9%
8th	-£654	-£2,280	-£2,933	-1.1%	-4.0%	-5.1%
9th	-£620	-£2,038	-£2,658	-0.9%	-3.0%	-4.0%
10th (10% richest)	-£605	-£1,718	-£2,323	-0.6%	-1.6%	-2.1%

Source: WBG calculations using the Landman Economics tax-benefit and spending models

'Living standards' stand for the sum of net cash income and the value of in-kind subsidised services used

Cumulative impact of tax benefits and public services by gendered household type

Looking at household types and the gender of single-adult households (Table 1), the cumulative impact shows that lone parents (91% of whom are women) and single pensioners (71% of whom are women) stand to lose most, especially from cuts to public services (education and social care). In particular lone mothers are set to lose 18% of their household's living standards on average,¹⁰ that is a real-term cut of almost £9000 per annum (Table 2).

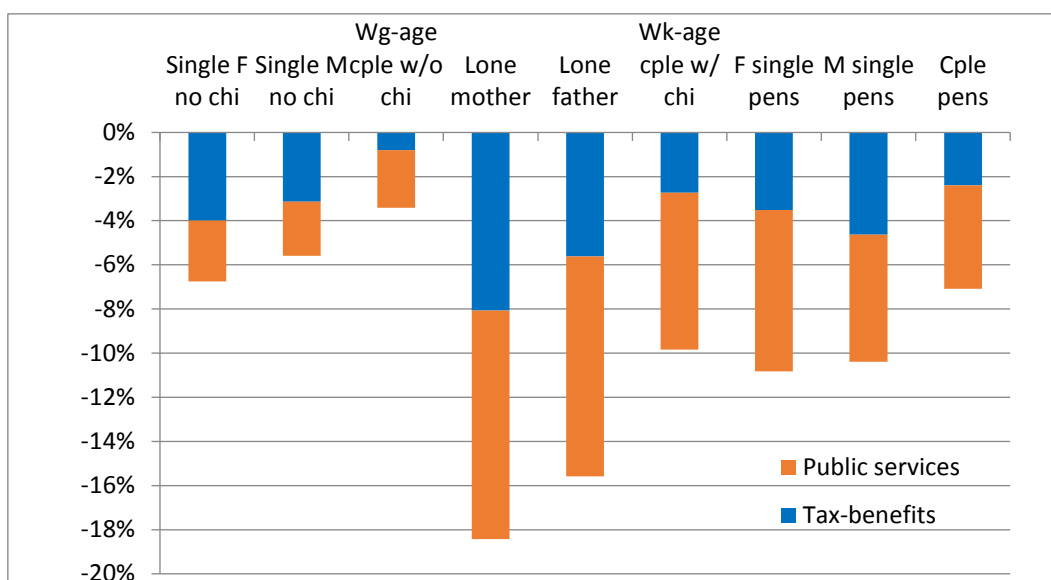
Table 2 Cumulative real-term impact of tax-benefit changes and spending cuts on household living standards between 2010 and 2020 by gendered household types (real-term cash and % of living standards)

	Cash changes			% of living standards		
	Tax-benefits	Public services	Total	Tax-benefits	Public services	Total
Single F no chi	-£1,130	-£778	-£1,908	-4.0%	-2.8%	-6.7%
Single M no chi	-£921	-£725	-£1,646	-3.1%	-2.5%	-5.6%
Wg-age cple w/o chi	-£438	-£1,424	-£1,862	-0.8%	-2.6%	-3.4%
Lone mother	-£3,860	-£4,951	-£8,811	-8.1%	-10.4%	-18.4%
Lone father	-£2,993	-£5,318	-£8,311	-5.6%	-10.0%	-15.6%
Wk-age cple w/ chi	-£2,016	-£5,263	-£7,279	-2.7%	-7.1%	-9.8%
F single pens	-£934	-£1,940	-£2,875	-3.5%	-7.3%	-10.8%
M single pens	-£1,365	-£1,697	-£3,062	-4.6%	-5.8%	-10.4%
Cple pens	-£1,184	-£2,317	-£3,502	-2.4%	-4.7%	-7.1%

Source: WBG calculations using the Landman Economics tax-benefit and spending models

Figure 2 Cumulative real-term impact of tax-benefit changes and spending cuts on household living standards between 2010 and 2020 by gendered household types (% of living standards)

¹⁰ In this analysis, living standards are to be understood as the sum of the net income of the household and the value of the subsidised part of the services they use. See more details on methodology in Reed and Portes (2014) at https://www.equalityhumanrights.com/sites/default/files/cumulative_impact_assessment_executive_summary_30-07-14_2.pdf



Cumulative impact by disability

Table 3 Cumulative real-term impact of tax-benefit changes and spending cuts on household living standards between 2010 and 2020 by types of households with respect to the presence of a disabled adult and or a disabled child

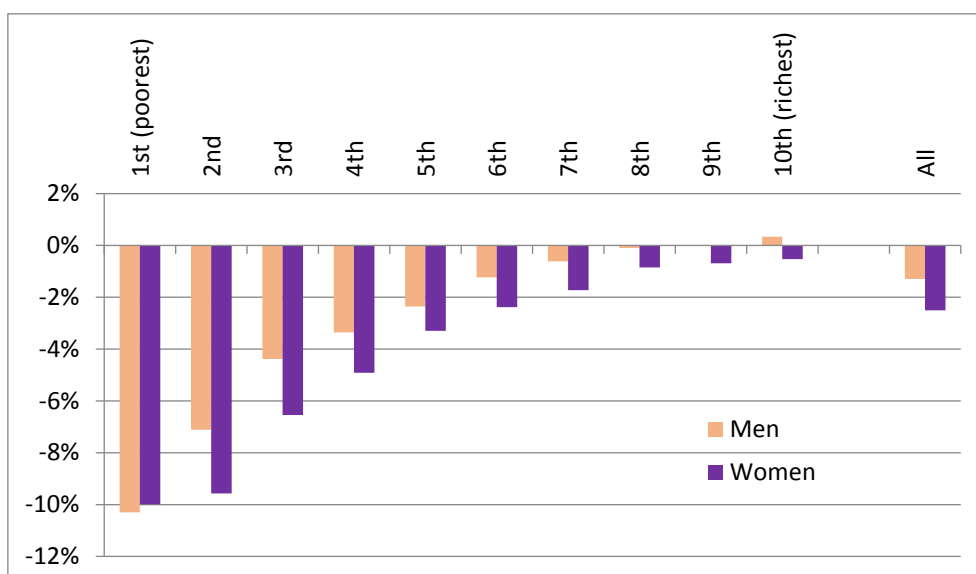
	Cash changes			% of living standards		
	Tax-benefits	Public services	Total	Tax-benefits	Public services	Total
Core dis ad, no c	-£779	-£3,221	-£4,000	-1.6%	-6.8%	-8.4%
Core dis ad w/c not dis	-£2,671	-£6,780	-£9,452	-3.5%	-9.0%	-12.5%
Core dis ad & dis chi	-£5,110	-£7,956	-£13,066	-6.3%	-9.8%	-16.1%
Wider dis ad, no c	£288	-£984	-£696	0.6%	-2.2%	-1.6%
Wider dis ad w/c not dis	-£997	-£5,624	-£6,621	-1.4%	-7.9%	-9.4%
Wider dis ad & dis chi	-£1,882	-£6,727	-£8,609	-2.5%	-8.9%	-11.4%
Not dis ad, no c	£618	-£1,059	-£441	1.3%	-2.3%	-0.9%
Not dis ad w/ c not dis	-£1,106	-£5,080	-£6,186	-1.6%	-7.3%	-8.9%
Not dis ad, w/ dis c	-£2,541	-£6,230	-£8,771	-3.5%	-8.6%	-12.2%

Source: WBG calculations using the Landman Economics tax-benefit and spending models

Note: 'Core' disabled stands for people with a physical or mental health condition or illness expected to last 12 months or more that reduces their capacity to perform day-to-day activities. 'Non-core' (wider) disabled stands for people with a progressive condition (such as cancer or multiple sclerosis) that does not currently limit their day-t-day activities and those whose daily activities would be limited without medication/treatment.

Cumulative impact on individual incomes by gender, income and ethnicity

Figure 3 Cumulative real-term impact on net individual income of changes to taxes and benefits between April 2010 and April 2020, by income decile groups and gender, as a % of net individual income (per annum in April 2020)



Source: WBG calculations using the Landman Economics tax-benefit model. The model assumes UC and other household benefits that are jointly paid are split equally in couple households.

If we look at the interaction between gender and ethnicity, the picture is even worse for black and Asian women in the poorest third of the income distribution than it is for white women and or for black and Asian men, a compounded disadvantage of gender and ethnicity (Table 4). Both in cash terms and as a proportion of their individual income, black and Asian women in the poorest third of household incomes stand to lose more than any other group.

Table 4 Cumulative real-term impact (cash and % of income) of changes to taxes and benefits on individual net incomes by 2020 by gender and ethnicity

		Cash changes		% of living standards	
		Men	Women	Men	Women
Poorest 33%	White	-£1,010	-£1,290	-6.0%	-7.4%
	Black	-£1,103	-£1,926	-7.1%	-11.4%
	Asian	-£1,353	-£2,057	-7.8%	-11.5%
Middle 33%	White	-£508	-£783	-1.8%	-2.8%
	Black	-£657	-£1,587	-2.4%	-5.7%
	Asian	-£324	-£851	-1.0%	-2.8%
Richest 33%	White	£79	-£393	0.1%	-0.7%
	Black	£28	-£1,015	0.0%	-1.9%
	Asian	-£88	-£849	-0.1%	-1.2%

Source: WBG calculations using the Landman Economics tax-benefit model. The model assumes UC and other household benefits that are jointly paid are split equally in couple households.