Executive summary

The new Chancellor, Phillip Hammond, opened his speech presenting the Autumn Financial Statement (AFS) promising to ‘build an economy that works for everyone’ and address the economy’s long term weaknesses, including low productivity, housing and an imbalance in growth and prosperity.¹

While the Chancellor announced a welcome commitment to investment in infrastructure, the AFS was a missed opportunity to reverse some of the devastating impact of austerity policies since 2010 and address the long term social and economic needs of the UK. The Chancellor continued to privilege tax give-aways for the better off over the incomes and opportunities of those on the lowest incomes and failed to offer support to the country’s overstretched social care system, health services and schools.

By largely continuing in his predecessor’s footsteps, Phillip Hammond has also failed to redress the disproportionate adverse impacts experienced by women and those on low incomes as a result of tax and benefit changes and public spending cuts since 2010. And, like his predecessor, he has not undertaken a robust equalities impact assessment to make these visible, despite the legal obligations set out in the Public Sector Equality Duty and criticism from the Women and Equalities Select Committee published just days before the AFS.

The Women’s Budget Group is an independent, not for profit think tank that has monitored the gender impact of successive government’s social and economic policy decisions for more than twenty years.

Key findings of assessment of the 2016 Autumn Statement are as follows:

**Overall fiscal outlook.** The Office of Budget Responsibility adjusted its forecast of March 2016 predicting that national income will be £30bn lower by 2020 and inflation increased, in large part as a result of the referendum decision to leave the EU.² The Chancellor announced his intention to achieve a surplus by the end of the next parliament, delaying George Osborne’s rule of achieving surplus by 2019-20. Net borrowing will increase to 2% of GDP by 2020 and there will be increased infrastructure investment. However infrastructure investment is focused on physical infrastructure rather than the social infrastructure. In particular, Hammond failed to address the crisis in social care. Women’s Budget Group analysis, however, has shown that investment in social care would create double the number of jobs as investment in construction as well as having wider economic benefits and reducing gender inequality.³ We argue that investing in social infrastructure should be counted as capital spending and a fiscal rule that approves borrowing to invest should therefore include investment in such infrastructure.

**Equality impact assessments.** The AFS 2016 contained no analysis of the overall impact of its measures on women or other protected groups, including Black and minority ethnic people or disabled people. There was some analysis of three new tax measures but this was piecemeal and perfunctory, demonstrating limited understanding of equality impact. There was no analysis at all of other tax changes, for example of the biggest give-away in the AFS – the decision to continue with the freeze in

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³ See recent briefings about investing in the caring economy and in particular universal childcare ([http://wbg.org.uk/analysis/costing-funding-free-universal-childcare-high-quality/](http://wbg.org.uk/analysis/costing-funding-free-universal-childcare-high-quality/))
fuel duty for a seventh consecutive year, a measure which disproportionately benefits men. The tools for carrying out such an impact assessment are readily available, as the Women’s Budget Group has regularly shown.

**Cumulative impact assessment.** The Women’s Budget Group’s cumulative impact assessment of the effect by 2020 of all changes to tax and benefits and cuts to services brought in since 2010 shows that the poorest households will lose the most. Except for the very lowest income group women are impacted more than men at all levels of income. Lone parents (91% of whom are women) and single pensioners (71% of whom are women) stand to lose most. Lone mothers are set to lose 18% of their household’s living standards on average (that is of their net income and the value of the services they use), a real-term cut of almost £9000 per annum. 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. Black women will see their individual net income down by £1926 a year in real terms by 2020 and Asian women will lose £2057 a year. This compares with the richest third of white men who will be £79 a year better off.

**Employment.** Employment levels and earnings are up from 2015 but there are still significant gender inequalities in the labour market and inflationary pressures over the coming years mean that real wages are not expected to exceed 2008 levels until after 2021. Women are the majority of workers on temporary contracts and also the majority of those working part time involuntarily. In the private sector women’s earnings have increased since 2011, while men’s earnings are still below their 2011 level in real terms. In the public sector earnings have stagnated. Full-time public sector workers saw their weekly earnings fall in real terms since 2011 with women losing more (2%) than men (0.6%). Overall the gender wage gap has continued to fall, driven by larger wage increases for women than men in the private sector. However there remains a 25% gap in hourly pay between women and men in the private sector.

**Tax.** There were no new announcements on tax, although 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 allowance. The majority (66%) of these are women. 73% of those benefiting from raising the higher rate threshold are men. Fuel duty has been frozen for the 7th year in a row, a measure which largely benefits men since they are more likely to drive and drive longer distances. In sum, the tax landscape set by Hammond continues to privilege tax give-aways that disproportionately benefit men and that come at a high cost (£28bn per annum by 2020 for these two measures – more than enough to plug the immediate funding gaps in health and social care combined).

**Social security.** 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. The Government has stated that this will benefit three million households in the long run. However, this concession on the taper rate will hardly 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

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working 40 hours per week from the change in the taper rate. Moreover the freeze to working age benefits (including UC) continues to erode the support that low income families and women in particular rely on, particularly in the context of the higher inflationary pressures that are expected over the coming years.

**Pensions.** The government has confirmed that it is committed to the triple lock for uprating the state pension for the remainder of this Parliament but will review this commitment in the next Spending Review. The Women’s Budget Group strongly opposes any change which would remove current statutory uprating in line with prices or earnings inflation. This is to guard against poorer pensioners returning to the levels of relative poverty seen during the 1980s and 1990s. The main losers from any reduction in uprating will be women as they are the majority of pensioners and are less likely to have private provision.

**Infrastructure.** The Chancellor announced a new National Productivity Investment Fund of £23bn over five years for high-value investment, specifically in infrastructure and innovation to raise productivity and enhance the resilience of the economy as the UK exits the EU. However the scale of investment proposed in the AFS is insufficient and the focus on roads, rail and IT overlooks the urgent need for investment in social infrastructure (healthcare, education, childcare and adult long-term care). Investment in social infrastructure is essential to provide vital goods and services that people need and has the potential to create jobs and growth, expand the productive capacity of the economy and reduce long term public debt as well. Women’s Budget Group research has shown that investment in the social infrastructure has the potential to create twice as many jobs as a comparable investment in construction.

**Social care.** There was nothing in the AFS to address the urgent crisis in social care. Local authorities are facing a huge funding gap resulting in 1.86m people over the age of 50 in England (1 in 10) having unmet care needs. This gap can only get worse due to a combination of rising demand and a continued squeeze to local authority funding. The announcement in the 2016 budget that local authorities can raise council tax by an additional 2% to fund social care does not cover the shortfall in funding, and fails to put funds where they are needed most. The government’s plans to make local authorities ‘self-sufficient’ on business rates risks funding for social care still further, particularly for local authorities in poorest areas. Cut to social care disproportionately impact women as the main users of care, and the majority of carers, both paid and unpaid.

**Health.** The only reference to spending on health in the AFS was that the Government is delivering on its NHS Five year forward plan. There was no mention of the funding squeeze facing the NHS with 76% of NHS providers in debt at the end of 2015/16. Cuts to social care are putting additional strain on the NHS with more than 5,000 patients experiencing delays in being discharged from hospital in August 2015, the highest level since 2007. Already waiting times are getting longer and performance is

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deteriorating against a number of key indicators. There have been cuts to public health spending which will fall by at least £600m in real terms by 2020/21 on top of £200m cut from the budget in 2015/16 and cuts to mental health services. Total health spending (including capital spending) will fall as a proportion GDP between 2015 and 2020. All of these cuts affect women particularly, as patients, the majority (77%) of NHS staff and as the majority of unpaid carers for those with health needs.

**Childcare.** There were no further changes to childcare policy in the Autumn Statement. The Women’s Budget Group has welcomed the principle of extending direct subsidies for universal provision. However we remain concerned about the flatlining funding provision earmarked for this and the changes to local authority funding rules especially with regards to Sure Start Centres and ‘quality supplements’ that help more disadvantaged children. The Women’s Budget Group has proposed an alternative system which would provide universal high quality childcare to all children until they enter primary school, in line with many other developed countries and has shown that it would almost entirely pay for itself.

**Schools.** The 2016 Autumn Statement had no measures to address the increasing funding pressures in education and the effect of these on the largely female workforce. The Institute for Fiscal Studies projects that between 2014/15 and 2019/20 per pupil school funding is expected to fall by 8% in real terms, making it the biggest fall in any Parliament as far back as the data goes. Rising inflation and cost increases, including National Insurance and teachers’ pension contributions, at a time of public sector pay restraint have led to staffing cuts and an increased workload for the largely (80.1%) female workforce. Rather than addressing these funding pressures and investing in the comprehensive education system, the Chancellor announced £50m in capital funding for the extension of selective grammar schools, despite evidence suggesting that this will widen educational inequalities.

**Housing.** Housing was central to the government’s infrastructure investment. As with previous funding for house-building, however, the focus has been primarily on private housing and so-called ‘affordable homes’ that, at 80% of market rates, remain out of reach for many and particularly women, who are less likely to be in a position to purchase their home. The government’s reversal on a mandatory ‘pay to stay’ scheme for social housing tenants and the ban on letting agents charging tenants’ fees is welcome. There is still, however, no comprehensive strategy to tackle housing need among the poorest and a serious risk that new measures, such as the pilot that will allow social housing tenants the right to buy their properties, will exacerbate the crisis.

**Violence against women and girls** The Autumn Statement makes only a single reference to violence against women and girls and this relates to the allocation of the underspend of this year’s Tampon Tax

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12 [https://www.ifs.org.uk/publications/8027](https://www.ifs.org.uk/publications/8027)

fund monies to Comic Relief (£3m) and invitations for applications for the following year’s funds. The Women’s Budget Group, alongside other women’s organisations, has previously expressed concern about the continued charging of VAT on sanitary products and the way in which the dispersal of funds to women’s organisations creates a dangerous slippage whereby women become responsible for funding their own safety. More significantly, however, we are concerned that the failure to address violence against women and girls in a more comprehensive way in the Autumn Statement is out of step with the scale of the problem and the funding difficulties faced by charities.

**Official development assistance.** In the Autumn Financial Statement the government confirmed its commitment to spending 0.7% of Gross National Income on Official Development Assistance (ODA). Given poorer GNI performance, this means that the ODA budget will be reduced by £80m in 2017-8 and £210m in 2018-19. This reduction has been combined with a transfer of ODA budget to other departments in order to reduce the effects of budget cuts in non-DfID departments. Women and girls are likely to be the main losers from any reduction in development funding.

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Introduction

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), he failed to accompany his statement with evidence of how different groups in society are impacted by the measures he announced.

The Women’s Budget Group is an independent, not-for-profit organisation that has scrutinised social and economic policy decisions of successive governments for more than two decades.

This report provides a comprehensive gender impact assessment of the 2016 Autumn Statement.

**Part 1 is focused at the macro and aggregate level.** It includes the results of cumulative impact assessment by income, gender, ethnicity and disability. This assessment shows that the lowest income women, and particularly black and minority ethnic women, have been adversely and disproportionately impacted by tax and benefit changes and cuts to public spending since 2010.

**Parts 2 to 4 provide a detailed gender assessment of the main social and economic policy areas,** ranging from taxation and social security through to social care, housing, health and schools.

The Women and Equalities Select Committee recently described the equality impact assessments of the Treasury as ‘insubstantial and lack[ing] in detail’. The Committee’s Chair, Maria Miller MP, stated:

> Promotion of transparency is a central aim of the Public Sector Equality Duty requirements. The Government’s current position means the evidence on compliance is incomplete.

The cumulative gender impact assessment, set out in this report, demonstrate that robust cumulative impact assessment for a range of protected characteristics is technically possible and vitally important. Such an assessment should be accompanied by equalities impact assessments for each policy area to make visible impacts on different groups and provide opportunities for mitigation of adverse impacts.

Such an analysis seems essential for a government that is committed to building a country that ‘works for everyone’.
Part 1: Overview of the Aggregates

Macroeconomic forecast and fiscal outlook

The most significant news in this Autumn Statement was the drastic downward revision by the OBR of their GDP growth forecast over this Parliament, in large part owing to the outcome of the Brexit referendum in June. Compared to the OBR March forecast, the UK’s national income is predicted to be lower by £30bn in 2020, the equivalent of £1000 per household by then. Other forecasters, including the Bank of England, predict the fall to be further and more prolonged.  

The squeeze in households’ living standards will be greater still, since it will be compounded by growing inflation due to the exchange rate deterioration that followed the referendum. Speaking of the overall impact on living standards of both lower nominal wage growth and higher inflation, IFS director Paul Johnson commented: “One cannot stress enough how dreadful that is – more than a decade without real earnings growth. We have certainly not seen a period remotely like it in the last 70 years.”

However, neither the OBR nor the government gave any indication of how different households would be affected. Inevitably effects will vary and some households will experience a greater squeeze. One thing we know is that higher inflation will increase the negative impact of the benefit freeze on households in receipt of benefits, saving the government an extra £1.2bn by 2020-21 (over the estimated £3bn based on the March forecast). Women are more likely to live in such households than men, and so are children, but there was no indication that the government would use this windfall to temper the impact on the poorest households, who will have the least cushioning against the economic headwinds that are expected.

However, faced with much increased uncertainty in the aftermath of the Brexit referendum, the New Chancellor decided to relax his predecessor’s tight fiscal rule on himself. Instead of aiming for a surplus by 2019-20, austerity will in fact be pursued far beyond 2020, as he set a new fiscal rule of ‘returning’ to a surplus in public finances at some time in the next Parliament. Unfortunately, this means that the government is still committed to the nonsensical policy of aiming to reach an overall surplus that includes capital spending, albeit by the end of next Parliament.

Allowing borrowing to invest in infrastructure even in “normal” times would be a first step towards a more sensible economic policy. This would allow the country to build up the infrastructure needed to have a healthy and productive economy, and well as prevent the rules having to be changed as events overtake each Chancellor and targets are regularly missed.

However, for this parliament, because time are not yet “normal”, the Chancellor has allowed public net borrowing to be pushed to 2% of GDP by 2020, in order to invest in infrastructure. To do this he has

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17 Ibid
committed significant capital spending on roads, railways, housing and R&D but failed to tackle – let alone acknowledge – the need for investment in social infrastructure.

Failing to invest in social infrastructure to tackle the ongoing crisis in social care and the NHS is a real missed opportunity. Chronic underfunding of social care has been a problem even before the financial crisis. Now it has become a disaster. To put things into perspective, the 2% of GDP of extra borrowing by 2020 that the Chancellor has allowed himself is more than twice as much what is needed to provide free care for all those with severe and acute needs by then.19

As the Women’s Budget Group has repeatedly insisted such investment in social infrastructure should also be counted as capital spending. This would require a much needed revision of the System of National Accounts that counts only spending in physical infrastructure as coming from the Capital Account, while spending on social infrastructure, however long lasting its benefits, is seen as coming from the Current Account.

Investing in social infrastructure is also consistent with other economic aims; Women’s Budget Group research has shown it to be more effective in creating employment and in reducing gender inequality than many types of investment in physical infrastructure, such as the construction projects in the Chancellor’s plans.20 While the Women’s Budget Group is not against investment in physical infrastructure, many projects, such as High Speed 2, are controversial. By contrast, investment in social infrastructure is undoubtedly needed, and would be more environmentally and fiscally sustainable, as well as having beneficial long-run effects on productivity.21

Local Authority Funding

The Women’s Budget Group is particularly concerned about what has happened to Local Authority (LA) Funding, which since 1993 has become increasingly regressive and unfair, forcing councils to be increasingly reliant on local income (council tax and charges) meaning the poorest communities have the smallest budgets.22 Differences between LAs in earnings from council tax charges are supposed to be balanced out by adjustments made to the Revenue Support Grant from central government. Between 1993-94 and 2014-15, the share of centrally distributed income fell from 79% to 64%, with a large decrease after 2012 when LAs were given the power to retain 50% of their locally collected business rate growth. This had led to the poorest LA’s receiving the least from council tax charges and business rates and being reimbursed by a dwindling central government grant.

The government has now signalled that it expects all local authority funding to be raised locally, moving towards “self-sufficiency” and “away from dependence on central government”.10 In October 2015 the Chancellor announced that by 2020 LAs will retain 100% of business rate revenues, devolving £26bn

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21 See Women’s Budget Group recent briefings about investing in the caring economy and in particular universal childcare (www.wbg.org.uk/briefings)
revenue from business rates to local authorities. At the same time, it was announced that all grants
from Whitehall to town halls will be phased out by 2020.23

Analysis by Local Authorities in the North East revealed that the 10 most deprived areas in England saw
an average decrease in spending power between 2014-15 and 2015-16 of 10.5% while the 10 least
deprived areas saw an average increase in spending power of 1.1%.24 LAs in poorer areas will collect
lower business rates and council tax charges and therefore have to make greater reductions in services
than in wealthier areas and consequently will be unable to provide the same level of service compared
to wealthier areas.

The Women’s Budget Group believes that these regressive changes should be reversed. They will
particularly affect women, who tend to be more dependent on the services that Local Authorities
provide, both for themselves and because they are often the ones who make up for the lack of such
services by their own unpaid work. This is true particularly in poorer areas. It will also impact on
women’s opportunities for employment, since women are more likely than men to find jobs with local
authorities, where the gender pay gap tends to be smaller and who are more likely to be family-friendly
employers than the private sector.

The Treasury’s equality impact assessments

A few days before the Autumn Statement, the Women and Equalities Select Committee released a
report criticising the refusal of the Treasury and key Ministers to provide information on how the 2015
Spending Review affected women, black and minority ethnic people and disabled people and how any
equalities impact assessment had been undertaken.25 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 requirements.26

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.

The AFS 2016 provided no overall analysis of the impact of the measures announced on women or on
black and minority ethnic people and disabled people, suggesting that the Chancellor has ignored the
recommendations of the Women and Equalities Select Committee. The only information on the impact
on protected groups relates to three of the new tax measures announced in the AFS 2016: Capital
allowances (first-year allowance for electric charge-points); Income Tax and Capital Gains Tax


24 North East Combined Authority and ANEC, 2016. Taking Account of Differences In Ability to Raise Council Tax

25 http://www.publications.parliament.uk/pa/cm201617/cmselect/cmwomeq/825/82502.htm

(employee shareholder status); and Petroleum Revenue Tax (cutting administration costs for the oil industry). As is usual, the impact analysis was produced by HM Revenue and Customs, treating equalities impact alongside exchequer impact, economic impact, impact on individuals, households and families, and impact on businesses including civil society organisations. As has been the case in the past, the analysis is piecemeal and perfunctory.

One example is the removal of income tax relief and capital gains tax relief on receipt or buyback of shares issued to an employee. This has a direct impact on individuals who become Employee Shareholders after 1st December 2016. HM Revenue and Customs states: “This measure is not expected to have a disproportionate impact on people in groups sharing protected characteristics in any income groups. However, it is likely that the individuals benefiting from the cut will share characteristics with others of above average means.” This ignores that, if those of above average means are mainly white men, then they would disproportionately benefit and individuals in protected groups would disproportionately miss out.

More importantly, the conspicuous absence in the impact assessments of some potentially very significant measures is concerning. No impact information was provided for the biggest new tax measure in the AFS – the decision to continue with the freeze in fuel duty for a seventh consecutive year. As has been demonstrated in previous Women’s Budget Group budget analysis, this measure disproportionately benefits men, as they are the majority of car drivers and over longer distances (see below in the tax section). No assessment was made either of any impact of the increase in the insurance premium tax, nor of the removal of tax and National Insurance benefits of some salary sacrifice schemes.

How does Treasury policy affect income inequality?

The Women’s Budget Group’s cumulative impact assessment

Despite the reluctance of Treasury and successive Chancellors to undertake a robust cumulative equalities impact assessment, the tools for doing so are readily available, especially when evaluating income impacts. The Landman Economics tax-benefit and public spending models are able to provide such an assessment, in line with other existing tax-benefit models including the Treasury’s own tool.

The Chancellor has reinstated, in this Autumn Statement, a distributional analysis of the impact of AFS measures on the income of households, from the poorest tenth to the richest tenth. He also has reinstated the cumulative impact of measures enacted in this parliament by the Conservative Government. The previous Chancellor, George Osborne, was widely criticised, including by the Women’s Budget Group, for not providing such an analysis for the 2015 Budget and 2015 AFS.


28 Note that the assessment refers to benefits to the individuals affected. However, since the cuts are cuts to tax reliefs and exemptions, designed to reduce tax loopholes, these are benefits to the country as a whole but not for the individuals affected. This is an indication of the poor quality of the impact assessments.

The analysis in this section goes beyond that provided by the Treasury in three important ways. Firstly, it considers not just household income but also individual income. Secondly, it provides distributional results not just by different levels of income but also the impact on protected groups as per the Public Sector Equality Duty. Thirdly, the analysis covers a longer time period – from 2010-20 rather than just 2015-20 – in recognition of the fact that many measures announced by the Coalition government are still to be implemented during this Parliament.

The equality impact of individual measures can vary significantly so a cumulative impact assessment is important for making visible the income effect of a whole host of changes over a period, such as successive changes to one policy measure taken over a Parliament, as well as for looking at an entire set of different policy measures.

The analysis below summarises the main impacts that the austerity measures implemented since 2010 are set to have by 2020-21. April 2010 was selected as the baseline system because several measures that will be implemented within this Parliament, including Universal Credit and tax-free childcare, were planned under the previous government. Further, a number of measures that were initiated under the previous government were continued by the Conservative government after the 2015 general election, such as the fuel duty freeze, successive rises in personal tax allowance, working-age social security benefits freeze, and pension triple lock.

It is therefore necessary, in order to get a full picture of the impact of austerity on different protected groups, to account for the full period, at least up until foreseeable impacts can be measured, which is currently 2020-21 (April 2020). The Landman Economics tax-benefit tool used in this analysis models all tax and benefit changes that impact on households’ income (and wherever sensible, on the income of individual adults within them). It does not model the impact of wealth taxes or corporation taxes.

Figure 1 shows the cumulative changes in taxes and benefits since April 2010 that will accrue per annum by April 2020 (tax year 2020-21) for households on average by their income decile group (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 announcement (including fuel duty freeze) has been highlighted to show their insignificance compared to the cumulative changes of all measures up to April 2020.

The graph clearly shows a regressive pattern, with the poorest households experiencing the largest negative annual impact of cumulative changes in proportion of their average household income. The picture also shows that the small give-aways afforded in this AFS to some households in the form of fuel duty freeze, reduction in the taper of the Universal Credit (UC) or some minor tweaks to NIC thresholds are insignificant when set against the huge net cuts that households in the lower half of the income distribution face.

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30 Note that this means a baseline scenario of March 2010, with net incomes uprated with RPI all the way to 2020-21.
31 Households are ranked by their average disposable equivalised income but the changes are measured as a proportion of their non-equivalised disposable income (thereafter ‘net income’).
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: Women’s Budget Group calculations using the Landman Economics tax-benefit model. The 1st decile group represents the 10% poorest households and the 10th decile group the 10% richest households.

The main contributors to the cuts in household income vary along the income distribution. In the lower part of the distribution, cuts to benefits and tax credits (including further cuts to the work allowance of UC) account for the lion’s share. Increases in the National Living Wage and the modest impact of income tax give-aways are unable to compensate for these cuts. In the higher part of the distribution, the income tax give-aways overtake cuts to benefits and tax credits but the overall impact remains negative mainly as a result of increases to indirect taxes (and in particular VAT).

When adding the effect of cuts to public service spending, we can see that these are much larger than the changes in taxes and benefits (Table 1). The Landman Economics public service spending tool was used to model the changes to spending on departmental areas such as health, social care, transport, policing, childcare and schools between 2010 and 2020. Spending cuts are allocated to households according to the use reported by individual adults. Table 1 shows that the 10% poorest households stand to lose on average 19% of their living standards compared to just 2% for the richest 10% of households, a 10:1 ratio.

Table 1 shows that the 10% poorest households stand to lose on average 19% of their living standards compared to just 2% for the richest 10% of households, a 10:1 ratio.

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
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

<table>
<thead>
<tr>
<th>Income Decile Group</th>
<th>Cash Changes</th>
<th>% of Living Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tax Benefits</td>
<td>Public Services</td>
</tr>
<tr>
<td>1st (10% poorest)</td>
<td>-£1,782</td>
<td>-£4,372</td>
</tr>
<tr>
<td>2nd</td>
<td>-£1,962</td>
<td>-£3,468</td>
</tr>
<tr>
<td>3rd</td>
<td>-£1,738</td>
<td>-£3,726</td>
</tr>
<tr>
<td>4th</td>
<td>-£1,603</td>
<td>-£3,683</td>
</tr>
<tr>
<td>5th</td>
<td>-£1,314</td>
<td>-£3,384</td>
</tr>
<tr>
<td>6th</td>
<td>-£1,060</td>
<td>-£3,114</td>
</tr>
<tr>
<td>7th</td>
<td>-£851</td>
<td>-£2,727</td>
</tr>
<tr>
<td>8th</td>
<td>-£654</td>
<td>-£2,280</td>
</tr>
<tr>
<td>9th</td>
<td>-£620</td>
<td>-£2,038</td>
</tr>
<tr>
<td>10th (10% richest)</td>
<td>-£605</td>
<td>-£1,718</td>
</tr>
</tbody>
</table>

Source: Women’s Budget Group 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.

Looking at household types and the gender of single-adult households (Table 2), the cumulative impact shows that the households of 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, which amounts to a real-term cut of almost £9000 per annum.

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

<table>
<thead>
<tr>
<th>Household Type</th>
<th>Cash Changes</th>
<th>% of Living Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tax Benefits</td>
<td>Public Services</td>
</tr>
<tr>
<td>Single F no chi</td>
<td>-£1,130</td>
<td>-£778</td>
</tr>
<tr>
<td>Single M no chi</td>
<td>-£921</td>
<td>-£725</td>
</tr>
<tr>
<td>Wg-age cple w/o chi</td>
<td>-£438</td>
<td>-£1,424</td>
</tr>
<tr>
<td>Lone mother</td>
<td>-£3,860</td>
<td>-£4,951</td>
</tr>
<tr>
<td>Lone father</td>
<td>-£2,993</td>
<td>-£5,318</td>
</tr>
<tr>
<td>Wk-age cple w/ chi</td>
<td>-£2,016</td>
<td>-£5,263</td>
</tr>
<tr>
<td>F single pens</td>
<td>-£934</td>
<td>-£1,940</td>
</tr>
<tr>
<td>M single pens</td>
<td>-£1,365</td>
<td>-£1,697</td>
</tr>
<tr>
<td>Cple pens</td>
<td>-£1,184</td>
<td>-£2,317</td>
</tr>
</tbody>
</table>

Source: Women’s Budget Group 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.
Individual analysis

New analysis by the Women’s Budget Group released in partnership with the Runnymede Trust after the AFS announcement in November showed the impact of the cuts on individual incomes, rather than by household, for men and women and for other protected characteristics such as ethnicity and disability status. For single-adult households, such an analysis of individual incomes is straightforward as there is only one adult in the household. For couples, this requires tax and benefit changes to be allocated to individuals in the household. The method applied in our modelling allocates social security benefits and tax credits to the main recipient or claimant (e.g. child benefit goes to the mother). Joint household benefits are split equally (such as Universal Credit).33

The graph below shows that except for the lowest income group, women are impacted more than men at all income levels and lose more as a proportion of their individual income than men on average in the same household income group.34

Figure 2 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: Women’s Budget Group 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.

33 Ibid. for an explanation of the assumptions.
34 Again household income decile groups are obtained by ranking households by their disposable equivalised income. Individuals belong to their household’s income decile group and the impact analysis focuses on changes to their individual income.
Table 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

<table>
<thead>
<tr>
<th></th>
<th>Cash changes</th>
<th>% of net income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>1st (poorest)</td>
<td>-£1,020</td>
<td>-£1,119</td>
</tr>
<tr>
<td>2nd</td>
<td>-£1,294</td>
<td>-£1,760</td>
</tr>
<tr>
<td>3rd</td>
<td>-£951</td>
<td>-£1,401</td>
</tr>
<tr>
<td>4th</td>
<td>-£791</td>
<td>-£1,168</td>
</tr>
<tr>
<td>5th</td>
<td>-£623</td>
<td>-£869</td>
</tr>
<tr>
<td>6th</td>
<td>-£368</td>
<td>-£711</td>
</tr>
<tr>
<td>7th</td>
<td>-£210</td>
<td>-£587</td>
</tr>
<tr>
<td>8th</td>
<td>-£41</td>
<td>-£350</td>
</tr>
<tr>
<td>9th</td>
<td>-£11</td>
<td>-£363</td>
</tr>
<tr>
<td>10th (richest)</td>
<td>£320</td>
<td>-£515</td>
</tr>
<tr>
<td>All</td>
<td>-£471</td>
<td>-£888</td>
</tr>
</tbody>
</table>

Source: Women’s Budget Group 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.

Looking at the interaction between gender and ethnicity, we see that black and Asian women in the poorest third of the income distribution fare much worse than low income white women and worse than men of any ethnicity. This points to the compounding effects of gender, ethnicity and income which result in these groups being triply disadvantaged (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

<table>
<thead>
<tr>
<th></th>
<th>Cash changes</th>
<th>% of net income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Poorest 33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>-£1,010</td>
<td>-£1,290</td>
</tr>
<tr>
<td>Black</td>
<td>-£1,103</td>
<td>-£1,926</td>
</tr>
<tr>
<td>Asian</td>
<td>-£1,353</td>
<td>-£2,057</td>
</tr>
<tr>
<td>Middle 33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>-£508</td>
<td>-£783</td>
</tr>
<tr>
<td>Black</td>
<td>-£657</td>
<td>-£1,587</td>
</tr>
<tr>
<td>Asian</td>
<td>-£324</td>
<td>-£851</td>
</tr>
<tr>
<td>Richest 33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>£79</td>
<td>-£393</td>
</tr>
<tr>
<td>Black</td>
<td>£28</td>
<td>-£1,015</td>
</tr>
<tr>
<td>Asian</td>
<td>-£88</td>
<td>-£849</td>
</tr>
</tbody>
</table>

Source: Women’s Budget Group 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.
Analysis by disability

Disabled adults, especially those who classify as core disabled\textsuperscript{35} will also experience significant cuts to their net income by 2020, with both men and women losing more than 5% of their income compared to only 0.4% for non-disabled people (Table 5). This equates to a loss of around £1500 per annum.

Table 5 Cash and % cumulative changes to taxes and benefits by 2020 by disability status and gender at individual level

<table>
<thead>
<tr>
<th>Disability</th>
<th>Cash changes</th>
<th>% of net income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Core disabled</td>
<td>-£1,533</td>
<td>-£1,462</td>
</tr>
<tr>
<td>Wider disabled</td>
<td>-£341</td>
<td>-£746</td>
</tr>
<tr>
<td>Not disabled</td>
<td>-£167</td>
<td>-£693</td>
</tr>
<tr>
<td>All</td>
<td>-£471</td>
<td>-£888</td>
</tr>
</tbody>
</table>


The picture is more dramatic when we look at the cumulative impact of both tax-benefit changes and changes to public service spending by household types and disability, including whether there is a disabled child in the household.

Households with disabled adults and/or disabled children stand to lose more than households without disabled adult or children, and households with both a disabled adult and a disabled child, especially core disabled adults, will lose most (Table 6).

For households with disabled children, the main contribution to the overall loss comes from cuts to school budgets (and special provision for disabled children) while for households with only disabled adults, the main contribution comes from cuts to social care.

A household with both a core disabled adult and a disabled child stands to lose £13,000 per annum by 2020. Perhaps more than any other household, this type of household is likely to see an actual loss of that magnitude as finding additional sources of revenue as a result of the cuts (such as increasing employment for the non-disabled member, if any) is unrealistic: if there are any non-disabled adult in these households, they will most likely be needed to look after both their disabled child and adult partner or relative, restricting their ability to take on more employment. This is a sizeable cut to their living standards. And this is not a minor group, with about 430,000 households in this category. About 2.2m households (10% of households) have either a core disabled adult and children in it or disabled children, all of whom stand to lose at least £8000 a year as a result of benefit and spending cuts.

\textsuperscript{35} ‘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.
Table 6 Cumulative impact of tax-benefit changes and spending cuts by types of households with respect to the presence of a disabled adult and or a disabled child (2010-20)

<table>
<thead>
<tr>
<th>Cash changes</th>
<th>% of living standards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tax-benefits</td>
</tr>
<tr>
<td>Core dis. adult, no child</td>
<td>-£779</td>
</tr>
<tr>
<td>Core dis. adult w/child not disabled</td>
<td>-£2,671</td>
</tr>
<tr>
<td>Core dis. adult &amp; dis. child</td>
<td>-£5,110</td>
</tr>
<tr>
<td>Wider dis. adult, no child</td>
<td>£288</td>
</tr>
<tr>
<td>Wider dis adult w/child not disabled</td>
<td>-£997</td>
</tr>
<tr>
<td>Wider dis. adult &amp; dis. child</td>
<td>-£1,882</td>
</tr>
<tr>
<td>Not dis. adult, no child</td>
<td>£618</td>
</tr>
<tr>
<td>Not dis. adult w/ child not disabled</td>
<td>-£1,106</td>
</tr>
<tr>
<td>Not dis adult, w/ dis child</td>
<td>-£2,541</td>
</tr>
</tbody>
</table>

Source: Women’s Budget Group calculations using the Landman Economics tax-benefit model.
‘Living standards’ stand for the sum of net cash income and the value of in-kind subsidised services used.

Employment outlook

At first glance, the outlook in 2016 is more positive than a year ago, both in terms of employment and earnings indicators. Unemployment rates of both men and women have fallen below their pre-crisis level and employment rates of both men and women are now above their pre-crisis level.36

However, these headline figures mask a persistently gender unequal labour market that, at best, is changing very slowly. Women still make up the majority in part-time and non-permanent full-time employment, accounting for 73.5% of part-time employment (unchanged since 2013), 55% of involuntary part-time employment and 53% of temporary employment contracts (a share that has been slowly rising ever since 2010). Moreover the incidence of each of these types of employment is still above its pre-crisis level. When compared to the last quarter of 2011 – the turning point of the recovery from which unemployment started to fall steadily – women accounted for 63% of the increase in part-time jobs, 62% of the increase in involuntary part-time and 70% of the increase in temporary contracts (Table 7).

They also accounted for only 37% of the reduction in unemployment as male unemployment fell proportionally more than female unemployment over that period.

The picture is thus one of employment recovery for both men and women but with a change in the conditions of the labour market that has seen polarisation between secure and less secure jobs that

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36 Women’s employment returned to pre-crisis levels in 2013.
disadvantage women more than men. In particular self-employment has continued to rise with women accounting for a third of such type of jobs, and 50% of the rise since 2011.

Table 7 Employment indicators in 2016 and changes since 2011 (seasonally adjusted)

<table>
<thead>
<tr>
<th></th>
<th>Jul-Sep 2016</th>
<th>Change since Oct-Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Employment</td>
<td>16,917</td>
<td>14,882</td>
</tr>
<tr>
<td>Unemployment</td>
<td>876</td>
<td>728</td>
</tr>
<tr>
<td>Part-time</td>
<td>2,270</td>
<td>6,287</td>
</tr>
<tr>
<td>Invol. part-time</td>
<td>518</td>
<td>631</td>
</tr>
<tr>
<td>Temporary</td>
<td>760</td>
<td>865</td>
</tr>
<tr>
<td>Self-employed</td>
<td>3,214</td>
<td>1,573</td>
</tr>
<tr>
<td>Empl. rate (16-64)</td>
<td>79.2%</td>
<td>69.8%</td>
</tr>
<tr>
<td>Unemp. Rate</td>
<td>4.9%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Long-term unemp.</td>
<td>30.9%</td>
<td>22.4%</td>
</tr>
<tr>
<td>(% of unempl)</td>
<td>48.7%</td>
<td>34.3%</td>
</tr>
<tr>
<td>LT unemp. 50y+</td>
<td>22.7%</td>
<td>13.2%</td>
</tr>
<tr>
<td>LT unemp. 18-24y</td>
<td>22.7%</td>
<td>13.2%</td>
</tr>
</tbody>
</table>

Source: Women’s Budget Group calculations using the ONS Labour force Survey (2016). Long-term unemployment is measured as the number of people unemployed for 12 months or more, as a percentage of all unemployed people (all ages, for those aged 50 or more and for those aged 18 to 24 respectively).

Earnings have started to rise in real terms, and the increase is more pronounced for women, especially in the bottom of the distribution where the new National Living Wage that was implemented in April 2016 produces the largest effect (Table 8). However it is important to note that the rise in the National Living Wage announced in this Autumn Statement for April 2017 (from £7.20 to £7.50 for those aged 25 or above) is lower than what was expected to match the rate of increase necessary to reach the target of £9 by 2020. This does not mean the target is out of reach as increases are discretionary but raises questions about the commitment of the government to increase the wages of the lowest paid to decent levels. This is particularly concerning given the prospect of significant inflationary pressures which will erode wages in real terms and the fact that the £9 an hour by 2020 would be much lower than the living wage calculated by the Living Wage foundation.

It is important to set earnings in the context of their longer trajectory and the likely effect of higher inflation to 2020-21. Currently, male earnings are still below their 2011 level in real terms while women’s have gone up, especially in the private sector, by about 1% above inflation each year since 2011. However, the IFS has warned that the effects of inflation mean that wages will not return to 2008 levels in real terms until after 2021.37

The picture in the public sector, both in terms of earnings and job numbers, is much worse than in the private sector. About one million jobs have been lost in the public sector since April 2010 and earnings

37 https://www.ifs.org.uk/tools_and_resources/budget/514
have been stagnating in real terms for both men and women (only about 1% increase in weekly earnings since 2011 in real terms). Full-time public sector workers saw their weekly earnings fall in real terms since 2011 with women losing more (2%) than men (0.6%).

**Table 8 Earnings in public and private sectors by gender (2016) and real-term changes since 2011**

<table>
<thead>
<tr>
<th></th>
<th>Weekly (all)</th>
<th>Hourly (all)</th>
<th>Weekly (Full-time)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>% 16-11</td>
<td>2016</td>
</tr>
<tr>
<td>Men all</td>
<td>530.8</td>
<td>-1.0%</td>
<td>13.46</td>
</tr>
<tr>
<td>Men public</td>
<td>621.1</td>
<td>0.8%</td>
<td>16.86</td>
</tr>
<tr>
<td>Men private</td>
<td>510.9</td>
<td>-0.8%</td>
<td>12.61</td>
</tr>
<tr>
<td>Women all</td>
<td>349.1</td>
<td>2.5%</td>
<td>10.94</td>
</tr>
<tr>
<td>Women public</td>
<td>426.3</td>
<td>1.1%</td>
<td>13.78</td>
</tr>
<tr>
<td>Women private</td>
<td>311.4</td>
<td>6.8%</td>
<td>9.48</td>
</tr>
</tbody>
</table>

Source: Women’s Budget Group calculations using the Annual Survey of hours and earnings (2016 – provisional results)

In fact, the gender wage gap for full-time weekly earnings has gone up since 2011 (albeit down slightly from 2015) in the public sector whereas it has reduced in the private sector for all types of earnings (Table 9).

Overall the gender wage gap has continued to fall, driven by larger wage increases for women than men in the private sector although it remains high in the private sector at 25% for hourly wages.

**Table 9 Gender Wage gaps in public and private sectors (2011-2016)**

<table>
<thead>
<tr>
<th></th>
<th>Weekly all</th>
<th>Hourly all</th>
<th>Weekly Full-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender gap</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>36.5</td>
<td>34.7</td>
<td>34.2</td>
</tr>
<tr>
<td>Public</td>
<td>31.6</td>
<td>31.4</td>
<td>31.4</td>
</tr>
<tr>
<td>Private</td>
<td>43.4</td>
<td>40.8</td>
<td>39.0</td>
</tr>
<tr>
<td>Pub-priv. Gap</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>16.4</td>
<td>19.0</td>
<td>17.7</td>
</tr>
<tr>
<td>Women</td>
<td>30.8</td>
<td>30.1</td>
<td>27.0</td>
</tr>
</tbody>
</table>

Source: Women’s Budget Group calculations using the Annual Survey of hours and earnings (2016 – provisional results)
Part 2: Taxation

Income Tax

There were no new announcements on personal income tax in the Autumn Financial Statement. However, 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). One change to this commitment was announced: that once the personal allowance reaches £12,500, it will automatically rise in line with CPI, instead of with the National Minimum Wage, as the previous Chancellor had announced. By saying about this change in uprating, “It will be for the Chancellor to decide from year to year whether more is affordable”\(^\text{38}\), the Chancellor is clearly hoping to give himself or his successors more room to court popularity by raising the threshold further in the future.

As the Women’s Budget Group has pointed out every time these thresholds have been raised, these apparently popular measures are undesirable, costing a great deal but failing to benefit the worst off in society.\(^\text{39}\) This is because more than 43\% of adults do not earn above the current personal allowance and so fail to benefit at all.\(^\text{40}\) Of those who will not benefit from rises in the personal tax allowance in this parliament up to 2018, 66\% are women and 41\% have dependent children.\(^\text{41}\) These numbers are unlikely to be very different for any future additional rises in the personal allowance.

The deleterious gender effects of this measure will be compounded by those of simultaneously raising the higher rate threshold to £50,000. Women accounted for just over one quarter (27\%) of all higher rate taxpayers in each of the last five financial years, the law firm Clyde & Co has revealed using HMRC data.\(^\text{42}\) In other words, because there has been no progress in closing the gender gap in earnings at this level, 73\% of those who can expect to gain from raising the higher rate threshold are men. The Treasury admitted men made up 68\% of those who were “taken out of higher rate tax” the last time the threshold was raised. This dominance of men among those taken out of higher rate tax can be expected to rise higher still each time the threshold is raised.

Both these measures worsen gender inequalities in two ways. They raise the disposable income of the better-off gender (men) more than that of the poorer gender (women). And second, they seriously erode the tax base on which the government can hope to raise revenue both now and in the future to fund benefits and public services, on both of which women even more than men depend. By 2020 the lost revenue due to the changes to income tax thresholds since the June 2010 budget will be around

\(^{38}\) HM Treasury; Autumn Statement 2016: Philip Hammond’s speech: https://www.gov.uk/government/speeches/autumn-statement-2016-philip-hammonds-speech


£19bn per annum, of which £4bn are still to come from changes in 2017-18 and pledges to 2020-21.\textsuperscript{43} This compares to the £4bn working-age benefit freeze annual saving by 2020 announced in the July budget 2015, or to the £3.5bn annual savings from the cut to the work allowance and reduced income disregard in UC, both of which disproportionately affect women.\textsuperscript{44}

\textit{Taxation of earnings}

The Women’s Budget Group welcomes the announced measures of tax simplification with respect to the taxation of earnings that should increase revenues and help reduce opportunities for tax avoidance.

\textbf{Taxation of different ways of working}

The Office for Budget Responsibility (OBR) has raised concern about the loss of income tax revenue from high earners setting up their own companies. These companies exploit the discrepancy between taxation and national insurance payments of employees and the self-employed and incorporated individuals. Responding to these concerns, the Chancellor announced that the government will consider and consult on ways to ensure that the taxation of different ways of working is fair between different individuals, and sustains the tax-base as the economy undergoes rapid change. The Women’s Budget Group welcomes this move.

\textbf{Salary sacrifice schemes}

Salary sacrifice schemes also result in a loss of revenue for the exchequer. The Chancellor announced that Income tax and employer National Insurance will be charged on benefits in kind made available through salary sacrifice schemes from April 2017, even where those benefits are normally exempt. This change will particularly affect benefits, such as, health screening, gym membership and provision of a mobile phone. The Women’s Budget Group welcomes the attempt to reduce the scope and advantages of these schemes though, like the Institute of Fiscal Studies, we believe that their taxation should be totally reformed so that they no longer bring any advantages.\textsuperscript{45}

The new measure will not apply to intangible benefits, such as extra holiday and flexible working, nor to pension schemes, childcare vouchers and workplace nurseries or provision of cycles, cycle safety equipment and cycle-to-work schemes and ultra-low-emission cars. While retaining these tax advantages for childcare benefits women over getting no such help with childcare costs, the Women’s Budget Group believes that allowing salary sacrifice schemes to result in a small tax break for parents’ costs is no substitute for the strategy and investment that is need to tackle the UK’s lack of affordable high quality childcare. Further, we are also concerned about any loss of rights that reduced NI contributions entail that could impinge on those who take up these schemes, often women whose contribution record may already be less than men’s through reduced time in employment due to care responsibilities.

For similar reasons, we believe the other worthy activities that have been exempted from the new legislation should be funded directly. Such tax breaks are both inefficient and unfair as a way of promoting desirable behaviour because they are not available to those who earn so little that they pay


\textsuperscript{44} See OBR Policy measures database, updated 16 March 2016 (online: http://budgetresponsibility.org.uk/data/)

no income tax. They also give official endorsement to the view that an individual’s payment of tax and national insurance is an undesirable bill that can legitimately be avoided by clever schemes, rather than a necessary contribution to the well running of society.

Like the OBR, the Women’s Budget Group is concerned about the loss of revenue such schemes entail. However, we are even more concerned about the way that such tax advantages result in workers losing employment rights when they are encouraged to take up such schemes. Employers should not be able to avoid their responsibilities to their employees in this way. For similar reasons we welcome the ending of the tax advantages for employees with Employee Shareholder Status (where some employment rights are given up in exchange for shares). These have been abolished for arrangements made on or after 1 December 2016 to curb tax avoidance. It seemed to have taken the government by surprise that such arrangements have been largely used for tax avoidance purposes.

**Changes to National Insurance**
The government announced changes to National Insurance contributions and entitlements for the self-employed from 2018. Under these proposals low-earning self-employed people will pay no contributions where their earnings are below a new ‘small profits threshold’. The government estimates that this will increase the number of people who do not have to pay contributions at all by 0.4m. However, being exempted from contributions also excludes them from building up pension and bereavement benefits. They will be able to opt into paying contributions and so building up benefits but only by paying Class 3 contributions (currently costing £14.10 rising to £14.25 from April 2017) that are five-times as expensive as the Class 2 contributions they would currently opt into paying. Because of their caring roles, women are more likely than men to be in low-paid self-employment and so more likely to be directly impacted by these changes. The Women’s Budget Group views this five-fold increase for the lowest paid to be inappropriate and urges the government to maintain the current opt-in rate.

We also regret the missed opportunity to remove the upper earnings limit entirely, so that high earners continue to pay towards NI proportionately to their income. The extra revenue could have been used to allow women who reached SPA before April 2016 to opt for the new state pension, where this is higher than their state pension under the rules applying until April 2016, thus recognizing the legacy of gender inequality in access to full state pensions.

**Indirect taxes**
Among other smaller measures, the Chancellor announced two major changes in indirect taxation.

**Insurance Premium Tax**
Insurance Premium Tax (IPT) standard rate will be increased to 12% (from 6%). IPT applies to most types of general insurance, such as car and building insurance and medical insurance. (It does not apply to long-term policies, such as life insurance, income protection insurance or annuities.) The IFS argues that it should be charged at a much lower rate than VAT on premiums, since it should really be

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47 There is also a higher rate (that applies for example to travel insurance) and this remains at 20%, ie equal to the VAT rate on services with which the insurance is often bundled.
charged on premiums net of payouts. This may be a particular issue for women, since with lower individual incomes they may be more easily discouraged from taking out vital insurance.

The amount of money this measure raises (approx. £845m a full year) points to the increasing use of insurance to deliver financial security. A system that increasingly relies on individuals making their own insurance arrangements, rather than delivering financial security through the social security system, inevitably disadvantages poorer members of society including many women.

**Fuel Duty**

The automatic increase in fuel duty is once more to be cancelled in April 2017. This is the 7th year without it being uprated even in line with inflation, a 13% reduction in real terms since 2010, costing a total of £3½bn per annum in 2017-18. However the Resolution Foundation estimates that, compared to the fuel duty escalator planned in 2010, the total cost of 7 years of freezing fuel duty is in fact £7bn a year in 2017-18, to which another £900m per annum should be added from the announcement in this AFS. As the Women’s Budget Group has repeatedly argued after previous cuts or freezes of fuel duty, this is a measure that primarily benefits men, who are more likely to drive and drive longer distances than women, while cuts to subsidised public transport went underway. As the IFS remarks, the majority of this tax giveaway will be picked up by the better-off half of households. They also quite rightly say that, if the government belief is that fuel duty should be permanently frozen, it should say so.

**Corporation Tax**

Although no specific reductions were announced in the AFS, the Chancellor reaffirmed the government’s commitment to reducing corporation tax further, from its current level of 20%, to 17% by 2019-2020, continuing the process by which the main rate has been gradually reduced from 28% in 2010.

In the most immediate sense, as the Women’s Budget Group has shown in the past, this policy continues to increase income inequality between men and women by mainly benefitting men, who are the clear majority of business owners, top managers and shareholders. According to the latest survey by the Department for Business Innovations and Skills, in 2015 only 21% of employers in micro or small businesses were women, and only 15% of medium sized businesses were majority-led by women at the top.

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(controlled by a single woman or having a management team of which a majority were women).\textsuperscript{55} And while the percentage of women on the FTSE 100 boards, which usually host a company’s majority shareholders, has been rising in recent years, its current level is 26%, still far from equal representation.\textsuperscript{56}

But in a deeper sense, like many other components of the Autumn Statement, continuing to reduce corporation tax signals that the government hasn’t stopped to re-think its outdated growth strategy in the light of the Brexit vote. Rising inequality and the crisis in living standards, which were at the heart of the Brexit vote, were the result of similar policies that try to promote growth by blindly reducing business costs, without adequately analysing who benefits and who loses from doing so.

The official reasoning behind the government’s justification for further reductions in the corporate tax rate is outlined to some extent in a document that was published by HMRC and Treasury in 2013.\textsuperscript{57} The document uses a Computable General Equilibrium model and predicts that a reduction in the corporation tax should have positive effects on growth through raising employment and wages and boosting investment.\textsuperscript{58}

The evidence is very weak about the effect that cuts to business taxes have on wages and employment. The Treasury’s report admits that evidence as to whether capital or labour bears the burden of corporation tax is not entirely conclusive. However, a recent paper found evidence of asymmetrical effects of changes in these rates, concluding: “increases in corporate tax rates lead to significant reductions in employment and income. We find little evidence that corporate tax cuts boost economic activity, unless implemented during recessions”.\textsuperscript{59} The Chancellor clearly rejects the idea that the UK economy is currently, or is likely soon to be, in a recession.

While there is some evidence that such cuts in business taxes have the potential to increase investment, the new circumstances of Brexit have called this relationship into question. Tax and business experts have been warning that the large uncertainties facing businesses due to the Brexit negotiations, are likely to outweigh the positive effects of reducing the tax level, thus wasting public money.\textsuperscript{60} Others have also warned that lack of coordination with Europe on tax policy is likely to harm the negotiations, and therefore increase uncertainty for businesses.\textsuperscript{61}

\begin{itemize}
\item \textsuperscript{56} The Female FTSE Board Report. Cranfield University. 2016.
\item \textsuperscript{57} HMRC & HM Treasury. Analysis of the dynamic effects of Corporation Tax reductions. 2013.
\item \textsuperscript{58} In the long run (20 years): the reduction from 28% to 20% should increase GDP by 0.6% - 0.8%.
\item \textsuperscript{60} For instance, Experts from KPMG and the Association of Chartered Certified Accountants have raised these concerned as reported here: http://www.telegraph.co.uk/business/2016/07/04/will-osbornes-plan-to-cut-corporation-tax-help-boost-the-post-br/
\item \textsuperscript{61} See for instance in: http://www.independent.co.uk/news/business/news/economists-oppose-george-osbornes-corporation-tax-crusade-a7131541.html. The IFS also warns: “we are likely to face further international competitive pressure and we must balance the desire to be competitive with the aim of cooperating with international attempts to reduce avoidance” in: Helen Miller & Thomas Pope, Corporation tax changes and challenges, IFS Briefing Note BN163, February 2015.
\end{itemize}
Furthermore, but perhaps the bigger problem with the government’s logic is that it does not consider any counterfactuals. The Women’s Budget Group has argued before, alongside prominent economists, that alternative forms of investment, including social investment in skills, education and care services, of the forgone £12bn of annual government revenue by 2020 have the potential to promote stronger and more sustainable growth that will be shared more broadly across society (see section on infrastructure and regional investment). Lastly, aggressively reducing corporate taxes is also likely to exacerbate income inequality by promoting an international “race to the bottom” with respect to taxing business profits, reducing government revenues and shifting the tax burden further onto individual taxation. Given that the government is also intent on reducing individual taxation, this can only result in lower revenues reducing the amount available to be spent on much needed investment in public services. On a local level, the growing gap between income and corporation tax fuels yet more pressures to reduce income tax levels and also creates incentives for tax avoidance through shifting personal income to corporate categories (which we are pleased to see the government making some efforts to tackle, see section on Taxation of earnings).

Rather than promoting long term mature policy making that is coordinated with world efforts to address tax avoidance, the UK is aligning itself with “short-termist” EU countries such as Ireland (which has a corporation tax rate of 12.5%) or Romania (16%). This short-termism ignores the long-term risks of depending on businesses that merely re-locate to avoid tax, just to capture small gains in the short term. Companies which depend on low corporation tax rates to do business in the UK are less likely to be embedded in local economies, linked to local businesses, or to stimulate genuine job-creating investment.

**Tax avoidance by large companies**

The government will implement new restrictions on tax relief for corporate interest expenses, and reform the way that relief is provided for historic losses. This move is designed to ensure large businesses will always pay tax in years where they make substantial profits, and cannot avoid tax by borrowing excessively in the UK to fund their overseas activities.

The Women’s Budget Group welcomes all tax avoidance measures but note that this measure is projected to raise just over £5bn (counted as a revenue gain in Budget 2016) from the largest businesses, while the tax avoidance by large companies has been estimated to lose the Treasury many times this amount.

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63 The OECD warns about these pressures: [http://www.oecd.org/newsroom/corporate-tax-revenues-falling-putting-higher-burdens-on-individuals.htm](http://www.oecd.org/newsroom/corporate-tax-revenues-falling-putting-higher-burdens-on-individuals.htm)


65 [http://www.taxjustice.net/topics/more/size-of-the-problem/](http://www.taxjustice.net/topics/more/size-of-the-problem/)
Part 3: Social Security

Universal Credit

The reduction in the Universal Credit (UC) taper rate is the principal change to working-age social security. The taper will be reduced from 65% to 63% from April 2017. This means that net income will rise by 37% rather than 35% for every net £1 earned - i.e. after tax and national insurance contributions have been deducted. This last point is important, because in this respect it differs from the current tax credits system, which is withdrawn on the basis of gross income. As a result effects of the policy change will vary across different types of households.

The maximum amount of UC paid to a household is based on their work situation (including their capacity for work), age and family circumstances. This amount is then reduced according to their income, after taking into account any work allowances (earned income disregarded before the taper kicks in). These allowances vary by household type and personal characteristics, and have been greatly reduced since UC was first announced, and for some claimants abolished entirely.

The impact of changes to the taper rate fall into three categories. They can affect the amount of benefit a household receives, and the eligibility of that household to receive benefits at all. Taper rates affect employment incentives significantly by withdrawing support as incomes rise, which reduces the benefit of additional earnings on total income, thus removing some of the incentive to take employment or increase hours once employed. High taper rates are therefore in tension with the government’s expressed intentions that UC is designed to move more people into work.

The overall impact of reducing the taper rate is that households in receipt of Universal Credit on or after April 2017 will keep a slightly higher proportion of their income and should see their work incentives marginally improved, and slightly more families will become eligible for support through UC. The government has stated that the taper rate change will benefit three million households in the long run. A single parent with one child (and no housing support) with annual earnings of £15,000 will benefit by £170 per year, and a couple with two children (and receiving housing support) with a single earner on an annual wage of £30,000 would benefit by £425 per year (HM Treasury 2016). However, this concession on the taper rate will hardly compensate for the cuts to work allowances announced in the July 2015 Budget. The Institute for Fiscal Studies says a lone parent with two children, on the National Living Wage, will lose about £560 by 2020 due to the work allowance cut. They would only ‘regain’ £140 if working 20 hours per week and £260 if working 40 hours per week.66

Incentives can be analysed on a household basis; but from a gender perspective the impact on individual men and women, including those within couples, is crucial. The Women’s Budget Group’s previous analysis has shown that even before the recent cuts to work allowances, incentives for many second earners under UC are worse than under the tax credits system (see below).67 The reduced taper will change this situation only marginally. Whilst welcome, the fact that more families will through this

67 See Women’s Budget Group briefing on UC work incentives by Sue Himmelweit (www.wbg.org.uk)
change be eligible for UC also means that more will be subject to higher disincentives for second earners (most of whom are women).

**Long run changes**

The current system of UC is the result of many changes that have considerably affected its shape since it was first proposed in 2010. Cuts over successive budgets have reduced employment incentives (particularly for single parents and second earners) and blunted its capacity to reduce poverty. (In practice, despite government claims, these changes have not been mitigated by other policy changes, such as the introduction of the National Living Wage).

Even the original design of UC performed poorly for second earners, particularly if they have childcare costs. Since 2010, cuts have made the situation even worse.68 Analysis by the Resolution Foundation shows that for second earners who are on a low wage and live in a low-income household, childcare costs may overwhelm any additional income from work.69 Moreover, for many second earners the taper structure of UC provides considerably worse employment incentives than Working and Child Tax Credits, because tax credits are withdrawn on gross income at a much lower rate and UC is withdrawn on net income at a much higher rate. A separate work allowance for second earners is needed in the UC system to tackle this problem.

At present, UC is only available to a minority of households, with most still on the existing tax credits system. Full roll-out of UC has been repeatedly delayed, with it now forecast for March 2022. As a result, changes to UC are unlikely to affect a large number of people over the course of this Parliament. Therefore it remains important to scrutinise the tax credits system, as this continues to have an immediate impact on lower-income households.

**Other benefits and tax credits**

There were no further changes to working or child tax credits in the Autumn Statement. However, it is important to reflect on the impact of previous changes. Two cuts will particularly affect families with children: the removal of the family element of child tax credit; and the introduction of a two-child limit on support for children born after April 2017 or new claims after that date (for child tax credit or for UC). The reduction in the 'income rise disregard' – effectively reducing the support received in situations of fluctuating incomes – will affect those low-income households in precarious or variable work patterns, about whom the government has expressed concern.

We were pleased to see that the cut in Personal Independence Payment for those with aids and adaptations, announced in the 2016 Budget, was withdrawn. As the costings for its reversal in the Autumn Statement show, this measure would have eventually taken £1.4bn annually from the incomes of disabled people.70

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However, more generally, the freeze on all working-age benefits including tax credits continues to erode the support that low-income families receive. And as said earlier in this report, this is likely to be worsened by higher inflation forecast due to Sterling depreciation in the aftermath of the Brexit vote. The gender impact assessment this report has provided once again shows that cuts to benefits and tax credits remain heavily gendered, because women not only rely on benefits/tax credits more themselves, but also are more likely to receive these on behalf of others. In addition, women are more likely to manage the budget in low-income families thus any reduction in income adds to their stress and anxiety and undermines their wellbeing. In addition, they are more likely to go without to protect others.\footnote{See Bennett, F., De Henau, J., Himmelweit, S. and Sung, S. (2012) ‘Financial autonomy and togetherness within couples’, in Scott, J., Dex, S. and Plagnol, A. C. (eds.). Gendered Lives: Gender Inequalities in Production and Reproduction. New York: Edward Elgar, pp 97-122}

\textit{Pensions}

\textbf{Review of State Pension triple lock}

The government has confirmed that it is committed to the triple lock for uprating the state pension for the remainder of this Parliament but will review what happens after that.

Under the triple lock system, the state pension is uprated each year by the greatest of price inflation (CPI from 2012), earnings inflation and 2.5%. Since 2010 the triple lock has enabled pensioner-earner relativity to get back to late-1970s levels. The basic pension is now worth 24\% of average earnings. The new flat-rate pension is set broadly equal to the minimum guaranteed income (Pension Credit Standard Minimum Guarantee) and is now worth 31\% of average earnings.

Even with recent increases, a single pensioner wholly or mainly reliant on the minimum guaranteed income or new flat-rate pension has an income less than one-third of average earnings. More women than men are in this position, with 23\% of female single pensioners in the bottom income quintile compared with only 13\% of male single pensioners.\footnote{ONS (2016) \textit{Pensioners' Income series 2014-15} [online] https://www.gov.uk/government/statistics/pensioners-incomes-series-financial-year-201415 (accessed 30 November 2016).} The additional state pension, which is not subject to the triple lock, will rise by only 1\% in 2017. The state pension is mainly for those who do not have a private pension, and affects around two million more women than men pensioners.\footnote{\textit{Pension Trends}, Chapter 5: State Pensions’ http://www.ons.gov.uk/economy/investmentspensionsandtrusts/compendium/pensiontrends/2014-11-28/chapter5statepensions2013edition#basic-state-pension-and-additional-state-pension}

The Women’s Budget Group opposes any change which would remove current statutory uprating in line with prices or earnings inflation to ensure that poorer pensioners do not slip back to the levels of relative poverty experienced during the 1980s and 1990s, forcing them to rely on claiming means-tested benefits. The main losers from any reduction in uprating will be women because of their greater reliance on the state pensions or Pension Credit and the cumulative effect of inadequate indexing on those who live longest.

\textbf{Private Pensions and pension “freedom”}
The amount individuals may withdraw “flexibly” from their pension pot without triggering pension relief penalties has been reduced to £4,000.

The Women’s Budget Group welcomes this move. It may reduce tax avoidance actions that exploit pension reliefs; these in general disproportionately benefit the higher-paid who are more likely to be men. The reduced limit may also provide some protection for wives who depend on their husband’s private pension fund being used sparingly during their marriage and in widowhood.

However, as with all monetary limits, the impact will change over time if the limit fails to be uprated. The government should monitor the position to ensure, for example, that women affected by separation or divorce do not become disadvantaged over time through failure to uprate the £4,000 limit.

**Pensions Advice Allowance**

From April 2017, savers will be allowed to withdraw up to £500 without penalty and tax-free from a defined-contribution pension pot before the age of 55 to pay for pension advice. This new Pensions Advice Allowance can be used in conjunction with employer-arranged pension advice which counts as a tax-free benefit up to a specified limit, currently £150 per employee per year\(^\text{74}\) but due to rise to £500 from April 2017 (as announced in Budget 2016).

Paying for advice through a reduction in pension savings does little to promote competition, efficiency and innovation in the advice market. Savers with small pension pots, typically women, are disproportionately disadvantaged.

The Women’s Budget Group believes that the limit on the employer-arranged pension advice should be raised further to increase the scope for the cost of pensions advice to be borne by employers rather than as a reduction in eventual pension.

**Savings**

**Lifetime ISAs**

Despite speculation ahead of the AFS, there was no announcement on Lifetime ISAs (LISAs) which are expected to go ahead from April 2017 as planned. While notionally available to all adults aged 40 and under, more men are likely to be able to benefit from them than women, given women’s reduced ability to save due to the impact on their earnings of caring responsibilities, especially during their 30s. As with some other age restrictions, that women are more likely than men to have reduced earnings before the age of 40 renders the restriction of LISAs to those below that age indirectly discriminatory against women.

As we argued in our response to Budget 2016,\(^\text{75}\) LISA is a regressive measure that is unlikely to help the third of households who have no savings, disproportionately of women. The £800m a year that it is forecast to cost by 2020 would be better allocated to other, more equitable policies.

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Moreover, the Women’s Budget Group has previously expressed concern\textsuperscript{76} that the legislation permits future changes by regulation to the circumstances in which LISA savings can be withdrawn without penalty.\textsuperscript{77} This might tempt the government to emulate the failed Dutch scheme and allow it to be used to fund breaks from employment for caring.\textsuperscript{78} The Women’s Budget Group strongly urges that the LISA scheme is not in future used as a means of further privatising access to support for caring responsibilities.

\textsuperscript{76} Evidence to Public Bill Committee \url{https://www.theyworkforyou.com/pbc/2016-17/Savings_%28Government_Contributions%29_Bill/02-0_2016-10-25a.48.3}

\textsuperscript{77} Savings (Government Contributions) Bill, Schedule1, para 7(2).

Part 4: Policy Areas

Infrastructure and regional investment

The Chancellor announced a new National Productivity Investment Fund of £23bn for high-value investment, specifically in infrastructure and innovation to raise productivity and enhance the resilience of the economy as the UK exits the EU. This will be spent in stages over the next five years with more than half in 2020-21 and 2021-22. The government will borrow to fund this investment, postponing the target of a balanced budget until the next Parliament. The Women’s Budget Group welcomes the decision to invest in infrastructure. Women’s Budget Group analysis has shown that public investment in both physical and social infrastructure (healthcare, education, childcare and adult long-term care) rather than austerity and public spending cuts is more likely to create growth, expand the productive capacity of the economy and reduce long term public debt as well as providing vital goods and services that people need.79

There will be investment in local infrastructure in every region in England via Local Enterprise Partnerships. Scotland, Wales and Northern Ireland will receive additional funding for infrastructure investments through the Barnett formula. There will be continuing support to 2026 for Private Sector Economic Infrastructure (which funds about half of the infrastructure) through the UK Guarantees Scheme. The National Infrastructure Commission will make recommendations for future infrastructure needs on the assumption that the government would invest between 1% and 1.2% of GDP in infrastructure annually from 2020 in projects overseen by the Commission to ‘make a lasting difference to the UK’s productivity performance’ (Chancellor AFS 2016).80

The increased investment in infrastructure is designed to support the government’s industrial strategy and raise productivity. The decision to borrow to invest is a welcome move away from George Osborne’s focus on cutting public spending in order to reduce the deficit. The Chancellor’s measures should boost growth directly by raising demand and employment, which should then have multiplier effects on the rest of the economy through increases in direct, indirect and induced employment. The Women’s Budget Group has repeatedly argued that government investment in infrastructure can boost the economy, potentially pay for itself and contribute to rather than detract from reducing the long term public debt.

The Women’s Budget Group also welcomes the recognition that infrastructure investment is necessary to increase productivity and workers’ pay. Productivity in the UK lags behind Germany by 30 percentage points which in practice means that it takes five days to produce a car in Britain compared to four in Germany. Thus ‘too many British workers work longer hours for lower pay than their counterparts.’

80 https://www.gov.uk/government/speeches/autumn-statement-2016-philip-hammonds-speech
Investment is essential for competitiveness and ‘for the high-wage, high-skill economy that will deliver higher living standards for working people’ and ‘if we are to build an economy for everyone.’

However the Women’s Budget Group believes that both the overall level of investment, and the focus on physical infrastructure fail to fully address the economic and social needs of the UK and will benefit men more than women.

The planned additional investment of £23bn over the next five years is relatively small (only 40% of the cost of HS2 for example). It is the equivalent of 0.12% of GDP annually next year, rising to 0.24% of GDP in 2020. This compares to public net investment spending of 1.9% this year, rising to 2.3% of GDP in 2020-21. Spending is weighted towards later years with only £2.4bn spending planned for next year. The impact of the investment only happens when projects start and to date there has been a dearth of ‘shovel ready’ projects with no indication given as to how one third of this investment will be allocated.

From a regional perspective there is no indication that the measures proposed will redress the North/South divide. Although there will be regional investment through Local Enterprise Partnerships, many of the innovative sectors to be invested in are in the South East. The sums of money involved are low relative to the cuts experienced by local authorities. These have been especially damaging to the North where the public sector forms a more important part of the economy, providing a higher share of jobs and women’s jobs in particular. Poorer regions of the UK are also likely to lose European infrastructure investment once the UK leaves the EU.

The focus of the government’s investment continues to be on physical infrastructure (road, rail, telecoms etc). Employment in these sectors is male dominated, meaning that the majority of new jobs directly created are likely to be taken by men. Men also make greater use of private cars and trains than women, so will benefit more from improved road and rail infrastructure. There continues to be a lack of investment in social infrastructure, such as education, health, child and social care, which is as important to the economy as physical infrastructure. The Women’s Budget Group research has shown that an investment of 2% of GDP in the care sector would create 1.5m jobs (twice as many as the equivalent investment in construction), narrow the gender employment gap and address the crisis in care (see section below on Social Care).

At present one third of the National Infrastructure Fund remains unallocated. The Women’s Budget Group calls for this money to be invested in social infrastructure and the care services in particular. Providing high quality care is a sign of a civilised and healthy society, that in itself is a sufficient condition to advocate for public investment in this area. Moreover, both investing in care services and in construction projects satisfying renewable and environmentally-friendly criteria, are vital steps in enabling societies to become sustainable. The two types of investment should be considered together. However the urgent need to solve the care crisis and address gender inequalities makes investment in

81 https://www.gov.uk/government/speeches/autumn-statement-2016-philip-hammonds-speech
82 OBR Public finances databank, October 2016 (http://budgetresponsibility.org.uk/data/)
the social infrastructure a priority.

**Social care**

There was nothing in the Autumn Statement about any additional funding for care.

Back in October, Dave Behan, head of the Care Quality Commission, warned that the fragile adult social care market was “approaching a tipping point”.\(^8^5\) Behan’s statement and the detailed CQC report on the crisis in social care were widely reported. Therefore, along with every public, private or voluntary sector organisation representing those in need or providing care, the Women’s Budget Group is disappointed that the Chancellor has ignored this warning. This is bad news for the growing numbers of older people whose need for these services remains unmet and for the 1.5m paid workers and over six million family members and friends who provide care. The lack of investment in social care has serious knock-on effects for hospital services. Any restrictions on migration arising from Brexit will further exacerbate staff shortages, and the prospect is already increasing uncertainty and difficulties in recruitment.

**Underfunding and Unmet Need**

This crisis has predictably been developing over 20 years as the number of people surviving to 65 and their subsequent life expectancy have increased. Since 2001, the number of people aged 85 and older has increased by 33%, and those aged 65 and over has increased by 22%.\(^8^6\)

In 2011 the Dilnot Commission published *Fairer Funding for All*,\(^8^7\) which called for sustainable funding of social care. However the Dilnot proposals won’t be implemented until at least 2020. Meanwhile local authorities have faced a *reduction* of £5bn in social care budgets over the past five years, for which the recent 2% precept for social care does not compensate. Despite an aging population, funding for social care is set to fall back to less than 1% of GDP by the end of this parliament leaving thousands more elderly and disabled people without access to services.\(^8^8\)

**Funding of social care**

Unless a different settlement is made for social care funding, it will be severely impacted by the government’s regressive plans to make local authorities “self-sufficient” and more dependent on their own business rates (see section on Local Authority funding). This is a dangerous policy: local authorities with lower receipts from business rates are likely to be those with the poorest populations and the highest social care demands. This may result in the poorest localities having to charge a higher rate of Council Tax to fund social care, even though their residents can least afford this. Furthermore, there is a danger that using business rates to pay for social care may mean that those paying business rates attempt to influence social care spending. That the government’s “Self-sufficient local government”

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\(^8^6\) Care Quality Commission *The State of Health Care and Adult Social Care in England 2015/16*, p 42, Figure 1.16.


\(^8^8\) (Nuffield Trust/Health Foundation/Kings Fund 2016)
consultation includes suggestions to fund the public health grant and attendance allowance from business rates, implies that this outcome was intentional.89

The Women’s Budget Group recommends that a new settlement on the funding of social care is consulted on and implemented. Such a settlement needs to adequately meet social needs and be fairly funded.

Local authority expenditure on care

More immediately, Budget 2016 allowed councils to raise council tax by a 2% precept to fund adult social care,26 another regressive measure that benefits those who live in wealthier councils areas.27 Almost all local authorities opted to introduce the precept but the extra £380m is failing to cover the shortfall in funding for social care services especially in the poorest areas with the greatest need.90 Analysis of data from 326 local authorities shows that councils with the highest concentration of older people and unpaid carers will be the ones that bring in the least amount of money from this mechanism. Franklin (2015) shows that in East Lindsey where 30% of people are aged over 65, the 2% increase in council tax will raise just £30 per older person per year. He compares this with Richmond Upon Thames where just 15% fall into the over 65 age range and the 2% increase would bring in an additional £95 per older person per year.91

User charges and patient payments are considered the most regressive forms of financing as they affect the poorest in society the most. In 2013-14, local authorities earned £2.6bn from sales, fees and charges in adult social care, accounting for 15% of gross social care expenditure.92

Many councils had to cover the funding gap from reserves. In 2016 94 councils overspent by £168m.93 In these circumstances it is not surprising that only 2% of directors of social services are confident that they will meet their statutory duties in 2019-20.94 Already evidence that some local authorities are only meeting their duties to children and older people by cutting libraries and buses and leisure centres.95

Local authority expenditure on adult social care has decreased in real terms from £18.5bn in 2010 to £17.5bn in 2014. These figures would be lower but for the transfer of NHS funds to LAs in April 2009 for the funding and commissioning of care of adults with learning disabilities,96 which resulted in a 27% increase in expenditure for adults with learning disability, up from £4.2bn in 2008-09 to £5.3bn in 2013-

95 ibid, p77
96 Valuing People Now: Transfer of the responsibility for the commissioning of social care for adults with a learning disability from the NHS to local government and transfer of the appropriate funding. In: Health Do, ed., 2008
14. Over the same period spending on older people, adults with physical disabilities and mental health needs and other adult services decreased by 13% from £13.6bn in to £11.9bn.

**Unmet care needs**

As a result of these cuts since 2008-09, the number of adults in receipt of these services has decreased by 33% from 1.5m to 1m adults in 2013-14, with the largest decrease for those in receipt of meals (85%) and day care services (51%). Reductions in funding and services have been accompanied by a tightening of eligibility criteria. Whereas 35% of councils funded moderate care needs in 2005-6, only 10.5% did in 2013-14.\(^97\) It is estimated that approximately 1.86m people over the age of 50 in England (1 in 10) have unmet care needs, and the continued lack of budgetary attention on services for the elderly will lead to these levels rising.\(^98\)

Among older people, 26% fewer are now getting help.\(^99\) This means more than a million people who have difficulties with daily living such as getting out of bed, washing and dressing, now receive no formal or informal help at all. The numbers accessing care services have fallen by half a million since 2008-9 yet the population continues to age with the number of over 80s rising by 800,000 in the past decade.\(^100\)

The majority of them are women because although men’s life expectancy has increased in recent years it is still lower than women’s. Older men are now just as likely as older women to be caring for a spouse, but are less likely to be widowed. Of those aged over 75 years old and living alone, 72% are women.\(^101\)

**Investing in the care workforce**

On funding, there is worse to come. Implementing the (welcome) new National Living Wage, even before the further increase announced in the Autumn Statement, will increase the funding gap by £800m to between £2.7bn and £2bn by 2019-20.\(^102\) Overall the social care funding gap will be between £2.8bn and £3.5bn by the end of this parliament, by which time public expenditure on social care will be less than 1% of GDP.

Women make up the vast majority of the social care workforce, with 86% of care workers, home carers and senior care workers being women.\(^103\) The Women’s Budget Group has long advocated for

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\(^101\) Office of National Statistics 2015 – Life Expectancy at Birth and at Age 65 by Local Areas in England and Wales: 2012 to 2014, Figure 6 [https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies](https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies)

\(^102\) Local Government Association Adult social care funding: 2016 state of the nation report [http://www.local.gov.uk/documents/10180/7632544/1+24+ASCF+state+of+the+nation+2016_WEB.pdf/e5943f2d-4dbd-41a8-b73e-da0c7209ecc12](http://www.local.gov.uk/documents/10180/7632544/1+24+ASCF+state+of+the+nation+2016_WEB.pdf/e5943f2d-4dbd-41a8-b73e-da0c7209ecc12)

\(^103\) Office of National Statistics, Employment by occupation, April – June 2016
increased investment in developing the skills and career paths which care workers need, not only so social care becomes an attractive occupation, but also to improve the quality of care provided. As mentioned earlier in the section on infrastructure, Women’s Budget Group analysis has shown that investing public funds in childcare and eldercare services is more effective in reducing public deficits and debt than austerity policies and would create more jobs than the equivalent investment in construction. In his Autumn Statement, the Chancellor showed that he is willing to invest in the latter but fails to acknowledge that if the social care workforce is to grow in line with demographic trends 275,000 additional workers will be needed by 2025. If people whose needs the current system is failing to meet are to be reached and quality care is to be provided for all, many more care workers are needed now, and more still in the future.

The social care market, especially providers in the private sector, is heavily dependent upon migrant workers. Latest figures show 266,000 care workers were born outside the UK. That is nearly one in five of the total and three in five in London. Of these 28% were born within the EU. Brexit means the government will be committed to cutting migrant numbers - especially those deemed ‘unskilled’. The removal of ‘senior care workers’ from the skill shortage list in 2012 reduced the number of non -EEA migrants entering the UK and exacerbated recruitment problems especially in the residential and nursing home sectors. Overall turnover and vacancy rates have increased in the past 10 years by a third to 24% from 18% and to 5% from 3.5% respectively. Two thirds of care workers born in the EEA work full-time compared with half of those born in Britain. This is another very strong argument for investing in social care work to make it an attractive career to British born women and men.

Unpaid carers
There are over 6.6m family members and friends providing unpaid care in the UK and 58% are women. In the next 12 months, 2.1m people will become carers and 1.6m people will be caring for more than 50 hours a week. The Chancellor’s Statement failed to recognise the impact that continued underfunding will have on carers’ responsibilities.

Reductions in formal care services puts a greater burden on unpaid carers and threatens to undo some of the progress made in raising female employment rates in the past 20 years, particularly among older women; in the 50-64 age range nearly 1 in 4 women have a role in caring.

The Care Act 2014 stipulates the duty of local authorities to assess carers’ needs for support, but the Carers UK 2016 State of Caring Survey found that less than half of the 6,000 participating carers had

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104 Skills for Care, The state of the adult social care sector and workforce in England, September 2016
https://www.nmldsc-online.org.uk/Get.aspx?id=980099
105 The Kings Fund 2016 - Social care for older people: Home truths
106 ILC, 2016, Brexit and the future of migrants in the social care workforce, p9
107 Carers UK 2016: Carers UK submission to Autumn Statement 2016, p2
108 Census 2011
109 ibid
been assessed or offered assessment and 39% waited more than six months to be assessed. NICE guidance on hospital discharge states the need for coordinated discharge with involvement from carers. The same survey found that 57% of carers felt that they had no choice about caring for the person leaving hospital. The increase to the national minimum wage will also affect some carers’ eligibility for the carers’ allowance, by raising their earnings over the eligibility threshold unless they reduce their working hours, 78% of claimants are women. A carer’s ability to care depends not only on their time but also on their proximity to those needing care and women are more likely to be providing care to someone who lives outside their household. Current housing policies, which are breaking up communities, together with more precarious jobs with unpredictable hours, make it harder for families to provide care, as do cuts in local bus services.

**Health**

Seismic changes in the organisation, delivery and funding of health and social care services have been underway since the Secretary of State’s duty to provide key services throughout England was abolished by the Health and Social Care Act 2012 and many public health services were shifted to local authorities. Funding growth for the NHS has also slowed dramatically since the start of the coalition government in 2010. The NHS is undergoing an unprecedented funding squeeze which has led to a record NHS provider deficit reaching £2.5bn at the end of the 2015-16 financial year with 76% of providers in the red.

The AFS referred only once to the NHS saying that the government was delivering on its promise to back the NHS Five Year Forward View plan, published in October 2014, with £10bn of additional funding a year by the end of 2020-21. However, this definition of NHS spending is disputed as it is limited to the budget of NHS England which excludes other health spending such as spending on public health, education and training as well as capital and national bodies such as the Care Quality Commission (CQC). This broader definition was used by previous governments and is endorsed by the Health Select Committee. The increase in spending for NHS England is offset by reductions in

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111 Carers UK 2016: State of Caring 2016

112 NICE 2015 Transition between inpatient hospital settings and community or care home settings for adults with social care needs
[https://www.nice.org.uk/guidance/ng27/chapter/recommendations#discharge-from-hospital](https://www.nice.org.uk/guidance/ng27/chapter/recommendations#discharge-from-hospital)

113 Carers UK 2016: Carers UK submission to Autumn Statement 2016

114 Census 2011


spending for other health services. While NHS England’s budget will rise by £7.6bn in real terms over the period, other health spending will fall by more than £3bn.\textsuperscript{120}

This means that health spending will rise by £4.6bn in real terms between 2015-16 and 2020-21 which is on average 1.1% each year for the rest of this Parliament. This rate of increase is similar to that of the last Parliament, despite rising demand for services. In addition, the funding increase will be frontloaded with two years of higher increases in 2015-16 and 2016-17 followed by three years of low increases. Health spending will not increase at all in 2018-19 and by just 0.3% in 2019-20. In its response to last year’s CSR, the Women’s Budget Group pointed out that the health budget (including capital spending) was actually set to decrease as a percentage of GDP between 2015 and 2020. Moreover, much of the spending increase will be absorbed by reducing deficits of NHS providers and additional pension costs. This is not enough to maintain standards of care, meet demand from patients and deliver the commitments made in the NHS Five Year Forward View.\textsuperscript{121}

Already waiting times are getting longer and performance is deteriorating against a number of key indicators.\textsuperscript{122} Cuts in local authority services are also have knock on effects on the NHS with more than 5,000 patients experiencing delays in being discharged from hospital in August 2015, the highest level since 2007.\textsuperscript{123} These are not just due to failures in social care provision. For example, the Commission on Acute Adult Psychiatric Care (2015) survey identified a lack of suitable housing as the key factor in 49% of delayed discharges from hospital.\textsuperscript{124}

Increases in hospital waiting times, both for A&E and for elective surgery affect women particularly, both as patients and those who look after patients before and after admission. Female patients accounted for 56% of hospital admissions in 2014-14 (8.7m).\textsuperscript{125}

\textbf{NHS staffing}

Staff costs are the biggest area of spending for NHS providers, accounting for almost two thirds of expenditure.\textsuperscript{126} In 2014 there were 1,187,606 staff employed by the NHS. Qualified nursing staff represented nearly a third of all NHS staff, 77% of the NHS workforce is female and 80% of those in the lower bands 1-4 are female.\textsuperscript{127}

\begin{itemize}
  \item \textsuperscript{120} Buchan, J., I. Secombe and A. Charlesworth (2016) “Staffing matters; funding counts: Workforce profile and trends in the English NHS” Report for the Health Foundation
  \item \textsuperscript{121} https://www.kingsfund.org.uk/publications/articles/autumn-statement-six-joint-graphics
  \item \textsuperscript{122} https://www.theguardian.com/society/2016/sep/08/nhs-perpetual-winter-waiting-list-record-bed-blocking
  \url{http://qmr.kingsfund.org.uk/2015/17/?_ga=1.45313825.464519772.1479910647/}
  \item \textsuperscript{124} Kings Fund (2015) Briefing: Mental Health Under Pressure
  \url{https://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/mental-health-under-pressure-nov15_0.pdf}
  \item \textsuperscript{125} Health and Social Care Information Centre \url{http://content.digital.nhs.uk/catalogue/PUB16719/hosp-epis-stat-admi-summ-rep-2013-14-rep.pdf}
  \item \textsuperscript{126} Buchan, J., I. Secombe and A. Charlesworth (2016) “Staffing matters; funding counts: Workforce profile and trends in the English NHS” Report for the Health Foundation
  \item \textsuperscript{127} http://www.nhsemployers.org/~/media/Employers/Publications/Gender%20in%20the%20NHS.PDF
\end{itemize}
Much of the £22bn national efficiency saving required by the Five Year Forward View is to be achieved with the government’s 1% cap on public sector pay. The OBR predicts that average earnings across the NHS in England will rise by around 2% a year in real terms so the pay freeze will mean that health care workers’ pay will fall relative to other occupations. The 1% cap on pay increases since 2010 has meant a 14% fall in nursing pay in real terms which has damaged the morale and finances of NHS staff, with 20% of nurses and HCAs (healthcare assistants) are reported to have taken another job to make ends meet.

In addition, there are high levels of reported stress among NHS staff. In a study of more than 23,000 nurses across 10 countries, the UK recorded the highest level of burnout caused by too many job demands, too few job resources and too little recovery time. It was found to result in chronic exhaustion, low morale leading to absenteeism and to be associated with the intention to leave the nursing profession.

Cuts in real wages and increasing stress are already adversely affecting staffing levels. A survey of NHS employers in late 2015 found that 93% of NHS trusts in England reported a shortage of registered nurses. Spending on agency staff has increased by 27% in 2014-15 rising to £3.4bn from £2.7bn in 2013-14 and £3.7bn at the end of 2015-16. This high spend on agency staff is an indication that it is becoming increasingly difficult to retain and recruit permanent staff.

Public Health

The Health and Social Care Act 2012 carved out of the NHS public health functions making them the responsibility of local authorities from April 2013. For the first two years, the government’s ring fenced public health allocations to local authorities (money to be spent solely on improving the public’s health) were relatively generous with higher real growth in funding than for the NHS. However, the 2015 Autumn Statement confirmed that local authority funding for public health would be reduced by an average of 3.9% in real terms per annum until 2020, although a central government grant, ring-fenced for use on public health functions, would continue for at least two more years.

As a result, public health spending will fall by at least £600m in real terms by 2020-21 on top of £200m cut from the budget in 2015-16 which is already affecting spending on services such as smoking.

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129 https://www.rcn.org.uk/employment-and-pay
cessation and sexual health services.\textsuperscript{134} The services covered include sexual health services; NHS Health Check programme; children’s services; drug and alcohol misuse programmes.

Cuts mean fewer services and in the case of community services fewer staff. Evidence sent to the Health Select Committee earlier this summer showed that many local authorities had already cut or were planning to cut year on year public health services including mental health, health visiting and school nursing.

It is clear that as a result of the weakening of the statutory provisions, NHS services that were once universal will now increasingly be commissioned at the discretion of local authorities and depend on their ability to fund them. Public health functions have not been defined in the Health and Social Care Act, but local authorities have been given a list of public services which have been recategorised as prescribed and not-prescribed. The list of prescribed services is short (seven items) the list of not-prescribed services (15 items) includes children’s services 5-19 and other children’s services 0 to 5. Not-prescribed services will be the first services that local authorities can decommission and cut.

The shifting and weakening of public health functions to local authorities has serious implications for women and children. First, public health services will no longer be universal, and, as with social care (see section on Social Care), there will be increasing variation and inequalities in access depending on the ability of local authorities to fund them. Those living in more deprived areas will have reduced access because these local authorities have received lower grants per capita and are the least likely to be able to raise funds locally. The government’s plan to make local authorities “self-funding” by 2020 does not bode well for access to such services by those who need them most (see section on Local Authority funding).

In tandem with these changes local authorities are privatising services and the mainly female workforce will be adversely affected. As cuts take hold, the work of health visitors and school nurses in child development checks and prevention will not be undertaken, nor will a range of preventative and rehabilitation services. As well as failing children and society at large, lack of such preventative services has implications for those who are poor, and especially for women and mothers who still do the majority of caring, many of whom are already facing both mental and financial strain.\textsuperscript{135}

**Mental Health Services**

Women are particularly affected by declining provision for mental health services. Three quarters of people who care for a person with a mental health problem are women, women are twice as likely to experience anxiety disorders as men and two thirds of people with dementia are women.\textsuperscript{136}

Around 17\% of adults in England meet the criteria for common mental disorder (CMD) but the incidence in young women has increased. CMD symptoms affect 26\% of women in the 16-24 age range compared with 9\% of men and this has been increasing steadily since 2000. Young women are also at higher risk for self harm, PTSD and bipolar disorder.\textsuperscript{137}


\textsuperscript{135} \url{https://www.carersuk.org/for-professionals/policy/policy-library/facts-about-carers-2014}

\textsuperscript{136} \url{https://www.mentalhealth.org.uk/a-to-z/w/women-and-mental-health}

The government announced in 2011 an ambition to achieve ‘parity of esteem’ between mental and physical health. However, the funding mechanisms by which this should be achieved are unclear. An estimated 12% of NHS England’s total spending was allocated to mental health in 2014-15. According to a 2016 report by the NAO, just 25% of people needing mental health services have access to them. While more funding sources have been announced in the past two years, there is not sufficient detailing of how these will reach frontline services, particularly in view of the extreme financial pressures facing health service Clinical Commissioning Groups (CCGs).\(^{138}\)

Evidence from the health charity the King’s Fund suggests that funding for mental health has been cut, with around 40% of mental health trusts experiencing reductions in income in 2013-14 and 2014-15.\(^{139}\) Unlike acute (hospital) trusts, mental health trusts appear to have avoided going into deficit, but this seems to have been at the expense of care quality and access. The impact of inadequate funding includes widespread evidence of poor quality care, bed occupancy above recommended levels, community services unable to provide sufficient levels of support to compensate for reductions in beds, and high numbers of out-of-area placements for patients, which have a detrimental impact on patients and are associated with an increased risk of suicide.\(^{140}\)

In addition, there has been a significant reduction in the number of experienced nurses resulting in staff shortages and insufficient staff skill mix in some areas of mental health care. The reduction in staff and high levels of stress reported among staff, affecting their ability to treat patients with patience and empathy.\(^{141}\)

**Child care**

There were no further changes to childcare policy in the Autumn Statement. Tax-free childcare will therefore be introduced from early 2017 as employer-supported childcare vouchers are phased out. (The schedule remains unchanged since the legal challenge to the scheme was defeated by the government.) The extension of the free entitlement goes ahead unchanged, despite significant concerns from the childcare sector on its ability to provide this care and the impact of the policy on the quality and availability of care. As commented in the previous three responses, the extension of the free entitlement – from 15 hours to 30 hours per week, for working parents of three and four year olds – is a welcome increase in support. However, the Women’s Budget Group has repeatedly expressed concerns raised about both the low rate at which the policy is being funded and the impact of restricting the policy to ‘working families’.\(^{142}\) Also worrying is the continuous closure of Sure Start

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\(^{140}\) ibid

\(^{141}\) ibid

Centres which has doubled since last year and with the drastic central funding cuts to local authorities at the same time as devolving more funding responsibilities to them. This will have profound negative impact on the way councils can support local childcare provision, even more so in poorer areas where needs are greater. 143 144

More generally the Women’s Budget Group regrets the lack of attention to a more strategic vision for investment in the social infrastructure, of which childcare is an important component. As commented in previous responses, the additional £1bn invested in childcare by 2020 will only make public spending on childcare constant as a proportion of GDP, calling into question the commitment by the government to do more for childcare, in a context of rising costs at faster paces than the growth in the economy.

The less adequate the investment in social infrastructure the more the costs are likely to fall on women, as they substitute informal for formal care and/or find it harder to earn an independent income because they are doing this. Caring for children (and the elderly and disabled populations) should be a collective responsibility, shared more widely both within households and across the wider society.

Overall the current patchwork of measures and the complexity of the system for parents, providers and local authorities alike make it very difficult for all stakeholders to plan and for the system to be considered as a collectively shared responsibility. The Women’s Budget Group argues that a more efficient strategy would be to overhaul the entire system and provide universal quality childcare up to primary school age, in line with many other countries. Women’s Budget Group analysis has estimated the gross cost of such universal provision. It has calculated total annual costs for universal access over 40 hour a week and 48 weeks a year (thus longer coverage than currently planned for 3 and 4 year olds), with staff hired on higher qualification levels than currently and using the same current ratios (as well as statutory ratios) of children per staff and paid the same as staff of equivalent qualification in the primary school system. Total costs also include provision for initial training, new buildings and annual overheads. 145

The figure for total annual costs in the most generous scenario of high pay (at primary school teacher levels) is 11 times as high as the current level of public subsidies taken altogether (about £55bn compared to £5bn, based on 2014 costings) but the employment generation effect is far superior to current employment levels in the childcare sector (and with better pay), adding 1m full-time childcare jobs (on top of the existing 260,000 full-time equivalents) and has positive repercussion on employment throughout the economy by a factor of 1.67. This means that for every 100 jobs created directly in the


childcare industry, 67 additional jobs (full-time) are created in the wider economy (as suppliers and because of increased consumption of the newly employed workers). It is also beneficial for women’s employment in particular as this would relieve their caring responsibilities that constrain them from finding suitable full-time employment.

And it will bring in tax revenue and reduce social security spending in a way that almost the entire gross cost is recouped (between 88% and 96% depending on the pay scenario).

**Schools**

The 2016 Autumn Statement had no measures to address the increasing funding pressures in education and the effect of these on the largely female workforce. The Institute for Fiscal Studies projects that between 2014/15 and 2019/20 per pupil school funding is expected to fall by 8% in real terms, making it the biggest fall in any Parliament as far back as the data goes. Research by the National Union of Teachers (NUT) already suggests that 83% of schools are worse off in real terms since the Conservative Government took office. Rising inflation and cost increases, including National Insurance and teachers’ pension contributions, at a time of public sector pay restraint have led to staffing cuts and an increased workload for the largely (80.1%) female workforce. Cuts have included a reduction in the number of teaching assistants – 95% are female – and support staff for children with Special Educational Needs (SEN). Not only have these cuts meant job losses for low paid women, they have increased the pressure on classroom teachers and reduced the level of support available for children with SEN. Parents, particularly mothers, of these children face a harder struggle to ensure that their children get the support they need and in some cases have to step into fill the gap.

According to the NUT research, schools with more deprived intakes have been hardest hit. Primary and secondary schools with the most deprived intakes are £297 and £338 per pupil worse off, compared with £93 and £178 for schools with the least deprived intakes.

The Chancellor used the Autumn Financial Statement to announce £50m of new capital funding per year for the expansion of existing grammar schools in England. This is expected to widen educational inequalities. The Sutton Trust recently reported that disadvantaged children from low income families are under-represented in selective schools, with only 3% of grammar school students being eligible for free school meals compared to 18% of students in non-selective schools in the same area. A review by the Institute for Fiscal Studies finds that, while pupils attending selective schools do better within these settings, this is outweighed by the negative impact on the majority of pupils who are not

146 [https://www.ifs.org.uk/publications/8027](https://www.ifs.org.uk/publications/8027)
150 Ibid.
151 Poor Grammar: Entry Into Grammar Schools Disadvantaged Pupils In England, Sutton Trust 2013
The IFS review further indicates that educational inequalities are greater in selective local authorities than comprehensive ones. It is worth noting that there is a distinct lack of gender analysis in the debate over grammar schooling, including on numbers of male and female pupils attending selective versus comprehensive schooling and their attainment in these.

Given the evidence base, the Women’s Budget Group calls for increased investment in mainstream comprehensive education rather than funding for educational models that replicate and intensify existing socio-economic inequalities.

**Housing**

Housing was central to the government’s infrastructure investment. As with previous funding for house-building, however, the focus has been primarily on private housing and so-called ‘affordable homes’ that, at 80% of market rates, remain out of reach for many and particularly women, who are less likely to be in a position to purchase their home.

The Women’s Budget Group welcomes the government’s reversal on a mandatory ‘pay to stay’ scheme for social housing tenants and the ban on letting agents charging tenants fees. There is still, however, no comprehensive strategy to tackle housing need among the poorest and a serious risk that new measures, such as the pilot that will allow social housing tenants the right to buy their properties, will exacerbate the crisis.

**Housing Benefit Cap**

During the Autumn Statement, the Chancellor confirmed that the housing benefit cap to bring social housing rents in line with Local Housing Allowance rates will be postponed until April 2019. Local authorities will receive ring fenced funding in 2019/20 to make up the shortfall in support for supported housing providers (including women’s refuges).

In the 2015 Autumn Statement the Government announced plans to cap housing benefit paid to social landlords at the Local Housing Allowance (LHA) rate. The LHA rate is the maximum housing benefit that can be paid to tenants renting from private landlords in a given area. In 2011 it was reduced from the median rent in an area to the 30th percentile of rents in that area. Prior to April 2013 it was uprated annually in line with the Retail Price Index. This was reduced to an annual uprating in line with the Consumer Price Index and then capped at 1% per annum from 2014, regardless of the actual cost of rents.

The 2015 announcement means that social landlords, including those providing supported accommodation (for example women’s refuges), will only be able to charge rent up to LHA rates. Current rents charged by supported accommodation cover the costs of support to residents as well as the actual housing costs. Women’s Aid calculated that the LHA cap would reduce the rent refuges receive from £300 per room per week to £60-£100.153

For 2019/20 the Government has committed in the AFS 2016 that spending on supported housing will be the same as it would have been in the absence of the cap. This decision to provide additional funding

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152 https://www.ifs.org.uk/publications/8469
153 http://www.huffingtonpost.co.uk/polly-neate/open-letter-to-ian-duncan-smith_b_9281182.html
at the same level is welcome, as is the announcement that it will be ring fenced for supported accommodation. However the AFS makes clear funding for future years will be determined at future spending reviews, meaning that the additional support for supported housing could be cut in the future.

For tenants in mainstream social housing there may be a gap between rents and the LHA rate. Local authority social rents are generally set at around 50% of market rent, while local authority affordable rents are set at 80% of market rent; both are higher than the 30% of market rent available for LHA. The majority of those affected by the cap in social housing are likely to be women who make up 67% of social housing tenants. In addition for single people under 35 LHA rates only cover the cost of a room in a shared house, meaning that levels of LHA for this group are likely to be significantly below the rent paid for a one bedroom flat. This is particularly likely to affect women who make up a large majority of social housing tenants under the age of 35.

Pay to stay

Two days in advance of the Autumn Statement, the Housing Minister announced that the Government had reversed its decision for a mandatory ‘pay to stay’ scheme that would see local authorities charge tenants with taxable incomes over £31,000 (£40,000 in London) market rents, or close to market rents. The Women’s Budget Group welcomes this change in policy. Pay to Stay would have created disincentives for second earners (the majority of whom are women) as their earnings might have pushed the household income above these thresholds.

House building

Investment in house building was central to the Government’s infrastructure investment plans announced in the spending review (see also the discussion in the infrastructure section). However the majority of the investment was targeted at supporting private house building for sale, rather than increasing the provision of social housing, which would help those in greatest housing need. The ‘affordable’ and ‘low cost’ housing announced will still be out of reach for the majority of low income people.

The Chancellor announced that the Government plans to publish a Housing White Paper ‘setting out a comprehensive package of reform to increase housing supply and halt the decline in housing affordability’. In the Autumn Financial Statement he announced some initial policies relating to private house-building and social housing.

Private housing

- A new Housing Infrastructure Fund of £2.3bn by 2020-21 allocated to local government on a competitive basis to unlock new private house building with the aim of providing up to 100,000 new homes in the areas where housing need is greatest.

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Accelerated construction on public sector land, backed up by £2bn of funding through partnerships with private sector developers.  

This investment falls short of that needed to provide the 232,000 to 300,000 new homes a year that is needed to meet current demand for housing. In addition researchers at Sheffield Hallam University have concluded that private sector housebuilders are unlikely to meet the demand for new houses under current business models. They highlight the incentives for large housebuilding firms to bank land in order to control the flow of new housing, and to concentrate on construction in areas where profit rather than need is the highest, concluding that the private sector alone cannot meet the UK’s housing needs.

The housing needs of women and the poorest women in particular are unlikely to be met by private housebuilding for sale since women are less likely to be able to afford to buy their own home. The Women’s Budget Group has repeatedly called for greater investment in social housing that would provide secure, affordable homes for women and families on low incomes.

Social Housing and Affordable homes

The chancellor announced an additional £1.4bn for the existing £4.7bn National Affordable Housing Programme, which would deliver 40,000 homes on top of the 153,000 already promised.

The Chancellor announced that restrictions on grant funding will be relaxed, allowing social housing providers to use the funding for affordable homes for rent as well as for sale.

The additional funding for affordable housing is welcome, as is the decision to allow social housing providers to build affordable homes to rent as well as to buy. Women are far less likely than men to be able to afford to buy a house, and more likely to rely on social housing. Even ‘affordable’ homes for sale at 80% of market rates are still out of reach for many families and a disproportionate number of women, particularly in the South East of England. However the 40,000 new affordable homes still do not meet the level of demand for secure, low cost housing and will leave many in the expensive and insecure private rented sector. In addition ‘affordable rents’ are charged at 80% of market rents, meaning that they will still be unaffordable to a family with one full time and one part time earner in 47% of English local authorities.

Right to Buy

The government will fund a large-scale regional pilot of the Right to Buy for housing association tenants giving over 3,000 tenants the right to buy their housing association home at a discount.

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The Right to Buy in social housing risks seriously reducing the amount of social housing available. Less than 14% of social housing tenants are expected to be able to afford to buy their home,\textsuperscript{161} the majority of those who can will be men. Some parts of the country may lose up to 50% of their social housing stock until replacement housing is built.\textsuperscript{162} If housing at ‘social rents’ is replaced with housing at ‘affordable rents’ this will reduce the amount of housing that is genuinely affordable for the poorest, the majority of whom are women.

**Ban on letting agents charging fees to tenants**

The decision to ban letting agent fees for tenants is welcome. Over 60% of tenancies involve a letting agency; although agencies are contracted by landlords it has become common for them to charge additional fees to tenants for drawing up and renewing contracts, credit checks and ‘administrative costs’.\textsuperscript{163} This creates an additional financial burden for people in the private rented sector. However tenants in private rented accommodation are still faced with rising rents and lack long term security. In over 80% of English local authorities market rents are unaffordable for a family with one full time and one part time earner on the Government’s National Living Wage.\textsuperscript{164} Lone parents, who make up 19% of private tenants face an even greater problem with affordability.\textsuperscript{165}

**Violence against Women and Girls**

The Autumn Statement makes only a single reference to violence against women and girls and this relates to the allocation of the underspend of this year’s Tampon Tax fund monies to Comic Relief (£3m) and invitations for applications for the following year’s funds.\textsuperscript{166} The Women’s Budget Group, alongside other women’s organisations, has previously expressed concern about the continued charging of VAT on sanitary products and the way in which the dispersal of funds to women’s organisations creates a dangerous slippage whereby women become responsible for funding their own safety.

More significantly, however, we are concerned that the failure to address violence against women and girls in a more comprehensive way in the Autumn Statement is out of step with the scale of the problem and the funding difficulties faced by the sector. In its *Ending Violence against Women and Girls*
Strategy 2016 – 2020, published in March this year, the government recognised that prosecutions for violence against women and girls (VAWG) offences had reached the highest levels ever recorded and cited an estimated 1.35m female victims of domestic abuse, nearly 450,000 victims of sexual violence, and more than 80 women a year who lose their lives to domestic homicide. The Strategy estimates that providing public services to victims of domestic violence and the lost economic output of women affected costs the UK £15.8bn annually. The cost to health, housing and social services, criminal justice and civil legal services is estimated at £3.9bn. This updated total of £19.7bn does not include the costs of other forms of violence – such as rape, child sexual abuse, female genital mutilation (FGM).

While the Strategy makes a welcome commitment that ‘no victim is turned away from accessing critical support services delivered by refuges, rape support centres and FGM and forced marriage units’, the levels of spending committed in the Strategy do not match the scale of investment required to tackle the enormous costs listed above. Central government has ring-fenced just £20m per year (£80m over the remainder of this spending review) to support refuges and other accommodation-based services, provision for women from BME backgrounds, services for those with complex needs, a network of rape support centres, a network of national helplines and a VAWG Service Transformation Fund to support best local practice.

Responsibility for the major part of local service provision is devolved to local commissioners, including Police and Crime Commissioners (PCCs), health and local authority commissioners. The PCC victims’ services budget has been frozen at the 2015/16 level of £63m, and this has to cover services for all victims, not just the victims of VAWG. Rape Crisis England and Wales centres’ specialist services received just over £3m of this. The amounts given were very variable. The average payment per centre was less than £100,000, while four got £10,000 or less, and eight got nothing.

The Strategy further notes that the NHS budget for mental health amounts to £11.7bn, out of which mental health interventions to address domestic and sexual violence and abuse can be funded; it goes on to state that Clinical Commissioning Groups (CCGs) play a ‘vital role in local commissioning of services to tackle VAWG including mental health’. However, the amounts that actually reach front line specialist support services can be wholly inadequate: for example, only 12 out of 45 Rape Crisis Centres across England and Wales were funded by CCGs. Last year they received between them a total of £414,399, with the largest payment being just over £100,000, and the lowest just £5,000.

By comparison, we note that the Troubled Families Programme has had £200m already, and a further £720m is promised for the programme to 2020, for 400,000 families. VAWG is a significant feature in many of these families. The investment being made here is closer to the level we would expect to see given to support all victims of VAWG to rebuild their lives.

Finally, although support services are critically important, we hope to see greater commitment to prevention work, which would reduce the enormous costs to the state of violence against women and girls in the future. Recently the Women and Equalities Select Committee made a series of recommendations to tackle ‘widespread’ sexual violence in schools. If enacted, these recommendations would reduce the levels of violence against women and girls and equally importantly

would begin to tackle the culture of condoning and excusing violence against women and girls by teaching boys that this sort of behaviour is unacceptable. The Committee asked for statutory measures to ensure schools act to prevent and respond to sexual harassment and sexual violence, and for this to be included in schools inspections. They called for sex and relationships education to be designated a statutory subject, and for investment in teacher training, and in local third sector specialist support. Women’s Budget Group supports these recommendations.

**Official Development Assistance**

In the Autumn Financial Statement the government confirmed its commitment to spending 0.7% of Gross National Income on Official Development Assistance (ODA). Given poorer GNI performance, this means that the ODA budget will be reduced by £80m in 2017-8 and £210m in 2018-19. This is in addition to the 2015/6 £1.1bn fall in Department for International Development’s allocated non-capital spending, due to transfers of ODA budget to other departments in order to reduce the effects of budget cuts in non-DfID departments.

These cuts are set in the wider context of the increasing alignment of ODA with the UK’s trade interests. The Prosperity Fund will put £1.3bn over five years into middle income countries to facilitate UK’s trading opportunities and a Bill currently in Committee proposes significantly increasing private sector investments by raising the Commonwealth Development Corporation Group Plc (CDC) funding limits from £1.5bn to £6bn, and possibly £12bn. The Prosperity Fund investment represents a shift of ODA away from the poorest countries, while the increased funding to CDC places a significant proportion of ODA in the hands of a private company still to prove its development impact.

On top of this, there are spillover effects as a result of the UK continuing to pursue low rates of corporate taxation. The announcement in the Autumn Financial Statement of the UK government’s commitment to having one of the lowest corporation taxes in the G7 (17% by 2020) will initiate a race to the bottom for foreign investment, putting pressure on low and middle income countries to further reduce their tax base to retain and attract foreign investment. Further, the Autumn Financial Statement was a lost opportunity to announce concrete measures to tackle international tax avoidance in British tax havens.

Taken together, these tax and ODA accounting and investment policies, alongside poor GNI performance, cut the resources to eradicate extreme poverty and promote sustainable development. This affects women and girls most, causing significant underinvestment in health and education.

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constraining life expectancies and life chances. The post-Autumn Financial Statement announcement that DfID will allocate a further £5.75m to reducing FGM worldwide\textsuperscript{175}, though welcome, is a small sum when set against the reduced ODA budget and other changes.

Conclusion

Theresa May became Prime Minister in the wake of the EU referendum which had revealed a deeply divided country. She pledged to build a country and economy that ‘works for everyone’, and the Chancellor affirmed those aspirations in his Autumn Statement address.

The Autumn Statement is a missed opportunity to begin that task:

- **Women and those on low incomes continue to shoulder by far the greatest burden of tax and benefit changes and cuts to public spending since 2010**, with black and minority ethnic women facing a triple disadvantage. The measures announced in this Autumn Statement, including the reduction in the UC taper rate, are insignificant when set against the backdrop of these cuts.

- **Social care is in crisis, failing those in need of care and those who provide it, whether paid or unpaid**. There are approximately 1.86m people over the age of 50 in England (1 in 10) with unmet care needs; most of them are women. Further, many of those whose needs are being met to whatever extent are dependent on unpaid care, restricting the opportunities of those family members, usually women, who provide that care, often totally unsupported by local or national government. In the Autumn Statement, the Chancellor had an opportunity to use his infrastructure investment to deliver a new settlement for care. This investment in the social infrastructure would not only, as the Women’s Budget Group has shown, provide for unmet care needs but deliver economic returns that exceed those from comparable investment in construction. We urge the Chancellor to direct the unallocated funds in the National Infrastructure Fund, nearly 1/3rd of the total funds committed, towards investing in the social infrastructure, which is just as vital as physical infrastructure to the challenge of improving the UK’s low productivity.

- **Alongside social care, health and school budgets are under pressure from rising demand and inflationary pressures**. In real terms, per pupil school funding is set to fall by the greatest amount of any Parliament since data began and the Health Service is struggling to meet growing demands for which insufficient funding has been provided. This impacts on the quality of education and health services and puts pressure on the mainly female workforce and, again, the Autumn Statement did not provide a comprehensive response to these challenges.

- **The Treasury and Chancellor again failed to provide an adequate assessment of how the Autumn Statement impacts on different groups**. Such analysis must be an essential component of the decision-making process when setting policies that aim to build a country that ‘works for everyone’.

The Chancellor’s welcome commitment to spending on infrastructure could have provided an opening for addressing both the countries stretched social infrastructure – our schools, health service and care system – and its productivity challenge. His decision to direct investment at physical infrastructure and continue to privilege tax giveaways for the better off over restoring essential benefits to the poorest will delay progress in building a country that ‘works for everyone’.
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The Women’s Budget Group is a network of leading feminist economists, researchers, policy experts and campaigners committed to achieving a more gender equal future. We have worked towards this since 1989.

For more information, please visit www.wbg.org.uk or contact admin@wbg.org.uk

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