

**Women's Budget Group Response to
HM Treasury's *Budget 2008***

March 2008

About The Women's Budget Group

The Women's Budget Group (WBG) is an independent organisation bringing together academics and people from non-governmental organisations and trades unions to promote gender equality through appropriate economic policy. In all of our work we ask the question 'Where are resources going and what is their impact on gender equality?'

The WBG is co-chaired by Clare Cochrane, Janet Veitch, and Hilary Fisher.

If you would like more information about the work of the WBG, or to join the group and contribute to our work, please contact the office or visit our website.

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1. Introduction

The Women's Budget Group (WBG) welcomes the opportunity to respond to the *Budget 2008*. We held a meeting of our members on Budget Day to examine the proposals and subsequently conducted an analysis of their impact on women.

General Observations

We would be grateful if you would send a copy of the gender impact assessment made by your officials of the Budget proposals; pending sight of the document, we would make the observation that the Budget report itself still lacks an explicitly gendered analysis. The process of looking at the economic outcomes of the Budget through a gendered perspective provides a better evidence base for policy making and is a statutory requirement under the gender equality duty. The government must carry out a gender impact analysis of all policy initiatives - much of what follows in our response would have been anticipated by a gender impact analysis.

We welcome the emphasis of this Budget on efforts to end child poverty. However, we are disappointed that you did not take the opportunity to address the acute and chronic funding crisis in sexual and domestic violence services within the women's voluntary sector. In the last 10 years rape crisis centres have been closing, leaving many women with nowhere to turn. As less than 10% of rapes are reported to the criminal justice system, non-statutory provision represents an essential and trusted source of support for women. While we welcome the announcement of the March 19th of a one-off injection of funds into rape crisis centres, we would have welcomed an acknowledgement of this in the budget, together with a clear commitment to sustainable funding for rape crisis centres and other women-only support services for violence against women.

We have set out below the key issues on which we wish to comment in detail. *The majority of our comments are directed towards the areas addressed in Chapter 4: Fairness and Opportunity for All.*

Key recommendations

1. We welcome the Government's considerable investment in poverty initiatives, and the fact that the key measures announced to end child poverty (Child Benefit and Child Tax Credit increases) will go to the primary carer - and will therefore in most cases go directly into women's purses instead of men's wallets, even though this will not be sufficient to meet the target of halving child poverty.
2. We are concerned about the impact on women of the loss of the 10% tax band. First, we believe reducing the number of tax bands is a step away from progressive taxation, which we think is the fairest form of raising revenue. Specifically, we believe this is also a move away from gender equality: women are over represented among the low-paid, and the compensating payments made via the working tax credit are made to the main earner of the household, rather than to women individually. This move from the individual to the household disadvantages women and is a hidden form of disadvantage, as those

responsible for preparing the Budget 2008 do not seem to be aware of the significance of the allocation of resources within households. This issue is relevant to any consideration of poverty among children and women.

3. We are disappointed that the Budget says nothing about out-of-work benefit levels for adults and believe that inadequate adult rates are undermining the child poverty strategy. We strongly recommend that the rationale for a lower rate for those aged under 25 is reconsidered, particularly from the perspective of young mothers and mothers-to-be.
4. We welcome the Government's decision to base eligibility for the national rollout of the Savings Gateway on the individual rather than the household. This could help women build up savings to protect themselves against economic shocks. However, measures to promote personal savings are not a substitute for adequate social protection. Strategies to encourage savings must be accompanied by policies to improve benefit levels for adults in particular.
5. Following the report of the Women and Work Commission, the Government made a welcome investment of around £40 million to build women's skills. We are disappointed to note that in the budget, the only ongoing commitment to this crucial area is £5 million to the Skills Sector Councils. We believe this is wholly inadequate. If the recommendations of the Women and Work Commission are to be implemented, the requisite funding needs to be found to do so.

2: Sustainable growth and prosperity (Chapter 3)

2.1 Investment in Skills

WBG welcomes Government support for the National Science Learning Centre for teachers.

- ***WBG suggests that the remit for the centre should include specialist training in the presentation of science in an inclusive way that will enable girls (as well as boys) to participate fully. Girls (as well as boys) should be able to see the relevance of science to their lives, and to recognise its career opportunities.***

WBG welcomes investment in Train to Gain but is concerned that the Government ensure part-time workers, most of whom are women, benefit from this programme.

- ***WBG recommends a full gender impact assessment of the Government response to the Leitch Review of Skills, focusing on how this can improve women's productivity and reduce the gender pay gap.***

2.2 Skills Accounts

WBG welcomes the function of Skills Accounts in delivering more choice to adult learners and encouraging flexibility in provision. Flexibility is of particular concern for women who have caring responsibilities.

WBG welcomes the £60m additional funding announced in the Budget for Level 3, in particular the emphasis on second chances. Women are often in need of second chance education to reskill after periods spent out of the labour market caring. Without access to skills and flexible working, women with caring responsibilities can often find their productivity dramatically reduced. WBG endorses the views of the BERR Select Committee report in January 2008¹ that it is essential that the lessons of the Women and Work Sector Pathways pilots are embedded into this mainstream programme. Our evidence to the Select Committee covers this point in more detail.²

2.3 Job Creation and New Adult Careers Service

WBG welcomes the emphasis on job creation in environmental industries in the Budget.

- ***WBG suggests the Government ensures women benefit by embedding the lessons and successes of the Olympics Level 3 pilots by training women in atypical careers (engineering, construction, transport, and logistics).***

WBG welcomes the Government's commitment to rolling out a new adult careers service. In developing the service, the Government must build in ways to challenge gender stereotypes which drive occupational segregation and the gender pay gap.

- ***WBG suggests that more must be done to challenge occupation segregation and the pay gap for Apprenticeships. YWCA found that low rates of pay led to low rates of completion, more prevalent amongst young women.***

3: Fairness and Opportunity for All (Chapter 4)

3.1 Child Poverty and Benefit/Tax Credit Levels

We welcome the bringing forward of the increase in the first child rate of Child Benefit to £20 per week from April 2009 instead of April 2010, and the addition to the child element of the Child Tax Credit by £50 per year above indexation from April 2009. Because Child Benefit and the child element of Child Tax Credit are paid to the primary carer, these increases will go, for the most part, into the purses of women (usually the main carers of children).

- ***WBG recommends that the Government listen to the many organisations calling for the benefit paid to 2nd and subsequent children to be raised to the same level. This would help to provide a better balance between the universal, secure Child Benefit and tax credits, which are less secure in the face of fluctuating circumstances.***

As we have noted³, children's poverty cannot be eradicated without women's poverty being addressed. Women's poverty results from the complex interplay of many structural barriers, from time out of work and in lower-paid work to occupational segregation. As our recent research has noted, addressing this will require more than these initial financial measures, but we acknowledge and welcome these increases as a step in the right direction.

- ***The Women's Budget Group recommends that the Government take measures to address the causes of the gender pay gap, and implement the measures outlined in the Government's action plan response to the recommendations of the Women and Work Commission.***

We are disappointed that the Budget says nothing about out-of-work benefit levels for adults. We called for an urgent review of their adequacy in *Women's and Children's Poverty: Making the Links* as crucial to tackling both women's and children's poverty. Support for such a review has come from a number of children's organisations who argue that inadequate adult rates are undermining the child poverty strategy. Most

recently, the Work and Pensions Select Committee recommended a review of the uprating formula used for adult benefits.

We welcome the decision in the pre-Budget review to align the rate paid to 16-17 year olds with the 18-24 year old rate, but would argue that the rationale for a lower rate for those aged under 25 needs rethinking, particularly from the perspective of young mothers and mothers-to-be.

3.2 Working Tax Credit and couples

We note with interest the study of WTC and young single claimants published with Budget 2008.

- ***WBG urges the Government to publish a similar study of couples claiming WTC, distinguishing between the main earner and the 'partner'.***

We need to know why over half a million partners of male WTC claimants are not earning. Much work has been published on the work incentive (household level) and disincentive (partners) effects of WFTC, but little or none that we are aware of on WTC and CTC. We acknowledge that in pp. 62-66 your perspective has shifted towards looking at individuals within households, however we note that throughout *Budget 2008* the Government still seems to treat 'households' (families) as though it is households that are employed or workless: this is an ungendered approach that ignores the needs, contributions and arguably even existence of women in couples.

3.3 National Minimum Wage

The WBG welcomes the annual increase to the National Minimum Wage. The Low Pay Commission's most recent report found that 64 per cent of minimum wage jobs were held by women and 61 per cent were part-time. However, we remain concerned that the rate of the National Minimum Wage will still be too low contributing to women's poverty and the gender pay gap. We are particularly concerned about the gender pay gap that exists in Apprenticeships, which results in young female apprentices receiving on average £40 less per week than young males. That is double the pay gap found in the wider labour market. Applying the National Minimum Wage to Apprenticeships would help tackle this. We are disappointed that the Government decided against the Low Pay Commission reviewing Apprenticeship Pay this round.

- ***WBG recommends that the Low Pay Commission should conduct an urgent review of Apprenticeship pay, taking into account the impact of the National Minimum Wage exemption on the gender pay gap.***

3.4 Tax Credits System

We welcome the news that ‘the tax credits system is now working well’ (*Budget 2008*, p61) and we also welcome the measures to support vulnerable ‘customers’. We also welcome the fact that the Government apparently continues to be sensitive in the way it implements its intrusive and constraining requirement that lone parents should report new relationships within a month. We are concerned about the implications of the commitment ‘by the end of 2008 [to] introduce new ID authentication services to help reduce tax credits error and fraud’: what form will these take? Will claimants, overwhelmingly women, be required to provide finger prints or biometric data before they can get access to money to support their children? We strongly oppose any such introduction of new types of ID requirements, particularly given the gender implications, and look forward to being reassured that the Government’s intentions do not include these sorts of ID and to being informed about what types of ID are envisaged.

3.5 Savings Gateway

We welcome the real encouragement for individuals on low incomes to save through the national rollout of the Savings Gateway scheme. This will be particularly helpful to women, who are less likely than men to own financial products or even have a current account.⁴ It could help them to build up savings to protect themselves and their families against economic shocks. This is particularly important because women are often themselves the ‘shock absorbers’ of poverty,⁵ as well as being the managers of poverty within the household, and are more likely to spend on goods and services for the children/household.⁶

We also welcome the decision by the Government to base eligibility for the national rollout of the Savings Gateway on the individual rather than the household. This reverses the indirect discrimination of the pilot schemes, which tied eligibility for the scheme to the actual benefit claimant (who was more likely to be the man in a couple).

However, we believe that measures to promote personal savings are not a substitute for adequate social protection for those on low incomes. The Savings Gateway must therefore be accompanied by policies to tackle financial insecurities, and to improve benefit rates, especially for adults, which have not risen in line with average earnings since the 1980s.⁷

3.6 Individual Savings Accounts

On page 64 (para 4.25) of *Budget 2008*, HMT states that ISAs ‘have been successful in developing and extending the saving habit and ensuring a fairer distribution of tax relief’. Whilst this is technically true, it ignores the fact that those living on low incomes do not pay tax while ISA savings above quite low thresholds serve to eliminate their ability to claim many social security benefits. ISAs also offer tax relief at marginal tax rates and are therefore regressive in their impact. They mainly benefit, albeit in a limited way, the better off. They should not be represented as an instrument of redistribution to the poor.

3.7 Promoting equality and fairness for all

This section makes statements about the Government's commitment to equality. Yet, as we have seen, *Budget 2008* is not explicitly gender aware; and the emphasis on joint assessment of families via the increasing emphasis on means-tested tax credits and benefits could be seen as contributing to increasing gender inequality by making it disadvantageous for mothers in couples to increase their individual incomes by earning, and for lone parents who earn to form a partnership.

On page 67 (point 4.36) HMT states that 'around a third of public spending goes on purchasing goods and services. The Government will shortly publish a practical guide to demonstrate how social issues can be addressed in public procurement.'

- ***WBG suggests the government ensure the issue of how to incorporate gender equality in public purchasing contracts be very clearly spelt out.***
- ***WBG recommends that companies are required to provide transparency on this issue, reporting their progress on gender equality in the workplace and in service provision, so that civil society organisations are able to help monitor the impact of the private sector on gender issues.***

If the government is going to bring private sector firms further in to the public service delivery process such transparency is necessary in order to ensure compliance with the public sector duty to promote gender equality.

Public authorities do not have the resources to track down information about how private sector firms are addressing gender issues and equal pay in particular.

- ***WBG recommends increased reporting requirements so that public authorities as well as the public are able to assess company performance on these issues.***

3.8 Abolition of 10% tax rate, and concomitant increases in tax credit thresholds

The WBG supports simplification in the tax/benefit system. However, the abolition of the 10% tax rate will have a big negative impact on women, both with and without children. We believe it is wrong in principle, to simplify the system at the expense of the poorest members of society. It is also part of a broader move away from individualization of the tax system for families, which is creating ever-bigger financial disincentives for women in couples both to earn and/or to live with partners if they do earn.

- ***WBG recommends the reinstatement of the 10% tax band.***

3.8.1 Low-earning single women without children

Research amongst young single earners published alongside the 2008 Budget⁸ states that the effect on employment probability of introducing the Working Tax Credit 'appears to be concentrated among men, with no evidence of an increase in the probability of WTC-eligible women in the sample' (p4). Without further policy action, therefore, this

group is unlikely to be compensated for the 10% tax rate abolition by the increase in WTC thresholds. It also concerns us that young childless women under the age of 25 are not eligible to claim Working Tax Credit and therefore are disproportionately disadvantaged by the abolition of the 10p starter rate, as well as being often lower paid than young men.

- ***WBG recommends that eligibility for working tax credit be extended to those under 25.***

3.8.2 Partnered women without children

By switching from the individualized 10% tax rate to WTC assessed on household incomes, the policy change will substantially increase the already powerful disincentive for 'second adults' in couples (usually women) to take jobs or increase their earnings. When they give up work the increased payment of tax/benefit will replace these households' earnings from employment and result in an, as yet unmeasured, Exchequer cost. Within each household, it may also switch money from the pockets of women to the pockets of men. This effect thus increases gender inequality and (potentially) the costs of the tax/benefit policy to the taxpayer.

3.8.3 Low-earning lone mothers

In this group, the impact of the change should in theory be minimal, assuming that they are already claiming Working Tax Credit, as is likely. However, there are likely to be a number of lone mothers who will now have to start claiming WTC in order to compensate themselves for the extra tax they have to pay. This will increase the WTC workload and result in more mothers having to cope with the administrative complexities of WTC.

3.8.4 Low-earning partnered mothers

Because Child Tax Credit is usually paid to the mother, the increase in CTC thresholds (and amount) will provide partial income replacement for this group. However, the switch from individual to household assessment will mean that they face an even bigger disincentive to earn or increase their hours than other groups: the WTC and CTC increases will be paid whether or not they earn, provided their partner is earning.

3.8.5 Non-earning mothers in couples

Although they will receive more CTC than before, they face even more disincentives to take jobs than before.

If any gender impact analysis (see Key Recommendations) had been conducted on this policy, it is likely that the negative effects on female employment (and transferring the costs of poverty yet further from employers to the Treasury) would have been noticed and measures taken to mitigate such effects. Because so much policy analysis is based on the assumption that the household is a single unit, analysis of the interplay of these effects is problematic.

- ***The WBG urges the Government to examine the advantages and disadvantages of some individualization of assessment of work-related tax/benefits as a matter of urgency.***

We welcome the statement in *Budget 2008* (Box 4.1) that states that '[t]he tax credit system is now working well ...the Government continues to look for opportunities to improve the experiences of the 6 million families benefiting from tax credits'.

- ***The WBG urges the Government to consider the position of mothers and partners in the tax credit and benefit system.***

3.9 Pensions

3.9.1. Tax relief on pensions

Paragraph 4.33 of *Budget 2008* states that: 'The Government provides generous tax reliefs to encourage and support pension saving, estimated to be worth £17.5 billion in 2007-8'. This huge tax break overwhelmingly benefits high-earning men and costs the Government about a third as much as the basic state pension costs the National Insurance Fund. While special factors may have pushed up the size of the tax break in 2006-7 and 2007-8, we again urge the Government to cut it back, as it benefits disproportionately an already privileged group. We also repeat our call for carer credits to be introduced into the Personal Accounts scheme.

3.9.2. Pension Credit

In paragraph 4.29, the Government claims that it has reduced absolute poverty for pensioners by three-quarters. We point out that the individual incomes of female pensioners in couples remain appallingly low, at 37% of the income of men in couples.⁹ In the vast majority of cases, pension credit is paid to the man in the couple. This may be a matter of choice, but focusing independently on women as well as men in couples in relation to their eligibility might ease some of the take-up problems with pension credit.

- ***The WBG strongly recommends the Government continue to publish the WEU Individual Income series.***

Endnotes

¹ BERR Select committee on Women and Work, January 2008

² Veitch, J. (April 2008), *Evidence from the UK Women's Budget Group, to the Standing Committee on the Status of Women*
<http://www.wbg.org.uk/documents/EvidencefromtheUKWBGtotheCanadianStandingCommitteeontheStatusofWomen.pdf>

³ *Women's & Children's Poverty: Making the Links*, WBG, March 2005

⁴ Sohda, S. and Lister, R., *The Saving Gateway: From principles to practice*, Institute for Public Policy Research, 2006; Money, money, money: *Is it still a rich man's world?* Fawcett Society, 2005.

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- ⁵ Women's Budget Group (2005), *Women's and Children's Poverty: Making the links*, Kempson, E. (1996) *Life on a Low Income*, York, Joseph Rowntree Foundation
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Strelitz, J. and Lister, R. (2008) *Why Money Matters*, London, Save the Children
- ⁶ Pahl, J (1989) *Money and Marriage*, Basingstoke, Macmillan.
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Pahl, J. (2005) Individualisation in couple finances: who pays for the children? *Social Policy and Society*, 4, 4, 381-392
- ⁷ Holly Sutherland, Martin Evans, Ruth Hancock, John Hills and Francesca Zantomio, *The Impact of Benefit and Tax Uprating on Incomes and Poverty*, York Publishing Services for Joseph Rowntree Foundation, available from York Publishing Services Ltd (01904 430033)
- ⁸ Mulheirn, I. and Pisani, M. (2008) *Working Tax Credit and Labour Supply*, Treasury Economic Working Paper 3, London: Treasury.
- ⁹ Women and Equality Unit (2006) *Individual Income Statistics*, ONS.