

UK Women's Budget Group Report on Budget Proposals in Party Manifestos, May 2010

Government budgets in the next parliament are in danger of reversing trends to greater equality between women and men. The need for analysis of the gender equality impact of the UK budget has never been greater. Harriet Harman has now committed a future Labour Government to conducting and publishing analysis of the budget's impact on gender equality. Will the Conservatives and the Liberal Democrats make the same commitment?

None of the three main parties have published any assessment of how the budget proposals in their manifestos will impact on gender equality. Nor has the Institute of Fiscal Studies (IFS), though it has produced useful analysis of the impact on the distribution of income between households.

On 27th April, at a debate organized by the Fawcett Society, Harriet Harman committed a future Labour Government to publishing assessments of the differential impact of budgets on women and men. She points out that the Equality Act will require such assessments to be made; and she has committed to making them public. This is an important step forward, which we welcome; and we call upon the Conservatives and the Liberal Democrats to give similar assurances.

The UK Women's Budget Group is a voluntary organization, lacking the resources of the IFS, and the political parties. Thus we are not in a position to produce a comprehensive and detailed gender equality impact assessment. But we believe there is enough evidence to suggest that achieving gender equality is likely to be put in jeopardy by government budgets in the next parliament, based on proposals made by the three largest parties in their manifestos and campaign statements.

I. The budget deficit

All the three largest political parties (Conservative, Labour, and Liberal Democrat) agree that the UK budget deficit must be reduced in the life of the next parliament. They are all aiming to get the deficit down to just under 5% of UK national income by 2016/17.

The main reason for the rise in the budget deficit is a steep fall in tax revenue: an economy in recession generates less tax revenue, as incomes fall.

The parties plan to reduce the deficit by a mixture of cuts in public spending and tax increases; the Conservatives advocate cutting spending as soon as possible; Labour and the Liberal Democrats argue that early cuts will halt the recovery of the economy, leading to prolonged unemployment and preventing a recovery of tax revenues.

Unless deficit reduction is explicitly planned in ways that focus on the goal of equality between women and men, it is all too likely that women will be hit harder than men; and trends to greater gender equality will be reversed.

Women will tend to be harder hit by spending cuts because:

- 65% of workers in the public sector are women, so the majority of the thousands of jobs that will be lost are likely to be women's jobs
- a larger share of women's income is made up of benefits and tax credits- on average one-fifth for women compared to one-tenth for men
- women use public services more intensively than men- they use them to meet their own needs, which are greater than those of men, because of pregnancy, longer life expectancy, and lower earnings and assets; and women also use public services more intensively than men to assist them in managing care responsibilities, especially those that provide care services, for children, for frail elderly people, and for sick or disabled people.

The size of spending cuts will depend on the extent to which taxes are increased. Women's incomes will tend to be less hard hit by rises in direct taxes, like income tax, and by national insurance charges, because women have lower incomes than men and fewer women than men have paid jobs. Women's median net individual income is £180 per week, less than two-thirds of the median for men, £231 per week.

Women, much more than men, contribute to the economy by providing unpaid care services. The economic value of the contribution made by unpaid carers in the UK, the majority of whom are still women, is £87 billion per year; money that would otherwise have to come from the government budget. Cutbacks in caring services will increase the amount of unpaid care that has to be provided, and that provision will tend to fall more on women than on men. This constrains women's ability to participate in the labour market, in voluntary work for their communities, and in political life.

How are the deficit reduction plans likely to impact on gender equality?

The parties differ in the extent to which they will reply on spending cuts and tax increases. According to calculations made by the Institute for Fiscal Studies:

- The Labour Party proposes a ratio of spending cuts to tax increase of 2 to 1
- The Liberal Democrat Party proposes a ratio of spending cuts to tax increases of 2.5 to 1
- The Conservative Party proposes a ratio of spending cuts to tax increases of 4 to 1

Thus there is much more risk that the deficit reduction plans of the Conservative Party will jeopardize gender equality than the plans of the other two parties.

Of course, the impact will also depend on the details of the type of spending cuts and tax rises that are introduced. And the impact on rich women will be different from the impact on poor and middle income women. The parties have not provided enough

information to conduct a thorough gender impact assessment, so we can only provide a limited illustrative assessment of some key issues.

II. Public expenditure

1. Public services

Efficiency savings

There is a lack of detail about where the cuts would fall and which areas would be protected. All three parties rely heavily on the idea of ‘efficiency savings’. But so-called efficiency savings usually involve cuts in jobs, and this often involves transfers of costs rather than real reductions in costs.

Costs are transferred to public sector workers, the majority of whom are women, who have to work harder and do even more unpaid overtime, with adverse effects on their health and their family lives. Costs may be transferred in these ways to private sector workers who provide contracted out services for the public sector, not only IT but also cleaning and catering.

Costs are transferred to users of public services, who have to spend more time providing unpaid work. Ideas like ‘care in the community’ and ‘the big society’ mask the reality that they imply more unpaid work, especially more unpaid work from women.

So-called ‘efficiency savings’ need to be scrutinized in detail to ensure that they really are the result of improvements in productivity, and not transfers of costs to low and middle income women.

Child care

Women still bear more responsibility than men for managing the care of children; and cuts in child care services and nursery education would hit women harder; and reduce their capacity to earn an independent income.

Sure Start Children’s Centres

The Conservative Party Manifesto states: “The Conservative Party is committed to keeping Sure Start because the network of Children’s Centres is of enormous value to parents across the country. But we believe Sure Start needs to work better because the people who need it most – disadvantaged and dysfunctional families – are not getting enough of the benefit”. A Conservative Government would target Sure Start services to these families, cutting 200 million GBP from the budget. 70 million of this would be spent on more health visitors to serve families using Sure Start Centres.

Labour would protect Sure Start spending. Their manifesto states that “Children’s Centres will become the bedrock of a new national under-fives service: ‘one-stop shops,

open to all families, offering excellent affordable childcare, healthcare and parenting advice.”

The Liberal Democrat manifesto does not specifically mention Sure Start spending, but says they would protect existing child care provision.

Nursery education

Currently every three and four year old child is entitled to 15 hours of free education, but the private sector provides 80% of state-funded nursery education.

The Conservative Party Manifesto states that “A Conservative government will review the way the childcare industry is regulated and funded to ensure that no providers, including childminders, are put at a disadvantage”. The Conservatives have refused to pledge that private sector providers will not be allowed to charge fees to cover part of the costs of this education, leading the door open for “top-up fees”

The Labour Party manifesto promises to extend the current deal of 15 hours free nursery education from three and four year olds to two year olds, starting with the most disadvantaged.

Liberal Democrats will protect existing provision and aspires to moving towards a goal of 20 hours a week free care for every child from 18 months.

Gender impact of early years proposals

The Conservative proposals are likely to make it more difficult for low and middle income women to manage child care responsibilities. If Sure Start no longer aspires to be a universal service, its quality is likely to fall, and it is likely to be less attractive to users.

Liberal Democrat proposals would continue the current level of support, and aspire to improve it.

The Labour proposals would extend early years provision for low income families initially and for all families in the longer run. Their commitment to a national under-fives service goes farther than the other parties in supporting people with major child care responsibilities; and thus may help in reducing gender inequality in the effects of children on men’s and women’s employment opportunities.

Social care for frail elderly people

None of the parties have a properly costed plan for funding and providing social care.

The Conservatives have suggested a type of voluntary insurance to cover residential care, but the danger is that many people will not take out the insurance, making the costs rise for those who do. It is not clear what provision will be made for those with no insurance.

Labour promise “after 2015” to have a comprehensive system of universal free care in place, but how this is to be funded is yet to be clarified. They have introduced a limited package of free home care for the most disabled, funded by freezing the inheritance tax threshold for four years.

Liberal Democrats manifesto promises an all party commission to investigate the issue. They promise to replace free home care for the most disabled by the offer of a week’s respite for the one million carers who spend 50 hours every week looking after a sick relative.

Gender impact of social care proposals

Women are the majority recipients of social care for frail elderly people and the providers of the bulk of unpaid social care. Women are far more likely than men to reduce or curtail their employment because of such caring responsibilities.

The lack of priority given to social care by all parties shows a disregard both for women carers and care recipients. Failure to make adequate provision for social care will have a greater adverse impact on women than on men.

Public sector pay

The Conservatives promise to institute a one-year pay freeze in the public sector for all but the one million lowest-paid workers. This will affect every worker earning £15,600 or above.

The Liberal Democrats would cap public sector pay rises at 400 GBP for two years, meaning that lowest paid workers would get a bigger percentage pay rise than higher paid workers.

The Labour Party has not given any commitments on levels of public sector pay.

Gender impact of public sector pay proposals

The Conservative proposals and Liberal Democrat proposals would tend hit women harder than men, because more women than men would be affected by the pay freeze. However, the Liberal Democrat proposal is better than the Conservative proposal for workers on the lower pay scales, where women are more concentrated.

The big omission is that none of the parties have made provision for funding equal pay in local government employment. Recent tribunal settlements have judged that many local government pay structures have discriminated against women, especially low paid women, and women are due hundreds of millions of GBP in back-pay. (Birmingham City Council, for instance, needs to pay out 200 million GBP in back-pay to women employees). Local governments get most of their funding from the UK budget, but no party has budgeted for extra funding to pay what is due to women.

2. Benefits

State Old Age Pension

Labour has already introduced a new state pension rule that comes into force in April, reducing the qualifying years from 39 to 30. Their manifesto promises to restore the link between basic state pension and earnings from 2012, and to continue to provide Winter Fuel Payments; concessionary public-transport fares; free TV licenses for the over-75s; and free eye tests and prescriptions for pensioners. The manifesto also states that “Pension credit, which ensures that no pensioner need live on less than £132.60 per week or £202.40 for couples, and supports the income of 2.7 million pensioner households, will also rise in line with earnings.”

Conservative manifesto makes similar promises to restore the link between the basic state pension and earnings and protect the winter fuel payment, free bus passes, free TV licenses, disability living allowance and pension credit.

Liberal Democrats would update the state pension annually, by whichever is highest, the increase in earnings, prices, or 2.5 per cent; and scrap the rule that you have to buy an annuity when you reach 75.

Gender impact of pension proposals

Women are over 50% of retired people living in poverty, but large numbers do not qualify for the basic state pension which was set up to with the needs of male ‘breadwinners’ in mind. The new rule on qualifying years starts to offset gender inequality in pensions and will mean well over a million more women being entitled to a full state pension in the future.

The Labour and Conservative promises on bus passes, eye-tests and prescription charges are particularly important for women in married couples, since they are an equal benefit in kind that goes directly to individuals, whereas payments made through pension credit are means tested on household income, which may be largely the man’s.

The proposals of all parties to restore the link to earnings will help to offset the gender gap in income in old age, as more women than men lack an occupational or private pension.

The Liberal Democrat proposal on annuities is a contribution to gender equality as gender discrimination in annuities has been permitted to continue, and women have to pay more than men to secure an annuity that provides a given level of pension.

None of the parties mentions increasing the level of the state pension, something that would act immediately to reduce the disproportionately large numbers of women lining in

poverty in old age. Pension credits are not claimed by many who are entitled to them, showing the limitations of means-tested benefit.

3. Tax credits

Tax credits are administered through the income tax system, but they entail public expenditure, just like welfare benefits. Here we discuss proposals on the Child Tax Credit.

The Conservatives have stated that they would stop paying tax credits to families with incomes over £50,000. The IFS claims that the intent is to reduce the threshold at which the family element of the Child Tax Credit starts to be withdrawn from £50,000 to £40,000. The loss in cash terms would be up to £545 a year for those families with incomes between £48,175 and £50,000.

Liberal Democrats would introduce changes so that the family element of the Child Tax Credit would be tapered immediately after the child element has been completely withdrawn. This means that a family with one non-disabled child (aged 1 or over) would no longer be entitled to tax credits if their income exceeded about £25,000, with each additional child increasing the point at which entitlement ends by about £6,000. Tax credit recipients with incomes between this point and the existing family element threshold (£50,000) would be up to £545 worse off.

Labour would raise the child element of the Child Tax Credit by £4 a week for families with children aged one and two.

Gender impact of Child Tax Credit proposals

The Conservative and Liberal Democrat proposals look as if they reduce the payments to middle income people, if judged on household income. But Child Tax Credit is paid to the main carer, who in most cases is the woman. For women who are full time carers CTC and Child Benefit may be the only income they receive directly and in many households the woman's earnings are considerably less than the man's. Cuts in Child Tax Credit therefore reduce women's share of household income, with adverse implications for gender equality. The reverse would be the case with the Labour proposals.

4. Spending cuts that would not jeopardize gender equality

Progress toward gender equality does not mean that there should be no spending cuts. It is possible to identify cuts that would not jeopardize gender equality. One example is to axe the 100 billion GBP Trident nuclear submarine programme. The Liberal Democrats propose this, although they would provide an alternative nuclear deterrent that might cost just as much, but the Conservatives and the Labour Party would continue to fund Trident. Unlike other public spending cuts, the employment effects of such any cut in military spending are not likely to impact on women more than men.

III. Revenue

Income tax

Conservatives are committed to recognising marriage and civil partnerships in the tax system via making the personal tax allowance partially transferable. One person in the couple has to earn nothing or less than the value of the personal tax allowance, currently £6457 a year - this is most likely to be the woman in a married couple – and then they can transfer up to £750 of this unused allowance to a spouse or civil partner earning below the threshold for the higher 40% income tax rate. The transferred allowance would then lower the spouse's/civil partner's tax bill by up to £150. The IFS estimates that four million couples would qualify, only a third of married couples. More than a third of the beneficiaries of the policy are pensioners; only 35% of the taxpayers who would gain from the policy have children, and only 17% have children aged under 5.

Labour and the Liberal Democrats are committed to maintain the current system of independent taxation in income tax.

Liberal Democrats would increase the threshold at which income tax is payable from 6000 GBP to 10,000 GBP. People with incomes already too low to pay tax would not gain from this. In 2009–10, only 62% of the adult population had a high enough income to pay income tax.

Labour would not change the threshold and has pledged not to raise income tax rates in the next parliament.

Gender impact of income tax proposals

The Conservative proposal on transferable allowances will not put money in the hands of non-earners (mostly women) but instead gives it to their earning partner (more likely to be a man), and therefore reinforces intra-household inequalities and women's economic dependency. It could well dissuade women from taking up new jobs and training to make use of their qualifications, by raising the tax paid by their husbands when women enter the labour market. It also serves to erode the principle of independent taxation. It is a setback for the principle of gender equality.

The Liberal proposal to raise the tax threshold fails to reach those with the lowest incomes (who are more likely to be women) and thus disproportionately benefits men when we consider the population as a whole.

The Labour pledge not to raise income tax rates will mean much less room to resist spending cuts or more regressive tax rises in the future.

Rather than reducing potential revenue from income tax (Conservative and Liberal Democrats), or not seeking to increase it (Labour) it would be more gender equitable to increase it, especially by raising rates for higher earners; and use the proceeds to maintain caring services and public sector employment,

Other direct personal taxes

There are proposals for changes in several other direct personal taxes. Here we consider number of them.

The Conservatives propose to raise Inheritance Tax threshold to £1m for individuals and £2m for married couples and to freeze Council Tax.

The Liberal Democrats would introduce a Mansion Tax on properties worth over £2 million but do not mention inheritance tax. They would replace Council Tax with local income tax.

Labour would freeze the Inheritance Tax threshold until 2014/15 and use the additional revenue to pay for free home care for the most severely disabled.

Gender impact of other direct taxes

The Conservative proposals will benefit those with the most wealth, who are disproportionately men.

The Liberal Democrat and Labour proposals raise money in ways that are more gender equitable. The Liberal Democrat proposal to replace Council Tax with local income tax would help women particularly – not only because women tend to be poorer, but also because older women are more likely than older men to be living on their own in larger homes in which they have raised a family, as are lone mothers with their families compared with other single adults on similar incomes.

Increasing revenue from inheritance tax, as Labour propose, is easily the most progressive way of funding social care because it spreads the cost over across all sufficiently large estates, rather than those unlucky to enough to need long-term care, the majority of whom are women, having to sell their homes to pay for it.

Indirect taxes

The manifestoes say little about indirect taxes. However, several commentators have suggested that after the election, no matter who forms the government, VAT will be raised to 20% in order to meet deficit reduction targets. This is a regressive tax, so will hit the poor and women proportionately harder, though Labour has promised not to extend it to currently exempted items, such as food, children's clothes and public transport fares (these exemptions make VAT much less regressive than it would be without them).

National Insurance

In economic terms, this is a tax on earnings, just as much as income tax. Part of it is paid by the employee and part of it by the employer. In the longer run the employer may shift

their part of the tax to the employee by not raising wages. Here we look only the immediate impact on the payment by employees.

The Labour government has already legislated to increase the two rates at which NI is paid and to raise the lower NI limit so that those earning less than £20,000 will not pay more. The Conservatives have made it a high priority to reduce this “jobs tax”, and propose to do this by raising thresholds further. The Liberal Democrats say they would seek to reverse the Labour rise in National Insurance, ‘when resources would allow’.

IFS calculations show that Labour’s policy would mean no increase in payments for the 20% of poorest households and would raise additional revenue of £6.3 billion. The Conservative proposals would mean lower payments for both the poorest and the middle income groups, but would reduce revenue by £5.6 billion, losing most of the revenue that Labour hoped to raise.

Gender impact of national insurance proposals

In terms of effect on income, Labour’s increase in National Insurance helps to narrow the gender gap in average take home pay since more women than men have earnings below £20,000. It also raises substantial revenue to reduce cuts in public services.

The Conservative plans would reduce the payments made by those earning up to £35,000. There are more men than women earning between £20,000 and £35,000, and so this proposal would benefit men more than women. More importantly, it would substantially reduce the money available to fund services that are vital for gender equality.

IV Net impact on the budget proposals on gender equality

Currently there is no gender-aware economic model available that enables us to try to quantify the net impact. Available models, like that of the IFS, are disaggregated by household, but not by sex. The next government should invest in the development of such a model; and encourage researchers, both inside and outside government, to assess the impacts of budget proposals on individual incomes, not only household incomes. The amount of money, from earnings, assets, and welfare benefits, that a woman has in her own right is a key aspect of progress to gender equality.

However, the available evidence does suggest that gender equality is imperiled by the budget proposals of all the parties, but to a greater degree by those of the Conservative Party than those of the Labour and Liberal Democratic Parties.

We call for the parties to rethink their budget proposals and to produce new proposals that would support gender equality rather than place it in jeopardy.

The Women's Budget Group is an independent, voluntary organization which brings together individuals from academia, non-governmental organisations and trade unions. It has been scrutinizing the budgets of UK governments since the early 1990s.

For more information please feel free to contact us by email at info@wbg.org.uk or by phone at 075 7623 5554.

Diane Elson, Chair
Janet Veitch, Deputy Chair
Jillian Foster, Coordinator

Women's Budget Group
94 White Lion Street
London
N1 9PF