

WOMEN'S BUDGET GROUP
November 2001 Pre Budget Report Response

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1. OVERVIEW

1.1 The Women's Budget Group welcomes the Pre-Budget Report's statement of Government objectives:

'To build Britain's economic strength and create a fairer society' through 'maintaining economic stability and raising productivity and employment, securing the resources needed to tackle child and pensioner poverty and delivering high quality public services and rising living standards for all'

1.2 We are pleased with the re-orientation and expansion in public expenditure set out in the PBR.

1.3 However, public expenditure still falls well short of public needs. We understand the importance of a sound fiscal policy framework that focuses on the level of spending around the economic cycle. However the logic of this framework suggests that now is the time for the government to reap the benefits of its more sophisticated approach to managing the economy by spending more on key services and on support for marginalised groups.

1.4 These are important issues for women. Not only do women benefit from spending on health, education and public transport, they are also the ones whose unpaid work increases when public services are inadequate. It is women, as unpaid carers, who most feel the costs of under-investment in public services.

1.5 Over-represented among the poor, women also benefit most from the financial support offered to groups such as pensioners and lone parents. We are of the belief that spending on anti-poverty measures, where the current Government has had a measurable and very welcome impact on women's poverty, should continue to grow. It is important, especially in times of fiscal restraint, that the spending in this area is not seen as taking away from other areas: as research has long told us, anti-poverty measures are a very effective way of improving health and educational outcomes.

2. KEY POLICY RECOMMENDATIONS

2.1 Monitoring the gender impacts of the UK budget

- 2.1.1 Meet national and international commitments to gender mainstreaming and monitoring the effects of budgetary policy on women and men;
- 2.1.2 Make gender issues and a commitment to equal opportunities central to the brief of the Minister for Corporate Social Responsibility;
- 2.1.3 Implement best practice on transparency and pay audits in the public sector and take the lead in developing bench marking standards for reporting on equal opportunities in the workplace;
- 2.1.4 Monitor the impact of public-private partnerships and other private sector involvement in public services on pay and conditions to ensure that apparent gains in efficiency are not at the cost of women's earnings, safety at work and job satisfaction.

2.2 Childcare

- 2.2.1 Develop a more unified and properly funded system for childcare, including development of community based children's centres.
- 2.2.2 Use the childcare review as an opportunity to develop a childcare system in which all children have a right to day-care at a cost that their parents can afford;
- 2.2.3 In the first place, ensure that childcare places are available to all children in need, irrespective of whether they live in a deprived area;
- 2.2.4 Ensure that childcare subsidies work in such a way that children can be settled into childcare before their parents' study or employment starts, and are protected from interruptions if their parents lose their jobs. Subsidies

should be available on the same basis to parents in education and training as those in employment.

- 2.2.5 Improve pay and conditions of childcare workers and develop worker training as a way of increasing professional recognition.

2.3 Promoting International Poverty Reduction

- 2.3.1 Support the recommendations made by UNIFEM to incorporate gender into the Financing for Development agenda, especially via gender analysis of government budgets. Lead by example by strengthening analysis and reporting of the gender implications of the UK budget.

2.4 Pensions

- 2.4.1 Set the basic state pension at a higher level, for example at the Minimum Income Guarantee, and index it to wages to ensure that pensioners share in the general rise in economic prosperity;
- 2.4.2 Increase take-up of the Minimum Income Guarantee. If take-up remains low, introduce an alternative system that reaches the poorest pensioners.

2.5 Employment and Productivity

- 2.5.1 Extend subsidised training opportunities to those who are not currently in the labour force, to support those returning to employment after childcare to get higher skilled employment that better meets their needs and better contributes to increasing productivity.
- 2.5.2 Open all pilot training schemes for the low skilled to new-comers and returners to the labour force, and introduce pilot schemes specifically targeted at those who are ready to return to employment after childcare, but who have not yet done so.

2.6 Tax Credits

- 2.6.1 Use an alternative design for tax credits which promotes the financial autonomy and security of both earners in couples (rather than encouraging the financial dependence and vulnerability of one partner);
- 2.6.2 Continue the reduction in the disincentive effect to second earners;
- 2.6.3 Ensure that despite the introduction of the Child Tax Credit, priority continues to be given to Child Benefit and that, at a minimum, it is indexed to inflation;
- 2.6.4 Pay Child Benefit and Child Tax Credit Benefit through pregnancy as a way of enhancing the incomes of vulnerable mothers and hence protecting against low birth weight, child and maternal mortality;
- 2.6.5 Make the payment of the Childcare Tax Credit more flexible so that parents who are actively looking for employment, have a starting date for employment or are between spells of employment can arrange and settle their child into childcare, and do not subsequently have to disrupt their children's care;
- 2.6.6 Introduce special measures for those involved in caring for others besides children as an urgent priority;
- 2.6.7 Change the labelling of the Working Tax Credit to the more accurate Employment Tax Credit so as to not to imply that unpaid caring activities do not constitute "work".

3. MONITORING THE GENDER IMPACTS OF THE UK BUDGET

3.1 It is vital that public money should be spent in the most effective way. WBG believes that looking at public expenditures through the eyes of women, especially poor women, can contribute to that effectiveness. We are pleased to note that in relation to some tax credit issues the Government has begun to do this. But there is still a long way to go and even signs of backsliding at some points. The Government's commitment to gender analysis of the Budget, as well as its international commitments to gender mainstreaming, now needs to be turned into practice.

3.2 The Government also has a duty to lead by example in the area of pay equality. Active redress of pay inequalities as well as transparency in pay systems are a minimum requirement in addition, gender issues need to be at the heart of the Government's work on Corporate Social Responsibility and the Government needs to take the lead in developing benchmark standards for reporting on equal opportunities in the workplace

3.3 As a way of further developing gender analysis of the budget, throughout this report we highlight areas where a gender perspective would improve analysis, monitoring and evaluation and hence the effectiveness of spending.

4. CHILDCARE

4.1 Children are society's precious resource: their future and ours depends upon giving their welfare, in the broadest sense, very high priority. This is recognised in some areas of government policy but not yet in all.

4.2 We welcome the continued commitment to the development of the National Childcare Strategy. The strategy is essential if women are to take full advantage of education, training and employment opportunities as well as being a key component in the Government's strategy for ending child poverty. The strategy still has to overcome some major problems, however. In contrast to the maintenance of children, which is becoming close to a seamless web with the introduction of the new tax credit, the systems for supporting the care of children are fragmented, complex and patchy. No wonder so many parents are unaware of the successes of the strategy - either in terms of what has already been achieved or its potential. We identify six key areas of action:

- 4.2.1 The number of places still falls far short of need and the rate of increase in places has slowed significantly. Investigation into the supply side of the childcare equation and mechanisms of increasing provision should be a priority of the childcare review.
- 4.2.2 A key component of undersupply lies in the childcare workforce. Childcare is competing with and losing out to other shortage occupations, in particular nursing, teaching and social work. These trends will continue until the issue of pay and career development are addressed – this should be a matter of immediate priority with important lessons to be learned about the creation of a unified Early Years profession from partners across the EU.
- 4.2.3 The service is riddled with competing priorities and philosophies, although the 1998 paper stated "there is no sensible distinction between good early education and care." The expansion of free nursery education for all 4 year olds and its planned expansion to reach all 3 year olds is very welcome, but

this part-time provision does not always fit well and easily with children's needs for longer periods of care. There are successful policies for co-ordination and even better-integration; in particular the Early Excellence Centres and Sure Start, but these only reach a tiny minority of children. Significant investment is needed in order for these effective models of provision to be made available nationally. We strongly support proposals put forward by the Daycare Trust for developing a childcare centre in every community.

- 4.2.4 Provision of nurseries, childminders and out of school schemes has remained very low in some urban and rural areas. The market is unlikely to redress this uneven provision unless either parents have more money to spend or the current costs of the services are directly subsidised. The most deprived areas are getting more resources but there remains a real problem of unequal opportunities both for children to experience good quality care and education and for their mothers to return to employment.
- 4.2.5 Child care support in both HE and FE has grown significantly since 1997 but the schemes are complex and their interaction with other systems of support for student parents is far from transparent. Transaction and compliance costs are high. Adequate levels of support for day care provision for young and school age children must become a priority for parents in education just as it is for those in employment. An increase in supply as well as better mechanisms of financial support for parents in education are required.
- 4.2.6 Continuity of care is a vital component of quality of care. This is compromised if access to, and level of support for day care begins and ends with the mothers' employment. Children take time to settle into a new day care arrangement, which therefore needs to be in place before study, or employment begins and protected from interruptions if a parent loses their job. The provision of a day care place for all children whose parents wish them to benefit from one, should be seen as just as desirable as pre-school nursery education is now regarded.

5. PROMOTING INTERNATIONAL POVERTY REDUCTION

5.1 WBG welcomes the government's commitment to development aid but points out that the UK is still a long way from achieving the international target for donor countries of a ratio of aid to GNP of 0.7 per cent. Figures released by the Department for International Development in April 2001 show UK aid at 0.31% of GNP. This is a considerable increase over the ratio in 1999, but still only brings UK aid back up to the ratio achieved in 1993 and 1994 (source <http://www.devinit.org>). We are disappointed that the Pre-Budget Report contains no specific proposals to increase aid in the 2002 budget beyond that of the 2001 budget (see Table B4)

5.2 We welcome the continuing commitment to debt relief for Highly Indebted Poor Countries; the contributions that the government has made to the Global Health Fund (to fight HIV/Aids, tuberculosis and malaria), and the proposal for a Commonwealth Education Fund. We particularly support increases in spending on girls' schooling and on health services that take women's needs into account, including maternal, reproductive and women's health services.

Box 5.1: Monitoring the gender impacts of the UK budget
FINANCING FOR DEVELOPMENT

WBG welcomes the government's active involvement in the preparations for the Financing for Development conference, Mexico March 2002. It is vital that women help to shape the outcome of this conference. Without women's full involvement in decision-making, development strategies will be inequitable and ineffective. The Financing for Development Conference is, in particular, an opportunity to redress the lack of focus on women's empowerment in the Millennium Development Goals.

We call upon the government to support the recommendations made by UNIFEM (United Nations Development Fund for Women) that gender be brought into the Financing for Development agenda. UNIFEM highlights the way that gender analysis of tax and spending can make for more effective and equitable use of resources; and points to the growing number of governments in developing countries that are introducing such analysis and producing reports accounting for the gender distribution of burdens and benefits. The government should support this, and lead by example, by strengthening its own analysis and reporting of the gender implications of the UK budget.

6. PENSIONS AND INCOME PROVISION FOR OLDER PEOPLE

6.1 We welcome the 2001 above-inflation increase in the level of the basic state pension and the commitment in the PBR to raise the basic state pension by a guaranteed minimum. However, a number of concerns remain about income provision for older people, especially for woman who are poorer in retirement and more reliant on the state as a source of income. These are:

6.2 Adequacy. Means testing (with or without the Pensions Credit taper), is no substitute for an adequate basic pension. While we welcome the above inflation increases to the basic state pension its value relative to earnings remains below that of the early 1980s. An automatic link to earnings is needed to provide security to pensioners in the longer term. Turning now to the minimum income guarantee, this will be worth £100 per week for a single person in 2003. However, research by the Family Budget Unit suggests that a 'low cost but acceptable' level of income for a single pensioner would be £107 in 2003 prices, and a 'modest but adequate' income would be £164 per week. Increases in support are needed for all older people to enjoy a decent level of income and to enable them to share equally in growing national prosperity.

6.3 Low take-up. We believe that the most effective way to tackle poverty among older women is through a better basic pension. At present means-tested benefits help some of those with low incomes, but low take up means that many fall through the net. The new Pension Service and five yearly assessment periods (as announced by the Department of Work and Pensions) are welcome attempts to address this issue. However, the scale of the challenge faced by this new administrative structure should not be under-estimated – in 1999/2000 between 22 and 36% of pensioners entitled to the Minimum Income Guarantee were not making a claim, with single female pensioners making up the majority of eligible non-claimants. DWP needs to establish clear targets to increase take-up and these should be monitored to ensure that women pensioners are benefiting equally from the change in administrative structures.

6.4 Pension credit and women without a full basic state pension. As noted, we do not think that change in means-tested benefits through introducing a complex taper is the most effective way to reduce poverty. The Pension Credit has particular disadvantages for women, by setting the Pensions Credit threshold at the rate of the full Basic State Pension, the credit will not enhance the incomes of those with only a partial Basic State Pension and a modest amount of additional savings or pension. Currently, 51% of women do not receive a Basic State Pension in their own right, and recent research suggests that as many as 22% of women aged 55-59 and 12% of those aged 50-54 will not reach full pension entitlement even though these cohorts of women will benefit from full Home Responsibilities Protection. Immediate consideration needs to be given to ensuring that those without a full basic pension also benefit from the Pension Credit.

6.5 Pension credit and family means-testing. The Pension Credit will operate on a family means-test so people who have savings or occupational pensions will not necessarily be rewarded. Whether an individual living in a couple receives the pension credit will depend on both the income of the other partner and to whom the Pension credit is paid. Thus many married or cohabiting women will receive no benefit from the Pension Credit if their partner's income renders the couple ineligible. If, as with the Minimum Income Guarantee, the majority of claimants are male heads of household, then the credit will do little to improve women's independent incomes in later life. Since the Pension Credit for couples is based on the assumption of a wife having a category B pension at 60% of the full rate, there will be a disincentive for wives to build a full basic pension. This represents a return to the pre-1978 situation, where wives were effectively discouraged from paying the full NI contribution towards their own basic pension.

It would be preferable, from the point of view of improving older women's independent income and incentives to save and invest, if benefit claims were assessed individually. This would send out an important signal - that all types of savings are valued and rewarded equally. If a family means-test is retained, couples should be given the option to decide who should claim the credit and the gender of

claimants needs to be monitored for possible bias. Measures should be taken to ensure that the pension credit does not penalise those couples where both partners have a full basic state pension.

6.6 Increasing complexity. Many individuals are put off by the complexity of pension provision, such that they save too little for retirement. This affect women in particular who are less likely to be covered by occupational schemes. Radical steps are now needed to simplify the system such that, where individual provision is needed, information is available for the best choices to be made. In particular, a Basic Pension set at such a level that most pensioners are lifted off means-tested benefits would make it much easier for working age individuals to appreciate the value of additional pension building and saving, since these would clearly bring financial gain. The growing gap between the MIG and the Basic Pension means it is difficult, especially for the low paid and those with interrupted employment, to be sure that saving and investment will make them better off in retirement. The Pension Credit, in substituting 40% effective taxation of a band of income for the present 100% rate, does not adequately address this issue.

7. EMPLOYMENT AND PRODUCTIVITY

7.1 Employment policy needs to pay attention to quality as well as quantity of employment. Improvement in the quality of jobs into which women are selected would contribute both towards reducing the gender pay gap and to increasing UK productivity.

Box 7.1: Monitoring the gender impacts of the UK budget

EQUAL PAY

There are strong links between women's pay, child poverty and poverty in later life. As such, action to equalise pay should be central to the Government's strategy for economic growth and social inclusion.

As an employer, the Government must lead by example and provide models of best practice in uncovering the roots of **and** addressing gender pay gaps in the public sector. More than thirty years after the Equal Pay Acts, an effective system of monitoring needs to be put in place to inform Government policy and hence reduce the gender pay gap. The WBG recommends that:

- Headline figures on the pay gap reflect the pay of women employed part-time as well as those employed full-time. Redress of the particularly large pay gap affecting women working part time should become a priority;
- A reduction of the pay gap be included as a target in a Public Service Agreement so that effort on equal pay continues in a more vigorous and thorough fashion;
- Consideration be given to automatic indexation of the Minimum Wage to rising earnings, particularly given its positive impacts on the gender pay gap;
- Models of best practice be disseminated through the Department of Trade and Industry and pay equality be considered in the remit for the Minister of Corporate Social Responsibility.

7.2 The Women's Budget Group welcomes the initiative in the Pre-Budget Report to assist the least qualified to acquire basic skills. However, we regret that the initiative appears to be restricted to those already in employment, indeed to employees. Women who wish to return to employment after a break for childcare thus will not be able to benefit from this until after they have found employment. We recommend that a way be found to extend this or an equivalent subsidised training opportunity to other workers and to those who are not in employment. This would enable those returning to employment after childcare to do so to more productive employment. There are also

questions about the degree to which those working part-time will have access to such training: the use of schemes by part-time workers needs to be monitored closely and alternative, tailored schemes put in place where differences are revealed.

7.3 We welcome the pilot schemes on training for those with few skills. We note that US experience on welfare-to-work schemes has found that it is more cost effective to train people once in employment, but it is important to consider whether this might be unique to the US case. Women in the UK who are out of the labour market because of caring responsibilities do not necessarily share the characteristics of the welfare recipients that these schemes were designed to help. Many of the UK women who are not participating in the labour market have not been selected out employment, but rather have chosen to devote time to caring work. They are also likely to have considerable capacity to learn new skills. Further, because of the cost of replacing the unpaid contribution that they are making to their households and to their children's care, for some it may not be financially viable to take low skilled, low paid employment. For these women, education or pre-employment training may be the more appropriate route back into the labour market than immediate participation in entry-level employment. Investing in these people's capabilities, by ensuring that they have a long-term future in the labour market can better contribute to raising the productivity of the economy as a whole. So:

7.3.1 WBG calls for greater recognition of the potential for learning new skills among new-comers and returners to the workforce, and greater concentration on raising the skills of all those can benefit from training;

7.3.2 WBG recommends that the pilot schemes on training for the low skilled be open to, and include some schemes specially targeted at, those who are ready to return to employment after childcare, but who have not yet done so.

Box 7.2: Monitoring the gender impacts of the UK budget

GROWTH AND PRODUCTIVITY

A gender perspective is needed in the Government's analysis of growth and productivity of the paid economy. The Pre Budget Report continues the practice of measuring productivity on a per worker basis rather than an hourly basis. International comparisons of productivity on a per worker basis will be misleading when different countries have different working hours. For instance, because the UK has many part-time workers, the productivity of the UK economy will be underestimated compared to economies with proportionately fewer part-time women workers.

Moreover, when productivity is measured on a per worker basis, it will always possible to increase GNP by increasing hours of paid work, but this does not have the same impact on the quality of life as an increase in hourly productivity. The former buys more output at the expense of time for unpaid work caring for others, for participation in public life and for leisure. The latter allows an increase in both output and time for care, participation in public life and leisure. Work life balance is an essential component of quality of life, especially for women with caring responsibilities and must be kept in mind when setting productivity growth targets. In particular, the impact of apparent increases in productivity per worker on time spent caring and leisure activities should be closely monitored (this should be possible with well designed time-use surveys.) It is much more appropriate to measure productivity on an hourly basis. Even then caution must be exercised. Apparent productivity gains may be bought at the expense of quality of service, especially in personal services, where the fact of offering unhurried, attentive and ever available care is all important.

8. TAX CREDITS

8.1 There is very little further information in the PBR about the new tax credits, due to be introduced in 2003, apart from their change of name ('integrated child credit' becomes 'child tax credit' and 'employment tax credit' becomes 'working tax credit'). The comments below therefore draw not only on the PBR but also on the response to consultation, and the Tax Credits Bill and explanatory notes, published by the Treasury on 29 November 2001, as well as other information available to members of the Women's Budget Group (WBG). We comment below on the issue of the lack of information at this stage of the consultation process.

8.2 Welcome for proposals

8.2.1 childcare tax credit paid to the main carer: The WBG welcomes the government's decision to implement payment to the main carer of childcare tax credit alongside child tax credit. This is a promising direction for the future, in terms of facilitating greater flexibility in the timing of childcare tax credit. It would be very valuable to many parents to have help with the cost of child care before starting a new job – to enable the parent to search for a job, or to settle the child in once a job has been found etc. It would also be useful to have continuing help with the cost if a job is lost, so that the childcare place may be retained whilst the parent is searching for another job. If this form of help with the cost of child care is to continue to be linked to paid employment, childcare should not be seen as just an employment expense; for the well-being of a child is involved.

8.2.2 sharing of qualifying hours for 30 hour bonus: the consultation document suggested that couples might be able to share the weekly qualifying hours for the 30-hour bonus. As this is one of the suggestions made and consistently supported by the WBG, we welcome the confirmation that this will now be carried forward.

8.2.3 reduction of disincentives for 'second earners': we also welcome the various features of the new tax credits which are likely to reduce disincentives for 'second earners', who are often likely to be women. Both the change to calculation of tax credits

on gross rather than net income (mirroring the former family income supplement) and the move to an award period of a year are intended to help potential 'second earners' by reducing the effective 'marginal tax rates' on their earnings. It is difficult to tell at this stage how much impact these changes will have. It is also hard to overcome these problems completely in a means-tested system which includes joint assessment, especially if in practice awards are likely to be given for shorter periods.

8.3 Lack of information

Responses to the proposals for new tax credits would be likely to be more useful to the government if more information were available. This includes not only the proposed allowances, thresholds and taper rates, but also (for example) any proposals about the interaction of tax credits with other means-tested benefits such as housing and council tax benefit, and the possible income levels at which reviews of awards will be triggered and the numbers of people likely to be affected. Given the numbers of women who have part-time jobs, the WBG is concerned in particular that there are as yet no definite proposals for how to calculate hours of paid employment for the purposes of the new tax credits; it is difficult to see how hours can be calculated in an appropriate way for awards lasting (at least in principle) a year, but we have not yet had any indication of the direction of government thinking or alternative proposals under consideration, despite the time that has elapsed since new tax credits were mooted.

Box 8.1: Monitoring the gender impacts of the UK budget

TAX CREDITS

The WBG has had a successful dialogue with Treasury Ministers and Officials about the design of tax credits. We suggest, therefore, that tax credits be used as a pilot case study for mainstreaming gender into policy making within Treasury. We suggest that monitoring of policy development for gender effects continues, including :

1. The gender effects of the new tax credit system on the labour market and on households, so as to be able to say whether the policy has improved women's access to resources, their individual incomes, the quality of the jobs in which they are employed, their financial autonomy and long-term financial security.
2. The purse to wallet effect
3. The effect of transferring the responsibility of payment to the employer of replacing WFTC by CTC/ WTC in cases where WFTC had previously been paid direct to a non-employed parent.

In all cases, such monitoring should examine the effect on women's long term financial security, the welfare of children and the balance of power within households between women and men. The Government needs to ask:

- has this policy proposal improved women's incomes?
- has it altered the division of roles at the family/community level, or has it reinforced it?
- what has been the strategy in terms of household response, particularly in poor households, when facing changes resulting from this policy proposal?
- what has been the impact on the situation of women - their traditional roles within the household; their negotiating power within the household; their self-esteem; and their quality of life in general?
- what has it done to improve women's basic rights to individual financial autonomy?

We believe an exercise of this kind undertaken in relation to the new tax credit proposals would augment the preliminary regulatory impact assessment in a useful way. As the Women's Budget Group has consistently argued analysis, policy development and monitoring must look inside the 'black box' of the family/couple/household and that consideration must be given in all cases to who receives the income, as well as to how much it is and how it is distributed.

In addition, WBG along with other expert groups should be included in a consultation process about the guidelines given to claimants as to the definition of the main carer and the process by which the person who claims CTC is decided and how disputed claims are to be resolved.

8.4 Issues about the couple as a unit

8.4.1 assumptions: the WBG remains concerned that government documents such as the PBR can refer to a 'workless couple' ... 'moving into work at a typical entry wage', or state that 'a couple ... need to earn [a certain amount]' in order to be £40 a week better off in (paid) work (chapter 4, page 14). Under any commonsense meanings, these phrases do not make sense. Couples do not usually 'move into work'. Since heterosexual couples are made up of men and women, and since we know about the continuing gender pay gap, there is no typical entry wage which covers both sexes. These examples are assuming a one-earner household.

The WBG believes that policy-makers are too wary of looking inside the 'black box' of the couple as a unit in order to examine transfers of resources and relationships, or who receives income and in what form, and to what use it is put, as well as how much it is. We believe that too low a priority is placed on financial autonomy as a right. And we are not convinced that the best way to help couples on a low income with one earner, especially where there are no children, is to pay the earner more in order to maintain a dependent adult. Such a 'solution' to low in-work income may also be building up problems for such couples in the future by facilitating a lack of contact with the labour market for one partner which may work against their interests in the longer term. They may not always be able to depend on their partner's income. In addition, they may not be building up entitlement to national insurance benefits in their own right.

8.4.2 payment method for working tax credit: the Bill confirms that child tax credit will be paid to the main carer, but that working tax credit for employees will be paid via the pay packet. The WBG is very pleased that child tax credit will be paid to the main carer (though see below for definition of 'main carer'). But we are concerned that the move away from working families tax credit will create purse to wallet transfers. This applies to those couples who have opted for working families tax credit to be claimed by, and paid to, the main carer. We have not read of any provisions to protect the arrangements which these families came to in the past, presumably by choice, and which will now be disrupted by the new compulsion for working tax credit to be paid through the pay packet, regardless of the couple's wishes.

The government is aware of the research evidence about the greater likelihood of money entering the household via the purse being spent on household/family needs. The WBG is also concerned, however, that the balance of power between the members of such couples is likely to be altered. In addition, the compulsory routing of working tax credit via the paypacket is likely to alter the power relationships between employees and employers, with some employees dependent on employers for a higher proportion of their income.

We are aware that the government is committed to the payment of tax credits via the paypacket where possible. However, it has already demonstrated that some concerns –

in particular, ensuring the welfare of children and facilitating greater flexibility in paying for child care – are sufficiently powerful to over-ride this. We would urge the government to reconsider the priority which it gives to different aims, and in particular to review its commitment to paying working tax credit via the paypacket.

8.4.3 change in definition of ‘main carer’: under current arrangements for working families tax credit, for couples with children, the couple may decide which one of them claims; ownership of the benefit (by the main carer, or the main earner) and payment method (as a benefit, or via the pay packet) follow automatically from that decision. But under the new tax credits, these arrangements will change. Couples are meant to decide between themselves in a commonsense manner which partner is the main carer (who will therefore receive child tax credit, and any childcare tax credit); but tax credits will be considered to be jointly rather than individually owned benefits.

The WBG is concerned, however, that this approach may disadvantage women living in unequal relationships in particular. Clear guidance should therefore be drawn up about what is meant by the ‘main carer’, which couples should be expected to use to make their decision as to who can claim the child tax credit, and groups such as the WBG should be consulted on the content of such guidance.

8.4.4 joint assessment: we remain concerned about the extension of joint assessment to a higher number of couples under the new tax credits, and about whether this form of benefit is appropriate to today’s flexible family forms. It is not clear whether the full implications of partnership changes for the practical implementation of the new tax credits have been taken on board by policy-makers. The government appears to have convinced itself that the lack of an independent income for partners within couples is not a significant issue now that the ‘main carer’ in couples with children should be able to access money for the child(ren). The WBG would not agree with this and we remain concerned about the increased dependence of one partner on another which will result from the extension of tax credits to childless couples.

8.4.5 joint accounts: we are also concerned about the assumption that payment of child tax credit (and childcare tax credit) will be made into bank accounts from 2003

onwards. According to the Secretary of State for Social Security, only about 57 per cent of new child benefit applicants ask that it be paid directly into a bank account at present (House of Commons *Hansard*, Oral Answers, Social Security, 10 December 2001, col. 578). Leaving aside the practical question of whether all claimants will be able to access appropriate bank accounts by 2003, we are concerned that payment direct into a joint bank account will not necessarily amount to effective payment of tax credits to the main carer without protection against access by the other partner.

8.5 Other issues

8.5.1 child benefit: the WBG is committed to the maintenance and improvement of child benefit, and value the multiple functions it performs for both children and parents. We therefore hope that the current policy focus on child tax credit will not be allowed to detract from the priority given to child benefit, including its payment at an adequate level and its regular uprating at a minimum in line with inflation and preferably by more generous amounts.

8.5.2 working tax credit: whilst we understand that opinion polling suggested that the general public finds 'working' a more familiar term than 'employment', the WBG is concerned that the change of name for working tax credit tends to suggest that it is only paid employment which constitutes 'work', rather than work including unpaid caring activities etc. The government has a responsibility to educate and lead public opinion in progressive directions, and this could have been one opportunity to do so.