Gender impact assessment of the Spring Budget 2017

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Executive Summary

The Chancellor, Phillip Hammond claimed that his task with the Budget was 'to take the next steps in preparing Britain for a global future'. However, this was a Budget that contained little in the way of major policy changes to achieve such an ambitious goal.

The most significant fiscal announcement, to increase Class 4 National Insurance Contributions for self-employed workers from 9% to 11%, was reversed less than a week after the Budget.

There was a welcome additional £2bn over three years for social care, and the promise of another review of social care funding. But the new funding still falls far short of what is needed to address the crisis of under-investment in social care.

The Chancellor created some additional headroom after relaxing the government's self-imposed fiscal rule at the Autumn Statement 2016, yet the budget contained few significant announcements. This lack of investment occurs against a backdrop of a growing crisis in social care, healthcare and education and falling or stagnant living standards for large parts of the population. It is hard to justify keeping this headroom as a precaution for a future downturn when spending now on public services could instead shore up the economy by creating jobs and stimulating demand.

Crucially, there was also no action to address the disproportionate impact of tax and benefit changes and cuts to public spending since 2010 on women and low income families. Instead the Chancellor continued with his predecessor's commitment to raising the personal tax allowance, which will disproportionately benefit men, and left cuts to benefits, some of which take effect this April, unaltered.

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 our assessment of the 2017 Budget are as follows:

Equality Impact Assessment
The Treasury continues to fail to carry out a meaningful equality impact assessments of its policies. While there was a distributional analysis by household income of the cumulative impact (by 2020) of changes announced since 2015, there was no cumulative analysis by the protected characteristics covered by the Equality Act. It remains difficult to see how the Treasury can demonstrate compliance with its legal obligations under the Public Sector Equality Duty to have 'due regard' to equality without such an assessment. As in previous years, there were equality impact assessments for some specific policy decisions but these were not comprehensive.

WBG cumulative impact assessment
In the absence of a meaningful impact analysis from the Treasury, the Women's Budget Group continues to produce an independent cumulative impact assessment. Our cumulative impact assessment of changes to tax, benefits and spending introduced since 2010 showed that, by 2020, women, in particular black, Asian and women from ethnic minority backgrounds, and the poorest families would lose the most. Asian women in the poorest third of households stand to lose 19% (a cut of £2250 per year) of their annual net individual income by 2020 compared to white women in

the same income group who would lose 12% and Asian men who would lose 10%. Families with both a disabled adult and a disabled child stand to lose 20% of their household annual living standard from cuts to benefits and services in 2020-21 (£14,000 per year for lone parent families and £18,000 per year for couple families).

Social security

Although there have been no further cuts to social security in this Budget as promised in 2016, women continue to be disproportionately affected by cuts and freezes to benefits, tax credits and universal credit since 2010. These have not been compensated for by the rise in the minimum wage. Furthermore, a series of changes due to take place in April 2017 will have a disproportionate impact on women including the two child cap for tax credits and universal credit, the abolition of the first child premium/family premium in child tax credits/universal credit and increased conditionality for parents claiming universal credit.

National Insurance contributions and Tax

The announcement that Class 4 National Insurance Contributions for the self-employed would increase from 9% to 11% was reversed within a week of the Budget. Taken together with the abolition of Class 2 NIC contributions announced last year this would have been a progressive measure, leaving the lowest income self-employed better off and would have benefitted women more than men, since self-employed women have lower incomes on average (see WBG distributional assessment of the NICs change by income and gender on pages 13-14). The cut in the Dividend Tax Allowance (the amount that can be earned from investment dividends before tax) from £5000 to £2000 will affect more men than women, since men are more likely to have investment income.

Social care

The most significant spending announcement in the Budget was an additional £2bn for social care over three years. This additional funding and the commitment to publish a Green paper on the funding of social care are welcome. However, the additional money is not sufficient to fill the funding gap in social care.[1] Women, as the majority of those in need of care and also the majority of paid and unpaid carers, will continue to be disproportionately impacted while the crisis in social care remains unaddressed. Significant public investment is needed now: although the government has invited yet another consultation for long-term funding solutions, this only postpones the implementation of sustainable solutions already set out over the last 11 years in two major reports (Walness 2006[2] and Dilnott 2011[3]).

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[1] 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-da0c7209ec12

[2] https://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/securing-good-care-for-older-people-wanless-2006.pdf

[3] http://webarchive.nationalarchives.gov.uk/20130221130239/http://www.dilnotcommission.dh.gov.uk/our-report/

Health

There were two announcements of additional health spending: £100 million for capital investment in A&E departments to help manage demand on A&E services and £325 million over the next three years for the 'strongest' Sustainability and Transformation Plans. These relatively small sums will not address the crisis in NHS funding that is both affecting patient care and increasing pressure on NHS staff.[4] Public spending on health (including capital expenditure) is projected to be lower as a proportion of GDP by 2020 than it is this year. The crisis in the NHS is having a disproportionate impact on women, who are slightly more likely to use health services and who form the majority of the NHS workforce.

Education

The Chancellor announced £320 million by 2020 to establish 30 new free schools and £20 million to provide transport to grammar schools for pupils who receive free school meals. Funding for pupils in mainstream education has suffered a real terms decline. The Institute for Fiscal Studies forecasts that by 2020 funding per pupil will have been cut in real terms by 6.5% for schools, and funding for 16-18 education will be at a similar level to 30 years ago.[5] These cuts have put significant pressure on schools, impacting the quality of education for students and the predominantly female workforce.

International Women's Day Announcements

There were three Budget announcements which the Chancellor explicitly linked to International Women's Day: £20 million for domestic violence services over three years, £5 million for parents returning to work after a career break and £5 million to celebrate the anniversary of women winning the vote. The additional funding for domestic violence services is welcome but is not sufficient to address the loss of funding as a result of cuts to local authority, police and health budgets. There was no additional money for sexual violence services, despite a £10 million funding gap. It is difficult to see how the £5 million for 'returnships' can address the major structural barriers to women in the workplace (and note that the scheme can be accessed by either parent). In sum, £30 million in the context of a government budget is at best 'small change' and stands in proportion to the sums that have been taken from women's purses as a result of successive benefit cuts and freezes since 2010.

[4] Health is a devolved area, so these announcements cover spending on the NHS in England. More gender analysis of funding and delivery of health care services is available in the WBG response to the Autumn Statement 2016 (http://wbg.org.uk/wp-content/uploads/2016/12/AFS2016_WBGreport_13Dec_final2.pdf)

[5] Ibid.

Introduction

This report provides a comprehensive gender analysis of the measures announced in the Spring Budget 2017 in the context of ongoing changes to public spending and taxation.

The report focusses on actual measures announced in the Budget, or around it, while background information is made available in specific briefings published alongside this response.

The Chancellor's first and last Spring Budget did not contain much in the way of significant policy decisions or spending. He is expected to deliver a more substantial budget with a clearer vision on spending and taxation in the autumn. However, in the meantime, the crisis in public services and the effect of cuts to social security benefits, rising inflation and sluggish wage growth is starting to bite in the living standards and quality of life of many households, especially those on low income, or with care or other support needs. Women in particular continue to bear the brunt of the measures taken as part of one of longest lasting periods of fiscal consolidation, now prolonged into the next Parliament.

The next section gives an overview of the fiscal and economic situation and the context in which policy changes are being developed. This is followed by a critical review of the Treasury's impact assessment and provides our own cumulative distributional analysis by some protected characteristics, in particular gender and ethnicity.

The final part of the report provides a gender assessment of the announced changes to taxation of different forms of employment, additional funding to social care, health and education and the Chancellor's measures to mark International Women's Day.

Background briefings on tax, social security, social care, childcare, violence against women, and savings are available on the Women's Budget Group website: www.wbg.org.uk

Economic and fiscal outlook

The March 2017 economic forecast by the Office for Budget Responsibility (OBR) did not differ fundamentally from that of November. Inflation was still predicted to be higher than it was forecast in March 2016, and slightly up from the November forecast. Some good news on better than expected borrowing this year made the headlines. However, commentators were quick to point out that by the end of this Parliament borrowing amounts would still be at the same level as predicted in November 2016 (that is, much higher than predicted in the March 2016 report). The OBR estimates that public net borrowing will still be at about £21bn a year in both the 2019-20 and 2020-21 fiscal years and, according to the Institute for Fiscal Studies (IFS), the forecast of net public borrowing by the end of this parliament is £32bn higher than was forecast in the March 2016 Budget (a net surplus).[6]

The increase in the borrowing forecast since March 2016 is based on predictions about the state of the economy rather than a policy decision to invest in services. The decision to leave the EU following the referendum in June 2016 has increased uncertainty about the economic and fiscal outlook. Yet it is striking that the 'fiscal headroom' earmarked by the forecast is not used to provide security now against the risk that Brexit will have a negative impact on the economy.

This Budget contained few significant announcements, with the expectation that the October 2017 budget, which will take place after Article 50 has been triggered, will be more substantial. However with the growing crisis in social care, healthcare and education and with living standards for large parts of the population falling or remaining low, it is hard to justify keeping this headroom as a precaution for a future downturn. Spending now on public services could instead shore up the economy by creating jobs and stimulating demand.

The Government's approach to economic uncertainty has been to ask departments to identify a further 3-6% of cuts, framed as 'efficiency savings'.[7] At the same time, it is continuing to cut taxes, with the biggest three (income tax thresholds, corporation tax rate and fuel duty) together costing £41bn per year in 2020 according to OBR estimates.[8]

These additional cuts are likely to further damage already under-funded public services. Despite promises of ring-fencing and even additional funding, public spending on healthcare, including capital spending, is estimated in the Budget documents to be £120bn or 6.14% of GDP in 2016-17 (£116.1bn in Resource departmental expenditure limit and £4.6bn in capital expenditure limits). In 2019-20 the total managed expenditure on health will have increased to £130bn. But this will be only 5.96% of the OBR's GDP forecast for that year. Furthermore, GDP may not even be the best benchmark as the ageing population, with above average healthcare needs, is increasing at a faster rate than the general population. The education budget is also due to fall as a proportion of GDP from 3.35% of GDP in 2016-17 (including capital spending) to 3.11% of GDP in 2019-20.

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[6] See Paul Johnson's opening remarks of the IFS post-Spring Budget 2017 briefing, (https://www.ifs.org.uk/publications/8989)
[7] https://www.gov.uk/government/news/efficiency-review-to-drive-productive-public-services
[8] See WBG briefing on gender impact of taxation (7 March 2017) (http://wbg.org.uk/analysis/briefing-papers/pre-budget-briefing-taxation/)

At the same time incomes for the poorest households are set to be hit further from the combination of rising inflation, and the freeze in working age benefits. Employment rates for both women and men are at their highest and unemployment at an eleven-year low but earnings remain very low. Most of the rise in employment has come from low income self-employment, especially for women. As we will discuss below, earnings for households in the lower income deciles have increased much faster than at higher deciles but this does not translate into higher disposable income due to the cuts in social security benefits that many of these individuals receive. Moreover, higher inflation rates will affect those in receipt of frozen benefits and tax credits - the money people receive is frozen but average goods cost more to buy.

The WBG has repeatedly argued in favour of a strategy based on investment in social infrastructure, including in health, care and education services, rather than a policy of tax cuts and reduced public spending. Such investment could help strengthen the economy during periods of economic uncertainty. Stable, well-paid public jobs delivering the care and education people need (which are fairly predictable as linked mainly to internal demographic changes of an ageing population), will deliver both short term and long term growth, and generate higher tax revenue.[9] Furthermore, social infrastructure services are based on the needs of the local population rather than being dependent on international trade and, thus, less vulnerable to an uncertain international trade environment.

Treasury's equalities impact assessment

The Treasury has failed to provide a thorough equalities impact assessment of the measures announced in the Budget, despite the requirements of the Equality Act 2010. The Treasury has also failed to produce a cumulative assessment of the overall impact disaggregated by equality characteristics of fiscal measures implemented or planned during this Parliament (let alone for the measures implemented since the start of the so-called 'fiscal consolidation' in 2010. This would have shown how different scenarios of tax and spending changes that do not affect protected groups disproportionately can be pursued, even if the primary objective is to reduce the deficit.

Impact assessment of individual measures (TIINs)

Although the government produced some equalities impact analysis for individual measures these were lacking in depth and often displayed flawed reasoning.

The Tax Information and Impact Note (TIIN) on Dividend Allowance Reduction includes some elements of a gender impact assessment, stating:

The government estimates that significantly more men will be affected by this measure than women with men making up two thirds of the affected population. Approximately 18% of the estimated affected population are over 65 – this doesn't represent a disproportionate impact. It is not anticipated that any other group with protected characteristics will be disproportionately affected.

[9] See WBG report for the ITUC on investing in the care economy (http://www.ituc-csi.org/investing-in-the-care-economy)

This acknowledges that men will be disproportionately affected by this policy, but does not explain why. The disproportionate impact is likely because men have a higher income and so have more to invest and because they are more likely to be company owners.[10] However, stating that other protected groups are not likely to be disproportionately affected obscures the fact that there are disproportionate impacts by ethnic background as well as gender. Black and minority ethnic people are less likely to have investment income because of their lower overall income relative to white people.

There was no impact assessment (no TIIN) for the biggest tax measure in this Budget, the rise in NIC rates. This is a relatively straightforward impact to measure with a tax-benefit model as we show below. The policy was scrapped within a week of the budget after pressure from backbench MPs and the media. However, an equality impact assessment, including the sort of distributional impact produced below, could have shown that the measure was not only progressive overall, especially when combined with the previous measure of abolishing Class 2 NICs (as the IFS also showed at the household level) but was also redistributive from men to women, while not bearing a significant burden on the income of the self-employed.

Cumulative impact assessment

The Treasury has produced a distributional analysis of the changes announced in the Budget, including the cumulative impact by 2020 of changes since July 2015, for income decile groups. However, it still fails to perform this analysis by protected characteristics. WBG has suggested a methodology to do so for gender and other protected characteristics, working in partnership with Landman Economics.

The main source of disagreement between the Treasury and those who perform an individual distributional analysis by gender or ethnicity is based on assumptions about intra-household allocation of tax and benefit changes. In December 2016, the Treasury argued in their response to a request by the Shadow Secretary of State or Women and Equalities, Sarah Champion MP, that members of a household share their resources and therefore it is not possible to allocate a specific benefit or tax change to one member only.

However, there is some inconsistency between this position and the Treasury's approach to tax changes. For example, in the TIINs produced for the successive rises in the personal tax allowance, the Treasury has been able to determine who benefits from the rise in the tax thresholds, since income tax is individual. This was also the approach for the reduction in the dividend tax allowance. This implicitly assumes that earnings are not simply shared 'equally' or 'neutrally' within households or, at least, that it is meaningful to identify the recipient of the income for the purpose of such impact analysis. At the same time the Treasury is unwilling to allocate changes to Child Benefit to the mother because they do not recognise it to be a mother's income, despite the fact that Child Benefit is usually claimed by the mother and can only be claimed by one person in a household. There is a contradiction in arguing that the payment of a benefit going to a specific individual (even if on behalf of their children) cannot be recognised as an individual income but that the withdrawal of a payment in the form of income tax can, even if the net income ends up in a joint account. The allocation process may not be straightforward, and it may be necessary to measure impact based on

[10] See WBG: Lowe, J. (2017) Savings and investments: key gender issues for policymakers. Available at: http://wbg.org.uk/analysis/savings-investments-key-gender-issues-policymakers/

several different assumptions, but this does not mean that it is not possible to allocate some social security benefit payments to individuals within households.

The House of Commons Library allocates benefit and tax changes that can be traced to a specific individual to that individual. If benefits cannot be meaningfully allocated they split the amount equally among adult members of the household. This also how the Landman Economics Tax-benefit model used by the WBG operates.

WBG argues that what matters for distributional analysis is whose income is topped by a benefit payment or reduced by a tax liability, not how that income is spent. The central tenet of the method is about how receipts and liabilities have changed for individuals: who receives what amount in benefits, and who pays what amount in tax. There is no distinction between benefit payments and tax payments in this regard. Even in households where money is ultimately deposited in a joint account, such changes in income can impact on the relative economic dependence and independence of individuals.

Setting aside arguments about the validity of individual-level analysis, WBG has shown that at the very least an analysis by gendered household types could be carried out, simply by differentiating the gender of single-adult households. This is a point also made by the IFS.[11] Yet the Treasury does not carry out such an analysis either.

WBG cumulative impact assessment

Gender impact of tax and benefit changes on individual incomes

WBG analysis uses the Landman tax-benefit model to produce a typical distributional impact assessment. As with the House of Commons Library analysis, this shows that women – especially Asian and black women – cumulatively stand to lose the most from successive measures taken since 2010.

Asian women in the poorest third of households stand to lose 19% of their annual net individual income by 2020 (a cut of more than £2200 a year) compared to white women in the same income group who would lose 12% (£1500) and Asian men who would lose 10% (£1500). Black women in the same income group would lose 14% (£2000).

Lone mothers, in particular the third of lone mothers who are in the 20% poorest households, continue to be hit hard compared to other family types. Partnered mothers in the poorest 20% of households will lose a quarter of their individual income by 2020 from the cumulative changes since 2010. If 2015 instead of 2010 is the baseline, they would lose about 18% of their individual income by 2020 (i.e. £2500 per year) from changes implemented or planned in this Parliament, assuming full roll-out of universal Credit by April 2020. This contrasts to partnered fathers in the same income group who will lose 12% of their individual income (Table 1).

[11] See state of the debate in a briefing note by the House of Commons Library (http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06758)

Table 1 Cumulative impact of tax and benefit changes on net individual incomes, by gender and household income quintile (families with children, per year in 2020-21, % of net income)

		Single	Couples	
		mothers	fathers	mothers
2015-20	All	-7.5%	-1.6%	-3.1%
	20% poorest	-11.5%	-12.8%	-17.5%
	2nd	-7.7%	-4.9%	-8.5%
	3rd	-6.5%	-1.1%	-1.2%
	4th	-6.0%	0.9%	1.0%
	20% richest	-1.2%	0.9%	1.1%
2010-20	All	-13.8%	-4.7%	-10.8%
	20% poorest	-17.6%	-18.4%	-26.9%
	2nd	-14.7%	-9.1%	-17.9%
	3rd	-12.7%	-4.3%	-8.7%
	4th	-11.5%	-2.0%	-5.5%
	20% richest	-7.4%	-1.1%	-5.6%

Source: WBG calculations using Landman Economics Tax-Benefit Model

Over the period 2010-20, lone mothers in all quintile groups stand to lose 14% of their net average annual income (£3500 per year) by 2020, and mothers in couples stand to lose 11% (£2400). Their male partners by contrast only stand to lose 5% of their individual income (£1700).

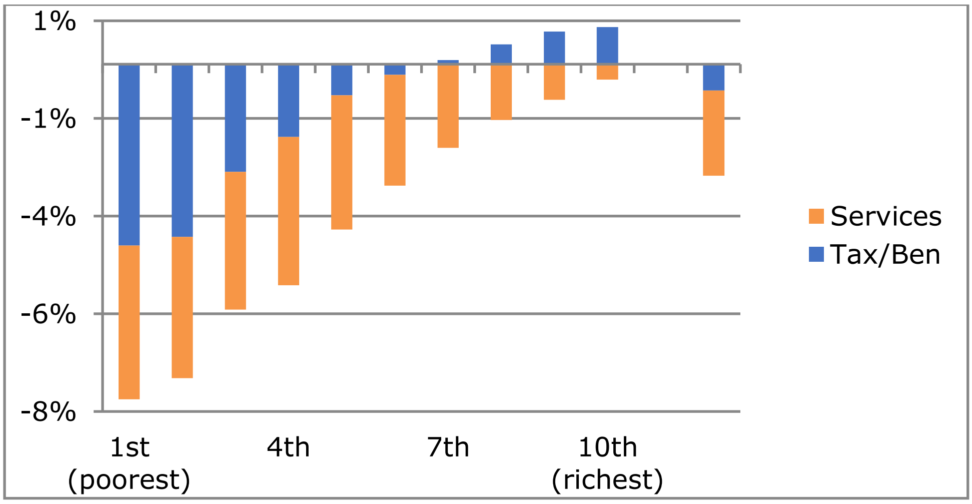
Analysis by age shows that while gender differences in the income impact are less pronounced for those aged 45 and above, they are striking for younger people: women under 35 stand to lose four times as much as their male counterparts, mainly due to cuts to benefits and tax credits, arguably linked to the presence of young children.

In particular those under 25 are badly hit in the period 2015-20 as they do not benefit from the introduction of NLW. Women under 25 stand to lose an average £552 against men losing £236, almost entirely owing to benefit freezes and cuts.

Gender impact of tax-benefit changes and of public spending cuts on household incomes

At the household level it is also possible to add the impact of cuts to public service spending (as well as the impact of changes to indirect taxes). Confirming previous analysis, households in the bottom half of the income distribution lose out from changes since 2015 while those in the upper half are set to gain overall on average. This is mainly driven by benefit cuts for those on low income and tax cuts for those on high incomes. In Figure 1, adding service cuts to the picture reveals a strikingly regressive cumulative impact of measures implemented or planned in this Parliament (i.e. from the July 2015 Budget onwards).

Figure 1 Cumulative impact of 2015-20 changes to taxes, benefits and public service spending on net household incomes, by household income decile (per year in 2020-21, % of net income)



Cumulative changes since 2010 are such that households in the poorest decile group stand to lose 19% of their average annual living standards in 2020 compared to only 4% for the richest 10%. The poorest households will lose an average more than £7000 compared to just under £4000 for the richest 10%.

And this percolates through all the protected characteristics. In 2020 changes to taxes, benefits and public service spending will mean that on average:

- Lone parents (92% of whom are women) lose more as a proportion of their household living standards (18%) than any other family type, followed by couples with children (13%)[12];
- Families with a disabled adult or child, and especially families with both a disabled adult and a disabled child stand to lose the most, respectively 15% and 19% of their household living standards;
- Families with black or Asian adults stand to lose 12% of their household living standards compared to 9% for white adult families;
- No difference in ethnicity is observed for lone parents but Asian and Black couples with children lose more than their white counterparts;
- Both lone mothers and couples with children stand to lose 20% of their living standard if they contain both a disabled adult and a disabled child, perhaps the worst hit of all households. The latter group is made up of about 220,000 households that would see a real-term cut in their average annual living standard in 2020 of no less than £18,000. They would

[12] As noted above, within these couples, women lose substantially more than men.

lose about £12,000 from cuts to benefits and the introduction of UC alone. While the former group (90,000 households) would lose about £14,000 a year, with £8000 coming from benefit cuts alone. These two groups can hardly hope to compensate for these cuts by increasing their earnings given their disability status (and that of their child or children).

- Large families (3 children or more) are also hit hard from the cuts to child Tax Credit (and equivalent cut in Universal Credit) from April 2017. Not only are Asian families overrepresented among these large families (10% compared to only 3% among childless families) they are also relatively worse hit than white families (£16,000 or 18% cut in their living standard compared to £13,000 or 14% cut for large white families).

The tax/benefit changes simulated in this analysis include all the changes that will have been implemented by 2020 by the current government (and for the 2010-20 period, by both the coalition and the Conservative governments).[13] They also include the effect of introducing the National Living Wage for those above 25 (even though not strictly public spending). With this in mind it is important to note that significant changes to the tax/benefit system are coming into play in April 2017, changes that will especially affect low income families with children.

These include in particular the removal of the annual £545 family element of tax credits (and equivalent 'first child premium' in UC) and of the child elements for third and subsequent children (new births in tax credits and new claims in UC). This is estimated by the OBR to raise £1.6bn per year by 2020-21, only slightly tempered by the change in the UC taper from 65% to 63% (at a cost of £570m in 2020-21). Changes to Employment and Support Allowance (reduction in benefit award for the Work-Related Activity Group) also come into play in April, saving about £200m a year by 2020-21.

Together these cuts amount to significant sums taken away from the families affected. However the amount it will save is relatively small compared to the total amounts given away in tax cuts that are to be implemented in April 2017: further cuts to corporation tax rate from 19 to 18% (£5bn by 2020-21), further rise in tax thresholds (£2.5bn by 2020-21) and further freeze in fuel duty (£1bn by 2020-21).[14]

For more information on social security benefit and tax changes see WBG briefings:

Taxation available at: http://wbg.org.uk/analysis/briefing-papers/pre-budget-briefing-taxation/

Social security available at: http://wbg.org.uk/analysis/pre-budget-briefing-social-security/

Impact of taxation of different forms of employment

Self-employment National Insurance Contributions (NICs)

[13] With the exception of Universal Credit which is assumed to be fully implemented by then in the model, despite further delays in complete roll-out now estimated for 2022.
[14] See Spring Budget 2017 policy decisions, Table 2.1 and Table 2.2 (https://www.gov.uk/government/publications/spring-budget-2017-documents/spring-budget-2017)

Interestingly the most controversial measure of the Budget announcement was the decision to raise the NIC rate for the self-employed to help fund additional resources for social care. This measure intended to raise the tax rate of Class 4 NICs (for self-employed) from 9% to 10% in April 2018 and then to 11% in April 2019, one point below the basic rate of employees' NICs. This measure would have come on top of a previously announced measure of removing Class 2 contributions (the flat-rate contribution for self-employed on low incomes) from April 2017. However, one week later, the Chancellor announced the measure would no longer be pursued but did not give any detail of how the money it was meant to raise (about £600 million a year by 2020[15]) would be found.

This measure would have impacted men more than women, since men constitute a larger share of the self-employed (69%) and men's earnings from self-employment account for a larger share of total self-employment income (76%).[16]

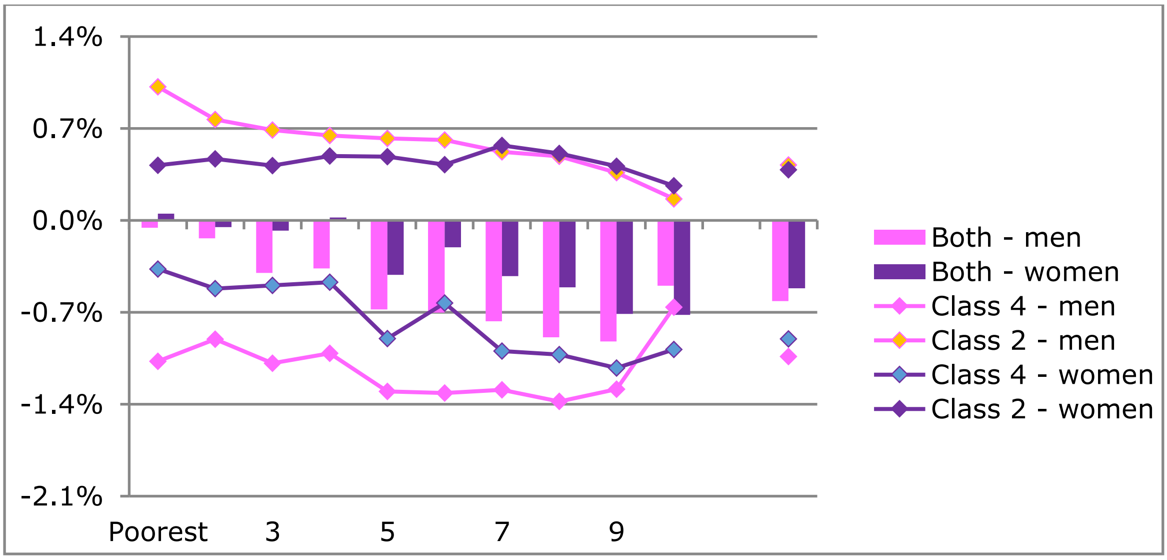
The proposed rise in the NIC rates was prompted by the Chancellor's decision to fund additional spending on social care and a desire to align taxation of different forms of employment in order to reduce the distorting effects that the tax system has on the type of employment 'chosen' (for what are, in fact, often the same or similar activities).

As self-employed workers pay less tax but are increasingly receiving similar benefit entitlements as employees, it has become difficult to justify such difference in tax treatment. As the IFS post-Budget briefing showed, the total NICs paid from self-employment is much lower than that for employees because NICs for employees include a significant contribution by employers. Since April 2016, self-employed people are entitled to receive the single-tier flat-rate pension that includes the former earnings-related State second pension only available to employees through their NICs. Self-employed women can also claim Maternity Allowance (which is paid at the same rate as flat rate Maternity Pay but doesn't include the first six weeks paid at 90% of earnings). The argument has been that self-employed people do not have the same levels of employment rights and protection as employees. However as the IFS has pointed out in their post-Budget briefing, a differential tax treatment is not, and should not be, justified by the differential access to employment rights (such as sick pay or holiday pay) since these are not granted through state benefits but through a transfer from employers to employees.[17]

As the figure below shows, the two measures taken together would have raised additional revenue in a progressive way and redistributed from men to women, while the average impact on individual incomes would be limited, even in the richer households. Of the total amount raised by the two measures, women would contribute just under a quarter.[18]

Figure 2 Impact of abolishing Class 2 NICs and raising rate of Class 4 NICs for self-employed men and women, by household income decile (% of individual net income in 2020)

[15] Spring Budget 2017 policy decisions, Table 2.1 (https://www.gov.uk/government/publications/spring-budget-2017-documents/spring-budget-2017)
[16] Figures from the Family Resources Survey (2014-15), calculated using the Landman Economics Tax-benefit Model.
[17] See IFS post-Spring Budget 2017 briefing on business taxes (https://www.ifs.org.uk/publications/8974)
[18] This reflects both the fact that they constitute a third of self-employed workers and on average earn a third less than their male counterparts (£20,000 versus £30,000 p.a.). Calculations and data from the Landman Tax-benefit Model.



Source: WBG calculations using the Landman Tax-Benefit Model.
Note: Household income decile groups are for the entire population.

Dividend tax allowance

The Dividend Allowance (also called Personal Dividend Allowance or Dividend Tax Allowance) will be cut from its current level of £5,000 to £2,000 from April 2018.

The Dividend Allowance makes a first slice of income from shares and share-based investment funds tax-free. It was only introduced in April 2016 as part of a package of reforms to the taxation of dividends. The cut in the Allowance is mainly aimed at reducing the differences in the level of taxation paid by owner-managed companies, the self-employed and employees. Owner-managed companies have the option to pay Directors in the form of dividends which reduces tax and creates an incentive to organise work in this way.

However, the Dividend Allowance also benefits investors who have shares and investment funds above the limit of the allowance. Given the current income from shares[19], the measure affects investors with share-holdings of around £58,000 or more.

The cut in the Dividend Allowance reduces the tax benefits of working through an owner-managed company and cuts the tax relief for large investors in shares. The government itself states that: *'significantly more men will be affected by this measure than women with men making up two thirds of the affected population'*.[20]

WBG has previously argued that tax reliefs for savings are a regressive use of taxpayers' money, benefiting only those who can afford to save. As these are those on higher incomes, it is also more likely to be men. While the change to Dividend Allowance will account for less than a tenth of the £9

[19] The dividend yield on the FTSE All Share Index was 3.43% on 9 March 2017.
[20] See HM Treasury Tax information and impact notes (TIINs) published on 8 March 2017 (https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins)

billion of government money spends on non-pension-savings tax reliefs, the measure is a small but welcome step towards more socially efficient use of public money.

For more information on taxation of savings and investment and their gender impact, see WBG briefing:

Savings and Investments: key gender issues for policymakers available at: http://wbg.org.uk/analysis/savings-investments-key-gender-issues-policymakers/

Social Care

Additional £2bn over three years

The promise to bolster the social care sector with "substantial additional funding"[21] to the tune of £2bn is a step in the right direction for a sector which, despite being at crisis point, did not receive a single mention in the Chancellor's Autumn Statement. However, given the historic neglect of social care and the continuing and deepening effects of cuts to spending on both local authorities and households, it is a modest step and not sufficient to reverse the current crisis and stabilise the sector as a whole. It is also a crisis that has disproportionate adverse impacts on women, who are the majority of paid and unpaid carers and the majority of those in need of care.

Before the announcement of the additional monies for social care, the funding gap in the sector by the end of this parliament was estimated to be between £2.8bn and £3.5bn annually.[22] Figures from the Institute of Fiscal Studies show that the cash injection announced in the Budget will only return the sector to its funding level in 2015-16 which was 20% lower than in 2009-10.[23] As such, it will not plug the funding gap let alone absorb growing needs.

The additional funding is initially for just three years and reducing over that time, with £1.2bn in 2017/18, £0.8bn in 2018/19 and £0.4bn in 2019/20. It is vital that a long-term, sustainable solution for funding social care is put in place as a matter of urgency and we welcome the government's commitment to publish a Green Paper on social care in the autumn of 2017. However, it must be noted that in the last 11 years there have been two major reports (Wanless, 2006 and Dilnot, 2011[24]) containing proposals for putting the funding of social care on a firmer footing, both of which have not been implemented. The Green Paper must, therefore, translate into action.

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[21] Budget 2017, p1, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/597471/spring_budget_2017_print.pdf

[22] 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-da0c7209ec12

[23] IFS Green Budget 2017, p.141, http://wbg.org.uk/analysis/savings-investments-key-gender-issues-policymakers/

[24] https://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/securing-good-care-for-older-people-wanless-2006.pdf and http://webarchive.nationalarchives.gov.uk/20130221130239/http://www.dilnotcommission.dh.gov.uk/our-report/

We are also concerned that, in advance of the Green Paper, the Chancellor has already ruled out the possibility of using the inheritance tax to help fund social care. Calling such a tax a 'Death Tax' is unhelpful. Between 2002-03 and 2012-13 the wealth of elderly households (in which all members are 80 or over) has increased by 45%. The richest half of households with elderly people have 90% of the wealth and the richest 10% hold 40%.[25] Inheritance tax reductions announced in the Summer Budget 2015, which take effect from April 2017, will cost, in foregone revenue, £270 million in the first year rising to £940 million in 2020-21.[26] Not only does inherited wealth reproduce social inequalities, the foregone inheritance tax revenues reduce the tax base at a time when additional funds are desperately needed in social care.

Finally, in the week prior to the Budget, the Department of Work and Pensions announced that despite rulings by two Social Security tribunals and without consulting its own Social Security Advisory Committee, they would not extend the Personal Independence Payments (PIP) to those with mental health problems which effected, for example, their ability to take their medication, monitor their health or leave the house unaccompanied. It is estimated that this will exclude 160,000 from claiming PIP. This is to ensure that PIP is targeted on "the most needy" and these are likely to be those without support from family and friends. This narrow definition reveals a failure to recognise the importance of taking into account the needs and capacities of those giving care as well as those receiving it. Those needing care seek interdependence not total dependence. The government is beginning to recognise the importance of closer working relationships between health and social care services and have made some budgetary and administrative changes to facilitate them. However it has yet to be recognised that carers cannot continue to care if they are expected to do everything without support, not least because their own health will suffer.

For a full discussion of the social care crisis, including its impact on women, download our full briefing:

Social care: a system in crisis available at: http://wbg.org.uk/analysis/social-care-system-crisis/

Health

The Budget included two announcements on health spending. These were both for relatively small sums and will not address the crisis in NHS funding that is both affecting patient care and increasing pressure on NHS staff.[27]

£100m Accident and Emergency capital investment

[25] IFS (2017) Inheritances and inequality across and within generations, https://www.ifs.org.uk/publications/8831

[26] Summer Budget 2015: Policy Costings (note this was revised down to £640m in the Spring Budget 2017 documents) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443195/Policy_costings_summer_budget_2015.pdf

[27] Health is a devolved area, so these announcements cover spending on the NHS in England. More gender analysis of funding and delivery of health care services is available in the WBG response to the Autumn Statement 2016 (http://wbg.org.uk/wp-content/uploads/2016/12/AFS2016_WBGreport_13Dec_final2.pdf)

The Chancellor announced an additional £100 million for capital investment in A&E departments to help manage demand on A&E services. The funding, which is to be spent before next winter, is to be directed at establishing GP triage stations in 100 sites to divert patients not requiring A&E services into primary care.

Other capital investment

The Chancellor promised that the budget in autumn 2017 will include a multi-year programme of capital investment for the NHS to support local Sustainability and Transformation plans. These are plans for the future of health and care services in England. NHS organisations in different parts of the country have been asked to collaborate with local authorities and other bodies to draw up such plans based around the needs of the local population. The plans should cover all areas of NHS spending, including primary care and specialised services, and integrate health better with social care[28]. In addition to funding to be outlined in the Autumn 2017 Budget, the Chancellor announced £325 million over the next three years for the 'strongest' Sustainability and Transformation plans that are ready before the autumn.

The Chancellor also argued that the additional funding for social care (see section on social care above) will relieve pressure on the NHS. While the crisis in social care is certainly exacerbating the pressures on the NHS, it is not the only cause of funding pressure and, in any case, the additional £2bn set aside for social care is not enough to plug the funding gap in the sector.

Pressure on the NHS

The level of financial pressure on the NHS is severe and shows no signs of easing.[29] Health spending increased on average by 1.2% a year between 2010/11 and 2014/15 and is due to continue at a similar rate until 2020. At the same time demand is rising. Between 2010/11 and 2015/16, A&E attendances increased by 7%, emergency admissions increased by 16%, outpatient appointments increased by 27%, elective admissions by 14% and general practice contacts by 15%.[30]

As a result, 135 NHS providers were in deficit at the end of December 2016, with the sector as a whole £886 million in deficit.[31] These financial pressures are leading to increased waiting times,[32] a reduction in the time available to address the full range of patients' needs, the reduction or decommissioning of support and prevention services, and additional pressure on NHS staff leading to increased stress and sickness absence.[33]

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[28] https://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/STPs_in_NHS_Kings_Fund_Nov_2016_final.pdf
[29] https://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/Understanding%20NHS%20financial%20pressures%20-%20full%20report.pdf
[30] https://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/Understanding%20NHS%20financial%20pressures%20-%20full%20report.pdf
[31] https://improvement.nhs.uk/resources/quarterly-performance-nhs-provider-sector-quarter-3-1617/
[32] https://www.theguardian.com/society/2016/sep/08/nhs-perpetual-winter-waiting-list-record-bed-blocking
[33] https://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/Understanding%20NHS%20financial%20pressures%20-%20full%20report.pdf

The pressure on NHS services affects women disproportionately, both as patients and as workers in the NHS. Women made up 55.2% of hospital admissions in 2015/16[34] and 77% of the NHS workforce are women.[35]

Education

Childcare – tax free childcare and 30 hours free entitlement

The Chancellor announced that the government would be increasing support for working parents through the roll-out of tax-free childcare from April 2017 and the increased entitlement to 30 hours free childcare for eligible 3- and 4-year olds from September 2017.[36] Both measures have been previously announced and are inadequate responses to the fundamental supply, quality and affordability issues facing childcare in England. WBG is particularly concerned that these measures are restricted to households where both parents are working and earning a minimum amount, thereby excluding the most disadvantaged children who benefit the most from access to high-quality childcare.[37] The increased free entitlement, for example, is expected to exclude half of the families currently accessing the 15 hours free.[38]

For further information on childcare, download the following WBG Briefing Papers:

Childcare: Briefing on key policy issues available at: http://wbg.org.uk/analysis/childcare/

Costing and funding free universal childcare of high quality available at: http://wbg.org.uk/analysis/costing-funding-free-universal-childcare-high-quality/

Schools – additional £320m for 30 new free schools

The Spring Budget 2017 announced £320 million by 2020 to establish 30 new free schools, with plans for some of these to be selective schools. Free schools are funded by the government but set up and run independently by parents, charities, businesses, or community and faith groups. This additional funding for free schools occurs against the backdrop of a real-term decline in per pupil funding in mainstream education. The Institute for Fiscal Studies forecasts that by 2020 funding per pupil will have been cut in real terms by 6.5% for schools, and funding for 16-18 education will be at a similar level to 30 years ago.[39] These cuts have put significant pressure on schools, impacting the quality of education for students and the predominantly female workforce.

The prioritisation of funding for free schools, particularly where these are to be selective, over funding for mainstream education is likely to entrench inequalities. The Sutton Trust recently

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[34] NHS (2016) Hospital Admitted Patient Care Activity 2015-16, http://content.digital.nhs.uk/catalogue/PUB22378/hosp-epis-stat-admi-summ-rep-2015-16-rep.pdf
[35] http://www.nhsemployers.org/~/media/Employers/Publications/Gender%20in%20the%20NHS.PDF
[36] https://www.gov.uk/government/publications/spring-budget-2017-documents/spring-budget-2017
[37] Cattan S, Crawford C and Dearden L (2014) The economic effects of pre-school education and quality: IFS https://www.ifs.org.uk/uploads/publications/comms/R99.pdf
[38] https://www.theguardian.com/education/2017/feb/12/parents-zero-hour-contracts-could-miss-out-free-childcare
[39] Ibid.

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.[40] 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 selected.[41] The £20 million allocated in the Spring Budget 2017 toward free transport for pupils eligible for free school meals to grammar schools will not go far enough to address this inequality.

T-Levels

The government announced plans to overhaul technical education with the current 13,000 qualifications to be replaced by 15 and contact hours increased by 50%. The changes, which are set to take effect from 2019, will be funded with an additional £500m per year. The WBG welcomes the investment in technical education. However, we urge the government to ensure that initiatives are put in place to address the gender segregation among those undertaking technical education, which continues to see women clustered in lower paid occupations. Women make up only 3.8% of engineering apprentices in 2014, down from 4.6% in 2002.[42]

Loans – additional loans part-time and doctoral students

The Chancellor announced that the government will, from 2018, provide maintenance loans for people entering part time degrees, and doctoral loans of up to £25,000 to support higher-level study. While loans for part-time students may make it easier for women with family responsibilities to study, women are less likely to be able to afford loan repayments because of the continued pay gap and the time out of the labour force due to caring responsibilities. Research by the Sutton Trust has found that an estimated 70% of graduates continue to pay off their student loans into their 50s. This means that at a time when their children are still at school, many graduates will be left with up to £2,500 a year in repayments.[43] The Women's Budget Group urges the government to focus on reducing the amount of time over which graduates must continue to pay backs loans rather than increasing student debt through new loans schemes and higher fees.

The Spring Budget 2017 also included the allocation of £250 million over the next four years to "high-skilled research talent", as well as £50 million to attract researchers to the UK from "emerging research powerhouses like India, China, Brazil and Mexico". This may be intended to make up for a projected fall in the number of academics from EU countries coming to work in the UK. However, with the arrangements for university research funding once the UK leaves the EU still unclear it may prove harder for UK universities to attract academics from overseas. In addition, the Spring Budget announcements make no reference to the gender gap in university intake, employment, and wages, in STEM. Any funding into STEM industries and education needs to come with funding to address this gender imbalance.

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[40] Poor Grammar: Entry Into Grammar Schools Disadvantaged Pupils In England, Sutton Trust 2013
[41] https://www.ifs.org.uk/publications/8469
[42] http://www.youngwomenstrust.org/assets/0000/2906/Making_Apprenticeships_Work_for_Young_Women.pdf
[43] Ibid.

International Women's Day (IWD) Announcements

The Spring Budget was delivered on International Women's Day and the Chancellor stated that he was "delighted to use the occasion …to announce three additional measures".[44] Funding for these announcements – covering additional monies for VAWG services, parents returning to work after a career break, and celebrations to mark the centenary of women's suffrage – total just £30m over three years. In the context of a government budget, this is at best 'small change' and shows a lack of commitment to investing in improving outcomes for women and girls. It also shows a lack of understanding of gender mainstreaming. Women are seen to benefit from specific measures directed at them while the gendered impacts of mainstream policies around taxation, benefits and public spending are not considered. The £30m announced in the Spring Budget stand in no relation to the billions that have been taken from women's pockets as a result of tax and benefit changes and public spending cuts since 2010 (see section on gender impact assessment).

Violence against women and girls (VAWG) – additional £20m over 2 years

The Chancellor announced an additional £20 million over two years for organisations combating domestic violence and abuse. While any funding for VAWG services is welcome, particularly in the context of the severe cuts these have faced due to reduced Local Authority, police and health budgets, we are concerned that the funding is not sufficient to meet the scale of the problem. The government's own estimates put the number of female victims of domestic violence at 1.35 million and the number of victims of sexual violence at 450,000.[45]

Crucially, the additional funds are available only to organisations combating domestic violence and exclude those tackling sexual violence, despite these also being severely stretched. It costs around £70m to run current Rape Crisis services in England and Wales alone.[46] Some areas still have no specialist sexual violence services at all. Existing services have a current £10m funding gap.

We are also concerned that by limiting the funding to £10m in 2018/19 and £10m in 2019/20 with no pledge for ongoing funding at this level, the government is artificially creating a 'cliff edge' that threatens the sustainability of services.

The Women's Budget Group calls for all specialist services to support women and girls to rebuild their lives after violence and abuse to be sustainably funded. Until violence against women and girls ends, this funding will be needed on an ongoing basis.

For a full discussion of VAWG, including the scale of the problem and funding pressures facing services, see our briefing:

Violence against Women and Girls: Key issues available at:
http://wbg.org.uk/analysis/violence-women-girls/

[44] https://www.gov.uk/government/speeches/spring-budget-2017-philip-hammonds-speech
[45] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/522166/VAWG_Strategy_FINAL_PUBLICATION_MASTER_vRB.PDF
[46] Direct communication from Rape Crisis England and Wales, March 2017

£5m for ‘returnships’

Funding to help women back into work after a career break is welcome, but £5m is a very small amount considering the scale of the problem. Research by the EHRC has documented the extent of pregnancy and maternity discrimination, with 50% of mothers of young babies indicating that maternity had impacted negatively on their “opportunity, status or job security”.[47] The barriers are likely to be even more significant for women that have been out of the labour market for longer. Note also that, while this was billed as an IWD announcement, it is available to either parent and not specifically set aside for women.

WBG calls on the government to take concerted action to tackle the negative impacts of maternity on women. This is partly about adequate funding of support to assist women returning to work, but also about creating a labour market that is flexible not just for employers but also to meet the caring needs of employees and self-employed workers. This would require strengthened rights to flexible working, affordable and accessible childcare and adult social care of good quality. Greater involvement from fathers, which could be encouraged through a ‘use it or lose it’ component to parental leaves is also key to ensure that caring responsibilities are shared more equally.

£5m for celebrations to mark the centenary of women’s suffrage

The fact that the same amount of money has been allocated to celebrations of women’s suffrage and to assisting women to return to work belies a lack of understanding of the challenges facing ordinary women in their daily lives. In any case, WBG would argue that a better way to commemorate the anniversary of women winning the vote would be for political parties to take action to improve women’s political representation, which still lags considerably behind men at national and local level.[48]

[47] https://www.equalityhumanrights.com/en/managing-pregnancy-and-maternity-workplace/pregnancy-and-maternity-discrimination-research-findings
[48] Counting Women In Coalition (2015) Sex & Power: Who runs Britain? Available at: http://www.cfwd.org.uk/uploads/Sex%20and%20Power.pdf

Conclusion

This was a Budget that did little to achieve the Chancellor's stated goal 'to take the next steps in preparing Britain for a global future'.

The Chancellor has relaxed the government's self-imposed fiscal rule on borrowing over the life time of the parliament but has not presented a strategy to use this greater flexibility to boost the economy now in the face of uncertainty caused by Brexit. WBG has argued for a programme of investment in social infrastructure that would benefit the economy, create jobs and provide much needed services.

In summary:

- The most significant fiscal announcement, to increase Class 4 National Insurance Contributions for self-employed workers from 9% to 11%, was reversed less than a week after the Budget. Combined with the abolition of Class 2 contributions this would have been a redistributive measure.

- The £2billion over three years announced for social care is welcome, but falls far short of what is needed to address the on-going crisis in social care. The announcement of a Green Paper on social care funding postpones the implementation of sustainable solutions already set out over the last 11 years in two major reports.

- 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. Changes due to take effect in April 2017 will continue this trend. The Budget contained no action to address this disproportionate impact.

- 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. The Budget did not provide a comprehensive response to these challenges.

- The Treasury and Chancellor failed to provide an adequate assessment of how the Budget 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'.

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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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