Gender impact of social security spending cuts

*Briefing from the **UK Women's Budget Group** on the impact of cuts to social security benefits since 2010 on women*

Key points

- ***Cuts*** *to social security benefits* ***affect women more than men*** *because of their generally lower income, longer lives and greater caring responsibilities.*
- ***With 50% of the successive cuts since 2010*** *due to lower indexation and freezes in amounts of benefits and tax credits, the total cumulative cut by 2020-21 is estimated to be about £37bn per year (as costed by the OBR) and £56bn per year (when measured against RPI, as was done before June 2010).*
- *Drastic cuts to elements of* ***tax credits*** *and the introduction of* ***Universal Credit,*** *with a higher* ***taper*** *(on net income rather than gross as with tax credits) will penalise many women as primary carers and secondary earners.*
- *Cuts to child-related payments for third and subsequent children will disproportionately hit BAME women, who tend to have larger families.*
- ***Stricter eligibility conditions for lone parents and disabled people*** *to claim benefits have made many disadvantaged people, and women in particular, more vulnerable, especially in the context of a precarious labour market, and have not been accompanied by equivalent resources for support to find suitable employment and services such as child care and social care.*
- *Cuts to* ***housing benefits*** *are also drastic given the context of rising private rents and the difficulties facing families in finding suitable accommodation near schools and the workplace, affecting lone parents in London in particular. This is reinforced by the introduction of a weekly* ***benefit cap*** *applied to many families in 2011, and its strengthening in 2015 when the weekly maximum was reduced.*
- *WBG argues that instead of reducing the scope and generosity of the social security system,* ***investing in public services and the social infrastructure*** *of education, health and care will not only address many social needs but also increase quality employment and fiscal revenue.*

The Women's Budget Group (WBG) considers that social security is a fundamental element of a caring economy, an economy that promotes well-being for all, a decent living and opportunities for everyone to fulfil their potential in life. Protection against social risks such as illness, poverty or unemployment can come in many forms depending on the risk and the need. Public services usually aim to provide for health, care and personal safety needs; regulation protects those in employment, and healthy and safe consumption for all; and cash transfers have multiple functions, including help with replacing lost income and support for consumption needs arising from additional costs such as those caused by disability or having children.

This briefing focuses on cuts and changes to social security cash transfers (benefits and tax credits) that have been announced or implemented since June 2010 by the Coalition government and continued since 2015 by the Conservative government.

Women on average receive more as a proportion of their income in benefits/tax credits than men, both because they tend to have lower incomes themselves (and so are more likely to need to claim), and because they often receive benefits for others whom they care for, especially children.

Cumulative impacts

Size of the cuts

The policy costings database certified by the Office for Budget Responsibility (OBR) shows that by 2020-21, policy changes will have resulted in a net £37bn reduction per year in social security spending (cash transfers). This figure takes into account announcements made between the June 2010 Budget and the last Autumn Financial Statement of November 2016.[1] This total compares to tax *cuts* of about £41bn per year also by 2020-21 from increases in income tax thresholds, fuel and alcohol duty freezes and cuts to corporation tax rates.[2]

Table 1 shows a summary of the cuts by type and by the date they were announced. The Chancellor in his 2016 Autumn Statement confirmed a previous official announcement that no further social security savings were expected in this Parliament beyond those already planned.

Table 1 Cuts in social security spending by type and period, in 2020-21 per year (£m)

	Coalition 2010-15	Conserv. 2015-16	Total
Freeze & indexation	13,987	4,005	17,992
Changes to TC and UC	1,866	4,655	6,521
Child Benefit tax for higher earners	2,434		2,434
PIP / DLA / ESA	3,249	530	3,779
Housing benefits	2,279	2,690	4,969
Benefit cap	319	495	814
Other (child/ maternity)	529		529
Total	24,663	12,375	37,038

Source: own calculations, using OBR policy database 2016

This table shows that about half of the cuts were achieved through changes in the uprating of working-age benefits and tax credits (£18bn): first, changing from Retail Price Index (RPI) to the lower but official inflation tracker, the Consumer Price Index (CPI), in 2011 to uprate most working-age benefits, and a temporary freeze of Child Benefit; then 1% uprating from 2013-14; and then a freeze in most benefits for 4 years from 2016-17.

Using the Landman Economics tax/benefit model, it is possible to estimate another amount, which reflects the annual impact by 2020-21 of a roughly similar number of policy changes (that can be identified in the micro-data of the Family Resources Survey from the ONS), but against a different counterfactual. Instead of the year-on-year costing, the calculations show the change in benefit receipts (entitlements) after all these measures are implemented, by 2020-21, compared to if the system implemented or planned in the March 2010 Budget remained in place to 2020-21. As such, this includes (for example) the full roll-out of Universal Credit. The total reduction in social security spending would have been around £56bn, instead of £37bn. One of the main differences (apart from introducing UC fully) between this and the OBR costings is due to a comparison throughout the entire ten-year period with a baseline policy that uses the higher RPI for indexation, and not the lower CPI as decided by the Treasury from 2011.

Gender impacts

Of these £56bn cumulative cuts, 57% would be coming from women's purses. However, social security benefit and tax credit cuts are not the only measures that have affected women. WBG has shown, using the Landman Economics tax-benefit model, that women would contribute between 66% and 75% of the total annual 'fiscal consolidation' in tax and benefit changes in 2020-21 (with and without Universal Credit roll-out respectively). Moreover, women at all levels of income are hit harder than men, in particular black and Asian women.[3]

The House of Commons Library, using a similar methodology to apportion the policy measures but based on OBR costings, concluded that women contributed to up to 86% of the cumulative spending cuts and tax changes between 2010 and 2020.[4]

[1] OBR policy measure database, 2016
[2] See WBG briefing on gender impact of taxation (http://bit.ly/2lS0ffB)
[3] See WBG analysis (http://bit.ly/2gBl8gp)
[4] See HoC Library note on method and figures (http://bit.ly/2ml9FEp)

Child Benefit

WBG has long argued that social security benefits that help with needs and costs should move away from means testing and use other mechanisms to help low-income families. Changes to Child Benefit are a prime example of many of the contradictions inherent in the programme of austerity cuts. Since 2013, Child Benefit has been clawed back for higher-income parents (taxed away for families in which one parent earns above £50,000 per year), breaking with its former universal nature. Child Benefit has also suffered from consecutive freezes and/or uprating by less than inflation. Women have been particularly affected by all these cuts as they account for about nine out of ten Child Benefit recipients.

WBG argues that social security expenditure and revenue foregone through tax allowances and reliefs have similar economic effects and should be seen as equivalent. In particular, Child Benefit should be raised in line with personal tax allowances, if they are increased, to ensure that families with children keep in line with childless people in relation to their tax-free income.[5] This would also improve the level of income that mothers receive in their own right.

Tax Credits and Universal Credit

Overall changes

The system of tax credits - essentially means-tested cash transfers for low-income families with children (Child Tax Credit), and low-income people in work/families with someone in employment (Working Tax Credit) - has been dramatically changed by successive measures, affecting both its generosity and work incentives. Moreover, its replacement (along with most other means-tested working-age benefits) by Universal Credit (UC) will further reduce the level of support available (still being phased in, with current plans for full implementation in 2021/22). Originally intended to be slightly more generous on average than the benefit system it would replace, successive cuts to its elements and allowances will make UC about £10bn less generous per year by 2020-21 than the existing tax credits and benefits system (as per its 2016 structure).[6]

Although not all the changes have been spending cuts (for example, the increase in the childcare element from 70% to 85% in UC will be above the pre-2010 level of 80% in the tax credits system for most), the effect is negative overall for recipients (with a net saving for the Treasury) - and more so after UC is fully implemented, as noted.

Gender impacts

The cut that will disproportionately affect BAME women is the abolition of any additional Child Tax Credit for third and subsequent children. 51% of Black African, 65% of Pakistani and 64% of Bangladeshi children live in large families, compared to 30% of those in White British families; in addition, 15% of Black Caribbean, 23% of Black African and 11% of Pakistani children are in lone-parent families with 3 or more children.[7] The support that will be cut is significant: in 2014, 872,000 families (including 548,000 in work) received an average of £3,670/year for third and subsequent children.[8]

In addition, changes to tax credits and UC, in particular cuts to work allowances in UC and the increased taper rate compared with tax credits for many ‘second earners’, reduce work incentives and therefore the capacity of women to earn a decent living. The government has argued, however, that the changes should be considered more widely: that the cuts were balanced by the introduction of a higher minimum wage for people aged 25+ (the so-called National Living Wage - NLW), and the increased personal tax allowance, claiming that this contributes to creating a high wage, low welfare, low tax economy.

But those who benefit from the NLW, and those who get most from increased personal tax allowances, are not necessarily the same as those who receive UC/tax credits. The Resolution Foundation has calculated that, even taking account of the ‘NLW’ and tax cuts,

---

[5] See WBG briefing on gender impact of taxation (http://bit.ly/2lS0ffB)
[6] As estimated by Landman Economics (assuming full implementation and take-up by 2020-21)
[7] WBG calculations by Lucinda Platt (LSE), based on Households Below Average Income surveys (2010/11 to 2012/13). (Current recipients will not be affected)
[8] IFS Post-Budget Analysis, 9 July 2015 (http://bit.ly/1eJHKWW)

the measures in the 2015 summer Budget and Autumn Statement together mean that working UC recipients (for whom work allowance cuts were not rescinded in the Autumn Statement) are set to lose on average £1,000 in cash terms by 2020 (assuming full roll-out of UC by then), rising to an average £1,300 for those with children (the same amount that 3.3m 'working households' would have lost in April 2016 originally, had the cuts to tax credits announced in Budget 2015 not been rescinded in the subsequent Autumn Statement). Some would lose by much more, including a lone parent with one child working 20 hours per week on the lowest pay, who would lose £2,800.[9] The reduced UC taper rate announced in AFS 2016 (65 to 63%) would hardly compensate for these cuts.

Moreover, the replacement of tax credits by UC interacts with the increase in the personal tax allowance. As UC is means-tested on net income, not on gross income as in the case of tax credits, 63% of the full 'gain' from increases in personal tax allowance a UC recipient with taxable income would obtain will be clawed back, compared to a non-UC recipient on the same earnings who gets the full amount of tax cut.

In our view, there is a chronic lack of official gender analysis of tax credits, or their replacement by UC. Firstly, cuts in tax credits are bound to affect women disproportionately, given that they are the main recipients of Child Tax Credit and help with childcare costs. Secondly, tax credits and UC also act as a (poor) substitute for a proper system of well-paid leave, adequate social security and public services to support those needing time out of the labour market and/or help with caring. Tax credits and UC are seen by many as topping up low pay - which in many cases has a gender dimension, related to the under-valuation of typically 'female' work. But they can also be seen as topping up low household income, caused by low work intensity - which in many cases also has a gender dimension, related either to caring work or to lack of individual entitlement to benefits.

Conditionality for lone parents

In 2008, the Labour government introduced a Lone Parent Obligation, under which lone parents with a youngest child aged 12 were expected to seek employment. They would no longer automatically qualify for income support and instead Jobseeker's Allowance (JSA) conditions would apply. The youngest child age limit was reduced by successive governments, to reach 3 in the summer Budget 2015.

The government also changed from 'regulatory' to 'guidance' the flexibilities in conditionality that lone parents could benefit from, thereby removing the legal obligation to consider their specific circumstances with respect to ability to work.

As documented in the Fawcett Society's independent inquiry into women and Jobseeker's Allowance, supported by the WBG,[10] the JSA regime takes insufficient account of the distinctive circumstances of women's lives. These may include being stuck in low-paid jobs, the impact of their caring responsibilities and the fact that they are at much higher risk of domestic and sexual violence. Lone parents are more likely to be sanctioned than other groups without good reason and 2 in 5 decisions to sanction lone parents are overturned, suggesting that these women are often unreasonably sanctioned in the first place.[11]

The government also decided that under UC conditionality will also apply to partners in couples with children, despite the clear worsening of incentives for many 'second earners' that the introduction of UC will entail (replacing tax credits that also often had work incentives for 'second earners' reduced by the changes in taper rates and thresholds since 2010).[12]

Housing benefit and social rents

Housing benefit has suffered some of the most significant cuts over the past 5 years. The 'bedroom tax' affecting social housing tenants is the most well-known (called 'abolition of the spare room subsidy' by the government). But private sector tenants (about

[9] See http://bit.ly/2lBpJO1

[10] Ariss, A. et al. (2015) *Where's the Benefit? An independent inquiry into women and Jobseeker's Allowance*, London: Fawcett Society (http://bit.ly/1zbv1Pb)

[11] See Gingerbread website (http://bit.ly/1yTHPkk)

[12] Finch and Wittaker (2016) Under New Management, Resolution Foundation (http://bit.ly/2lPrvex)

two-thirds of whom are women)[13] have seen more reductions, including the benefit cap (more likely to affect them) and the local housing allowance (the amount of rent counting for housing benefit), now fixed at the 30th percentile for local properties of the relevant size, and only indexed to the Consumer Prices Index.[14]

Mobility in the private rented sector is higher than in social housing, with disruptive consequences for those with caring responsibilities, especially lone parents, who may be forced to move away from social networks and contacts built up over time.

Disability-related benefits

Cuts to Disability Living Allowance (DLA) (and its replacement by the Personal Independence Payment, or PIP) and to Employment and Support Allowance (ESA) were achieved through a combination of changes to uprating and to eligibility conditions, as well as cuts to amounts, such as aligning ESA to JSA amounts (from April 2017, for those in the work related activity group).

Women are hit both as claimants and as carers. 55% of adults with disabilities and of those claiming PIP are women and 58% of carers are women (60% among those caring for more than 50 hours per week).[15]

As in the case of other working-age benefit cuts, reductions in the level of support for disability are portrayed as part of activation policy. However, government decisions have applied a tougher regime restricting people's 'enabling' opportunities rather than fostering them. With additional problems stemming from significant cuts to social care and other social services, and with insufficient intervention on the demand side of the labour market to increase the number of jobs adapted to the needs of the disabled population, the changes to social security benefits will only make the life of carers and those in need of care more difficult. The government's consultation on improving health, social inclusion and employment opportunities of people living with disabilities may offer some potential in that direction.[16]

Social Security for the future

WBG argues that social security should be part of the necessary social infrastructure on which a caring economy is based - an economy that recognises the relationships between its members to achieve sustainable well-being and lead fulfilling lives. Social security benefits should act (as the name suggests) as a means of achieving security for all, not as a residual after-thought only for potentially 'undeserving' and destitute people. And for those who do need it, it is essential not to undermine the functions and flexibility of the safety net.

Well-functioning and far-reaching public services go a long way to address many of the needs that people can encounter during their lives, from child care to elder care. As argued elsewhere by WBG, relying on cash payments to purchase services on the market, especially of health and care, has proven limits, with quality being affected by cost-cutting pressures.[17]

Some cash support to families could be replaced by adequate social services, as in the case of child care, for example. WBG has shown how significant public investment in free universal childcare provision of high quality could replace tax breaks and cash support for childcare expenses and help address the problems of fuelling cost increases and lack of access in the private sector in more sustainable ways.[18] More generally, investing in the social infrastructure has the potential to create many more jobs than comparable investment in the physical infrastructure - and jobs that can be better-paid than current care jobs. [19] This would not only increase tax revenue, it would also reduce the need for many women to rely on in-work benefits to top up low incomes as the current structure traps them in low-paid work or low work intensity. The same goes for investing in high quality

[13] Private rented sector housing benefit caseload (House of Common Library figures)
[14] Andrew Hood, IFS, at post Autumn Statement briefing, 26 November 2015: (http://bit.ly/2llI5Hq)
[15] See Carers UK fact sheet (http://bit.ly/2lCyN5d)
[16] See 'Work, health and disability green paper: improving lives' (http://bit.ly/2eNy5Ss)
[17] See various WBG analyses at http://bit.ly/2lmCZe4
[18] See WBG childcare briefing (http://bit.ly/2lHHGeH)
[19] WBG research for ITUC (2016) has shown that investing 2% of GDP in social care has the potential to create 1.5 million jobs, while a comparable investment in construction would yield around 750,000 jobs. See http://bit.ly/1RBSyCK

social housing rather than propping up private rental markets of unequal quality with housing benefits payments. However, all this can only be done by making provision or reducing costs first, rather than by cutting cash support to reduce social security spending for its own sake.

Investing in the social security of a population and in the social infrastructure of an economy is necessary to sustain the economy through the social reproduction of its population. The benefits of this positive strategy are therefore social as well as economic and will accrue in the long term.

Written by

Jerome De Henau (Senior Lecturer in Economics, the Open University):

j.de-henau@open.ac.uk

UK Women's Budget Group, March 2017.

WBG is an independent, voluntary organisation made up of individuals from Academia, NGOs and trade unions. See www.wbg.org.uk

Contact: Eva Neitzert or Mary-Ann Stephenson (WBG Co-Directors):

eva.neitzert@wbg.org.uk

maryann.stephenson@wbg.org.uk