# Austerity is reducing social security for women

*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.*
- ***50% of the successive cuts since 2010*** *in the real value of social security benefits are due to lower indexation and freezes in benefits and tax credits. The total cumulative cut by 2020-21 is estimated to be worth about £37bn per year (as costed by the OBR, using CPI) and £59bn 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*** *(now applied to net income rather than gross) will penalise many women as primary carers and secondary earners.*
- *Cuts to child-related payments for third and subsequent children are unfair to children and will disproportionately hit the incomes of 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*** *in the context of rising private rents have been severe and have led to difficulties for 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 further reduction in 2015.*
- *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 address many social needs, improve the quality of employment and increase 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, decent living standards 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. Public services should provide for health, care and personal safety needs; regulation protects workers and consumers; and cash transfers have multiple functions, including financial support for those unable to earn and for additional costs such as those caused by disability or raising children.

This briefing focuses on cuts and changes to the real value of social security cash transfers (benefits, tax credits and Universal Credit) 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 the form of such cash transfers 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 for whom they care, 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 in real terms (cash transfers). This figure takes into account announcements made between the June 2010 Budget and the last Budget of March 2017.[1] This total compares to tax *cuts* of about £41bn per year also by 2020-21 from increases in income tax thresholds above the rate of inflation, 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 Parliament period in which 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. There were no changes announced in the March 2017 Budget.

Table 1. Cumulative amounts of annual social security spending reductions by type and period, in April 2020 (£m)

| | Coalition 2010-15 | Conserv. 2015-16 | Total by April 2020 |
|---|---|---|---|
| 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 2017)

The table shows how much social security spending will be reduced by each measure in the year 2020-21 compared with if the system in place in April 2010 and planned for future years had been continued. It includes the full implementation of Universal Credit, even though it is unlikely to be fully in place by April 2020.

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

The Landman Economics tax/benefit model estimates 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), but against a different counterfactual of inflation. The total real-term cuts to social security spending is set to be around £59bn when measured against a counterfactual April 2010 system that is uprated with RPI to April 2020. The OBR costings in Table 1 are measured against CPI uprating from 2011 instead.[3]

**Gender impacts**

Of these £59bn cumulative cuts, 57% will have come from women's purses. These come on top of tax changes that have benefited women less. The WBG has shown, using the Landman Economics tax-benefit model, that women would contribute about 60% of the total annual 'fiscal consolidation' in tax and benefit changes in 2020-21 (and 75% of the changes since 2015). Moreover, women at all levels of income are hit harder than men, in particular black and Asian women.[4]

The House of Commons Library, using a similar methodology to apportion the policy measures but based on OBR costings, concluded that women would have contributed up to 86% of the cumulative

[1] OBR policy measure database, 2017

[2] See WBG briefing on gender impact of taxation, 2017 (http://bit.ly/2lS0ffB)

[3] The other difference is that the Landman Economics model assumes full take-up of cash transfers, including UC.

[4] See WBG analysis, 2016 (http://bit.ly/2gBl8gp)

spending cuts and tax changes between 2010 and 2020.[5]

The June 2017 general election manifestos did not dwell much on social security benefits for working-age people. There was no hint from the Conservatives about reversing any cut as they will let the existing planned cuts and the Welfare Reform go ahead.

### *Child Benefit*

WBG has long argued that a system of social security benefits that help with specific needs and costs should not apply means testing and use other mechanisms to help low-income families. Since 2013, Child Benefit has been clawed back from higher-income parents (taxed away for families in which one parent earns above £50,000 per year if the claim is not given up), 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 9 out of 10 recipients.

### *Tax Credits and Universal Credit*

**Overall changes**

The system of tax credits – means-tested cash transfers for low-income families with children and/or with someone in employment – has been dramatically changed by successive measures since 2010, reducing both its generosity and its employment 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 previous system would have been in its current structure.[6]

Although not all the changes have been cuts (for example, the increase in subsidies for childcare costs from 70% to 85% in UC will be above the pre-2010 level of 80% in the tax credits system), the overall effect is negative for recipients (thus a net saving for the Treasury) – and will be more so after UC is fully implemented, as noted above. Those moving from previous benefits onto UC get transitional protection; but it is only in cash terms, and is withdrawn if their situation changes.

**Gender impacts**

A cut that will disproportionately affect BAME women is the abolition of any additional Child Tax Credit (and corresponding UC) 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 employment incentives and therefore the capacity of many women to earn a decent living.

The government has argued 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. However, 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, the measures taken since the 2015 summer Budget and Autumn Statement together mean that working

[5] See HoC Library note on method and figures, 2016 (http://bit.ly/2ml9FEp)

[6] As estimated by Landman Economics (assuming full implementation and take-up by 2020-21) compared to the April 2017 tax credit system.

[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)

UC recipients 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 which was announced in the 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 any increases in personal tax allowance that a UC recipient with taxable income would obtain will be clawed back, compared to a non-UC recipient on the same earnings who will get 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 childcare subsidies. 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 financial support while 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' – with one partner out of the labour market engaged in caring work often with a lack of individual entitlement to benefits, which in many cases also has a gender dimension.

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

As documented in the independent inquiry into women and Jobseeker's Allowance, by the Fawcett Society 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 without good reason than other groups. 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 couples with children, ignoring the worsening of employment incentives for many 'second earners' that the introduction of UC will entail. Employment incentives for second earners in the tax credit system that UC is gradually replacing had already been reduced in 2010 by changes in taper rates and thresholds.[12]

### *Housing benefit and social rents*

Housing benefit has suffered some of the most significant cuts over the past 7 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] Matthew Whittaker (2015) *O, Blessed Revisions – Fiscal windfall and what to do with it*, Resolution Foundation (http://bit.ly/2lBpJO1)

[10] Ariss et al. (2015) *Where's the Benefit? An independent inquiry into women and Jobseeker's Allowance*, Fawcett Society (http://bit.ly/2jkF3mF)

[11] Gingerbread (April 2017) *On the rise: Single parent sanctions in numbers* (http://bit.ly/2zwXuel)

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

two-thirds of whom are women)[13] have seen other 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 indexed to only the Consumer Price 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 labour market 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 outcomes of 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 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 public investment in free universal high quality childcare provision could replace tax breaks and cash support for childcare expenses and help address the problems with private sector childcare of poor quality, poor working conditions and lack of access in more sustainable ways.[18] More generally, investing in 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 revenues, but would also improve the incomes of many women that the current structure traps in low-

[13] House of Commons Library (2017) *Housing Benefit caseload statistics: data to May 2017* (http://bit.ly/21fGgba)

[14] Andrew Hood, IFS, at post Autumn Statement briefing, 26 November 2015: (http://bit.ly/2lII5Hq)

[15] See Carers UK fact sheet (http://bit.ly/2lCyN5d)

[16] See 'Work, health and disability green paper: improving lives' (http://bit.ly/2eNy5Ss). The consultation closed in February 2017 and the government is preparing its response.

[17] See various WBG analyses at http://bit.ly/2lmCZe4

[18] See WBG childcare briefing (2016) (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 (http://bit.ly/1RBSyCK)

paid work or low work intensity. Therefore it would reduce their reliance on in-work benefits.

The same goes for investing in high quality social housing rather than propping up private rental markets of unequal quality with housing benefit payments.

Investing in social security and social infrastructure is necessary to sustain the economy and ensure 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.

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**UK Women's Budget Group, November 2017.**

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