

## **Women's Budget Group submission to Labour National Policy Forum: Rebuilding a just social security system**

The Women's Budget Group (WBG) recognises the need to dramatically repair, restore and expand the social security system from the damage done since 2010 as fundamental to the work of a Labour government. It is this area of work, in partnership with investment in public services, that holds the most potential for improving on gender equality particularly for BAME, economically disadvantaged and disabled women. For this reason, we have supplied an extensive submission to this paper accompanied by a shorter summary of policy recommendations.

### **Rebuilding a just social security system: the Women's Budget Group response**

Before we answer some of the specific questions in this consultation, we believe that there are some overarching principles that should be seen as the foundation for a just social security system.

#### **The aims of social security**

Social security is part of the glue helping to bind society together. Everyone has a stake in the operation of a system which provides mutual insurance against risk, shares additional costs and enables all members of society to have enough income to be able to live with dignity and agency throughout their life course.

The aims of the social security system should be to:

- **Prevent poverty and improve life chances for all**
    - It should *prevent* poverty, not just relieve it, while enabling those who are living in poverty to move out of it
    - Provide adequate levels of support for those with additional costs, e.g. those associated with disability
    - Ensure all children are well supported to be able to thrive and participate equally in shaping their future
    - Improve life chances in the long term and not just meet immediate needs
  - **In doing so it should**
    - Ensure that all adults have access to an independent income adequate to live with dignity and agency
    - Aim to provide stability, predictability and security of income across the life course and during times of change as a foundation for flourishing
    - Provide mutual insurance against risk
  - **It should also, in conjunction with other policies, help to reduce inequalities**
    - between households
    - between individuals within households and
    - between different groups in society, including in relation to gender, race, disability and age-based inequality
- The social security system should be designed to help eliminate such inequalities in the long run, while at the same time recognising the unequal positions that people are currently in.

#### ***Social security in a wider context of social protection***

To achieve these aims, people need not only income, but also care. The social security system should work to help share caring and the costs of care for those who need it more widely both between women and men and across the whole of society. Social security works in combination with other parts of the social protection system, including public services, and needs to be evaluated as part of that system as a whole and the taxation system that funds it, including for equality impact.

### ***Women's rights within the social security system***

Our current social security system in the UK is failing to meet these aims. It is failing to prevent poverty and destitution, as shown by the rise in homelessness and food bank use, failing to enable people to improve their life chances as shown by rising inequalities in nearly every social indicator, and failing to allow people to live with dignity by inadequate levels of support and a harsh and inflexible sanctions regime.

All these failings particularly affect women because, due to an unequal division of caring responsibilities, women are more likely to rely on the social security system for some or all of their income at various periods in their life course.

The need to have enough income to be able to live with dignity and agency applies to all women and men as individuals, irrespective of their family situation, so that all can achieve financial autonomy over the life course. That is why the WBG argues for basing social security rights on the individual rather than the family as far as possible. To do so provides the basis for more equal relationships. Additionally, household-based means testing creates disincentives for second earners (mainly women) which threaten their long-term economic independence.

Many of the problems of Universal Credit are to do with the inadequate level of support it provides, its conditionality regime and its household means testing. All produce perverse incentives and adverse outcomes for claimants. Although there are ways to make Universal Credit less punitive, it has to be recognised that any system that incorporates household means testing and such strict behavioural conditionality inevitably reduces individual rights. In particular, means testing on household income can leave individuals without any income of their own and/or without sufficient gains to employment to make it possible to escape their predicament. Most of those so affected are women.

### ***Social Security as an investment***

The social security system is part of the infrastructure of society, whose existence underpins the economy and everyone's life course. It has public collective benefits as a system that all can use, and most do at some stage in their lives, in the same ways as the more widely recognised public good benefits of physical infrastructure (such as a transport system). The WBG has made a similar case for seeing public services as part of the social infrastructure of society. Our living standards are determined not only by our (post-tax) market incomes but also by the public services and social security benefits that we receive. Indeed, the value of public services and social security benefits make up more than half of the living standards of the poorest households and those of many households in which women predominate.

Like other forms of infrastructure, the social security system requires investment. This is because spending on it has long-term implications. For example, children living in poverty are less likely to stay in education, and more likely to have physical and mental health problems and reduced healthy life expectancy. The financial costs of child poverty in Britain were estimated to be £25 billion in 2008, with roughly half of these costs the effects on GDP of the diminished productivity of adults who had lived in poverty as a child, and the other half the cost of public spending on the services<sup>1</sup> dealing with the more short- and medium-term consequences of child poverty<sup>2</sup>. Using IFS estimates and projections of child poverty rates, these costs were estimated in 2013

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<sup>1</sup> These costs remain whether or not the requisite services are provided. Where services have been cut the direct cost to the state may have fallen, but the true cost of child poverty has not diminished. Rather, some of that cost is being shifted to those whose needs for help are not being met and, through failing to prevent more serious problems developing, is likely to result in more costs to the state in the future.

<sup>2</sup> Donald Hirsch, 2008, *Estimating the Cost of Child Poverty*, York: Joseph Rowntree Foundation; Blanden, J., Hansen, K. and Machin, S. (2008) *The GDP costs of the lost earning potential of adults who grew up in poverty*, York: JRF; Bramley, G. and Watkins, D. (2008) *The public service costs of child poverty*, York: JRF.

to have risen to £29 billion and were then projected to rise by 2020 to £35 billion (equivalent to about 3 per cent of GDP) (Hirsch, 2013).

And these are only the effects of child poverty. But, as the WBG has repeatedly pointed out, children live in poverty because their mothers do so, and the effects of living in poverty for women can include not only the direct effects of reduced prospects and productivity but also the indirect effects of making decisions in the short term driven by poverty that harm their long-term prospects (for example, by the combination of childcare costs and means-testing of in-work benefits reducing the gains to employment). It is important that the social security system does not rely on women sacrificing their own longer-term prospects to enable their family to escape immediate poverty.

In general, women are more likely to rely on social security and receive more of their individual and household income from the social security system than men. This is because they are more likely to be the carers for other people at various stages in their life course and, partly as a result, have generally lower earnings from employment. As a result, decisions about the shape and generosity of the social security system and about the public service provision of care are particularly important for women.

The current system of social security has pushed many people, both in and out of employment, into poverty. It is a punitive system displaying a lack of compassion and respect for people's needs that inevitably has the worst effects on those with the greatest need of support from wider society, for example, those with disabilities and lone parents. It has also had bad effects on the structure of employment, and by forcing people to take unsuitable employment has encouraged the creation of insecure, casualised, poor-quality jobs of low productivity. Most of the people in such jobs are women.

We believe that these principles and the key concerns that they raise should be at the core of the Labour Party's consideration of the future of the social security system. Below, we respond to the specific questions posed in the consultation document.

## Questions

### 1. Funding

#### **1a. To what extent should social security be means-tested, contributions-based, reflect people's particular needs and/or universal, i.e. for everyone?**

Discussion about reforms in the recent past has focused too much on simplification and incentives and insufficiently on the unit of entitlement (individual or household/benefit unit) and the route to entitlement (means testing, contribution or category of beneficiary etc.). We believe that there should be more discussion about these two issues, in particular because policy decisions on them always have gendered implications

**Means testing** has the disadvantage of disproportionately reducing the gains to earning for those on means-tested benefits. This is particularly disadvantageous when means testing is based on household (benefit unit) income, as it is for Universal Credit and most means-tested benefits that exist in the UK system. This forces partners into mutual financial dependence and particularly affects women, who are likely to be the lower earner in couples, reducing their gains to employment, and sometimes making it not worthwhile to take employment and thus increasing their dependence on their partner. This can have disastrous consequences for women (and their children) on separation or divorce, or whenever they need to re-enter employment. It can also lead to financial dependence and in some cases financial abuse. It is possible to partially individualise means testing, as in the Australian system. But a simpler system of as far as possible having individualised benefits in a non-means-tested system avoids these problems.

The argument for means testing is that it can target benefits on those perceived to need them most (i.e. those having a lower income at that particular time). It is also said to save "the tax-payer" money. However, the

savings due to means-testing a type of benefit are simply paid for by those with higher incomes eligible for that benefit, whose payments will then be reduced by means-testing. It is fairer to spread the cost of that saving more equitably through the income tax system among all with higher incomes.

The Women's Budget Group would therefore recommend that we move towards a social security system based as far as possible on non-means-tested benefits. It is particularly important that benefits that are designed to pay for additional costs, such as those for children and disability, are not means-tested. The purposes of social security are far wider than just the relief of poverty after it has already affected people. As well as preventing poverty, the social security system also needs to be a means of mutual sharing of risks to livelihoods, compensating people for additional costs (such as children or disability related), and ensuring that individuals have access to an alternative source of income, so as to be able to refuse degrading forms of employment. For the economy as a whole, this last has been an important way of improving working conditions and pay, and achieving higher productivity, now being put at risk by the universal credit system.

All social security systems are *contributions-based* in a sense, in that we all pay into them, whether this is done through separate National Insurance contributions or through direct and indirect taxation. However, that does not mean that individual eligibility or levels of payment must depend on that individual's contributions alone. The problem with entitlement being calculated in that way alone is that some people are able over their life-course to make higher financial contributions than others. In particular, because of caring responsibilities, women are likely to have lower lifetime earnings and therefore make lower "contributions" than men.

One way to avoid this is to enable people to contribute in other ways, for example, to earn credits when involved in caring even when earning below the contributions threshold (as currently is the case for those in receipt of child benefit or getting carer's allowance). Without such allowances, and even with them if the amount of credit is too small or eligibility conditions too restrictive, a contributory system will inevitably benefit women less than men.

However, the advantage of contributory systems is that hypothecation can increase how much the population as a whole feels that they have a stake in the social security system, and therefore support it being more generous; most of our continental European neighbours have contribution-based systems that are indeed more generous than ours.

Given the above, it is important that if contribution-based systems are retained they have more inclusive conditions for qualifying for benefits, and that wider ideas of contribution are considered, such as caring and potentially also voluntary work. As with our National Insurance system, an element of revenue from general taxation can be used to make benefits more inclusive as well. It is also important to challenge the gendered division of labour which often underlies differential labour market presence over the life-course.

Any effective social security system should be able to be described as *universal* in principle, in that it provides the basis for everyone to be secure in the knowledge that their needs will be met. It should therefore be *categorical*, in the sense of being designed to reflect people's *particular needs*, rather than providing the same payments to everyone at all times, because people falling into particular categories (notably, parents and/or those with a disability) have additional costs in reaching any given standard of living.

In addition, we should not expect the social security system to solve all social problems on its own. Indeed, the combination of market and means testing that is prevalent in the UK (for example, in subsidising housing costs through housing benefit, or childcare costs through financial assistance) is not in our view the best way to deal with these. There are strong arguments in these cases for considering public provision, subsidies to the supply side and/or controls on costs, rather than always trying to address the issues through paying more

benefits. Of course, it should go without saying that subsidies should not be reduced or withdrawn before costs are reduced and/or free provision is created.

#### **1b. Should social security assistance have regard to a minimum income standard and how could we measure what a household needs?**

We understand this question to be about the level of means-tested benefits (social assistance). There are a few methodologies that have been developed to calculate certain income thresholds, with the MIS research (conducted by Loughborough University) leading the way in the UK. Any such calculation should take into account access to and availability of public services. In other words, if someone has to pay for essential needs out of their income, rather than this being provided free of charge as a public service, this should be recognised.

It is usual to reduce the amount of benefit per person when more than one adult is in the household, to take account of economies of scale. But that practice can be queried. If we gave the same amount for personal needs for all individuals, irrespective of whether they were living with someone else, this would mean that partnership and cohabitation decisions were separate from issues about financial support. This is the case already with non-means-tested benefits, which are now awarded on an individual basis, but is not currently the case with the increasing range of means-tested benefits – another reason to prefer the former.

#### **1c. How can we ensure the social security we need is adequately funded?**

The social security system needs to be adequately funded. This is at its heart a question of political will. We would hope that the Labour Party would find that will. However, it is clear from international and historical experience that social security systems are more likely to receive public support and be well-funded when people as a whole feel that they have a stake in the system and that benefits are relevant to everyone, rather than ‘us’ paying for ‘them’. In the past in the UK, a different tack was taken. Recent Labour governments in particular sometimes justified increases in conditionality in part as efforts to ensure that the public saw claimants as ‘deserving’, and as fulfilling their responsibilities in return for rights to benefits, in order to safeguard or increase levels of funding for social security. In our view, this is not the best approach. Instead, we need to ensure willingness to pay for a more generous social security system by making benefits relevant to the population as a whole. This will, however, be in tension with the need to make good the drastic cuts to benefits for those on the lowest incomes - unless a large enough investment is made in the social security system. This will be one of the most difficult challenges faced by a new Labour government.

In presenting its Fiscal Credibility rule (FCR), the Labour Party has said that it will borrow to invest in projects that will pay for themselves in the long run. As we argue above, some at least of the costs of the social security system should be seen as an investment in the future. Not to carry out such investment because of a lack of willingness to fund them would be a short-sighted false economy and contrary to Labour Party policy. If current revenue is insufficient, the case should be made for funding such investments by borrowing within the FCR. This will involve changing the discourse on social security.

The remaining cost of the social security system will need to be paid for by general taxation. The coalition and Conservative governments successively raised the personal tax allowance and higher rate thresholds, rendering income tax, the fairest and most redistributive tax we have, far less effective in raising revenue. By 2020, £19bn of revenue will be given away annually by those rises, in each case regressively to those who earn above and not those who earn below those thresholds, most of whom are women<sup>3</sup>. This policy trajectory of cutting income tax needs to be reversed. Improvements in social security and/or public services could also be paid for by new taxes, for example, on wealth, as exist in many other European countries.

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<sup>3</sup> See 2018 WBG Briefing: Tax and Gender <https://wbg.org.uk/analysis/2018-wbg-briefing-tax-and-gender/>

As far as funding goes, the WBG urges the Labour Party to make a commitment to conduct a review of the tax and social protection (social security and public services) systems **together**. Such a review should:

- First, recognise that a large proportion of our standard of living comes from public services and therefore the need for social security benefits depends on access to and the quality of public services. Some services are better provided collectively rather than bought by individuals on the market. In many cases, there are good reasons for providing universal high-quality public services, including care services, rather than social security benefits.
- Second, investigate how much of social protection should be seen and funded as an investment (by at the very least calculating the long-term costs of not having such social protection).
- Recognise that public services and the remaining cost of social security would have to be paid for by progressive taxation.

It is therefore imperative to review the taxation system at the same time as social protection spending. Men disproportionately benefit from promises not to raise tax, while women disproportionately benefit from spending on both social security and public services. Not to be prepared to reform the tax system sufficiently to fund the social security system would build in a strong gender bias to Labour policy that in its impact would outweigh the many other policies that the Labour Party is proposing to reduce gender inequalities. This would not be in line with Labour's commitment to "ensuring the equalities agenda is embedded across government".

#### **1d. How can we ensure the social security system reinforces a living wage and is not effectively used by employers to subsidise low pay?**

It is important to continue the recent efforts to improve low pay levels. However, there will still be the need for a robust social security system because the wage system inevitably cannot provide for all needs. In particular, it is not adapted to varying family sizes and to the extra costs of disability. It is not only reasonable but desirable that the state should contribute generously to these costs.

Further, a 'living wage' will not provide enough for those unable to work full time, so it is also important to consider income from paid employment in relation to other responsibilities. Low hours of employment are often to do with caring responsibilities that are not shared equally within households or with wider society. As well as providing more help with such responsibilities, persuading employers to provide more support, and encouraging more equal sharing within households, there may be a case for considering how the social security system can help those who still cannot work full time. As noted above, these issues cannot be resolved by a 'living wage' alone, however helpful it has been to raise the profile of the issue of low pay in the recent past.

#### **1e. From what sources should social security be funded?**

From borrowing, to fund the investment element of social security (see our answer to 1c above), and progressive general taxation (including new taxes, e.g. on wealth). The 2017 Labour Manifesto promised to review the social security system and allocated an amount for its reform well below the amount that has been taken out (and partially given to income taxpayers by the coalition and Conservative governments – see above). This will not fund an adequate social security system that conforms to the principles advocated in this document. Instead, the social security and tax systems need to be reformed together as a package (see our answer under 1c above).

Making promises to the vast majority of taxpayers that they will not pay more income tax, while failing to protect social security recipients from the continuing implications of austerity cuts, would be to favour the better off over those on lower incomes, and men over women. Gender impact assessment of manifesto commitments should be undertaken to ensure that this perspective is taken seriously.

The need to rebuild the social security system will require progressive increases in income tax, as well as other forms of taxation, and new policies on wealth taxation. The tax system can be made more progressive at the same time as raising more revenue so that those below median income do not pay more tax, but sufficient funding will not be found from the top 5% of incomes alone. Nor should it be, since the whole of society should contribute, according to their means, to funding our social security system and public services that are together vital to our collective well-being.

Any review of social security and taxations should also consider National Insurance contributions (NICs). Under current legislation, revenue raised through NICs can only be used on certain benefits (as well as an element of the total going to the NHS). The National Insurance system is a mix between an insurance scheme and taxation and the balance is delicate. Some thought therefore needs to be given to the incidence and impact of NICs (e.g. at what levels and on what kinds of income they should be levied). The aim should be to make NICs as progressive as possible whilst still ensuring that people feel they are contributing to insuring (at least a slice of) their regular income.

## **2. Sanctions and conditionality**

### **2a. The current system sanctions people if they don't complete an online journal saying how they are looking for work for 35 hours a week or for missing an interview or for failing to apply for a particular job. Is this right?**

No. It is important that people are treated with dignity and respect by the social security system. Sanctions undermine this. Most people would agree that the harshness of the current sanctions system is counterproductive, as well as cruel (e.g. lasting even when people have started to fulfil conditionality again). We welcome the recent decision to reduce the maximum length of sanctions from 3 years to 6 months, but this does not go far enough.

If benefits for those out of work are to remain conditional, there needs to be some system for backing up conditionality. The issue is how to design such a system. We would suggest here that the principles of co-production are key, and that benefit claimants should be involved in designing this. One promising initiative of Oxfam in Wales is the Sustainable Livelihoods Approach, that has been used with Jobcentre workers to help them understand how to build on the strengths and coping strategies of those on benefits, rather than using a 'deficit model' of claimants. This could be rolled out more widely across the UK. There are also some important initiatives in the way in which the social security system is being reformed in Scotland, including the principles of dignity and respect on which it is based.

An important issue in designing conditionality systems, including any appropriate sanctions, is how to take account of caring responsibilities. Currently, for example, in Universal Credit, one partner in couples is named as the lead carer and therefore treated as though they are a lone parent, with modifications to their conditionality, if they have children of certain ages; their partner is treated as though they do not have children at all, and usually has to look for work for 35 hours per week. This is not conducive to the kind of sharing of parenting that would promote better outcomes for children and reduce gender inequalities, which other government policies are actively encouraging. There needs to be a much more flexible attitude to taking caring responsibilities into account, and the easements for those with children and/or with others to care for should be in statute (rather than, as they are now, in guidance).

### **2b. Do you think that setting work-related or training conditions helps people get a job?**

The sanctions system, by forcing people into whatever employment they can find, enables employers to reduce working conditions and treat workers badly. It also relieves employers of the pressure of having to

raise productivity to improve working conditions. This question is therefore inseparable from any new government's plans for tackling labour market insecurity and precariousness and improving productivity. People should be encouraged and given help to train or find employment or other worthwhile activity when appropriate because it is good both for them and for society that they should do so. However, this is quite different from a system of sanctions that seems to be designed to try to catch people out, and so does nothing to help them find suitable employment or train for the future.

What many women report is that, whilst they may find it helpful to discuss their plans with the work coach at the Jobcentre, there is often insufficient support, in particular for training or further education. The UK's 'work first' approach is particularly unhelpful for women returning to the labour market following a period of caring, who may need or wish to change direction. There is now more policy focus on women in low-paid and low-skilled roles, and on women returners; but there needs to be more funding for lifelong learning in particular to fulfil many women returners' aspirations.

**2c. Does the answer to the above differ depending on the type of benefit (e.g. sickness or disability) or the type of claimant (e.g. single parents)?**

There will be circumstances in which people are better off not in employment or training, e.g. during periods of exceptional care needs in their family. In general, one would hope that public services might enable such periods to be short. We should also not assume that everyone wants or should want to work full time.

**3. Disabled people**

**3a. How could support for disabled people's independence be improved?**

Recognising the ways in which we are all "interdependent" is key to developing a social security system that enables us all to meet our potential. We do not think that "independence" should be the aim for disabled people either, but rather supporting them in improving their capabilities. Such support could be provided by better public services, together with non-means-tested payments that recognise the true additional costs of disability, on the one hand, and by income replacement where needed, on the other. The changes to the help for disabled people in employment through Universal Credit have been particularly detrimental to their efforts to gain paid work (because the work allowance can only be accessed through a work capability assessment which assesses incapacity to work, and because it gives less support than tax credits do); these changes should be abandoned, and more generous and constructive financial support given instead. We are not experts on disability benefits, so have confined ourselves to answering this part of Q3; we would highlight the need to consult disability rights organisations on these questions.

**4. Design and administration of social security**

**4a. Is wrapping up benefits into a single payment as happens with Universal Credit a good idea in principle? Should some elements be paid separately?**

The answer to the first question is no; everyone needs to have some payments made to them as individuals, so that they are not completely financially dependent on their partner (see answer to 4c below). Evidence shows that redistribution within families is not reliable enough to ensure that with a single payment no-one is left without access to money.

The Women's Budget Group has done detailed work on how paying benefits through a single payment can exacerbate financial abuse and domestic violence. But even in relationships without problems of abuse, it is still important for individuals to have access to income. We would therefore argue strongly against a single payment of benefit.



However, with means-tested benefits, independent access to income from benefits is not really possible, since one person's access to benefits and their level depend on their partner's presence, actions and resources. So there is no way in which completely independent incomes can be achieved within means-tested benefits, or within Universal Credit, as it has brought together a range of means-tested benefits with differing purposes, and has also made conditionality for couples highly interdependent.

The single payment of universal credit is also not conducive to committed coupledom, since it provides considerable risks for those considering entering cohabiting relationships. They may not yet have a joint account or wish to set one up. They therefore need to decide which one of them is to receive virtually all the income for the household. This does not seem to be a recipe for encouraging entry into committed relationships. There is also some evidence that women are more likely to enter partnerships if they know they have some independent income before doing so.

Amalgamating different benefits with different purposes, as in Universal Credit, introduces policy rigidity which is unhelpful, as well as ensuring that for claimants all their eggs are in one basket, so if something goes wrong virtually the whole of the household's income is put at risk. Because they are the only secure and separate payments being made to individuals, there is evidence that non-means tested benefits, notably child benefit and carer's allowance, are ironically acting as a last resort safety net when waiting for universal credit, or when it goes wrong. This is another reason to underline the crucial importance of maintaining and increasing these non-means-tested benefits.

#### **4b. How often should benefit payments be made?**

Claimants could be offered a choice of frequencies. Most countries in continental Europe pay benefits monthly. But in this country, this has not been the usual arrangement; and we have more pay arrangements that are weekly or fortnightly or 4-weekly etc. In addition, unless benefits are more generous, it is difficult for many people on low incomes to make money stretch for a longer period.

#### **4c. Should payments be made to households or individuals? How can we ensure women's incomes and financial independence are not put at risk, as they are under Universal Credit? How can we ensure people escaping domestic violence are protected?**

See our response to 4a above. In principle, payments for individuals should be made to the individual who qualifies (e.g. for additional costs of disability). Payments for children should be made to those who pay for those children's day-to-day needs (which could in principle be split). Payments for disability and children should in principle not be means- tested and, if they were not, could be taken out of the UC system and paid to the relevant individual.

Means testing makes paying benefits to individuals more difficult, since the amount paid to an individual will depend on their partner's income as well as their own. UC should at least be split between partners (as the default), perhaps paid in what proportion they jointly choose, although there are other options. In order to do this, UC would in practice need to become a very different system. It is difficult to see how the current arrangements for exceptional split payments can protect people escaping domestic violence, or from financial abuse; but it is essential that whatever future arrangement is made for the majority, there is also still a possibility of split payments or the equivalent in certain circumstances.

'Nudging', to try to ensure that all of UC is paid to the main carer, as the Secretary of State has suggested recently, whilst helpful in some cases, has two drawbacks. The most obvious is that it solves nothing for couples without children. The second is that the compulsory nomination of 'main carer' is (as noted above) incompatible with the principle of encouraging a less rigid gendered division of labour, and cannot be protected from abuse in any unequal power relationship within the couple. The result may be in some cases

that one partner has all the money and no conditionality, whilst the other has no money and all the work conditionality to fulfil; this does not seem the most obvious route to domestic harmony. It is difficult in the current system to pay the children's elements of UC to a 'main carer' - another reason for taking payments for children out of UC and increasing Child Benefit, which is not means-tested.

Whatever decisions are made about this, it is crucial to retain independent income in the form of non-means-tested benefits, both for individual adults (carer's allowance, contributory jobseeker's allowance and employment and support allowance etc.) and for children (child benefit). In particular, the level of ESA for those not in the support group should be increased again, rather than being reduced to the level of JSA (which itself should of course be improved as well); and ESA for the work-related activity group should always be non-means-tested (and not only for a year, as at present). The Scottish government's initiative to increase carer's allowance to the same level as JSA should be implemented throughout the UK - or (better) be improved upon.

#### **4d. Should people be able to have the choice of having the housing element of their benefit paid directly to the landlord?**

This would be desirable on a wider basis than at present, since payments for joint expenses should ideally go to whoever will use them to the end they are intended - e.g. payments for rent should go to whoever pays the rent (or landlord, if preferred). This is possible when housing benefit is paid separately. But for means-tested benefits that are supposed to meet several ends, such as Universal Credit, this is difficult to achieve, since there is in principle no specific portion of UC that is clearly intended to be the housing element. In practice, of course, this is circumvented in the current alternative payment arrangements, with the housing element paid direct to the landlord; but this does then create problems when the award as a whole is reduced (e.g. because of the taper applying to net income from earnings).

#### **4e. How should people be able to make and manage claims? Online? Face to face? If face to face, where should this happen?**

In 2012 the UK government made a commitment to digitalising social security. We can see the many benefits of this in terms of cost and efficiency. However, we are concerned that the drive to digitalise public services and social security is leaving some behind. Evidence from the UN Special Rapporteur on Extreme Poverty and Human Rights and the Northern Irish Human Rights Commission<sup>4</sup> indicates that the introduction of digital technologies is having an adverse impact on categories of people including persons in receipt of social security, persons with disabilities, women and migrants. By assuming that all Universal Credit users are digitally adept, in reality, "UC has built a digital barrier that obstructs access to benefits, and particularly disadvantages women, older people, people who do not speak English and persons with disabilities".<sup>5</sup>

Internet access is a primary concern: disabled people are four times more likely than non-disabled persons to be offline. Research also shows that non-internet users are likely to be female and not in paid work. Then, there is the issue of verifying identity – the Public Accounts Committee in 2019 found that only 38%<sup>6</sup> of UC recipients were able to verify their identity due to lack of a digital footprint. Universal Credit claimants with limited English language skills face additional difficulties. Interpretation can be provided at the point of Universal Credit claim, but completing the online journal in English requires regular language support, which may be difficult to obtain.

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<sup>4</sup> <http://www.nihrc.org/publication/detail/sr-on-extreme-poverty-human-rights-report-on-digital-technology-social-prot>

<sup>5</sup> <https://undocs.org/A/HRC/41/39/Add.1> - page 14

<sup>6</sup> Public Accounts Committee, 'Accessing public services through the Government's Verify digital system' (PAC, 2019) at para 16.

The needs and experiences of disabled people and migrants who may face digital exclusion ought to be taken into account at every stage of social security design.

#### **4f. How should the social security system tackle in-work poverty?**

See answer to 1d above.

Improving hourly gross pay levels can be part of the solution to 'in-work poverty'. But decent pay cannot be the only answer. Even the designation 'in-work poverty' locates the problem with the individual in paid employment and suggests that either improving their earnings or providing in-work benefits ostensibly to subsidise these is the best way forward. Of course, improving low pay is valuable in itself and indispensable for women in particular, given how many find it hard to escape low pay and progress in employment. But this should be done regardless of whether a low-paid earner lives in a household designated as being 'in poverty'.

In addition, however, because wages can never match a worker's circumstances precisely, we need additional social security and other policies to achieve this. So the extra costs of children should be fully covered by non-means-tested benefits, as should the additional costs caused by disability. Employers should also be called upon to recognise caring responsibilities more fully in their policies for supporting their workforce. Adequate levels of non-means-tested benefits for partners who are out of the labour market for reasons of ill-health or unemployment are also an essential part of the solution to so-called 'in-work poverty', which often affects one-earner couples in particular (as the IFS has shown). Better-paid parental leave is clearly also part of the necessary policy mix. The TUC has also recently called for social security policies specifically to support those who need to work part time for a variety of reasons, in particular because of caring responsibilities.

#### **4g. How has the localisation of certain social security payments affected the ability of the system to provide a safety net?**

The devolution of elements of the discretionary Social Fund (crisis loans and community care grants) to the smaller nations and local authorities has resulted in the safety net being undermined drastically, for two reasons. The first is that devolution to local level has resulted in a plethora of different schemes (with some only providing in kind help, and/or no provision for loans), together with no oversight or evolution of principles of good practice and investigation of decisions, as there were when these payments were part of the discretionary element of the national level Social Fund. The second is that the funding was reduced and now is no longer ring-fenced, meaning that many hard-pressed local authorities have given up providing this kind of emergency and community care help at all. The schemes in the smaller nations are more robust and their governance is much sounder. But overall this development has been negative and should be reversed, with a national system of last resort help restored as a matter of urgency.

### **5. Children and families**

#### **5a. How can we address child poverty through the social security system?**

By increasing the level of benefits for children and removing the higher income child benefit charge, and some other changes as suggested above. There should also be a reversal of the cuts made since 2010 to the benefits system, many of which have disproportionately affected families with children (and often lone parents in particular). This includes, but is not limited to, the two-child limit; the benefit cap; the bedroom tax; the reductions in local housing allowance; the removal of the family element from tax credits; and the 4-year freeze (and previous freezing and 1% uprating) of most working age benefits, including child benefit.

The Scottish government has shown the way on child poverty in several respects. Not only does it have a target for reducing child poverty, which is time-specific. It has also introduced Best Start grants to help those on low incomes having a child and is going to pay a low-income supplement to increase the value of certain benefits.

Parental employment is also key to addressing child poverty. See above for comments on the ways in which UC extends conditionality whilst reducing incentives for 'second earners'; this is counterproductive in relation to tackling child poverty. Recent policies on child care have also simultaneously tied support to being in paid work (e.g. the additional hours of free child care for 3- and 4-year-olds) and made the system much more complex. See under 5c below on this. Focusing on supply side support instead is the best way forward.

**5b. How can the social security system ensure that it meets the needs of different types of families, for example single parents or parents who foster and large families?**

Again, a proper level of child benefit would help, and certainly removing the two-child limit from other benefits. See above for other suggestions. Investing in children is one of the ways in which support for the social security system is likely to be sustained.

**5c. How can we ensure our social security system meets the needs of those with childcare and caring responsibilities?**

The need to pay childcare costs several weeks before being reimbursed in Universal Credit has undermined the extension of (somewhat) more generous help which UC has brought about. Now several Select Committees are suggesting that the funding of some other forms of help with childcare costs should be reduced, in order to help finance improvements to the arrangements in UC. Improvements should of course be made. But this way of financing them should not be pursued – everyone should pay for this, not just other families with children.

Instead, the 30 hours of free child care for 3- and 4-year-olds should be built on, but not linked to parental employment. And more generally childcare provision should be prioritised more and treated as a public service for all children. Imposing an employment condition on childcare provision is not the right way to go about encouraging parental employment. High quality child care should be provided and seen as a right for children, not a cash subsidy to their parents.

Neither the wage system nor the social security system alone can meet all the needs of those with caring responsibilities, whether for children or adults. High quality child and social care services are a must, to underpin higher pay for low-paid people and social security support for those with additional caring responsibilities. This has become more urgent with the increase in women's state pension age from 60 to 65 years, starting in 2010.

This was justified in the light of the increased life expectancies for women as well as men, together with the significant growth in their employment rates, especially in the past twenty years and including older women. However, *healthy* life expectancies have not kept pace with overall life expectancies across all income groups and there are differences in the former of over 14 years between men and 15 years between women in the poorest areas and those in the richest.

The social security system recognises, albeit insufficiently, that ill-health and disability may keep people out of the labour market but provides very little for those who care for them, and then only if their earnings are very low and the person needing their care is receiving relevant disability benefits. There are 6.5 million carers in the UK. Half are aged over 55, including 1 million aged over 65. One in five women and one in eight men aged between 55 and 64 are informal carers, many of whom are providing care for at least 35 hours per week. However, Carer's Allowance has remained one of the lowest allowances in the benefit system, worth only 40%

of the basic state pension. As noted, the Scottish government is increasing Carer's Allowance to the same level as jobseeker's allowance – itself inadequate, but this is a start. Not surprisingly, as women's state pension age has increased, the average weekly income of the women unable to claim their state pension at age 60, some of whom then remained on Carer's Allowance, has fallen and the proportion in poverty increased to 21% in the first three years. Women are far less likely than men to have a private pension to call on in such circumstances.

Where care needs are particularly acute, an increased, non-means-tested, carer's benefit sufficient to live at a reasonable standard of living should be available (not time-limited in practice, but in general people should not be encouraged to devote long periods of their life exclusively to caring for another without adequate support and respite from public service provision in the community). This should be underpinned by high quality care services available to all who need them. The latest English Longitudinal Study of Ageing shows that women over 50 years of age are more likely to give up employment rather than reduce their hours once they are caring for more than 10 hours per week unless formal care services are providing daily personal and respite care. There is also a lot more that could be done by employers for those in employment who are also caring, as well as to enable carers to be able to access employment.

#### **6b. Should employment support be independent from the administration of benefits?**

Yes. In particular, many women wishing to return to employment after a period spent caring for their families need training and support in preparing for employment. But they may not be eligible for benefits. It is short-sighted to concentrate employment support on those currently in receipt of benefits, rather than on creating a skilled labour force for the future more broadly.

### **7. Women and Equalities**

#### **7a. How should the new Department for Equalities work in practice?**

##### **Foregrounding the Public Sector Equality Duty (PSED)**

As the consultation paper rightly points out, public service cuts have hit women and BAME groups hardest. To stop this happening again, the Women's Budget Group highlights that comprehensive Equality Impact Assessments as per the Public Sector Equality Duty (PSED) are needed as a mandatory part of *designing* policy. This should be one of the key roles of the Department for Equalities: to ensure that holistic, cross-departmental and skilled equality impact assessments are undertaken on all reforms. Currently, the PSED is failing to stop marginalised groups suffering most. The aim of the duty was to bring about a transformative approach to equality by going beyond simply outlawing discrimination to tackle inequality at a structural level. The duty has failed to fulfil this aim. In particular, there is still a failure to consider gender equality in a meaningful way. If the PSED is to fulfil its potential, there is a need for:

- **Stronger specific duties for England including duties relating to gender equality and a duty to carry out equality impact assessments:** currently in England, There is no duty to set out steps to meet equality objectives, no duty to consult or involve, no duty to publish specific information on the pay gap and no duty to consider equality in procurement. As a result, there has been a reduced focus on gender equality since the PSED replaced the Gender Equality Duty. The removal of the duty to consult or engage makes it less likely that the public will be able to hold public bodies to account. The previous specific duties covering race, gender and disability all included a requirement to consult or consult and involve. The Gender Equality Duty also included a specific duty to address the gender pay gap. Both Scotland and Wales have more extensive specific duties.

- **Strengthening the capacity of the EHRC** to share best practice, monitor and enforce implementation of the PSED: If the PSED is to fulfil its potential this requires an increase in the role and resources of the EHRC to educate, monitor and enforce, both of which have been cut since 2010.
- **Commitment at a senior level of Government:** Leadership on the PSED from the top of Government and from powerful departments such as the Treasury can have a powerful impact on the priority given to the PSED across the public sector.
- **Restore the socio-economic duty:** *The socio-economic duty provided an important opportunity to ensure that the impact of policies on economic inequality was considered and should be restored.*
- Improvement in the understanding and capacity of public bodies to meet the requirements of the PSED and meaningful engagement with civil society including women's organisations during policy development

New specific duties should be developed for England along the line of those introduced in Scotland and Wales. These should include:

- A duty to have due regard to SDG5 (relating to women's equality)
- Duties to develop and report on plans to meet equality objectives
- A duty to carry out equality impact assessments of policies, and for on-going monitoring of the equality impact of policies and practise.
- A duty to consult and involve affected groups in the development and implementation of policy
- A duty to ensure proper training and resourcing for those responsible for equality

### **7c. How should the Department for Equalities best work with other government departments, and what responsibilities should it assume from other departments?**

As above we emphasise the need to work across departments on equality impact assessments.

## **8. Pay Gaps**

The Women's Budget Group recognises unequal pay as one of the enduring barriers to women's equality – a Labour government must take serious action to end the pay gap by tackling its causes which include the unequal distribution of unpaid care work and the lack of women in senior roles. Rebuilding a social security system and public services that work for women is an integral part of closing the gap. And, it is not just pay inequality which must be tackled: women are overrepresented in precarious contracts – including zero hours – and part time work which contributes to in-work poverty, the pay gap and the gender pension gap. Therefore, data is needed on working hours and employment status as well as wages or salary.

### **8a. What criteria should be used to determine government certification of a company's or institution's gender equality practices?**

In the public sector, the PSED sets out some necessary requirements for compliance reporting and target setting. As above, we recommend the reform and additions to the PSED to improve these requirements so that they truly measure an institution's commitment to gender equality. Better compliance and diligence of the PSED is also needed. All organisations tendering for public contracts ought to be subject to the same scrutiny. For the private sector, better regulation is required to ascertain gender equality practices: 'naming and shaming' larger companies through mandatory reporting is a good first step but we have seen in 2019 that it has not done enough to tackle the problem, in fact the pay gap grew in 2019. Mandatory action plans ought to be published in addition to annual reporting, monitored and evaluated throughout the year. The new Department for Equalities along with the Equality and Human Rights Commission should play a key role in supporting organisations to close the pay gap by offering, or even requiring, training for all large organisations and public sector bodies.

This must be part of a robust process of mandatory targets to reduce the gap to zero over a set time period.

**8b. What penalties should be in place for when companies or institutions fail to attain government certification of their gender equality practices?**

We do not have the data to support a particular penalty here, research is needed.

**8c. Should mandatory government certification only apply to companies with 250+ employees or should the threshold be lowered? What additional support may smaller employers need if these requirements are extended to include them?**

Initially, better engagement with companies with 250+ employees is needed before extending the threshold – as above we need to see mandatory action plans and data disaggregated by ethnicity and disability. Larger organisations must be held to account and lead by example first. Nevertheless, once genuine change begins, medium sized organisations with 100+ employees ought to be enrolled in the same process, then 50+ until the pay gap is eliminated in all small, medium and large organisations. The priority however is to combat unequal pay in large organisations who have more resource to contribute to the process and ultimately, less excuses. Smaller employers will require training and support on how to report on, take action and close the pay gap. This is something that the Equality and Human Rights Commission is well-positioned to provide.

**8d. Would the Equalities Department take responsibility for the certification and auditing of gender pay practices?**

The responsibility for the auditing and certification of the gender pay gap should rest with the Equality and Human Rights Commission (EHRC) with enhanced powers. The Department for Equalities ought to ensure that it is properly resourced to do this and ensure that the EHRC's independence is protected in law. There is a risk if the Department takes on this responsibility that it could be removed by future governments, an independent body provides authority and safeguarded longevity.

The Equality and Human Rights Commission is the body responsible for monitoring and enforcement of the PSED. It has had both its budget and remit cut since 2010. Taken together these cuts to budget and changes to its role significantly reduce the power of the EHRC. Although all the mechanisms for enforcing the PSED and other parts of the Equality Act remain in place, the cuts to its budget means that the EHRC now has far fewer resources with which to carry out this work, including work to close the pay gap. Reinstatement of remit and budget as well as protection in law is needed to ensure the EHRC can provide the necessary training, auditing and certifying to help close the gender pay gap. It should be the role of the Department to support this process.

**8e. How should we identify, and tackle ethnicity pay gaps and disability pay gaps?**

HM Revenue and Customs should gather data through PAYE and Self-Assessment forms on gender, age, ethnicity, disability status, industry and working hours. This should be anonymised and published to allow researchers to develop a comprehensive understanding of the relationship between gender, race, age, disability status and pay.