

# **A missed opportunity to 'Build Back Better'**

Women's Budget Group response  
to Spring Budget 2021

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## Executive Summary

The Covid-19 pandemic has exposed and exacerbated inequalities within our economy and society. Years of cuts and underspending left our health, care and education services weakened and made us more vulnerable to the impacts of the pandemic, leaving the UK with one of the highest mortality rates from Covid-19 in the world.<sup>1</sup>

Rather than investing to build back better, however, this Budget cuts spending on public services: departmental spending will be £4 billion lower in 2021/22 than pre-pandemic levels and between £14 and £17 billion lower every year from 2022 onwards.<sup>2</sup> This will weaken vital public services just when they are needed most to deal with the long-lasting impacts of the pandemic.

And while the Chancellor claimed in his speech that the government's response to Covid had been 'fair' and that 'our approach to fixing the public finances will be fair',<sup>3</sup> women and those on low incomes, as well as those from BAME backgrounds, will be hit hardest from cuts to public services. They also stand to benefit the least from the untargeted tax breaks for large companies that the Chancellor has introduced through the 'Super Deduction', which will cost £25 billion over two years, and his establishment of eight Freeports.

This Budget was a missed opportunity to rebuild the economy so that it works for everyone and builds resilience into the future. Our key findings are as follows:

### ***Economic and fiscal outlook***

The Covid-19 pandemic has led to substantial borrowing and there is now a renewed focus from the Chancellor on 'fiscal consolidation'. Given that the past decade of austerity measures increased the UK's vulnerability to the pandemic, we are concerned that lessons have not been learned. In our view, the spending plans set out in the Budget will, if implemented, further weaken public services just at the moment when they are crucial to recovery from the pandemic. By contrast, investment in the social infrastructure that is provided by health, education and social care services would promote productivity and employment gains, as well as wellbeing.

### ***Equality impact assessments***

HM Treasury has again failed to publish a robust assessment of the potential equality impacts of its Budget decisions. There is no cumulative equality impact assessment. References to protected characteristics can be found in the Tax Information and Impact Notes (TIINS) produced by HMRC.<sup>4</sup> However, only a few measures were recognised to have any equalities impact at all and the analysis was often cursory, based on limited evidence and with a poor understanding of equality impact. The Equality and Human Rights Commission, Treasury Select Committee and Women and Equalities Select Committee have all called on the Treasury to do more to demonstrate that it has met its

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<sup>1</sup> Office for Budget Responsibility (2021) Economic and fiscal outlook – March 2021 (<https://bit.ly/3uV8Brg>)

<sup>2</sup> IFS (2021) Budget 2021: Initial IFS Response (<https://bit.ly/388J2cA>); see also Office for Budget Responsibility (2021) Economic and fiscal outlook – March 2021 (<https://bit.ly/3uV8Brg>)

<sup>3</sup> HM Treasury and Rt Hon Rishi Sunak MP (2021) Budget Speech 2021 (<https://bit.ly/3e8HqDM>)

<sup>4</sup> HMRC (2021) Tax information and impact notes: Budget 2021 (<https://bit.ly/3sLVhUr>)

obligations under the PSED.<sup>5</sup> We join these calls and urge the Treasury to undertake robust Equalities Impact Assessments, including a cumulative equality impact assessment.

### ***Employment and training***

The extension of the furlough scheme and SEISS is welcome. However, the Budget misses an opportunity to redress gender inequity in the SEISS which continues to see women that have taken maternity leave disadvantaged. Similarly, the additional investment in training should be coupled with measures to ensure that women benefit from opportunities that lead to well-paid jobs. Finally, the plan for investment in future job growth is unambitious and means that the potential for green job creation and development of the social infrastructure, with its related benefits for closing the gender employment gap, are not realised.

### ***Taxation***

The decision to freeze the Personal Tax Allowance and Higher Rate Threshold is progressive and reduces gender inequality. The planned increase in Corporation Tax, however, is undermined by the introduction of the Small Profits Exemption. We are also disappointed that the Chancellor has announced the establishment of eight Freeports, given that these are likely to lead to significant losses in tax revenue while failing to deliver on their claims of job growth, and that the 'Super Deduction' is an untargeted tax giveaway for large companies.

### ***Social Security***

The pandemic has highlighted the inadequacy of the social security system. The decision in the Budget to only temporarily extend the £20 uplift is a 'sticking plaster' solution and will not prevent many additional households, and particularly women and children, from falling into poverty when this support is withdrawn in September 2021. The Chancellor also did not address the inadequacy of Statutory Sick Pay (SSP), despite a year of criticism of its limited coverage and low level, leaving many unable to afford to stay off work. Women, people on insecure contracts and workers in sectors depending on social interaction are most likely to be ineligible.

### ***Pensions***

Most pensioners are women, but state and private pensions were designed around a 'masculine' life course and women are the majority of the poorest pensioners. The freeze in the Pensions Lifetime Allowance is a welcome first step in reducing the regressive system of tax reliefs, which disproportionately benefits men as they, on average, earn more than women. Longer term, we would like to see the Chancellor undertake a more extensive review of costly pension reliefs and a raising of the State Pension.

### ***Social Care***

Eighteen months ago, the Prime Minister promised to 'fix adult social care'. Since then, the Covid-19 pandemic has made visible to many the extent to which decades of underfunding and deregulation have undermined the social care system. It is remarkable that, against this backdrop, the Chancellor was largely silent on social care in this Budget and made no allowances in his spending plans for the

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<sup>5</sup> WBG (2020) Equality Impact Assessments published with the 2020 Budget (<https://bit.ly/3e90DoO>)

funding that an effective ‘fix’ would require. There are already indications that more care homes have been pushed to the brink of collapse, with higher costs due to Covid and lower occupancy rates,<sup>6</sup> and that this will exacerbate the already high level of unmet care needs. Women are disproportionately affected by the crisis in social care: they are both more likely to be in receipt of care and to be providing care, either paid or unpaid.<sup>7</sup>

### ***Health***

Total funding for NHS England is due to fall by £9 billion from 2020/21 to 2021/22. While ‘core funding’ is increasing over this time, the reduction is due £15 billion less in specific Covid-19 funding. Given the backlog that the NHS is currently faced with, coupled with the increased health needs and ongoing disease burden stemming from the pandemic, there is considerable scepticism that the funding allocation for health will be adequate to meeting needs. Health policy and spending is a gendered issue, as women are the majority of staff working in the NHS, the majority of patients and they account for the majority of unpaid carers relying on NHS professional support.<sup>8</sup>

### ***Childcare***

Early years childcare was entirely overlooked in this Budget, even though many providers are struggling financially and there are already signs of increasing numbers having to close their doors. Investing in early years brings long-term benefits for the economy and society, and must be a crucial element of the government’s ‘levelling up’ strategy.

### ***Education***

Schools received no additional funding, with the Budget only confirming funding that had previously been announced. This is despite schools being under financial strain as a result of costs related to Covid-19 and facing considerable challenges as they seek to close the gaps in educational attainment between disadvantaged pupils and their peers that have widened as a result of successive lockdowns. Education is vital to ‘building back better’ and we urge the Chancellor to reconsider the emphasis on fiscal consolidation via public service spending restraint.

### ***Housing***

The main housing measures – the extension of the stamp duty holiday and introduction of the mortgage guarantee – will not benefit those in greatest housing need. Support for building more affordable housing would have meant green jobs, lower living costs, and provided help to women and those on lower incomes, who are less likely to own their home.

### ***Local Government***

Local authorities have been both vital to the Covid-19 response and are facing considerable cost pressures as a result of the pandemic. By neglecting to allocate additional central government funding to key areas such as social care, public health and early years, this Budget further undermines the ability of local authorities to provide adequate services. This will have a

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<sup>6</sup> Booth, R. (2021) UK’s largest care homes provider to sell off 52 facilities (<https://bit.ly/30adkr9>)

<sup>7</sup> WBG (2021) Social care, gender and Covid-19 (<https://bit.ly/3uVabJl>)

<sup>8</sup> WBG (2021) Health inequalities and Covid-19 (<https://bit.ly/2OEpHt7>)

disproportionate impact on women, who are more likely to depend on local authority services and to work in local government.

### **VAWG**

The Budget provided a small increase (£19 million) in funding for VAWG services, but still leaves a substantial shortfall for overstretched services that have seen demand increase during the pandemic. Violence against women and girls has a huge cost to those directly affected, but also to society and the economy. We urge the Chancellor to increase funding in support of the government's VAWG strategy. It will not only reduce harm to women and girls, but also makes good economic sense.

## Introduction

This analysis focusses on the measures announced in the 2021 Budget.

The first section gives an overview of the fiscal and economic situation and the context in which policy changes are being developed. This is followed by a critical review of the Treasury's impact assessment.

The remainder of the report provides a gender assessment of the changes announced in the Budget and highlights important areas where no action was taken.

Prior to the Budget, the WBG published a series of briefings to provide background information on a range of topics. Briefings on childcare, education, employment, housing, parental leave, pensions, savings, social security, social care, tax, violence against women and girls, and economic challenges for young women and migrant women are available on the Women's Budget Group website.<sup>9</sup>

## Economic and fiscal outlook

*Far from providing 'certainty and stability', the renewed focus on fiscal consolidation through cuts to public spending run the risk of undermining our recovery from the pandemic.*

As a result of increased spending due to pandemic, both on support measures and due to automatic stabilisers, borrowing is projected to reach 16.9% of GDP in 2020-21, and underlying debt will rise to 97.1% of GDP in 2023-24. Measures in the Budget, such the extension to the furlough scheme and support for the self-employed as well as the extension to the £20 uplift in some benefits, will support the labour market and with it the wider economy further. The Office for Budget Responsibility (OBR) now expects the peak in unemployment to be 340,000, or 1 percentage point, lower than that assumed in their November 2020 forecast.<sup>10</sup> The government has also brought in 'fiscal repair measures' set out in the Budget, which it expects to reduce the budget deficit to near zero by 2023/24. It also expects underlying debt to be falling as a share of GDP by 2023/24. However, the government's plan 'to put the public finances on a sustainable path in the medium term' does not provide the 'certainty and stability' or the 'fiscal resilience' it claims.

Contrary to the government's claim that the austerity measures had provided the 'fiscal freedom' to respond to Covid-19, we would argue that it undermined the very services – health and social care – that were needed for an effective response and, thereby, directly contributed to the UK having one of the highest mortality rates from Covid-19 in the world.<sup>11</sup> In other words, the focus on fiscal consolidation at the expense of public services and our social security system, left the UK vulnerable to the impacts of the pandemic.

The renewed focus on fiscal consolidation, therefore, is concerning and suggests that lessons have not been learned. In our view, the spending plans set out in the Budget will, if implemented, further weaken public services just at the moment when they are crucial to recover from the pandemic. Departmental spending will be £4 billion lower in 2021/22 than pre-pandemic levels and between

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<sup>9</sup> Available at: <https://bit.ly/3bvd3pj>

<sup>10</sup> HM Treasury (2021) Budget 2021 (<https://bit.ly/30cS8kq>), Para 1.2

<sup>11</sup> Office for Budget Responsibility (2021) Economic and fiscal outlook – March 2021 (<https://bit.ly/3uV8Brg>)

£14 and £17 billion lower every year from 2022 onwards.<sup>12</sup> There is also no ‘explicit provision for virus-related costs’ beyond 2021/22, even though significant costs are expected due to the continued Covid-19 pandemic.<sup>13</sup> The IFS has described the spending plans as ‘implausibly low’ and suggested that their purpose may be to ‘flatter the public finance forecasts’.<sup>14</sup> If, however, the cuts to public services are indeed implemented, the effects will be incredibly damaging for individuals as well as wider society and the economy. And we know from the last decade of austerity that women, people on low incomes, Black and minority ethnic and disabled people will be hit hardest from cuts to public services.<sup>15</sup>

We are also concerned that measures designed to boost the economy are insufficient to drive a sustained recovery. The government is relying on consumers spending to rebuild the economy, hoping they will spend some of the additional £125 billion of savings accumulated so far during the pandemic.<sup>16</sup> However, it is doing little to restore the incomes of those who have lost most during the pandemic and who would be most likely to spend any additional income they have (see ‘Social Security’). Of the measures to promote business investment, the ‘Super Deduction’ is the most significant. Projected to cost £25 billion over two years, it is likely to have substantial deadweight costs, bringing forward investment rather than generating new investment. It is also unnecessarily limited to investment in ‘plant and machinery’, excluding therefore training and other human capital investments, and missing opportunities for incentivising in the transition to a lower carbon economy (see ‘Taxation’ for a more comprehensive discussion).

More broadly, WBG has argued for a definition of investment that recognises the economic benefits of spending on the social infrastructure that our public services provide. Investment in health, social care, and education can provide productivity and employment gains at the same time as increasing well-being and reducing gender inequality. WBG research has shown investment in social care and childcare to be more effective in generating jobs than equivalent investments in construction.<sup>17</sup> We urge the Chancellor to consider this in future Budgets and in the government’s overall economic investment strategy.

## Gender Equality impact assessments

*Yet again HM Treasury has failed to publish a robust assessment of the potential equality impacts of its Budget decisions.*

Under the Public Sector Equality Duty all public bodies, including the Treasury, are obliged to have ‘due regard’ to the impact of their policies on equality. The main way public bodies do this is through carrying out Equality Impact Assessments. As in previous years the Treasury has failed to carry out a

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<sup>12</sup> IFS (2021) Budget 2021: Initial IFS Response (<https://bit.ly/388J2cA>); see also Office for Budget Responsibility (2021) Economic and fiscal outlook – March 2021 (<https://bit.ly/3uV8Brg>)

<sup>13</sup> Office for Budget Responsibility (2021) Economic and fiscal outlook – March 2021 (<https://bit.ly/3uV8Brg>)

<sup>14</sup> IFS (2021) Budget 2021: Initial IFS Response (<https://bit.ly/388J2cA>)

<sup>15</sup> Analysis by WBG and the Runnymede Trust (2017) of cuts to public services found that households in the poorest quintile (20%) saw their living standard fall by between 9% (white) and 14% (mixed households) as a proportion of their income between 2010 and 2020, while those in richest quintile only saw living standards fall by 2% (white) to 3% (mixed households). For full details of the research, see here: <https://bit.ly/30ackDp>

<sup>16</sup> HM Treasury (2021) Budget 2021 (<https://bit.ly/30cS8kq>), Para 1.3

<sup>17</sup> De Henau, J. and S. Himmelweit (2020) A Care-Led Recovery from Coronavirus (<https://bit.ly/3l9vIQ8>); See WBG briefing on universal childcare: (<http://bit.ly/2lHHGeH>)



full equality impact assessment of Budget policies.<sup>18</sup> The Budget documents contain a distributional impact assessment by household income (socio-economic equality) but not by any of the protected characteristics in the 2010 Equality Act.

The only impact assessment relating to protected characteristics in the Budget documents are the Tax Information and Impact Notes (TIINS) produced by HMRC.<sup>19</sup> Only a few measures were recognised to have any equalities impact at all and even here the analysis is cursory, based on limited evidence and with a poor understanding of equality impact. The equality impact assessment of the freeze in Personal Tax Allowance (PTA) and Higher Rate Threshold (HRT), for example, does not include details of how many men and how many women there are in each category, or how much of the benefit of the cut will be received by men and how much by women. It does reveal that, overall, 58% of those losing out from this measure are male.<sup>20</sup>

The TIINS referring to business tax changes, in particular, are weak. These are significant policy decisions with substantial implications for the Exchequer and potentially equality. Yet, without the provision of any evidence, it is claimed that none of the measures are expected to have any impact on protected groups, even though it is known that more businesses, and larger ones, are owned by men than by women.<sup>21</sup> It is important to recognise there are many potential gender impacts to business taxation. For example, research could have indicated whether corporation tax changes and the super deduction will have a differential gender impact.

In the absence of a meaningful cumulative equality impact assessment of the budget as a whole and comprehensive equality impact assessments of individual policies it is impossible to judge whether the Treasury has met its obligation under the Public Sector Equality Duty to have 'due regard' to equality. The Equality and Human Rights Commission, Treasury Select Committee and Women and Equalities Select Committee have all called on the Treasury to do more to demonstrate that it has met its obligations under the PSED.<sup>22</sup> We join these calls and urge the Treasury to undertake robust Equalities Impact Assessments, including a cumulative equality impact assessment.

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<sup>18</sup> For the WBG's own cumulative impact assessment by gender and ethnicity see <http://bit.ly/2ix1Uvu> and for the EHRC's see <http://bit.ly/2jC00pB>. The EHRC has also published a more recent analysis of tax/benefit changes available here <https://bit.ly/2ztz0ki>

<sup>19</sup> HMRC (2021) Tax information and impact notes: Budget 2021 (<https://bit.ly/3sLVhUr>)

<sup>20</sup> HMRC (2021) Income Tax Personal Allowance and the basic rate limit from 6 April 2022 to 5 April 2026 <https://bit.ly/2OB04cH>

<sup>21</sup> HMRC (2021) Corporation Tax charge and rates from 1 April 2022 and Small Profits Rate and Marginal Relief from 1 April 2023 (<https://bit.ly/3bsnPMR>)

<sup>22</sup> WBG (2020) Equality Impact Assessments published with the 2020 Budget (<https://bit.ly/3e90DoO>)

## Employment and Training

*The extension of the furlough scheme and SEISS is welcome. However, the Budget misses an opportunity to redress gender disadvantage in the SEISS and training offer. The plan for investment in future job growth is unambitious and means that potential for green job creation and development of social infrastructure are not realised.*

### Furlough Scheme

The Red Book acknowledges that the ‘economic impact of restrictions has not been felt equally’, noting that ‘staff in the hardest hit, largely consumer-facing sectors, such as hospitality, are more likely to be young, female, from an ethnic minority, and lower paid’.<sup>23</sup> So, while rates of economic inactivity and unemployment have risen more sharply for men, a greater number of women have been furloughed and remain at risk of redundancy when the scheme ends. Estimates at the end of January 2021, put the number of furloughed workers at 2.32 million women and 2.18 million men.<sup>24</sup> We, therefore, welcome the decision to extend the furlough scheme to September. However, due to the ongoing risk of redundancy at the point the scheme ends, investment in training will be vital to supporting those who are likely to lose their jobs to find new work (see ‘Training’ below).

### Self Employment Income Support Scheme (SEISS)

The extension of the SEISS to newly self-employed is welcomed. However, the Chancellor has chosen not to remedy the way in which the payment calculation currently disadvantages women who have recently taken maternity leave, impacting a potential 69,200 women negatively.<sup>25</sup> Payments under the scheme are calculated based on average trading profits in the preceding three tax years with no exemption made for periods of maternity leave. As a result, women who have taken maternity leave, can be left with significantly lower payments through the scheme than claimants who have not. This would have been a simple matter to fix, and it is disappointing that the Chancellor has again failed to do so, despite the fact that the Women and Equalities Committee had urged for an Equality Impact Assessment to be undertaken and for women’s disadvantage in the scheme to be addressed.<sup>26</sup>

### Training

Several training schemes were introduced and expanded in this budget. However, there was no acknowledgement of already existing gender inequalities in current initiatives. Key investments were an expansion of the apprenticeship hiring incentive in England, including doubling apprenticeship incentive payments to £3,000, investment in an additional 40,000 traineeships such as the Kickstart Scheme and a ‘Help to Grow’ digital and management development scheme.<sup>27</sup> Young women face particular barriers in accessing the Kickstart Scheme.<sup>28</sup> Where they have been taken into

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<sup>23</sup> HM Treasury (2021) Budget 2021 (<https://bit.ly/30cS8kq>), p. 14

<sup>24</sup> WBG (2021) Women and employment during Covid-19 (<https://bit.ly/3sSiRPv>)

<sup>25</sup> Ng, K. (2021) Covid support scheme ‘disproportionately prejudicial’ against new mothers, High Court told (<https://bit.ly/2OpqYUv>)

<sup>26</sup> UK Parliament (2021) Government must assess equality impact of every policy (<https://bit.ly/2MJnADA>)

<sup>27</sup> HM Treasury (2021) Budget 2021: What you need to know (<https://bit.ly/3v8Po5N>)

<sup>28</sup> TUC (2020) Kickstart – an introduction for union activists (<https://bit.ly/3l2gFSF>)

traineeships or apprenticeships, they are less likely to be employed afterwards, and still experience a nearly 6% apprenticeship gender pay gap.<sup>29</sup> Without investing in mitigating these gendered differences, women will remain disproportionately disadvantaged.

### **Green Jobs and Social Infrastructure Investment**

Government rhetoric on boosting employment through a ‘green Covid-19 recovery’ did not materialise in this budget. Whilst investment of £57 million to support green jobs growth in Scotland is welcome, it falls far short of what is needed to reorientate the UK towards a low carbon economy. The Green Homes Grant, a flagship green jobs programme has experienced significant issues, leading to only 6% of the allocated £1.5 billion budget being spent with a nominal £320 million rolling over to the 2021-22 fiscal year.<sup>30</sup> There are also concerns that without making explicit the need for investment in green jobs creation, money raised through the new National Infrastructure Bank could be spent on carbon intensive industries.<sup>31</sup> Similarly the ‘Super Deduction’ (see ‘Taxation’ below) could have been targeted specifically at green investment.

There must also be acknowledgement of green jobs segregation. A focus on industrial green jobs means many women will miss out on new green employment opportunities as they are less likely to be trained and employed in STEM sectors.<sup>32</sup> This needs to be addressed in expanding and ensuring equal access to STEM apprenticeship and training schemes, as well as investment in re-skilling.

Green employment plans are also unambitious in scope, and this budget missed an opportunity to expand training and investment in key social infrastructure sectors such as health/social care, and education. These are key sites for green investment, as they are both low carbon and resilient to pandemic-related effects and future unemployment volatility (e.g., as a result of automation).<sup>33</sup> Women already predominate in such sectors, but they must be revalued, with increased rates of pay, training and career progression. Investing in care jobs by reskilling and revaluing care is low-carbon, and even at increased rates of pay, would create 2.7 times as many jobs as the same investment in construction: 6.3 as many for women and 10% more for men (See Table 1).<sup>34</sup>

The case for investing in social and child care, in order to create sufficient high-quality jobs for near-universal provision as in Denmark and Sweden – which would amount to about 10% of total employment – and at higher wages, could require additional annual spending of about 3.6% of GDP (2.4% when taking into account fiscal revenue generated). This would create 2.1m jobs, 2.7 times more than an equivalent investment in construction. Moreover, although most jobs would be direct jobs, created in the care industry, the employment generated in other industries is also larger than with the investment in construction, in all sectors except manufacturing, and in particular in retail, food and accommodation services as well as the arts and personal services, the sectors most badly hit by the Covid-19 restrictions.

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<sup>29</sup> Craggs Mersinoglu, Y. (2020) Gender pay gap doubles for apprentices (<https://bit.ly/3cgjRpP>)

<sup>30</sup> Open Access Government (2021) Why is the UK’s Green Homes Grant Scheme failing to deliver? (<https://bit.ly/2OzuM5Q>)

<sup>31</sup> Green Alliance (2021) Green renewal post-budget briefing (<https://bit.ly/2PT3CaV>)

<sup>32</sup> TUC (2018) Tackling apprenticeship gender inequality (<https://bit.ly/3bwKbwL>)

<sup>33</sup> Wallace-Stephens, F. (2020) Who is at risk? Work and automation, in the time of Covid-19 (<https://bit.ly/3bxtzVz>)

<sup>34</sup> De Henau, J. and S. Himmelweit (2020) A Care-Led Recovery from Coronavirus (<https://bit.ly/3l9vIQ8>)

Table 1: Direct and indirect job creation from equivalent investment in construction and care industries

	Construction	Care
Direct jobs	319,135	1,487,852
<i>Other jobs</i>		
Agri/mining	8,055	10,145
Manufacturing	86,000	63,691
Util/constr	6,370	20,143
Trade&hosp.	122,618	226,195
Transp & comms	47,770	63,315
Fin/ business /prof.	150,881	161,350
Public&social	46,235	77,308
Total new jobs	787,063	2,110,000

For more information on women and employment see the WBG pre-budget briefing: [Women and employment during Covid-19](#)

## Taxation

*The decision to freeze the Personal Tax Allowance and Higher Rate Threshold is progressive and reduces gender inequality. The planned increase in Corporation Tax, however, is undermined by the introduction of the Small Profits Exemption. The Super Deduction is a largely untargeted tax giveaway for large companies.*

### Personal Tax Allowance and Higher Rate Threshold

The WBG has long argued against above inflation increases to the personal allowance and higher rate threshold, introduced by successive governments since 2010, as these are regressive and disproportionately benefit men. 63% of the benefit of such increases have gone to men.<sup>35</sup> So, we are relieved that the Chancellor has moved away from this policy, by freezing the personal allowance and higher rate threshold from 2021/22 to 2025/26, despite still increasing them this year in line with inflation. HMRC's own analysis indicates that by 2025/26 basic rate taxpayers will lose in real terms on average £196, higher rate taxpayers £734, and additional rate taxpayers £324. In successive years, 57-8% of those who will pay more tax as a result of this move will be men, as will 67-9% of those brought into higher rate tax.<sup>36</sup> This means that the freeze in the personal allowance and higher rate threshold will contribute to reducing gender inequality in individual post-tax incomes.

However, this is not the most effective way this could have been done. Reducing thresholds in real terms is the least progressive way to raise more revenue from the income tax system. Increasing the number of tax bands and raising higher rates of tax would have been a more progressive way to raise additional tax and reduce gender inequality.

<sup>35</sup> WBG (2021) Taxation and gender (<https://bit.ly/3uVdUXl>)

<sup>36</sup> HMRC (2021) Income Tax Personal Allowance and the basic rate limit from 6 April 2022 to 5 April 2026 (<https://bit.ly/3rfaygb>)

## **Corporation Tax**

We have also argued against successive cuts since 2010 that have reduced the rate of corporation tax from 28% to 19%. The announcement by the Chancellor that the headline rate of corporation tax will rise to 25% in 2023 is welcome. However, rather than just ensuring that our rate remained lower than other comparable countries, it would have been better if the Chancellor had committed to leading international cooperation on corporation tax levels. There is little evidence that corporation tax is a major factor in where firms employ people, as opposed to where they declare their profits.

We are also concerned by the introduction of further exemptions. A new small profits rate would maintain the 19% rate for firms with profits of £50,000 or less, meaning that about 70% of companies - 1.4 million businesses - would be 'completely unaffected' by the tax rise. This combined with a taper above £50,000, means that only businesses with profits of £250,000 or greater will be taxed at the full 25% rate - about 10% of firms. Like all tax exemptions this measure introduces distortions in the tax system that may encourage avoidance behaviours and, thereby, reduce the tax base. There is no evidence that such a measure will be progressive, with lower profit companies not necessarily corresponding to lower incomes for their owners.

## **Super Deduction**

More significant is the 130% super-deduction from taxable profits available to companies for investment in plant and machinery in 2021–22 and 2022–23, but finishing before the rise in corporation tax takes place. Expected to cost £25 billion over the two years it is in operation, the Chancellor declared it to be the 'biggest business tax cut in modern British history'.<sup>37</sup> The measure is likely to have huge deadweight costs, bringing forward investment rather than encouraging much that would not otherwise have happened, and be a further source of tax avoidance (for example, it has been argued that Amazon could wipe out its entire tax bill<sup>38</sup>). Further by being a deduction from corporation tax on profits it is effectively unavailable to new firms or firms that have not been making profits in the past years.

It is also noteworthy that the tax break is not designed to focus investment in any way except that it must be on physical plant and machinery.<sup>39</sup> This means that it is likely to disproportionately benefit men, who are more likely to work in sectors that make use of such investments, and misses equally urgent need for non-physical investment, for example in training. There is also no requirement for investment to promote the transition to lower carbon or net zero production. This was a missed opportunity, therefore, to focus investment on climate change and promoting equality.

Tax allowances, such as the Super Deduction, need assessing with the same rigour as explicit expenditures. It would have been better to have invested the £25 billion that this measure costs in the National Infrastructure Bank and to provide the NIB with a clear mandate for what constitutes desirable investment, including investment in the social infrastructure.

## **Freeports**

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<sup>37</sup> HM Treasury and Rt Hon Rishi Sunak MP (2021) Budget Speech 2021 (<https://bit.ly/3e8HqDM>)

<sup>38</sup> Tax Watch (2021) The Amazon Tax Cut (<https://bit.ly/3qypkUy>)

<sup>39</sup> HM Treasury (2021) Budget 2021 – Super deduction (<https://bit.ly/30sQ5bY>)

We are perplexed by the government's decision to establish eight Freeports in England, with the prospect of further location in the devolved nations. Given that this is a policy which has been tried and found not fit for purpose in both the UK by David Cameron's government and by the OECD and the EU, it is surprising that the government is claiming this as a 'flagship government programme that will play an important part in the UK's post-Covid economic recovery and contribute to realising the levelling up agenda, bringing jobs, investment and prosperity to some of our most deprived regions.'<sup>40</sup>

Previous analysis indicate that the promised job creation is a mirage;<sup>41</sup> not only do numbers of jobs within such zones fall far short of the projected employment claimed, but a high proportion of employment within such zones has been found to have been shifted from external locations. Moreover, the absence of national systems of regulation and control of trade and transactions have been shown to pose risks of criminality and illicit trade including money laundering.<sup>42</sup>

The Chancellor's Freeport scheme offers companies freedom from import tariffs and customs duties, as well as VAT deferral on the assumption that inputs into the zones are re-exported and do not enter the local economy (the classic free trade zone model). In addition, companies are offered Stamp Duty Land Tax relief and enhanced Capital Allowance against corporation tax liability (up to 230% according to the budget statement). Employers operating in the Freeport tax site will be enabled to pay 0% employers NIC rate on the first three years of salaries of any new employee working in the site and will also enjoy up to 100% business tax rates if they relocate to the Freeport zone.<sup>43</sup>

The establishment of Freeports is likely to widen gender inequality. Unlike classic export processing zones in low wage economies, which mainly employ women workers, freeport activity tends to be concentrated in warehousing and digital activities which largely employ men. However, the biggest penalty lies in the foregone tax and national insurance contributions. This is concerning for women, who stand to benefit the most from the public spending that is enabled from taxation.

### **Freeze on inheritance tax threshold, pension lifetime allowance, and CGT exemption**

WBG welcomes the freeze of the inheritance tax threshold, pension lifetime allowance and the CGT exemption. These allowances and exemptions are regressive, benefitting those on higher incomes and with greater wealth, the majority of whom are men.<sup>44</sup> Over time, we would urge the Chancellor to go further to remove, and or reform, these allowances and exemptions in the interest of building a fairer, more progressive tax system.

### **Fuel Duty**

In the 2021 Budget, the planned automatic increases in fuel duty was cancelled for the 11th successive year, leaving fuel duty unchanged until the end of the 2021/22 financial year, the longest

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<sup>40</sup> HM Treasury and HM Government (2020) Freeports prospectus (<https://bit.ly/3kKt2ms>)

<sup>41</sup> Swinney, P (2019) Why free ports do not hold the answer to job creation in a post-Brexit world (<https://bit.ly/3l8CxvJ>)

<sup>42</sup> RUSI and Centre for Financial Crime and Security Studies (2020) Crime in Freeports: International experience and lessons for the UK (<https://bit.ly/3cgPpfk>)

<sup>43</sup> Ibid.

<sup>44</sup> WBG (2021) Taxation and gender (<https://bit.ly/3uVdUXl>)

freeze for more than 40 years.<sup>45</sup> As well as having severe revenue and environmental costs, cuts in fuel duty primarily benefit men, who are more likely to drive and drive longer distances than women.<sup>46</sup> It also benefits better-off households, as unlike for many other consumer goods, the proportion of income spent on fuel is roughly proportional across the income distribution.<sup>47</sup> The cost to the taxpayer of the freeze in fuel duty was estimated to be £11 billion in 2020/21, with some research suggesting that carbon emissions in the UK may be 5% higher due to the decade-long freeze.<sup>48</sup>

## Alcohol Duty

There are significant economic and social costs related to alcohol consumption, with estimates placing the economic burden between 1.3% and 2.7% of GDP.<sup>49</sup> While in the UK duties on alcohol are high relative to many other countries, they do not cover the costs of alcohol-related harm. They are also not rationally applied, with duties on beer (40.7 pence per pint or 13.6% of price), which is more likely to be consumed by men, considerably lower than on wine (208.4 pence per 75cl bottle or 48.6% of price).<sup>50</sup> In the 2021 Budget, the Chancellor extended the freeze on alcohol duty. This is despite repeated studies showing that increasing the price of alcohol reduces consumption and harm.<sup>51</sup> The continued freeze is, therefore, not only costly to the Exchequer – the freeze in 2020/21 was estimated to have cost £190-£210 million – but also damaging to public health.

For more information on tax and gender issues see the WBG pre-budget briefing: [Taxation and gender](#)

## Social Security

*The pandemic has highlighted weaknesses in the social security system. The decision in the Budget to only temporarily extend the £20 uplift is a ‘sticking-plaster’ solution and will not prevent many additional households, and particularly women and children, from falling into poverty. Our social security system requires more wide-ranging and significant reform to ensure that it is ‘fit for purpose’.*

The Chancellor said little about social security, despite the impacts of the pandemic highlighting the urgent need to ensure that social security system is fit for purpose. Women, in particular, are impacted by this. Women are more reliant on benefits than men, due to greater unpaid caring responsibilities, interrupted employment patterns, lower incomes and lower pay.<sup>52</sup> Women have also seen needs increase, with Covid-19 leading to a sharp increase in the number of unpaid carers and heightening the challenges many women already faced around adequate childcare.<sup>53</sup>

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<sup>45</sup>Next Green Care (2020) Fuel duty rates (<https://bit.ly/38UC38h>)

<sup>46</sup> Department of Transport (2016) Road Use Statistics Great Britain 2016 (<http://bit.ly/1ScwLEM>)

<sup>47</sup> IFS (2018) IFS Green budget 2018 (<https://bit.ly/2Oy58O8>)

<sup>48</sup> Carbon Brief (2020) Budget 2020: Key climate and energy announcements (<https://bit.ly/2Zij55l>)

<sup>49</sup> Public Health England (2016) The Public Health Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies (<https://bit.ly/3pSGPlc>)

<sup>50</sup> House of Commons Library (2021) Alcohol taxation and the pub trade (<https://bit.ly/37It9cU>)

<sup>51</sup> Public Health England (2016) The Public Health Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies (<https://bit.ly/3pSGPlc>)

<sup>52</sup> WBG (2020) Spirals of Inequality: how unpaid care is at the heart of gender inequalities (<https://bit.ly/3t40jMb>)

<sup>53</sup> WBG (2021) Lessons Learned: Where Women Stand at the Start of 2021 (<https://bit.ly/3byjKXz>)

## Universal Credit

The temporary £20 per week increase to the Universal Credit standard allowance and its equivalent in Working Tax Credit,<sup>54</sup> was extended by six months to September 2021, and applies to new and existing Universal Credit claimants. While welcome as an interim measure, this simply delays the reduction to a time when unemployment may peak<sup>55</sup> and furlough ends. A recent estimate projects that removing the uplift will remove £6.4 billion from household incomes annually and drag a further 760,000 individuals below the poverty line.<sup>56</sup>

WBG, therefore, calls on the Chancellor to:

- Make the £20 uplift permanent, not only to support claimants during the pandemic but to partially mitigate the freeze in benefit rates in recent years that has seen increasing numbers of women and children fall into poverty.<sup>57</sup>
- Extend the uplift to the means-tested benefits which pre-date Universal Credit, mainly received by claimants who were out of work when the pandemic hit, and many disabled people.<sup>58</sup>
- Provide an equivalent sum to supplement other non-means-tested benefits for those who are mainly out of work, such as Carer's Allowance. The uplift should also apply to the national insurance based versions of Employment and Support Allowance and Jobseeker's Allowance.<sup>59</sup> Non-means-tested benefits can be a valuable source of individual incomes for women as they are paid irrespective of partner incomes or savings.
- Introduce a variable uplift to account for household composition. To support families during the pandemic and recovery, we would urge the Chancellor to raise Child Benefit to £50 per child.<sup>60</sup>

In addition to these measures, we urge the Chancellor to abolish the Benefit Cap and two-child limit in order to prevent more children falling into poverty and destitution. The no recourse to public funds rule should be urgently reviewed and abolished for domestic abuse survivors.<sup>61</sup> Finally, changes should be made to Universal Credit design such as the five-week wait, single household payment and lack of a second earner work allowance.

The Chancellor also extended some other temporary easements in the Budget, which are welcomed. These included suspending the 'Minimum Income Floor' that reduces awards for some self-employed Universal Credit claimants (to continue until July) and increasing the period over which Universal Credit advances are repaid to 24 months (alongside reducing maximum deduction rate reduces from 30% to 25% of the standard allowance).

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<sup>54</sup> The Working Tax Credit 'uplift' will be a one-off £500 payment

<sup>55</sup> Office for Budget Responsibility (2021) Economic and fiscal outlook – March 2021 (<https://bit.ly/3uV8Brg>)

<sup>56</sup> Harrop, A (2021) Who loses? The impacts of planned Universal Credit cuts across society <https://bit.ly/3qlAsZD>

<sup>57</sup> WBG (2019) DWP data reveals: women and children continue to be worst affected by poverty (<https://bit.ly/30vJu0g>)

<sup>58</sup> IFS (2021) Budget 2021: Initial IFS Response (<https://bit.ly/388J2cA>)

<sup>59</sup> Social Security Advisory Committee and the Institute for Government (2021) Jobs and benefits: The Covid-19 challenge (<https://bit.ly/3cfWtsG>)

<sup>60</sup> WBG (2021) Lessons Learned: Where Women Stand at the Start of 2021 (<https://bit.ly/3byjKXz>)

<sup>61</sup> WBG (2020) Migrant Women and the Economy (<https://bit.ly/3ceXAsx>)



## Statutory Sick Pay

Employers with fewer than 250 employees can continue to reclaim up to two weeks of eligible Statutory Sick Pay costs, provisionally until September 2021, including time off for being ill with COVID-19, self-isolating or shielding. However, there was no other change, despite the pandemic continuing and after a year of criticism about gaps in coverage and the low amounts, leaving many unable to afford to stay off work.<sup>62</sup> Women, people on insecure contracts and workers in sectors depending on social interaction are most likely to be ineligible.<sup>63</sup> Over one in six women in paid work do not earn enough to qualify.<sup>64</sup> Statutory Sick Pay should be increased to the living wage rate and eligibility widened, as a buffer against income loss when someone has to refrain from work due to sickness or for public health reasons.

For more information see the WBG pre-budget briefing: [Social Security, gender and Covid-19](#)

## Pensions

*The freeze in the Pensions Lifetime Allowance is a welcome first step in reducing the regressive system of tax reliefs, but more wholesale reform of costly tax reliefs is required.*

Most pensioners are women, but state and private pensions were designed around a ‘masculine’ life course and women are the majority of the poorest pensioners.<sup>65</sup> The freezing of the Pensions Lifetime Allowance is a welcome step towards reducing the regressive system of pension tax reliefs, two-thirds of which benefit higher- and additional-rate taxpayers,<sup>66</sup> who are much more likely to be men given the gender pay gap. Longer term, we would like to see the Chancellor undertake a more extensive review of costly pension reliefs with a view to curtailing these and increasing the State Pension. In 2017/18 (last published figures), tax reliefs on pensions totalled £41 billion, which is 44% of the amount (£94 billion) spent paying state pensions in 2017/18,<sup>67</sup> and 40% of government spending on pension relief goes to the top 10% of those claiming relief, who earn £70,000 a year or more and make up 24% of pension contributions.<sup>68</sup>

Moreover, despite a manifesto commitment<sup>69</sup> and call for evidence in the 2020 Budget<sup>70</sup>, the Chancellor was again silent on whether and when steps would be taken to address the iniquity by which non-taxpayers in occupational pension schemes miss out on relief at the basic rate that would be added if they saved through personal pensions. The Low Incomes Tax Reform Group has estimated that over 75% of those losing out are women (for example, because they are over-represented in low-paid public sector jobs) and proposed a means for HMRC to rectify this via

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<sup>62</sup> TUC (2021) Sick Pay that works: TUC report on the urgent need for reform (<https://bit.ly/2PEqBWP>); WBG (2020) Crises collide: women and Covid-19 (<https://bit.ly/3cf9YJ7>)

<sup>63</sup> Resolution Foundation (2020) Time out: Reforming Statutory Sick Pay to support the Covid-19 recovery phase (<https://bit.ly/2OfO6Fi>)

<sup>64</sup> WBG (2020) WBG responds to recovery roadmap (<https://bit.ly/2OgFBtL>)

<sup>65</sup> WBG (2018) Women and Pensions (<https://bit.ly/2yUPr9U>)

<sup>66</sup> PPI (2019) Pension Facts (<https://bit.ly/38q7M0c>)

<sup>67</sup> OBR (2018) Welfare Spending: state pension (<https://bit.ly/2yUCNYp>)

<sup>68</sup> RSA (2018) Venturing to retire, (<https://bit.ly/2EUds0J>)

<sup>69</sup> Conservative Party (2019) Our plan: Manifesto 2019 (<https://bit.ly/3cglFPD>)

<sup>70</sup> HMT (2020) Pension tax relief administration: call for evidence (<https://bit.ly/3v8SQgE>)

existing data and the PAYE reconciliation and self-assessment processes.<sup>71</sup> We urge the government to address this iniquity as a priority.

For more information on pensions see the WBG pre-budget briefing: [Pensions and gender](#)

## Social Care

*The most glaring omission in this Budget was the failure to address the crisis in social care. Despite Covid-19 shining a light on the broken social care system, this Budget did not provide any further funding for social care.*

Eighteen months ago, the Prime Minister promised to ‘fix adult social care’. Since then, the Covid-19 pandemic has made visible to many the extent to which decades of underfunding and deregulation have undermined the social care system, endangering the health *and* the lives of thousands of those needing care as well as those providing it, whether paid or unpaid. It is remarkable that, against this backdrop, the Chancellor was largely silent on social care.

Detailed analysis of the Red Book indicates that funding for social care through the Department for Health and Social Care (DHSC) will actually be lower in 2021/22 than in the current year. While DHSC spending had been forecast to be £199.2 billion this year, DHSC spending will fall to £169.1 billion in 2021/22, largely due to a reduction in the additional funds (£58.9 billion) the department was allocated for Covid-related costs.<sup>72</sup> There is no specific Covid-related funding beyond 2022, even though it is expected that there will still be substantial Covid-related costs after this point.

Already there are indications that care homes have been pushed to the brink of collapse, with higher costs due to Covid and lower occupancy rates.<sup>73</sup> Women are disproportionately affected by the crisis in social care: they are both more likely to be in receipt of care and to be providing care, either paid or unpaid.<sup>74</sup> The number of unpaid carers increased from 4.5 million to 13.6 million in the last year,<sup>75</sup> with the majority women and with significant consequences for those that are also in paid work.

The government’s approach, continued in this Budget, of shifting responsibility for social care funding to local taxation will only deepen the crisis in social care and widen geographic inequalities. The provisional Local Government Finance settlement for 2021/22 recognises that local government needs more resources for social care. However, 85% of the increased funding must be raised from the proceeds of increasing council taxes by the maximum amount allowable (5%). The authorities with the greatest needs are the most deprived and therefore least able to generate adequate funds. In contrast, the additional £300 million ringfenced grant for adult and children’s social care amount to what the Local Government Association calls ‘a sticking plaster approach to funding’.<sup>76</sup> Local authorities cannot carry over deficits, so any overspend on statutory services will result in cuts elsewhere or selling off of community assets. This is inconsistent with the Budget which claims to be ‘levelling-up’ across the country as well as delaying increases in taxation for two years.

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<sup>71</sup> LITRG (2020) Pension net pay arrangements: giving tax relief to lower paid workers (<https://bit.ly/2O9VBxP>)

<sup>72</sup> HM Treasury (2021) Budget 2021 (<https://bit.ly/30cS8kq>)

<sup>73</sup> Booth, R. (2021) UK’s largest care homes provider to sell off 52 facilities (<https://bit.ly/30adkr9>)

<sup>74</sup> WBG (2021) Social care, gender and Covid-19 (<https://bit.ly/3uVabJI>)

<sup>75</sup> UK Carers (2020) Forgotten families in the coronavirus outbreak (<https://bit.ly/3fk4kGQ>)

<sup>76</sup> LGA (2021) The 2021-22 Provisional Local Government Finance Settlement: LGA Response (<https://bit.ly/3anogHL>)

The Budget does include plans to pay employers to increase traineeships and work experience opportunities particularly for young people, as well as to hire new apprentices. This could be a means of attracting people into social care. Turnover rates are high in the sector. The workforce, which is comparable in size to the NHS workforce, is 83% female and has over 100,000 vacancies.<sup>77</sup> While the workforce has access to training, much of it is optional, on-line and very basic. Moreover, in England, there is not even a national body to set standards, develop and regulate training and oversee these proposed schemes and subsequent career and pay development. Without such a body there is no guarantee that employers in the fragmented and broken social care ‘market’ will be able and willing to develop and accredit the skills of entrants to their workforce. This Budget also ignores the latest recommendations of the Public Accounts, as well as the Health and Social Care, House of Commons Select Committees together with the Migration Advisory Committee which would put social care training and pay on a par with level 3 health care workers. Meanwhile, the capacity of both domiciliary and residential social care workers, exhausted by the pandemic, to provide the growing need for care will be diminished. There is not even a 1% pay increase on offer to them.

The Budget also did not provide any support for unpaid carers. It is estimated that the number of people looking after family members or close friends increased from 9.1 to 13.6 million during the pandemic, with the majority of unpaid carers female.<sup>78</sup> The Carer’s Allowance (£67.25), claimed by the 1.3 million carers who can no longer combine caring at least 35 hours/week with employment, will be increased by only 35p (1p/hour) in April 2021. To stay in employment, informal carers need adequate social care services as well as entitlements to periods of paid and unpaid leave and the right to work flexibly.

Investing in care, as set out earlier (see ‘Employment and training’) ensures the wellbeing of our society *and* makes economic sense. Research by WBG has shown that investment in the care sector could create 2.7 times as many jobs as investment in construction and contribute to a low-carbon recovery.<sup>79</sup> We call on this government to make good on the Prime Minister’s pledge to ‘fix adult social care’.

For more information on social care, see the WBG pre-budget briefing: [Social care, gender and Covid-19](#)

## Health

*Despite the pandemic exposing the dangers of underfunding public services, this Budget again leaves health services struggling to meet needs. No allowance has been made for tackling the significant backlog the NHS is facing, or the long-term needs stemming from the pandemic.*

The Chancellor’s allocation to health – and also other public services – is, as one commentator pointed out, ‘implausibly low’.<sup>80</sup> The Red Book indicates that the NHS England budget will decline from £148 billion in 2020/21 to £139 billion in 2021/22.<sup>81</sup> While there is an increase in planned ‘core’

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<sup>77</sup> Skills for Care (2020) The State of the Social Care Workforce 2019-20 (<https://bit.ly/2OzwT9M>)

<sup>78</sup> UK Carers (2020) Forgotten families in the coronavirus outbreak (<https://bit.ly/3fk4kGQ>)

<sup>79</sup> WBG (2017) Investing in the Care Economy (<https://bit.ly/3sLRdDF>)

<sup>80</sup> IFS (2021) Budget 2021: Initial IFS Response (<https://bit.ly/388J2cA>)

<sup>81</sup> HM Treasury (2021) Budget 2021 (<https://bit.ly/30cS8kg>), p. 32

funding, the reduction in overall funding in 2021/22 is due to £15 billion less in specific Covid-19 funding. The OBR further notes that there is no ‘explicit provision for virus-related costs’ beyond 2021/22, even though significant costs are expected due to ongoing annual vaccinations and the continued Covid-19 pandemic.<sup>82</sup>

Given the backlog that the NHS is currently faced with, coupled with the increased health needs stemming from the pandemic, there is considerable scepticism that the funding allocation for health will be adequate to meeting needs.<sup>83</sup> The BMA estimates that between April and December 2020 there were up to 1.3 million fewer first elective treatments (such as necessary but non-urgent surgery), costing the NHS between £4-5.4 billion, with only £1 billion pledged in the November Spending Review, and no further support announced this Spring.<sup>84</sup> It is worth noting that the pandemic hit after a decade with the longest spending squeeze in the history of the NHS: growth in spending was 1.6% during 2010-2019 (annual average), down from an average 3.7% each year since it began in 1948.<sup>85</sup> Underfunding of health and other public services made us more vulnerable to the impacts of the pandemic, leaving the UK with the 4<sup>th</sup> highest mortality from Covid-19 in the world.<sup>86</sup>

The pandemic has also seen a rise in mental health problems,<sup>87</sup> with the ONS finding gender to be one of the characteristics associated with higher levels depression.<sup>88</sup> Yet beyond funding for veterans’ mental health support, there were no commitments in the Budget to invest in public and mental health services.<sup>89</sup> It is disappointing that, despite this recent experience, the Chancellor has decided again to underinvest in health.

Health policy and spending is a gendered issue, as women are the majority of staff working in the NHS, the majority of patients and they account for the majority of unpaid carers relying on NHS professional support.<sup>90</sup> One of the most high-profile news stories in the week after the Budget has been the recommendation by government that NHS staff, the majority of whom are women, receive a pay rise of only 1% in 2021/22 after previously indicating that it would be higher.<sup>91</sup> Although not formally announced as part of the Budget, government ministers have argued that constrained public finances mean that a bigger pay rise is not possible.

For more information on health, see the WBG pre-budget briefing: [Health inequalities and Covid-19](#)

## Childcare

*Early years childcare was entirely overlooked in this Budget, even though many providers are struggling financially and there already signs of increasing numbers having to close their doors.*

Childcare was noticeably absent in the 2021 Budget, with not a single reference to either ‘childcare’ or ‘early years’ in the Chancellor’s speech. Yet many providers are struggling financially and parents

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<sup>82</sup> Office for Budget Responsibility (2021) Economic and fiscal outlook – March 2021 (<https://bit.ly/3uV8Brg>)

<sup>83</sup> IFS (2021) Budget 2021: Initial IFS Response (<https://bit.ly/388J2cA>)

<sup>84</sup> British Medical Association (2021) Budget 2021: what you need to know (<https://bit.ly/2OCHv7N>)

<sup>85</sup> The King’s Fund (2019) NHS Funding: our position (<https://bit.ly/2EHgf3B>)

<sup>86</sup> Office for Budget Responsibility (2021) Economic and fiscal outlook – March 2021 (<https://bit.ly/3uV8Brg>)

<sup>87</sup> Gov.uk (2021) Covid-19: mental health and wellbeing surveillance report (<https://bit.ly/3rtXUtP>)

<sup>88</sup> ONS Coronavirus and depression in adults, Great Britain: June 2020 (latest release) (<https://bit.ly/3v8DKHX>)

<sup>89</sup> British Medical Association (2021) Budget 2021: what you need to know (<https://bit.ly/2OCHv7N>)

<sup>90</sup> WBG (2021) Health inequalities and Covid-19 (<https://bit.ly/2OEpHt7>)

<sup>91</sup> Walker, P., Allegretti, A. and B. Quinn (2021) Anger grows at offer of 1% pay rise for NHS staff (<https://bit.ly/3v7TzvB>)

in some areas, even pre-pandemic, were finding it difficult to access sufficient and adequate childcare. Pre-pandemic only 56% of councils reported having enough childcare for parents working full-time.<sup>92</sup> In a recent survey, 35% of local authorities reported an increase in the number of providers in their area closing permanently.<sup>93</sup> There are fears that this might intensify with 69% of providers operating at a loss during the pandemic.<sup>94</sup> Some of the impacts of this are already becoming visible, with 46% of mothers being made redundant identifying lack of childcare as a factor in their selection for redundancy.<sup>95</sup>

Investing in early years brings long-term benefits for the economy and society, and must be a crucial element of the government's 'levelling up' strategy. Firstly, high quality early years provision reduces the gap between poorer children and their wealthier peers. Secondly, affordable childcare enables parents, especially mothers, to do paid work. As such, it contributes to closing the gender pay gap and to lifting children out of poverty.<sup>96</sup> Thirdly, investing in childcare can make good economic sense. Modelling of the employment and fiscal impacts of investing in high-quality, universal childcare shows that while the upfront investment is significant, almost all of it is recouped through higher tax revenue and reduced spending on means-tested benefits.<sup>97</sup>

For more information on childcare see the WBG pre-budget briefing: [Childcare, Gender and Covid-19](#)

## Education

*Schools received no additional funding, despite facing considerable cost-pressures related to Covid-19 and forthcoming challenges to redress widening gaps in educational attainment.*

Schools received no additional funding, with the Budget only confirming funding that had previously been announced. This is despite schools being under considerable financial strain as a result of costs related to Covid-19. In December 2020, a survey of 700 schools by the Education Policy Institute (EPI)<sup>98</sup> found that more than 50% of schools had used reserves to cover increased costs as a result of Covid-19 and a similar proportion said they were 'unlikely' to balance their budgets by the end of the year. These pressures are likely to erode some of the funding increase announced in the 2019 Spending Review.

Schools are also likely to face considerable challenges as they seek to address the impacts of Covid-19 on educational attainment and inequalities. The government has previously announced 'catch up' funding and tutoring schemes, but much of this is poorly targeted and modest when compared to the scale of the problem.<sup>99</sup> Education is vital to 'building back better', and the failure to invest is a significant missed opportunity of this Budget. It will impact disproportionately on pupils from poorer

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<sup>92</sup> Coram Family and Childcare (2020) Childcare Survey 2020 (<https://bit.ly/2PGqUjU>)

<sup>93</sup> Coram Family and Childcare (2021) Childcare Survey 2021 (<https://bit.ly/3buWlGj>)

<sup>94</sup> Children and Young People Now (2020) Low demand for childcare puts sector's future at risk as lockdown lifts (<https://bit.ly/3l3ZFC>)

<sup>95</sup> Pregnant Then Screwed (2020) Covid, Childcare and Career (<https://bit.ly/3jUKu5p>)

<sup>96</sup> Costa Dias, M., Joyce, R. and F. Parodi (2018) The gender pay gap in the UK: children and experience in work (<https://bit.ly/3evEQb7>)

<sup>97</sup> See WBG briefing on universal childcare: (<http://bit.ly/2lHHGeH>)

<sup>98</sup> EPI (2020) Assessing Covid-19 cost pressures on England's schools (<https://bit.ly/3dKvvvD>)

<sup>99</sup> EPI (2021) Education reopening and catch-up support across the UK (<https://bit.ly/3pYqkdT>)

backgrounds that have seen gaps widen between themselves and their peers, and on the mainly female workforce in education.

For more information on education see the WBG pre budget briefing: [Education and Gender](#)

## Housing

*The Budget missed the opportunity to literally ‘build back better’, prioritising support for those able to purchase a home over those in the greatest housing need.*

There is a significant housing affordability crisis which the budget did little to address and, through some measures, is likely to have worsened. Three quarters of planned spending 2019/20-2023/24 is for market priced housing, and a quarter for various types of ‘affordable’ housing.<sup>100</sup> Moreover, the Budget extended the stamp duty holiday, albeit tapered, for six months. The stamp duty holiday, which saw the ‘nil rate’ on home purchases up to £125,000 raised to £500,000 (twice the price of the average home), is likely to have benefitted many on above-average incomes. It has also had an inflationary impact on house prices, which rose by 8.5% in the 12 months to December 2020 despite the pandemic. Finally, the Budget introduced a mortgage guarantee to encourage banks to provide 95% mortgages on homes up to £600,000. It revives a 2013-16 version of the Help to Buy, with government again taking risk from lenders, even though the Public Accounts Committee described the original scheme as being ‘of uncertain value’.<sup>101</sup>

At the start of the pandemic, UK housing minister Robert Jenrick said that no-one should be evicted due to Covid-19.<sup>102</sup> Between March and June-July 2020, 33% of renters had fallen into arrears for the first time.<sup>103</sup> Evictions have been paused, but the Budget offers no help to tenants or landlords to deal with these debts and to prevent a boom in evictions now that court action is restarting. The £20 uplift to Universal Credit and an increase in Local Housing Allowance/LHA (the maximum housing benefit private tenants can receive) have helped low-income tenants pay their rent during the pandemic. However, the Budget takes away the uplift in the autumn and freezes the LHA so it will fall in real terms. The ‘Everyone In’ scheme to house rough sleepers during the pandemic was successful.<sup>104</sup> However, the Budget did not provide the increase in funding needed to prevent and help new cases, especially as evictions increase.

In sum, the Budget is a missed opportunity to literally ‘build back better’. Support for building more affordable housing would have meant green jobs, lower living costs, and provided help to women and those on lower incomes, who are less likely to own their home.

For more information on housing see the WBG pre-budget briefing: [Housing, Gender and Covid-19](#)

## Local government

*Local authorities are facing considerable cost pressures as a result of the Covid-19 pandemic. By neglecting to allocate additional funding to key areas such as social*

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<sup>100</sup> Perry, J in Stephens, M et al. (2020) UK Housing review 2020, Coventry: CIH

<sup>101</sup> House of Commons Public Accounts Committee (2019) Help to Buy: Equity loan scheme (<https://bit.ly/2OC49xh>), p3

<sup>102</sup> Wilson, W (2021) Coronavirus: Support for landlords and tenants, Briefing paper no. 08867, 10th January, House of Commons Library (<https://bit.ly/3t3djSe>)

<sup>103</sup> MHCLG (2020) Household Resilience Study: Wave 1 tables (<https://bit.ly/3cjSye7>)

<sup>104</sup> Cromarty, H (2020) Coronavirus: Support for rough sleepers (England), Briefing paper no. 09057, 27th November, House of Commons Library (<https://bit.ly/38snt71>)

*care, public health and early years, this Budget further undermines the ability of local authorities to provide adequate services. This will have a disproportionate impact on women, who are more likely to depend on local authority services and to work in local government.*

Local authorities have been a vital part of the Covid-19 response and their services will also be key to addressing the long-term consequences of Covid-19. This has placed significant cost pressures on local authorities, which have only been partially compensated by additional funding from government. The National Audit Office (NAO) found that 75% of local authorities reported a gap between Covid-19 cost pressures and financial support from government. For 30% of local authorities this gap equated to more than 5% of their total spending last year.<sup>105</sup>

The Budget did not provide any substantial support in addition to the Local Government Financial Settlement announced on 6 February 2021. While the 2021/22 Settlement announced on 6 February 2021 represents a 4.5% - £2.2 billion - increase in core funding,<sup>106</sup> just 15% - £0.3 billion - of that is from central Government. The rest is from an assumed combination of Council Tax increases at the maximum rate of 5 percent (2%) and social care precepts (3%).<sup>107</sup> Furthermore, after inflation and population growth, the 2021-22 settlement still represents a 3% per capita funding cut compared to 2015-2016.<sup>108</sup> The lack of any additional monies in the Budget for areas such as social care, public health or early years is, therefore, disappointing. It leaves local authorities, and those who depend on the services provided by local authorities, vulnerable. Women are likely to be disproportionately affected as they are more likely to use services, and also make up 75% of the local government and school workforce.<sup>109</sup>

For more information on local government see the WBG pre-budget briefing: [Local Government, Gender and Covid-19](#)

## **Violence against women and girls**

*The Budget provided a small increase in funding for VAWG services, but still leaves a substantial shortfall for overstretched services.*

The additional £19 million, on top of £125 million in the 2020 Spending Review, for VAWG services falls far short of the £393 million, including £173 million for refuges, that Women's Aid<sup>110</sup> estimate is needed to provide sufficient funding for a 'safe and sustainable' national network of women's domestic abuse services. VAWG services have been underfunded for decades, and are now struggling even more with demand for their services having risen as a result of the Covid-19 pandemic in what the UN termed the 'shadow pandemic'.<sup>111</sup>

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<sup>105</sup> NAO (2021) Local government finance in the pandemic (<https://bit.ly/2PQe6Ys>)

<sup>106</sup> Ibid

<sup>107</sup> Ibid

<sup>108</sup> IFS (December 2020) Assessing England's 2021-22 Local Government Finance Settlement (<https://bit.ly/2Nt0Lny>)

<sup>109</sup> WBG (2019) Triple whammy, the Impact of local government cuts on women (<https://bit.ly/3mmy7S2>); LGA (2020) Local Government Employment Quarter 3, 2020 (<https://bit.ly/37hftVT>)

<sup>110</sup> Women's Aid (2019) Funding Specialist Support for Domestic Abuse Survivors (<https://bit.ly/3uFDuA6>)

<sup>111</sup> WBG (2021) Violence against women and girls (<https://bit.ly/38aJgrf>); UN Women (n.d.) The Shadow Pandemic: Violence against women during COVID-19 (<https://bit.ly/3rysORY>)

More than 1 in 4 women will experience domestic abuse during her lifetime.<sup>112</sup> The costs to society are substantial and far outweigh government spending on support services and efforts to tackle VAWG. The Home Office estimates the cost of domestic violence in England and Wales to be £66bn each year, or £34,015 per person affected.<sup>113</sup> We, therefore, strongly urge the Chancellor to increase funding in support of the government's VAWG strategy, both for support services and prevention. It will not only reduce harm to women and girls, but also makes good economic sense.

For more information on funding of VAWG services see the WBG pre-budget briefing: [Violence against Women and Girls \(VAWG\)](#)

## Conclusion

Covid-19 has exposed the shaky foundations of the UK economy. Ten years of cuts to spending on public services and social security left the UK vulnerable to the impacts of the pandemic. Despite the Government's expressed desire to 'build back better', this Budget was a missed opportunity to rebuild the economy around values of sustainability, equality and wellbeing.

Fiscal consolidation is not necessary at this point in the pandemic and can have counterproductive effects in the economic, social and public health recovery. Cutting departmental spending is unwise as public services will be dealing with backlogs that are likely to take months or even years to resolve. Many have been facing Covid-19 service pressures after a decade of spending cuts that left public services much reduced.

This was the moment for significant public intervention to rebuild our economy towards a fairer and more sustainable future. More public intervention in sustained physical green and social infrastructure would ensure better resilience in the long run and focus on tackling what really matters: health, care, inequality and climate change. As WBG research has also shown, investing in social infrastructure also has greater employment effects and is environmentally friendly.<sup>114</sup>

After a year-long pandemic that has put an unimaginable pressure on our social services like health and education, and pushed others like social care and childcare to the brink, sustained investment in social infrastructure has never been more urgent or its necessity made clearer. Such investment benefits everyone as it ensures a healthier, more educated and better cared for population, while benefitting women in particular for they are the majority of those working in these sectors, using these services and plugging the gaps in support when the social structures are not in place.

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<sup>112</sup> ONS (2018) Domestic abuse: findings from the Crime Survey for England and Wales: year ending March 2018 (<https://bit.ly/34cTZp8>)

<sup>113</sup> Home Office (2019) The economic and social costs of domestic abuse (<https://bit.ly/334d6BL>)

<sup>114</sup> WBG (2020) A Care-Led Recovery from Coronavirus (<http://bit.ly/3eqQEuU>)



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The Women's Budget Group is a network of leading feminist economists, researchers, policy experts and campaigners committed to achieving a more gender equal future. We have worked towards this since 1989.

For more information, please visit [www.wbg.org.uk](http://www.wbg.org.uk) or contact [admin@wbg.org.uk](mailto:admin@wbg.org.uk).

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