

## GENDER ANALYSIS OF THE CUMULATIVE DISTRIBUTIONAL IMPACT OF 2022 TAX AND BENEFIT CHANGES AND INFLATION

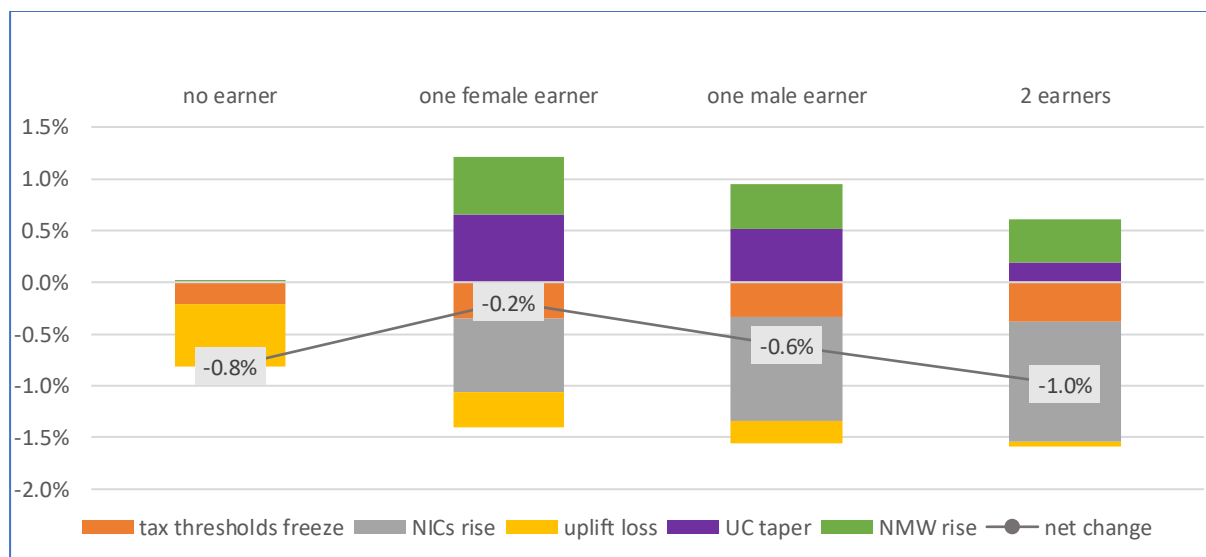
Women's Budget Group calculations show that **none of the changes announced in the 2021 Autumn Budget**, including the rise in the minimum wage and changes to UC rules for those with earnings, **are sufficient to compensate people on average for the loss of the uplift, the increase in National Insurance Contributions (NICs) and the rise in inflation.**

The projected **rise in inflation to 4% average in 2022/23 will deliver the biggest hit to household incomes.**

Further, for **households with someone in employment, the rise in the minimum wage is not sufficient to offset the effect of the rise in NICs**, leading to lower disposable incomes even without the effects of inflation. **For such households if they are on Universal Credit, on average, the change in UC rules to allow a greater proportion of earnings to be kept counteracts the loss of the UC uplift.**

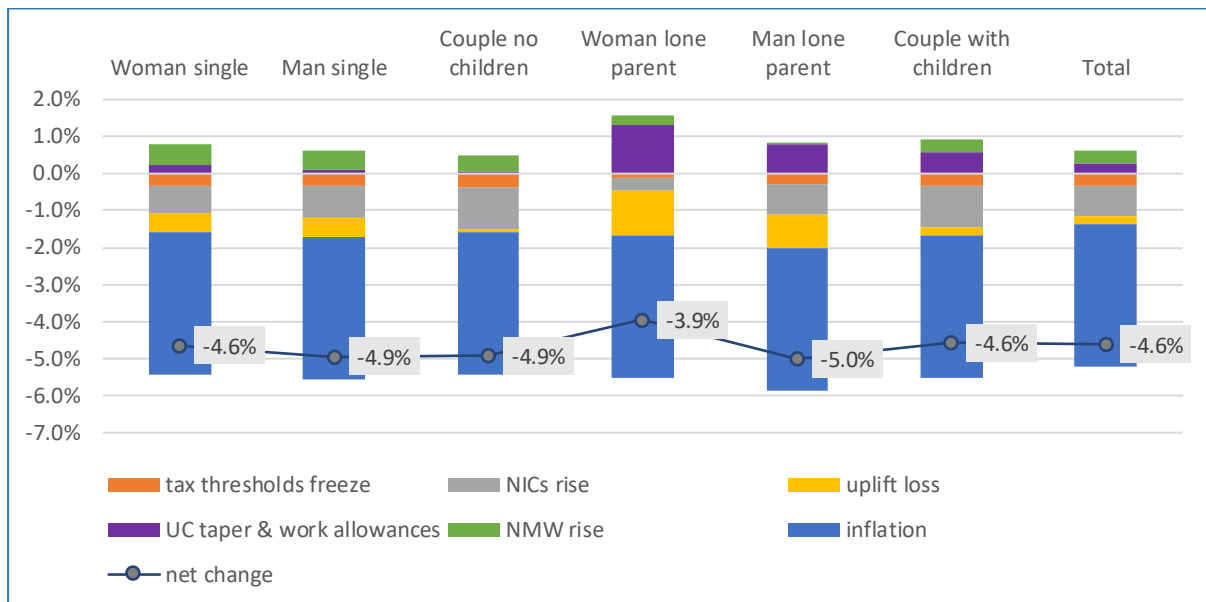
But for **households without anyone in employment the change in UC rules does not affect them at all and therefore does not offset the loss of the UC uplift** (they are unaffected by the rise in NICs and in the minimum wage too). These are generally the **poorest households, whose members' caring responsibilities, illnesses or disabilities are the reasons why they are not in employment.** Women are more likely than men to be in these situations.

Figure 1. Impact of 2022 tax-ben changes on average household incomes (earners, % change)



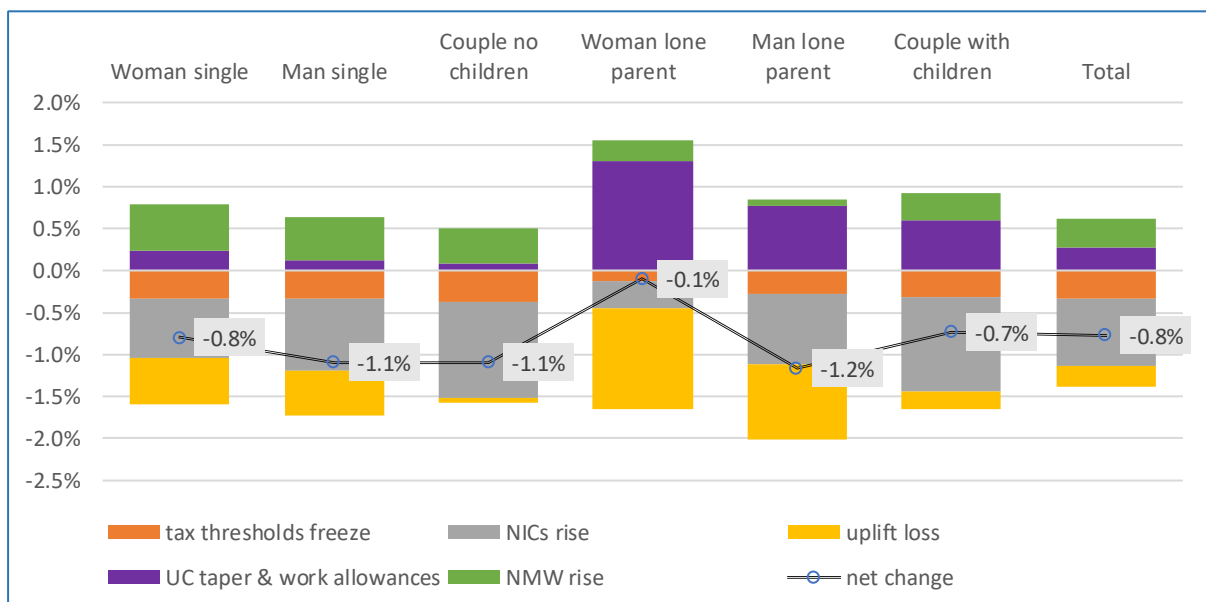
- 1) Households with **two earners are the most impacted** by the new tax and benefit package, **losing on average 1% of their income** relative to 2021. This is driven by higher contributions to National Insurance and income tax threshold freeze.
- 2) **Families with no earners lose 0.8% of their income**, driven by the **removal of the UC uplift.**

Figure 2a. Impact of 2022 tax-ben changes and inflation on average household incomes (working-age households, % change, 4% average inflation)



3) **Inflation is the main driver in the loss of income for all types of working-age households.**

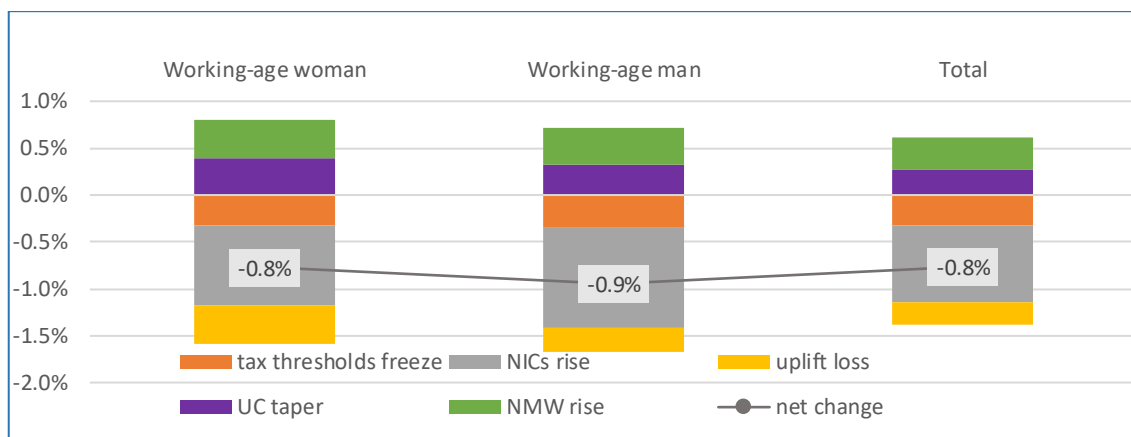
Figure 2b. Impact of 2022/23 tax-ben changes on average household incomes (working-age households, % change)



4) **Couples, with and without children, lose the most by rises in income tax and in NICs.** They are also the **biggest winners of the increase in the minimum wage** (although the latter doesn't offset the former). This is because these changes affect earners alone and couples are likely to have more earners.

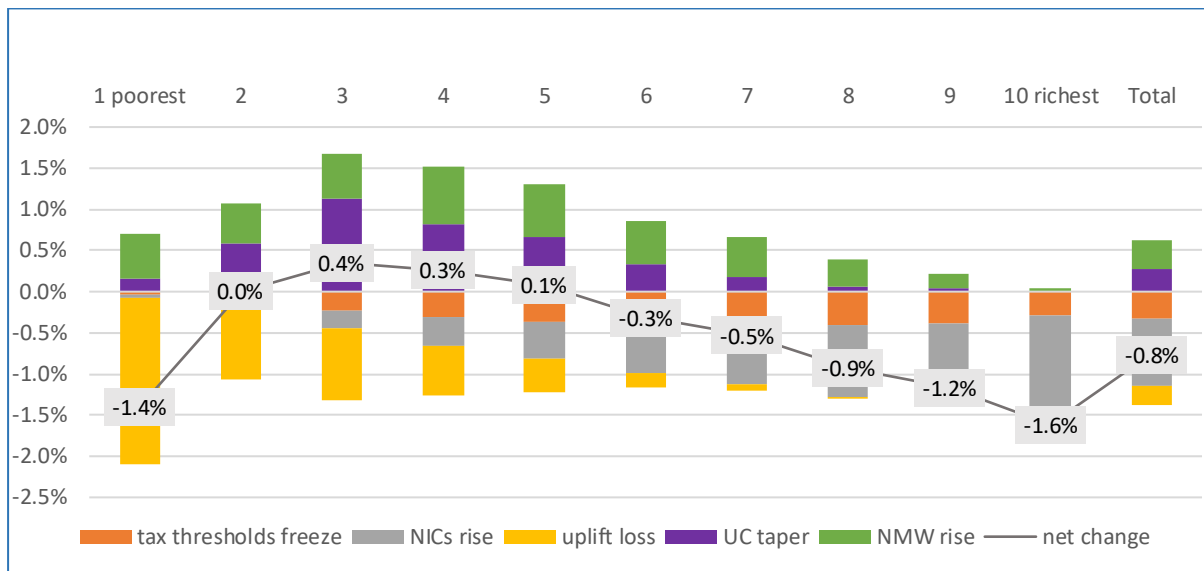
- 5) The **changes to UC taper and work allowances benefit families with children, particularly lone mothers.** (The increase in work allowances only applies to households with children and/or disabled people.)
- 6) **Lone mothers** are also the group that **lost the most with the removal of the UC uplift.**
- 7) However, on average, **the change in UC rules to allow a greater proportion of earnings to be kept counteracts the loss of the UC uplift.** But those benefiting from the UC rules change will only be families with someone in employment.

**Figure 3. Impact of 2022 tax-ben changes on individuals (working-age women and men, % change)**



- 8) **The impact of the Budget changes on women and men's incomes is similar.**
- 9) **Men make a bigger contribution to NICs** because they are more likely to be in **employment and earn more** on average than women. The loss in post-tax income from the rise in NICs is not compensated for by the rise in the NMW.
- 10) **Women are harder hit by the UC uplift removal.** For the average working-age woman, this is **offset by the change to UC rules combined with the rise in the NMW.**

Figure 4. Impact of 2022 tax-ben changes on average household incomes (by income decile, % change)



- 11) The poorest and the richest families lose the most as a proportion of their income: around 1.5%.
- 12) The drivers for this are different: **Autumn Budget changes do not offset the loss of the UC uplift for the poorest households**, whereas for the richest households it is the rise in NICs that drives their income loss.
- 13) For the poorest households, the NMW rise makes up only a quarter of what they lost from the uplift removal. This is because the first decile of the income distribution contains many households with no earners, who don't gain anything from the rise in NMW nor the UC taper reduction or work allowances increase.
- 14) Other families in the bottom half of the income distribution benefit overall from the changes in the Budget, particularly from the UC rules change that allows them to keep more of their earnings and from the rise in the NMW.

In sum:

- **Inflation is the main driver in the loss of income for all types of working-age households.**
- **People *not in employment*** (e.g., due to incapacity or caring responsibilities), who are more likely to be women, **do not gain anything from the minimum wage increases nor from the UC taper reduction** despite losing substantially from the removal of the uplift.
- **People *in employment***, who are somewhat more likely to be men, **lose out more from the income tax rise and NICs rise. For workers on UC, the changes in its rules does largely compensate for the loss of the UC uplift.**