

# UK Women's Budget Group

## Written Evidence to APPG on Poverty

The UK Women's Budget Group (WBG) are an independent network of leading academic researchers, policy experts and campaigners that analyses the gendered impact of economic policy on different groups of women and men and promotes alternative policies for a gender equal economy. We welcome the opportunity to provide evidence to this APPG.

### Summary:

- Despite the introduction of the National Living Wage, rising housing costs and reduced benefit incomes and tax credits have made it harder for low-income working families to escape poverty.
- Action to tackle in-work poverty need to take into account that a range of factors, not just low pay, contribute to in-work poverty and that women in particular find themselves having to reduce their capacity for paid work, in order to meet caring responsibilities.
- Labour market policies aimed at eradicating poverty and inequality need to work holistically in combination with other parts of the social protection system like welfare benefits and adult social care and childcare. It is no good increasing hours and pay if families can still not afford childcare, effectively locking one parent (usually the mother) out of the labour market.

---

### Introduction:

- Poverty is a gendered experience<sup>1</sup>. The position of women in the labour market, women's entitlement to benefits, and women's roles and expectations within the family all play a role in determining women's economic situation and their risks of living in poverty. These factors also play a role in women having less access to individual income even within households that are not in poverty.
- Action to tackle in-work poverty needs to recognise the structural causes of poverty and inequality. To do this, the Government needs to acknowledge that low pay is just one factor that contributes to the levels of in-work poverty in the UK and that high living costs and social security are key areas to address.
- Women in the UK are slightly more likely to live in poverty than men when this is measured on the usual household basis<sup>2</sup> and female-headed households are poorer than comparable male-headed households<sup>3</sup>.
- Sectors where women make up the majority of employees, accommodation, catering, retail, and residential care, are also the sectors with the highest levels of in-work poverty<sup>4</sup>.

---

<sup>1</sup> Reis, S. WBG (2018) The Female Face of Poverty [Female Face of Poverty - spread design v.indd \(wbg.org.uk\)](#)

<sup>2</sup> Department for Work and Pensions [Households below average income: for financial years ending 1995 to 2020 - GOV.UK \(www.gov.uk\)](#)

<sup>3</sup> Ibid

<sup>4</sup> JRF (2020) UK Poverty 2019/20 [jrf - uk\\_poverty\\_2019-20\\_report\\_0.pdf](#)

- The risk of in-work poverty is higher for disabled workers than for those who are not and is higher for BAME workers than for White workers<sup>5</sup>. Part-time workers face a much higher risk of poverty than full-time workers<sup>6</sup>. Prior to the pandemic, women were the vast majority of those employed part-time (74% of all part-time workers)<sup>7</sup>.
- Workers in families with children have a higher poverty rate than workers in families without children, and workers in single-adult families have a higher risk than workers in couples<sup>8</sup>.
- Around 90 per cent of single parents are women<sup>9</sup> and working single parents have seen the fastest rise in in-work poverty, with three in ten working single parents now in poverty<sup>10</sup>.

These are the main points we think any discussion on in-work poverty needs to consider:

### **Benefits Cuts**

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

### **Tax Credits and Universal Credit**

- The system of tax credits – means-tested cash transfers for low-income families with children and/or with someone in employment – has been dramatically changed by successive measures since 2010, reducing both its value and employment incentives<sup>11</sup>.
- The abolition from April 2017 of any additional child element in Universal Credit (UC) for third and subsequent children will have a disproportionate adverse impact on BAME women. 51% of Black African, 65% of Pakistani and 64% of Bangladeshi children live in families with three or more children compared to 30% of those in White British families. In addition, 15% of Black Caribbean, 23% of Black African and 11% of Pakistani children are in lone-parent families with three or more children<sup>12</sup>.
- Cuts to work allowances in UC and the increased taper rate compared with tax credits for many ‘second earners’, reduce employment incentives and therefore the capacity of many women to earn a decent living<sup>13</sup>.

A 2020 report from the House of Lords Economic Affairs Committee found that UC is failing in its ambitions to ‘make work pay’, lift people out of poverty and provide income to meet basic needs<sup>14</sup>.

---

<sup>5</sup> Ibid

<sup>6</sup> Ibid

<sup>7</sup> Johnston, A. WBG (2021) Women and employment during Covid-19 [Women-and-employment-during-Covid-19-1.pdf \(wbg.org.uk\)](#)

<sup>8</sup> JRF (2020) UK Poverty 2019/20 [jrf - uk\\_poverty\\_2019-20\\_report\\_0.pdf](#)

<sup>9</sup> [Single parents: facts and figures | Gingerbread](#)

<sup>10</sup> JRF (2020) UK Poverty 2019/20 [jrf - uk\\_poverty\\_2019-20\\_report\\_0.pdf](#)

<sup>11</sup> De Henau, Jerome. UKWBG (2019) Social Security and Women [SOCIAL-SECURITY-2019.pdf \(wbg.org.uk\)](#)

<sup>12</sup> WBG calculations by Lucinda Platt (LSE), based on Households Below Average Income surveys (2010/11 to 2012/13). (Current recipients will not be affected)

<sup>13</sup> De Henau, Jerome. UKWBG (2019) Social Security and Women [SOCIAL-SECURITY-2019.pdf \(wbg.org.uk\)](#)

<sup>14</sup> House of Lords Economic Affairs Committee (2020) Universal Credit isn’t working: proposals for policy reform <https://bit.ly/2YSWZHD>

These failings particularly affect women because women are more likely to rely on the social security system at some point, as noted above.

Government plans to cut Universal Credit by £20-a-week in October will impose the biggest overnight cut to the basic rate of social security since the foundation of the modern welfare state. It will impact the incomes of around 6 million families.

- Half a million more people are set to be pulled into poverty, including 200,000 children<sup>15</sup>.
- Working families make up the majority of families who will be affected by the cut to Universal Credit and Working Tax Credit<sup>16</sup>.
- Families with children will be disproportionately impacted. Around 6 in 10 of all single-parent families will experience their income falling by the equivalent of £1,040 per year because of the cut in UC or Working Tax Credit<sup>17</sup>.

### Housing Benefit

- In 2012, Local Housing Allowance (LHA) rates, the maximum private rent payable by housing benefit, were cut from the median to the 30th percentile of local private rents among non-housing benefit recipients<sup>18</sup>.
- Overall national caps were introduced for each home-size up to a maximum rate of four bedrooms<sup>19</sup>. Single adults aged 25-34 were limited to the rate for a room in a shared house<sup>20</sup>.
- From 2012 to 2016 LHA rates were updated in line with the Consumer Prices Index (CPI) rather than in line with actual rents, and in 2016 they were frozen (falling in real terms)<sup>21</sup>.
- In 2013, the overall benefit payable to working-age households was capped, and the cap was reduced in 2016 to £20,000 per year (£23,000 in London, and £15,000 for single adults). Households in high-rent areas and those with several children were most affected<sup>22</sup>.
- These changes have disproportionately affected women as they are more likely than men to be in receipt of Housing Benefit. 60% of adults in households claiming Housing Benefit are women<sup>23</sup>. In addition, 30% of households claiming Housing Benefit are women living on their own and another 22% are single mothers<sup>24</sup>.

---

<sup>15</sup> JRF (July 2021) [UK heading for the biggest overnight cut to the basic rate of social security since World War II | JRF](#)

<sup>16</sup> Ibid

<sup>17</sup> Ibid

<sup>18</sup> Tunstall, B. UKWBG (2020) Housing and Gender [final-housing-2020.pdf \(wbg.org.uk\)](#)

<sup>19</sup> Ibid

<sup>20</sup> Ibid

<sup>21</sup> Ibid

<sup>22</sup> Ibid

<sup>23</sup> (Assuming couple household claimants include an equal total number of men and women) Department of Work and Pensions (2017) Housing Benefit Caseload Statistics: Data to May 2018

<sup>24</sup> Tunstall, B. UKWBG (2020) Housing and Gender [final-housing-2020.pdf \(wbg.org.uk\)](#)

## The Cost of Living

Although the National Living Wage has increased earnings for the lowest-paid workers, it has not been enough to safeguard against poverty.

- The cost of housing has a considerable impact on families' budgets. This is reflected in poverty statistics: when housing costs are taken into account, the percentage of working-age adults with children in poverty increases from 15% to 22%.<sup>25</sup>
- In the case of lone parents, housing takes a heavier toll on finances: 46% of single parents are in poverty after housing costs (compared to 26% before housing costs)<sup>26</sup>
- Housing costs have increased the fastest for low-income households: mean housing costs rose by 47% between 2002/03 and 2016/17 for families with children in the bottom 20% of the income distribution. For families with children in middle-income households, there was a 11% increase in housing costs in the same period.<sup>27</sup>

## Caring Responsibilities

### Childcare

- In-work poverty rates for households with children are higher than for those without children, and among families with children they are higher for single-earner than dual-earner families<sup>28</sup>. Low-income households with children say that the issue of childcare is one of the reasons they are unable to work more hours<sup>29</sup>.
- Low-paid workers are more likely to work non-standard hours such as evenings and weekends or have irregular shift patterns. Finding formal childcare to fit in with these work patterns is much more difficult. Research found that low-paid workers use more informal childcare, with the inflexibility of their work patterns and the cost of childcare a large factor in why they don't work more hours<sup>30</sup>.
- Under Universal Credit, low-income parents can claim 85% of childcare costs. However, this still leaves working parents with 15% of the costs to pay, reducing the benefits of working or increasing their hours. The provision of support for 85% of costs is undermined by the requirement for parents to pay childcare fees up front and then claim the cost back<sup>31</sup>. This creates additional barriers to work for many low-income families who cannot afford to make these large payments up front.

---

<sup>25</sup> Resolution Foundation (2017) Low Pay Britain 2017 (<http://bit.ly/2Jf9J0m>) p.5

<sup>26</sup> E.g. see F Bennett (2018) 'Gender and social security' in J Millar and R Sainsbury (eds.) Understanding Social Security (3rd edn.), Bristol: The Policy Press

<sup>27</sup> EHRC (2017) Impact of tax and welfare reforms between 2010 and 2017: interim report ([http:// bit.ly/2xKUVpj](http://bit.ly/2xKUVpj))

<sup>28</sup> JRF (2020) UK Poverty 2019/20 [jrf - uk poverty 2019-20 report 0.pdf](#)

<sup>29</sup> Ibid

<sup>30</sup> Bünning, M & Pollmann-Schult, M (2016) : Family policies and fathers' working hours: cross-national differences in the paternal labour supply, Work, Employment and Society

<sup>31</sup> JRF (2020) UK Poverty 2019/20 [jrf - uk poverty 2019-20 report 0.pdf](#)

## Adult Social Care

- Like childcare, caring for disabled adults/children or the elderly, can also reduce the amount of income that people can earn through paid work.
- Carers UK estimate there may be possibly as many as 8.8 million carers in the UK in 2019 - altogether 58% of carers are women<sup>32</sup>.
- Reductions in formal care services puts a greater burden on unpaid carers and threatens to undo some of the progress made in raising female employment rates in the past 20 years, particularly among older women<sup>33</sup>. Carers UK found that 35% of carers had given up work to care and a further 16% had reduced their hours<sup>34</sup>.

## Low Earnings + Low Pay

Even though household groups with someone employed have a lower risk of poverty, this varies drastically depending on the number of hours in paid work and the number of adults employed<sup>35</sup>.

- Women receive less from paid work than men. As a result of caring responsibilities (set out above) women tend to be employed for fewer hours than men.

In addition to working fewer paid hours than men, women tend to gain less per hour worked. This is for three main reasons:

- Sectors with a higher concentration of female employees, such as cleaning and catering, tend to be lower paid<sup>36</sup>
- Part-time jobs very often pay less per hour than full-time jobs<sup>37</sup>
- Women are under-represented in higher-level positions that pay more<sup>38</sup>.

Low hourly pay and low earnings undermine the potential of paid work as a safeguard against poverty. This can be mitigated by tackling barriers to women's employment and through the adequate provision of social security support.

---

<sup>32</sup> Carers UK (2019) State of Caring Report 2019 (<http://bit.ly/2Wir14g>) p. 4

<sup>33</sup> Land, H. UKWBG (2020) Social Care and gender [final-social-care-2020.pdf](http://final-social-care-2020.pdf) ([wbg.org.uk](http://wbg.org.uk))

<sup>34</sup> Social Market Foundation (2018) Caring for Carers – The lives of family carers in the UK (<http://bit.ly/346jokn>)

<sup>35</sup> This refers to people in paid employment; we recognise that unpaid caring responsibilities and volunteering are also forms of work.

<sup>36</sup> Reis, S. UKWBG (2018) The Female Face of Poverty (<http://bit.ly/2CRlx8N>)

<sup>37</sup> Ibid

<sup>38</sup> Ibid