

THE GENDERED IMPACT OF THE COST-OF-LIVING CRISIS ON PUBLIC SERVICES

This is the fourth of a series of briefings on the gendered dimension of the cost-of-living crisis.

[The gendered impact of the cost-of-living crisis](#) (March 2022)

[The income crisis – a gendered analysis](#) (June 2022)

[The Cost Crisis: a Gendered Analysis](#) (September 2022)

SUMMARY

Soaring prices are affecting millions of households struggling to make ends meet. The impact is higher for lower-income households, as they spend a higher proportion of their income on essentials. The hike in inflation is also putting pressure on public services, making it impossible to do the same with fewer resources in real terms.

After a decade of austerity followed by the Covid-19 pandemic, public services are facing the cost-of-living crisis from a particularly vulnerable position. A strong public sector and services are crucial for a healthy, educated and well-cared-for population and a prosperous economy. An increase in public spending to improve services and overcome backlogs and staff crises is necessary and urgent.

Women rely more on public services and are therefore the most affected by cuts and austerity measures. Also, when the provision of public services is cut, women act as the providers of last resort, covering with their unpaid work the services that are no longer publicly provided. Women are also more likely to work in the public sector, being more affected when jobs and pay are cut.¹ Hence, women face a “triple whammy”. Cuts to the public sector are a gendered issue and women can’t afford to pay the price of austerity again.

WHAT WE WANT TO SEE DONE

- **Uprating budgets and grants to local authorities in line with the increase in the level of prices.** Funding for public bodies should at least maintain the real value set out in the last spending review, taking into consideration soaring price levels.
- **Increase public sector pay, aligned with the increase in the inflation rate.** To build strong public services it is necessary to attract and retain workers, offering well-paid and secure jobs. Maintaining the real value of wages should be considered as a minimum.
- **Medium-term plan to increase public spending,** aiming to, at least, restore service standards to pre-austerity levels. In the long term, public spending should increase sustainably based on need.
- **Reform of the taxation system to increase revenues and fund public spending.** The tax system should move towards equivalent taxation of earnings and other types of income, such as capital gains and wealth.

¹ H. Wakefield (2019), [Triple whammy: The impact of local government cuts on women](#), WBG

- **Investment in the care economy.** Previous WBG research has shown that investing in social infrastructure has important employment effects, with the capacity to increase overall employment by 5% and reduce the gender employment gap.²

AUSTERITY AND COVID-19

The consequences of austerity measures have been devastating for everyone in general and in particular for those more reliant on public services: women, disabled people, children, and people from ethnic minority backgrounds. The Covid-19 pandemic put even more pressure on the system, especially in the health and social care sector.

The 2010s were marked by austerity measures, including social security cuts and a reduction in the budget for public services. The response to the economic crisis of 2008 was a sharp reduction in public spending, with the justification of reducing the deficit and providing a signal of fiscal responsibility. Government spending as a share of GDP decreased from 47% in 2010 to 40% in 2019, before the pandemic.³ However, cuts in public spending did not have the result that the Government promised they would. Instead of speeding up the exit from the economic crisis, austerity worsened it. The squeeze in the budgets put pressure on the provision of public services, making it impossible to sustain the same quality with fewer resources. The consequences have been devastating for those more reliant on public services: women, disabled people, children, and people from ethnic minority backgrounds.

In the past decade, backlogs have built up across public services, including health and social care. Between 2012 and 2019, the backlog in elective care increased by 60%.⁴ Before the pandemic, the overall performance was somewhat worse or much worse than in 2010 (Table 1, first column).⁵

Public services were in a weak position when the Covid-19 pandemic arrived. Despite the additional resources transferred to deal with the pandemic, these were not enough to properly face the crisis while dealing with routine demand. By February 2020, just before the pandemic, 4.2 million people were on the NHS waiting list. This reached 7 million people by August 2022. With the funding allocated in the spending review 2021, it is unlikely that these services will be able to restore the level of the provision in 2019/2020 by 2025.⁶ Moreover, the increases in the last years are not enough to keep up with the rise in demand. For example, the funding for schools per pupil in the spending review 2021 was lower than in 2010/11 in real terms.⁷ In the healthcare sector, the per capita spending before the pandemic was below 2007 levels.⁸

The lack of adequate resources has also generated a retention and recruitment crisis in the public sector. After a temporary decrease in vacancy rates in the first stage of the pandemic, there was a rise for the 2021/2022 period. The vacancy rate in the social care sector

² J. De Henau & S. Himmelweit (2020) [A Care-Led Recovery from Coronavirus](#). Women's Budget Group.

³ OECD (2022), [General government spending \(indicator\)](#)

⁴ Institute for Government (2022), [Performance Tracker 2022](#)

⁵ Ibid

⁶ Ibid

⁷ L. Sibieta (2022) [School spending and costs: the coming crunch](#). IFS

⁸ World Health Organization Global Health Expenditure database (2022), [Current health expenditure, in constant NCU \(2019\) per capita](#).

reached 10.7%, while for NHS providers it reached 9.7% in June 2022. Below inflation pay increases and poor working conditions make it harder to overcome this situation.

Table 1: Service RAG ratings, October 2022⁹

Funding for health, social care, education, and other public services, is not sufficient to return to pre-pandemic standards

Service	Performance on the eve of pandemic vs 2009/10	Ongoing direct impact of Covid on working practices	Current performance vs 2019/20 performance	Funding adequate to return performance to 2019/20 level	Workforce adequate to return performance to 2019/20 level
General practice	Red	Amber	Amber	Amber	Red
Hospitals	Red	Red	Red	Red	Red
Adult social care	Red	Amber	Amber	Red	Red
Children's social care	Amber	Green	Green	Red	Amber
Neighbourhood services	Amber	Green	Amber	Red	Amber
Schools	Green	Green	Amber	Red	Amber
Police	Amber	Green	Amber	Green	Green
Criminal courts	Amber	Amber	Red	Red	Red
Prisons	Red	Amber	Red	Red	Red

Source: Institute for Government analysis, supported by CIPFA.

THE COST-OF-LIVING CRISIS AND THE PROVISION OF PUBLIC SERVICES

With budgets set in cash terms, not uprating budgets in line with inflation is equivalent to an unplanned dose of austerity.¹⁰ Public services are struggling with high energy prices and pressures to maintain the standard of the provision without any additional resources.

The sharp increase in the rate of inflation, which reached 10.1% in September 2022, impacts households and also public services. With budgets set in cash terms, inflation above the forecast means that public services have fewer financial resources in real terms.¹¹

Based on expected inflation of 8%, the Resolution Foundation estimated a real increase of just 2.9% of spending planned between 2021-22 and 2024-25. With an inflation rate of over 10%, the increase will be much lower in real terms.¹² High inflation, way beyond the predicted levels, would reduce by more than 40% the real-term increases in public budgets planned in the 2021 Spending Review.¹³

⁹ Ibid, page 11.

¹⁰ B. Zaranko (2022), [The inflation squeeze on public services](#). IFS

¹¹ B. Zaranko (2022), [The inflation squeeze on public services](#). IFS

¹² Resolution Foundation (2022), [Inflation Nation](#)

¹³ B. Zaranko, *ibid*.

The mini-budget announced by the former Chancellor Kwasi Kwarteng gave a signal of financial instability, by proposing unfunded tax cuts. As a consequence, interest rates increased, raising the borrowing costs for the government. Despite several U-turns, the appointment of a new Chancellor and the resignation of Liz Truss as Prime Minister, there is still a lot of pressure and instability on public finances.

Although the energy support from the Government will prevent increases in energy bills spiralling into catastrophic levels this winter, public and other essential services are already struggling with higher prices compared to last year. Schools, childcare and adult social care providers will not be able to maintain the quality of the service with the same budget. Moreover, many fear that they will have to close because of a lack of funding to cover higher costs and further support to retain their staff.

Schools are facing higher staff and non-staff costs, due to high prices of food and energy. Some providers will be evaluating bigger classes or a shorter school week to cope with the cost-of-living crisis.¹⁴ Other options being considered by school leaders across England are redundancies and cuts on support for children due to the funding crisis.¹⁵ Over two-thirds of school leaders declared that they will have to make teaching assistants redundant or reduce their hours to balance the books.

Besides the squeeze on school budgets, teachers and staff are supporting students whose families are struggling with the cost-of-living crisis. A survey conducted by NASUWT-The Teachers' Union shows that nearly 60% of teachers had given students food or clothing, and 15% had lent or given money to pupils.¹⁶

Because of the high level of prices, a planned increase of £1.5bn in real terms for the Department of Education is now a cut of £0.6bn for the period 2022-23 to 2023-24¹⁷, which will add to the financial pressure that schools are already facing.

The situation is similar for Health and Social Care. An original increase of 3%, planned in the Spending Review 2021, has now completely vanished in real terms for 2022-23 to 2023-24¹⁸. For 2022, NHS England will have to cover £1.5bn of additional costs due to inflation and £6-7bn in 2023/24, considering increases in wages and non-staff costs.¹⁹

The adult social care sector is facing higher prices, shortages of staff and a tight budget. Many local authorities fear that they won't be able to provide care for their residents.²⁰ NHS community providers are not able to ensure a proper provision of services out of hospital due to high fuel prices. Increased travel costs are worsening the staff crisis, with the providers fearing that community response teams won't be capable to provide health and care for those who need it.²¹

¹⁴ L. Sibieta (2022) [School spending and costs: the coming crunch](#). IFS; N. Woolcock (2022) [Pupils face big classes and short week to tackle spiraling costs](#). The Times

¹⁵ NAHT (2022) [Majority of schools looking at redundancies due to funding crisis, largest survey of school leaders shows](#)

¹⁶ NASUWT (2022) [Cost of living crisis harming pupils' education](#)

¹⁷ Resolution Foundation (2022) [Mind the \(credibility\) gap: Autumn Statement preview](#)

¹⁸ Ibid

¹⁹ NHS England (2022) [NHS England Board meeting](#)

²⁰ P. Butler and P. Crerar (2022) [Adult social care in England is in crisis, say Tory council leaders](#), The Guardian

²¹ NHS Confederation (2022) [Petrol price increases are driving away staff and putting services at risk, warn NHS leaders in new survey](#)

The County Council Network estimated that inflation would add £1.5bn to costs for the 40 largest councils in England.²² Numerous Councils would face hard decisions, being forced to reduce services to balance their budgets. This could mean a reduction of services and cancelling or delaying infrastructure projects and improvements. This difficult challenge comes after years of cuts to local budgets. Between 2010/11 and 2017/18 English councils experienced a fall of over 49% in central government funding.²³

PUBLIC SECTOR PAY

To deal with the recruitment and retention crisis in the public sector it is essential to offer well-paid and secure jobs. In the last year, wages in the private sector have increased more than in the public sector, making it difficult to attract workers. High inflation has exacerbated this problem, resulting in a cut in real terms in public sector wages.

Austerity policies led to a sustained reduction in public sector pay in real terms. Right after the financial crisis of 2008, the rate of growth of wages in the public sector remained stable compared to the private sector (Figure 2). However, from 2014 onwards wages in the private sector started to grow faster than in the public sector. From 2021, public sector wages have stagnated in nominal terms, growing much less than inflation. The decrease in wages in real terms adds to the recruitment and retention crisis that the public sector has been experiencing in the last few years.

The average difference in hourly pay between the private and the public sector has been decreasing since 2011. Taking into account experience, education, region, age and sex, the differential average pay has been falling in the public sector versus the private sector, reaching -0.7% in 2021/2022, showing no premium pay for the public sector.²⁴ Under these conditions, it will be difficult to attract workers into the public sector if they can find better options elsewhere. Retention and recruiting crises will be exacerbated in many essential services.

Low levels of wages in the public sector disproportionately impact women since the majority of the employees in this sector are women. Nearly 80% of the employees of the NHS are women, with a higher representation in the lowest-paid group.²⁵ In the adult social care sector, around 82% of workers are women.²⁶ 76% of teachers in England were women in 2019.²⁷

As a result of low wages, public sector workers are having to make decisions which affect their long term financial wellbeing. For example, the number of nurses leaving the NHS pension scheme has doubled in the last year.²⁸ Many of them can't make ends meet and have been left with no option but to sacrifice their future pension to cope with the cost-of-living crisis.

²² County Council Network (2022) [Cost of living crisis: councils face winter of 'difficult decisions' as spiralling inflation adds £1.5bn to costs](#)

²³ H. Wakefield (2022), [Spring Budget 2022 Pre-budget Briefings: Local Government and Gender](#), WBG

²⁴ B. Boileau, L. O'Brien, B. Zaranko (2022) [R219 IFS Green Budget 2022 - Chapter 4](#)

²⁵ NHS (2021) [Gender pay report \(2020\)](#)

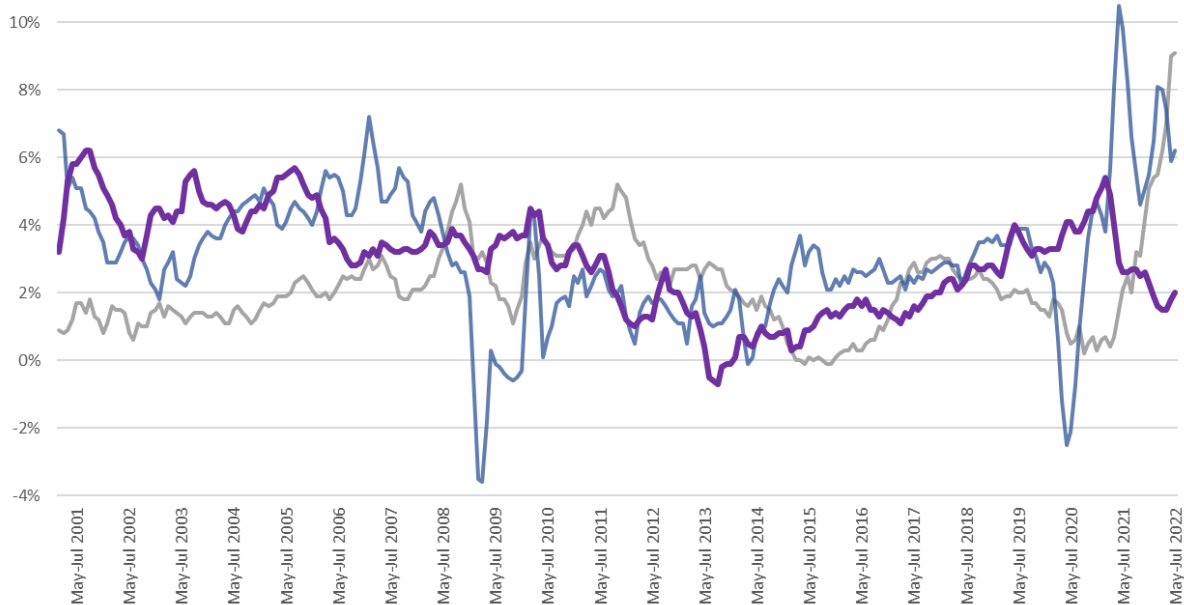
²⁶ Workforce Intelligence (2022) [The state of the adult social care sector and workforce in England](#)

²⁷ GOV.UK (2021) [School teacher workforce](#)

²⁸ Royal College of Nursing (2022), [Nursing staff quitting their NHS pensions to make ends meet as cost-of-living crisis bites](#)

Figure 2: growth rates for wages in the private and public sector

In the last year, public sector pay has grown less than in the private sector, and way below the inflation rate.



Notes: Average weekly earnings annual growth rates for total pay, private and public sector. Source: Average weekly earnings in Great Britain: October 2022, [ONS](#). Inflation rate calculated based on CPI annual rate 00: All items 2015=100. Source: Consumer price inflation time series, [ONS](#).

A potential increase of 5% in public sector pay, instead of the 3% planned on the spending review 2021, would reduce the loss in real terms for thousands of workers. However, there won't be a top-up of public budgets to cover that additional 2%, equivalent to an increase of £5bn per year in departmental staffing costs.²⁹ Hence, public services will be forced to reduce costs from other sections of their budgets or reduce staff. In any scenario, there is no doubt that the quality of the service cannot be the same if public services are expected to do the same but with fewer resources.

THE GENDERED IMPACT OF THE REDUCTION OF PUBLIC SERVICES

Women face a “triple whammy” when public services are cut. They rely more on public services, are more likely to cover with their unpaid work the lack of public provision and represent a higher proportion of the workforce in that sector.

A potential reduction in public services provision would hit women and low-income households harder because they rely more on these services. The Covid-19 pandemic unveiled that the provision of public services is fundamental for women and that when these services fail, women are the ones filling the gaps.

²⁹ B. Boileau, L. O'Brien, B. Zaranko (2022) [R219 IFS Green Budget 2022 - Chapter 4](#)

Previous analysis from the WBG during the Covid pandemic showed that mothers on the lowest incomes are eight times more at risk of losing their job than those in high-income households due to school closures in the UK.³⁰ If school provision were to be reduced, we would expect to see an impact on women's ability to remain in the labour market and maintain financial resilience.

The lack of access to childcare represents a barrier for millions of women able to engage in the labour market. The Centre for Progressive Policy estimates that over 4.6 million women were prevented to secure a job or increase their working hours due to unsuitable childcare options in 2021.³¹

The Health and Social Care sector was extremely affected by the pandemic, adding to more than 10 years of spending squeeze.³² The lack of funding in social care impacts the functioning of the health system. At the beginning of the year, nearly 13,000 people met the criteria for leaving hospital but were not discharged because of a reduced capacity at the community level to provide care.³³ To cover for the lack of provision, women are the ones who generally step in providing unpaid work. Women are also more likely to need care, due to disability and a longer life expectancy.³⁴

The reduction of public services represents a triple whammy for women: as women are more dependent on public services, any cut in the provision will have a negative impact on them; women act as the providers of last resort, covering with their unpaid work the services that are no longer publicly provided; and women are more likely to work in the public sector in general, and in the health and care sector, education and local authorities in particular, being more affected when jobs and pay are cut.³⁵

WHAT WE WANT TO SEE DONE

Providing high-quality public services is fundamental to ensuring adequate living standards for all people across the country. Beyond an adequate income, good access to health, education and care also lead to better living conditions. A strong public sector and services are crucial for a healthy, educated and well-cared-for population and a prosperous economy. The funding should respond to these objectives, ensuring resources and financial certainty for departments, services and local authorities. This includes public sector pay. Wages in the public sector should be considered as a tool to ensure the recruitment and retention of qualified workers, prepared to provide a high-quality service.

The new Chancellor should take direct actions oriented towards

- **Uprating budgets and local authority grants in line with the increase in the level of prices.** The public budget should at least maintain the real value defined in the last spending review, taking into consideration soaring price levels.

³⁰ [Women's Budget Group \(2021\)](#)

³¹ Centre for Progressive Policy (2021), [Women in the labour market](#)

³² A. Johnston (2021), [Spring Budget 2021 Pre-Budget Briefings. Health inequalities and Covid-19](#). Women's Budget Group

³³ NHS Confederation (2022) [New focus, old problem: tackling delayed discharges this winter and beyond](#)

³⁴ WBG (2021) [Response to Government Plans of Funding for Social Care](#)

³⁵ H. Wakefield (2019), [Triple whammy: The impact of local government cuts on women](#), WBG

- **Increase public sector pay, aligned with the increase in the inflation rate.** To build strong public services it is necessary to attract and retain workers, offering well-paid and secure jobs. Maintaining the real value of wages should be considered as a minimum.
- **Medium-term plan to increase public spending**, aiming to, at least, restore service standards to pre-austerity levels. In the long term, public spending should increase sustainably to properly respond to population growth and demographic change.
- **Reform of the taxation system to increase revenues and fund public spending.** The tax system should move towards equivalent taxation of earnings and other types of income, such as capital gains and wealth. A 1% tax on assets over £10 million could raise up to £10bn per year.³⁶
- **Investment in the care economy.** A strategy to promote well-being needs public investment in the health and care economy financed by progressive taxation. Previous WBG research has shown that investing in social infrastructure has important employment effects, with the capacity of increasing overall employment by 5% and reducing the gender employment gap.³⁷

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Cost of living scandal – the gendered story series



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³⁶ Tax Justice UK (2022) [Five policies that could raise up to £37 billion in tax](#)

³⁷ J. De Henau & S. Himmelweit (2020) [A Care-Led Recovery from Coronavirus](#). Women's Budget Group.