

## Women's Budget Group Submission to Low Pay Commission Consultation May 2023

### About Us

The UK Women's Budget Group (WBG) is a feminist think tank that provides evidence and capacity building on women's economic position and that proposes policy alternatives for a gender-equal economy. We act as a link between academia, the women's voluntary sector and the social policy world of think tanks. We benefit hugely from our network of pro-bono experts from academia, the new economics and the women's movements, alongside a professional staff team, who are all essential to our work.

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### Summary

- We welcome the commitment made at the Autumn 2022 Budget to raise the National Minimum Wage (NMW) rates and increase the National Living Wage (NLW) from April 2023. However, the increase of 9.7% in the NLW is not keeping pace with inflation (10.1% in April 2023) and NLW workers are therefore experiencing a pay cut in real terms.
- Whilst beyond the scope of this consultation, policies aimed at reducing poverty must look beyond paid employment. Despite the introduction of the NLW, rising housing costs and reduced benefit incomes and tax credits have made it harder for low-income working families to escape poverty.
- Increases to the NLW and NMW are a positive development within the labour market but action to tackle in-work poverty needs 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.

## In-work Poverty

- Although the National Living Wage has increased earnings for the lowest-paid workers, it has not been enough to safeguard against poverty. Paid employment does reduce the risk of poverty (when compared to being unemployed), yet 61% of working-age adults in poverty live in a household where at least one adult is in work<sup>1</sup>.
- 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, like retail trade (18%), accommodation and food services, have some of the highest rate of poverty (16%)<sup>4</sup>.
- 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 worker poverty rates are more than double the poverty rates of full-time workers (18% compared with 9%) and self-employed workers are twice as likely to be in poverty than employees (21% compared with 10%)<sup>6</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>7</sup>.
- Around 90% of single parents are women<sup>8</sup> and working single parents have seen the fastest rise in in-work poverty, with 23% of working single parents now in poverty<sup>9</sup>.

## 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. As mentioned above, the increase of 9.7% in

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<sup>1</sup> JRF (2023) UK Poverty 2022 <https://www.jrf.org.uk/report/uk-poverty-2023#key-findings>

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

<sup>3</sup> Ibid

<sup>4</sup> JRF (2023) UK Poverty 2022 <https://www.jrf.org.uk/report/uk-poverty-2023#key-findings>

<sup>5</sup> Ibid

<sup>6</sup> Ibid

<sup>7</sup> JRF (2020) UK Poverty 2019/20 [jrf - uk poverty 2019-20 report 0.pdf](https://www.jrf.org.uk/report/uk-poverty-2019-20-report-0.pdf)

<sup>8</sup> [Single parents: facts and figures | Gingerbread](https://www.jrf.org.uk/report/uk-poverty-2023#key-findings)

<sup>9</sup> JRF (2023) UK Poverty 2022 <https://www.jrf.org.uk/report/uk-poverty-2023#key-findings>

the NLW is not keeping pace with inflation (10.1% in April 2023) and NLW workers are therefore experiencing a pay cut in real terms.

### Housing Costs

- 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>10</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>11</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>12</sup>

### Energy Costs

- Households saw energy costs increase significantly from April 2023. Government support was reduced and the Energy Price Guarantee (EPG) was raised to £3,000 (from £2,500), and overall, energy bills increased by 20% in 2023-24 compared to 2022-23<sup>13</sup>
- These increases come on top of pre-existing problems of fuel poverty. In 2019 (the most recent year for which figures are available) 13.2% of households were in fuel poverty. Single parents, 88% of whom are women, are particularly likely to be in fuel poverty. In 2020 26.5% of single-parent households were in fuel poverty, a significant increase from 18.9% in 2018<sup>14</sup>. However, End Fuel Poverty predicts that 55.7% of lone-parent households were in fuel poverty in 2022<sup>15</sup>
- Disabled people and their carers will face significant additional problems as a result of rising energy costs. On average, disabled households (with at least one disabled adult or child) need an additional £975 a month to have the same standard of living as non-disabled households. If this figure is updated to account for inflation over the current period 2022/2023, these extra costs rise to £1,122 per month<sup>16</sup>.

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<sup>10</sup> Resolution Foundation (2017) Low Pay Britain 2017 (<http://bit.ly/2Jf9JOM>) p.5

<sup>11</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>12</sup> EHRC (2017) Impact of tax and welfare reforms between 2010 and 2017: interim report (<https://bit.ly/2xKUVpj>)

<sup>13</sup> Resolution Foundation (2023) The only way is down <https://www.resolutionfoundation.org/publications/the-only-way-is-down/>

<sup>14</sup> Department for Business, Energy & Industrial Strategy (2022) Fuel poverty statistics report for 2022 (2020 data) <https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2021>

<sup>15</sup> End Fuel Poverty (2022) Children set to suffer as energy bills rocket <https://bit.ly/3pMmF8q>

<sup>16</sup> Scope (2023) Disability Price Tag 2023: the extra cost of disability <https://www.scope.org.uk/campaigns/extra-costs/disability-price-tag-2023/>

## Food Costs

- Food price inflation hit 19.2% in March 2023, the highest rate since 1977<sup>17</sup>.
- However, as food writer and activist Jack Monroe has pointed out, ONS inflation data is based on the price of an 'average' basket of goods and doesn't take into account the fact that poorer people will rely on value ranges and discounted goods, where price rises have been steeper<sup>18</sup>. This is clear when considering the average prices of bread and cereals rose by 19.4% in the year to March 2023<sup>19</sup>.
- Again, this comes on top of pre-existing problems with food insecurity. In 2021/22, 24% of households with incomes of under £200 a week reported food insecurity, with 27% of single-parent households with three or more children reporting food insecurity<sup>20</sup>.

## Fuel Costs

- While average fuel prices have reduced from their 2022 peak of 191.53p-per-litre of petrol and 199.05p per litre of diesel in July, they have still failed to reduce at the same rate as wholesale costs<sup>21</sup>.
- The CMA recently noted that, while Russia's invasion of Ukraine had caused prices to rise, higher pump costs could not be "attributed solely to factors outside the control of the retailers". Indeed, there is concern that companies are failing to pass on the government's 5p fuel duty cut for motorists and have increased their margin targets on fuel for the year<sup>22</sup>

## **Reducing Poverty**

### Childcare

- The OECD recently reported that the UK has the most expensive childcare system in the world with 35.7% of income being spent on it<sup>23</sup>.
- 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>24</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>25</sup>.

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<sup>17</sup> ONS (2023) Cost of living insights: Food <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/food>

<sup>18</sup> Jack Monroe (19 Jan 2022) Twitter thread (<https://bit.ly/3KTdW9M>)

<sup>19</sup> ONS (2023) Cost of living insights: Food <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/food>

<sup>20</sup> ONS (2023) Family Resources Survey: financial year 2010 to 2022 <https://www.gov.uk/government/statistics/family-resources-survey-financial-year-2021-to-2022>

<sup>21</sup> Heycar (2023) Latest petrol and fuel prices <https://heycar.co.uk/blog/latest-fuel-prices>

<sup>22</sup> BBC (2023) Supermarkets probed over food and fuel prices <https://www.bbc.co.uk/news/business-65601292>

<sup>23</sup> OECD (2019) Net childcare costs <https://data.oecd.org/benwage/net-childcare-costs.htm>

<sup>24</sup> JRF (2020) UK Poverty 2019/20 [jrf - uk poverty 2019-20 report 0.pdf](https://www.jrf.org.uk/sites/default/files/2020-09/jrf_-_uk_poverty_2019-20_report_0.pdf)

<sup>25</sup> Ibid

- A new national report into the childcare crisis from Pregnant Then Screwed found that 76% of mothers who pay for childcare say it no longer makes financial sense for them to work. In addition, 11% of parents say that childcare costs are the same or more than their take-home pay per day. And 22% of parents say that childcare costs are more than half of their household income<sup>26</sup>.
- In 2023, the price of childcare rose by 5.6% for those aged under two to £148 per week for just a part time place <sup>27</sup>.
- The cost of childcare has soared over the past decade and is now more than £2,000 a year higher than it was in 2010, according to analysis from the Trades Union Congress<sup>28</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>29</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>30</sup>. This creates additional barriers to work for many low-income families who cannot afford to make these large payments up front.
- WBG therefore welcomed the government's announcement at the 2023 Spring Budget of a significant expansion of the early years and childcare free hours offer to younger children from working families<sup>31</sup>.
- However, we are concerned about the challenges for delivering this expansion of provision. We estimate that to fund the current hours at their true cost will cost an additional £1.82 billion, which includes the impact of inflation and paying at least the national living wage to early years workers<sup>32</sup>.
- Any expansion has to come with a plan to recruit, train and pay early years workers properly. The early years workforce, predominantly women, are some of the worst paid

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<sup>26</sup> Pregnant then Screwed (2023) A Cry For Help <https://pregnantthenscrewed.com/three-quarters-of-mothers-who-pay-for-childcare-say-that-it-does-not-make-financial-sense-for-them-to-work/>

<sup>27</sup> Coram Family and Childcare (2020) Childcare Survey 2020 (<https://bit.ly/2MASdrg>) p. 17

<sup>28</sup> The Guardian (13 June 2022) [UK childcare costs soar by more than £2,000 in a decade, TUC says | Childcare | The Guardian](https://www.theguardian.com/uk-news/2022/jun/13/childcare-costs-soar-by-more-than-2000-in-a-decade-tuc-says)

<sup>29</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>30</sup> JRF (2020) UK Poverty 2019/20 [jrf - uk poverty 2019-20 report 0.pdf](https://www.jrf.org.uk/sites/default/files/2020-04/jrf-uk-poverty-2019-20-report-0.pdf)

<sup>31</sup> WBG (2023) WBG finds Government funding for early education and childcare falls short by £5.2bn <https://bit.ly/4578j2X>

<sup>32</sup> WBG (2023) WBG's response to the Spring Statement 2023 <https://wbg.org.uk/media/press-releases/wbgs-response-to-the-spring-statement-2023/>

people in the labour market, with 45% relying on benefits to supplement their income, leading to over a third leaving the sector within two years.

- The UK WBG advocates a universal, free childcare system with well-paid and highly qualified staff. Modelling of the employment and fiscal impacts of such system 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.

You can read our full response to the Spring Budget's early years and childcare announcements on our [website](#). For more information about childcare see our latest [briefing](#).

### 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.
- 59% of unpaid carers are women<sup>33</sup>. Women are more likely to become carers and to provide more hours of unpaid care than men. More women than men provide high intensity care at ages when they would expect to be in paid work<sup>34</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>35</sup>. Recent research by Carers Trust has found that 14% of unpaid carers have had to use a food bank; 63% are worried about being able to afford energy bills; and 64% of unpaid carers have either had to give up work altogether or reduce their paid hours because of their caring role<sup>36</sup>.

For more information about social care see our latest [briefing](#).

### **Social Security**

Women are more likely than men to rely on social security for a larger part of their income because they earn less than men on average and are more likely to have disabilities and caring responsibilities, leaving them with less time for paid work across a lifetime. A social security system that provides for women is vital to recognise their humanity and wider contributions to society beyond paid employment<sup>37</sup>.

### Tax Credits and Universal Credit

- Cuts and changes made to benefits since 2010 under the umbrella of austerity have resulted in reductions in payments and increases in women's, children's and in-work poverty. The introduction of Universal Credit (UC), the benefit cap, the two-child limit, the

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<sup>33</sup> Carers UK (2023) Key facts and figures about caring <https://www.carersuk.org/policy-and-research/key-facts-and-figures/>

<sup>34</sup> Carers UK and Centre for Care (2022) Cycles of Caring: transitions in and out of unpaid care <https://bit.ly/3pDQPL3>

<sup>35</sup> Land, H. UKWBG (2020) Social Care and gender [final-social-care-2020.pdf \(wbg.org.uk\)](https://www.wbg.org.uk/analysis/spring-budget-2023-social-security-and-gender/)

<sup>36</sup> Carers Trust (2022) Carers Trust research reveals unpaid family carers experiencing unprecedented financial hardship with many now using food banks <https://bit.ly/3W6veqM>

<sup>37</sup> WBG (2023) Spring Budget 2023: Social security and gender <https://wbg.org.uk/analysis/spring-budget-2023-social-security-and-gender/>

'bedroom tax', the benefits freeze and other changes have exacerbated inequalities based on gender, race, class and disability<sup>38</sup>.

- The abolition from April 2017 of any additional child element in Universal Credit (UC) for third and subsequent children is having 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>39</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>40</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>41</sup>. These failings particularly affect women because women are more likely to rely on the social security system at some point, as noted above.
- The £20 Universal Credit uplift that was introduced as a response to the pandemic has now been reversed despite calls for it to be made permanent. To provide winter support after the uplift ended, the government announced a £500 million Household Support Fund. However, it was insufficient to compensate for the losses arising from the end of the uplift<sup>42</sup>.
- Analysis by the Josef Roundtree Foundation demonstrates that the temporary £20 uplift to Universal Credit's standard allowance during the pandemic was a major factor behind a temporarily reduced poverty rate in 2020/21, including for larger families<sup>43</sup>
- The Trussell Trust also reports that there was a slight reduction in the use of foodbanks following the recent 'Cost of Living Payments' to support with high energy bills, while Citizens Advice reports there was a reduced demand for advice. These temporary measures highlight how financial support can make a real and direct difference<sup>44</sup>.

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<sup>38</sup> Ibid

<sup>39</sup> WBG calculations by Lucinda Platt (LSE), based on Households Below Average Income surveys (2010/11 to 2012/13).

<sup>40</sup> De Henau, Jerome. UKWBG (2019) Social Security and Women [SOCIAL-SECURITY-2019.pdf \(wbg.org.uk\)](https://www.wbg.org.uk/social-security-2019.pdf)

<sup>41</sup> House of Lords Economic Affairs Committee (2020) Universal Credit isn't working: proposals for policy reform <https://bit.ly/2YSWZHd>

<sup>42</sup> WBG (2023) Spring Budget 2023: Social security and gender <https://wbg.org.uk/analysis/spring-budget-2023-social-security-and-gender/>

<sup>43</sup> JRF (2023) UK Poverty 2022 <https://www.jrf.org.uk/report/uk-poverty-2023#key-findings>

<sup>44</sup> JRF and The Trussell Trust (2023) An Essentials Guarantee <https://www.jrf.org.uk/report/guarantee-our-essentials>

## 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>45</sup>.
- Overall national caps were introduced for each home-size up to a maximum rate of four bedrooms<sup>46</sup>. Single adults aged 25-34 were limited to the rate for a room in a shared house<sup>47</sup>.
- From 2012 to 2016 LHA rates were uprated 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>48</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>49</sup>.
- These changes have disproportionately affected women as they are more likely than men to be in receipt of Housing Benefit, with women making up 60% of adults in households claiming Housing Benefit<sup>50</sup>. In addition, 30% of households claiming Housing Benefit are women living on their own and another 22% are lone-parents<sup>51</sup>.

For more information about social security see our latest [briefing](#).

## **Conclusion**

Ending low hourly pay plays an important part in tackling in work poverty. However, with inflation at a 41 year high of 10.1%, it is important that any future increase is at least in step with inflation in order to ensure NLW workers do not continue to experience a pay cut in real terms. Yet it is important to recognise that an increased NLW and NMW will not end in work poverty completely, especially for women. This is because women often work fewer hours in order to juggle unpaid caring responsibilities like childcare so even if their hourly wage is adequate, their take-home earnings may not be. And, if in-work poverty is measured by household this does not necessarily tell us enough about women's resources as finances are not always shared equally within the home. An increase to the NLW needs to be combined with action to improve the availability of affordable childcare and elder care, and with a social security system that supports those who are combining part time work with unpaid care.

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<sup>45</sup> Tunstall, B. UKWBG (2020) Housing and Gender [final-housing-2020.pdf \(wbg.org.uk\)](#)

<sup>46</sup> Ibid

<sup>47</sup> Ibid

<sup>48</sup> Ibid

<sup>49</sup> Ibid

<sup>50</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>51</sup> Tunstall, B. UKWBG (2020) Housing and Gender [final-housing-2020.pdf \(wbg.org.uk\)](#)