

## Women's Budget Group Submission to the Financial Resilience APPG June 2023

### About Us

The UK Women's Budget Group (WBG) is the UK's leading gender equality think tank, providing evidence and analysis on women's economic position and proposing policy alternatives for a gender-equal economy. We act as a link between academia, the women's voluntary sector and progressive economic think tanks.

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### Summary

- The UK economy continues to experience significant interlinked shocks with important consequences for living standards, businesses and public finances. Inflation is at the highest level it has been in 40 years, driven mostly by global causes, chief of which is unprecedented high energy costs. Combined with lower-than-inflation wage growth and weakened public services from over a decade of underfunding followed by a global pandemic, people's living standards are falling.
- The economic impact of the pandemic and the cost of living crisis is higher on those on low incomes who are more dependent on public services, spend a higher proportion of their income on essentials and have less savings.
- Poverty is a gendered phenomenon and women are more likely to live in poverty than men. As set out in our 2018 report with Coventry women's organisations, 'The Female Face of Poverty', the position of women in the labour market, the design of social security and women's roles within the family all contribute to women's vulnerability to poverty<sup>1</sup>.
- Individual financial autonomy is the best guarantee of financial resilience both in the present and in the future. This is achieved for many people through employment earnings and through adequate social security support.

### **1. *How have the pandemic and the cost-of-living crisis impacted people's financial resilience?***

#### Poverty rates

In the last decade, the UK has experienced stagnant incomes, cuts to social security, and a reduction in public services provision. The consequences have been significantly negative for women, who generally have lower wages and due to caring responsibilities rely more on public services and social security<sup>2</sup>. This is particularly true for disabled women, single mothers and Black and minority ethnic women<sup>3</sup>.

The COVID-19 pandemic affected poorer households to a greater extent, with higher mortality rates, mental health issues, unemployment, and financial instability<sup>4</sup>. Many women faced precarious economic conditions, with increased unpaid care work, low savings and reduced capacity to overcome economic shocks.

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<sup>1</sup> WBG with five women's organisations in Coventry (2018) [The Female Face of Poverty](#)

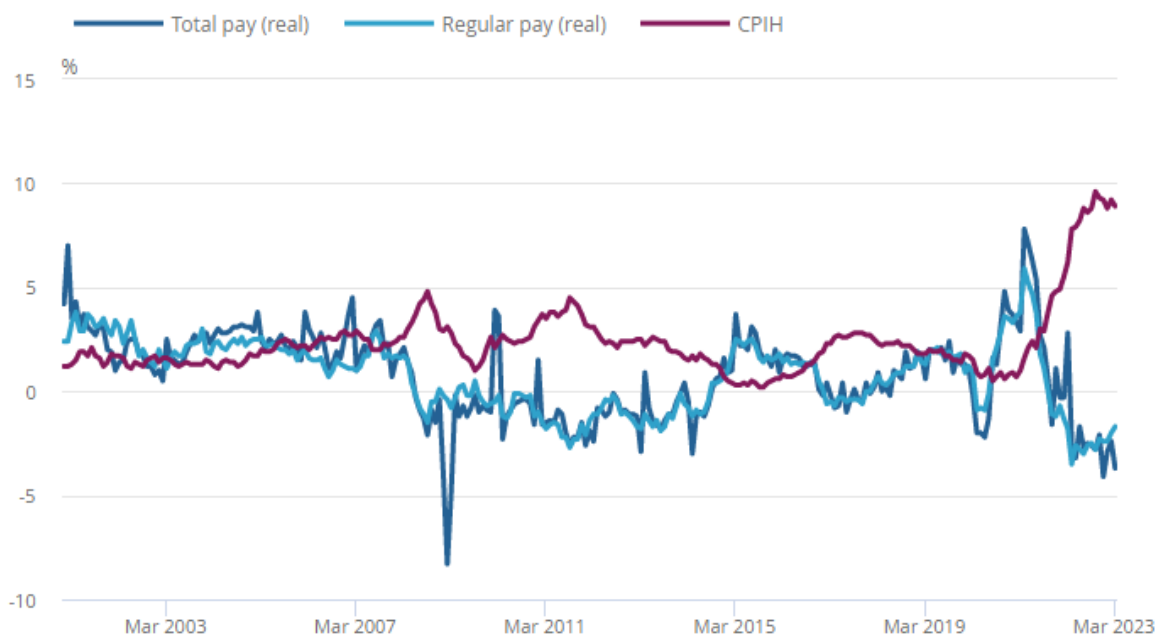
<sup>2</sup> H Wakefield (2019) [Triple Whammy: the impact of local government cuts on women](#). Women's Budget Group

<sup>3</sup> WBG and the Runnymede Trust (2017) *Intersecting inequalities: The impact of austerity on Black and Minority Ethnic women in the UK*

<sup>4</sup> A Johnston (2021) [Lessons Learned: Where Women Stand at the Start of 2021](#). Women's Budget Group

The cost-of-living crisis is now putting even more pressure on households that were already struggling. Since July 2021, the inflation rate has been increasing to 40-year record highs. As there has not been a similar increase in nominal wages, real wages have decreased by 3.1% in the last year (Figure 1). Households have less purchasing power, meaning they can buy or pay for fewer things with the same wages.

**Figure 1: Real average weekly earnings single-month annual growth rates in Great Britain, seasonally adjusted, and CPIH annual rate, January 2001 to March 2023**



Poverty is gendered. Women in the UK are slightly more likely to live in poverty than men when this is measured on the usual household basis and female-headed households are poorer than comparable male-headed households<sup>5</sup>.

- 86% of single parents are women<sup>6</sup> and working single parents have seen the fastest rise in in-work poverty, with 23% of working single parents now in poverty<sup>7</sup>.
- 60% of carers are women, and just over three quarters are of working age. Around two-thirds care, on average, for fewer than 35 hours a week, with around one-third spending more than 35 hours a week providing informal care. Informal carers are more likely to live in poverty than those without caring responsibilities: 29% compared with 20%.<sup>8</sup>

Recent research carried out by Runnymede found that there continues to be large variations in poverty rates by ethnicity<sup>9</sup>.

- Black and minority ethnic people are 2.5 times more likely to be in poverty than white people.
- Beneath the poverty line, average incomes for Black and minority ethnic people have fallen faster and deeper (by six percentage points) than for white people (by 1 percentage point) over the last decade. This has become more pronounced since the start of the pandemic.

<sup>5</sup> Department for Work and Pensions Households below average income: for financial years ending 1995 to 2020 - GOV.UK ([www.gov.uk](http://www.gov.uk))

<sup>6</sup> ONS (2023) Families in England and Wales: Census 2021

<sup>7</sup> JRF (2023) UK Poverty 2022 (<https://www.jrf.org.uk/report/uk-poverty-2023#key-findings>)

<sup>8</sup> Ibid

<sup>9</sup> Runnymede (2022) Falling Faster amidst a Cost-of-Living Crisis: Poverty, Inequality and Ethnicity in the UK (<https://www.runnymedetrust.org/publications/falling-faster-amidst-a-cost-of-living-crisis-poverty-inequality-and-ethnicity-in-the-uk>)

- Despite making up around 15% of the UK population, 26% of those in 'deep poverty' are from a Black and minority ethnic background and make up a growing share of those on the lowest incomes.
- As a result, Black and minority ethnic people are currently 2.2 times more likely to be in deep poverty than white people, with Bangladeshi people more than three times more likely.

The poverty rate for disabled people is 29%, some 9 percentage points above those who are not disabled. The difference is particularly stark for working-age adults: disabled working-age adults are almost twice as likely to live in poverty compared with those who are not (35% and 18% respectively).<sup>10</sup>

- 33% of working-age disabled women are living in poverty. This is 15 percentage points higher than for women who are not disabled.
- While 36% of disabled men are living in poverty - 18 percentage points higher than those who are not disabled.
- This disparity between disabled men and women can be explained in part by different family structures. 48% of working age disabled men are single without children, 16% higher than disabled women. As single working-age adults have higher poverty rates than those in couples, the higher proportion of single men within this group will be driving the higher poverty rate for disabled working-age men compared with disabled working-age women.

### Housing Costs

- Secure and energy efficient housing is fundamental to life, security and wellbeing as well as tackling climate change and working towards a zero-carbon future.
- There is currently not a single English region where the median private rent is affordable on women's median earnings and women need over 12 times their annual salaries to be able to buy a home in England, while men need just over eight times.
- Women also make up the majority of the statutory homeless.<sup>11</sup>
- 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>12</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>13</sup>
- In the case of single parents, of which the majority are women, housing takes a heavier toll on finances: 46% of single parents are in poverty after housing costs (compared to 26% before housing costs).<sup>14</sup>
- Research carried out by Runnymede Trust after the pandemic also found that Black and minority ethnic people are more likely than white people to have had to start using savings for day-to-day spending (14% BME vs 8% white British); found it harder than usual to pay for essentials and meet

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<sup>10</sup> JRF (2023) UK Poverty 2022 (<https://www.jrf.org.uk/report/uk-poverty-2023#key-findings>)

<sup>11</sup> WBG (2019) [A Home of Her Own: Housing and Women](#)

<sup>12</sup> Resolution Foundation (2017) Low Pay Britain 2017 (<http://bit.ly/2Jf9J0m>) p.5

<sup>13</sup> EHRC (2017) Impact of tax and welfare reforms between 2010 and 2017: interim report (<https://bit.ly/2xKUVpj>)

<sup>14</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

basic needs (12% BME vs 8% white groups); and found it harder than usual to pay bills or rent (15% BME vs 8% white groups)<sup>15</sup>

- Research carried out by Scope found that, 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>.

### 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>17</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 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>18</sup>. However, End Fuel Poverty predicts that 55.7% of single parent households were in fuel poverty in 2022<sup>19</sup>
- According to research carried out by Runnymede, it was expected that the 'Energy Price Guarantee' would lift more white households out of fuel poverty than Black and minority ethnic households. As a result, just under a third (32%) of White people were predicted to experience fuel poverty in the winter of 2022 compared to more than half (52%) of Black and minority ethnic people (rising to two thirds (66%) of Pakistani and Bangladeshi people)<sup>20</sup>.

### Food Costs

- Food price inflation hit 19.2% in March 2023, the highest rate since 1977<sup>21</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>22</sup>. This is clear when considering the average prices of bread and cereals rose by 19.4% in the year to March 2023<sup>23</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<sup>24</sup>.
- 27% of single-parent households with three or more children reporting food insecurity<sup>25</sup>.

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<sup>15</sup> Runnymede Trust and ICM, 'Under-Protected The Devastating Impact of COVID-19 on Black and Minority Ethnic Communities in Great Britain' (2020)

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

<sup>17</sup> Resolution Foundation (2023) The only way is down <https://www.resolutionfoundation.org/publications/the-only-way-is-down/>

<sup>18</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>19</sup> End Fuel Poverty (2022) Children set to suffer as energy bills rocket <https://bit.ly/3pMmF8q>

<sup>20</sup>

<sup>21</sup> ONS (2023) Cost of living insights: Food <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/food>

<sup>22</sup> Jack Monroe (19 Jan 2022) Twitter thread (<https://bit.ly/3KTdW9M>)

<sup>23</sup> ONS (2023) Cost of living insights: Food <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/food>

<sup>24</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>25</sup> Ibid

- Data from the Food Foundation’s Food Insecurity Tracker March 2023, shows that food insecurity levels are over three times as high in ‘households with an adult limited a lot by disability than households with no adults limited by disability’<sup>26</sup>.
- The Food Foundation also found that minority ethnic families are already twice as likely to be suffering from food insecurity, with 1 in 5 minority ethnic households currently food insecure compared to 1 in 10 white households.
- The “Food and You” survey shows that 83% of women declared to have half or more of the responsibility for grocery shopping, versus a 57% of men. Regarding preparing or cooking food, 82% of women had half or more of this responsibility, versus 51% of men in the same category<sup>27</sup>.

## **2. How do those with poor financial resilience deal with childcare responsibilities?**

Childcare is an issue for all parents and yet in practice, because of its affordability and accessibility, it has a far greater impact on women’s employment and income. It is the single most important driver of the gender pay and labour market participation gap. The current early education and childcare system in the UK is expensive and formal provision is patchy.

- The OECD reported that the UK has the most expensive childcare system in the world with 35.7% of income being spent on it<sup>28</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>29</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>30</sup>.
- 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>31</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>32</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>33</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>34</sup>.

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<sup>26</sup> The Food Foundation (2023) Food insecurity tracker update (<https://foodfoundation.org.uk/publication/food-insecurity-tracker-update-families-continue-face-high-levels-food-insecurity>)

<sup>27</sup> Food Standards Agency (2020), Food and You - Combined Results for England, Wales and Northern Ireland. Chapter 1.

<sup>28</sup> OECD (2019) Net childcare costs <https://data.oecd.org/benwage/net-childcare-costs.htm>

<sup>29</sup> JRF (2020) UK Poverty 2019/20 [jrf - uk poverty 2019-20 report 0.pdf](http://jrf.org.uk/poverty-2019-20-report-0.pdf)

<sup>30</sup> Ibid

<sup>31</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>32</sup> Coram Family and Childcare (2020) Childcare Survey 2020 (<https://bit.ly/2MASdrg>) p. 17

<sup>33</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>34</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

- 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, and although the Government recently increased the cap on the amount parents can claim, it still falls short of adequately addressing the exorbitant costs of childcare in the most expensive parts of the country, such as London.
- 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>35</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>36</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 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](#).

### **3. To what extent does the benefits system provide and promote financial resilience?**

Social security benefits have decreased in real terms, deepening the income crisis for households supported by 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.

- Women tend to rely more on means-tested benefits and men more on national insurance benefits which are not means tested. It can be harder for women to qualify for national insurance benefits because of periods out of paid work<sup>37</sup>.
- 'No recourse to public funds' means that a person is unable to access welfare benefits as well as public housing. It indirectly discriminates against migrant women who are more likely to rely on these services due to caring responsibilities and low pay.
- A social security system that provides for women is vital to recognise their humanity and wider contributions to society beyond paid employment<sup>38</sup>.
- We welcome the uprating of social security benefits by 10.1%, in line with September 2022 inflation. This will prevent the incomes of some of the most vulnerable households from falling in real terms.

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<sup>35</sup> WBG (2023) WBG finds Government funding for early education and childcare falls short by £5.2bn <https://bit.ly/4578j2X>

<sup>36</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/>

<sup>37</sup> WBG with five women's organisations in Coventry (2018) [The Female Face of Poverty](#)

<sup>38</sup> WBG (2023) Spring Budget 2023: Social security and gender <https://wbg.org.uk/analysis/spring-budget-2023-social-security-and-gender/>

However, successive cuts to the value of social security are already leaving many struggling. Further increases in benefits are needed to restore their real-term value to pre-pandemic levels.

- The childcare element of working-age means-tested benefits was not increased in line with inflation. The childcare element of Universal Credit remains frozen since 2016, while the childcare element of Working Tax Credits has been frozen since 2006. This decision is at odds with the attempts of the Government to increase participation in the paid labour market.
- The announcement of the benefit cap uprate is a long-awaited measure, as it has been frozen since 2016. This punitive measure, alongside the two-child limit, is unfair and puts extra pressure on large families and children. Women are the ones typically cutting down on essentials for themselves to provide for their children and family members. These measures must be abolished to prevent more children and women from being thrown into poverty.

### 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 'bedroom tax', the benefits freeze and other changes have exacerbated inequalities based on gender, race, class and disability<sup>39</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 Black and minority ethnic 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>40</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>41</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>42</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>43</sup>.
- Analysis by the Joseph Rowntree 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>44</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

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<sup>39</sup> Ibid

<sup>40</sup> WBG calculations by Lucinda Platt (LSE), based on Households Below Average Income surveys (2010/11 to 2012/13).

<sup>41</sup> De Henau, Jerome. UKWBG (2019) Social Security and Women [SOCIAL-SECURITY-2019.pdf \(wbg.org.uk\)](#)

<sup>42</sup> House of Lords Economic Affairs Committee (2020) Universal Credit isn't working: proposals for policy reform <https://bit.ly/2YSWZHd>

<sup>43</sup> WBG (2023) Spring Budget 2023: Social security and gender <https://wbg.org.uk/analysis/spring-budget-2023-social-security-and-gender/>

<sup>44</sup> JRF (2023) UK Poverty 2022 <https://www.irf.org.uk/report/uk-poverty-2023#key-findings>

there was a reduced demand for advice. These temporary measures highlight how financial support can make a real and direct difference<sup>45</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>46</sup>.
- Overall national caps were introduced for each home-size up to a maximum rate of four bedrooms<sup>47</sup>. Single adults aged 25-34 were limited to the rate for a room in a shared house<sup>48</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>49</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>50</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>51</sup>. In addition, 30% of households claiming Housing Benefit are women living on their own and another 22% are lone-parents<sup>52</sup>.

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

### Statutory Sick Pay

The UK's weekly rate for statutory sick pay (SSP) is £94.25 for up to 28 weeks. On average, that is just 20% of a worker's income. Many still do not earn enough to qualify, putting too much of a financial imperative to carry on working. The UK is also one of only four countries in the EU where self-employed people are not eligible for any sick pay<sup>53</sup>.

- WBG calculations find that 15.5% of women and 10.6% of men do not earn enough to qualify for SSP.
- For those who do qualify, over 4 in 10 workers told the TUC that they would be pushed into debt or not be able to pay bills if their income dropped down to £96 per week for just two weeks<sup>54</sup>.

## **4. Is employment the key to financial resilience?**

While employment levels have started to recover, women are being left behind in this recovery. Women's caring responsibilities place a limit on the amount of hours they can work. They therefore make up the majority of those in insecure and precarious forms of work, including on zero-hours contracts and in self-employment. Women therefore find themselves on low levels of weekly pay, even

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<sup>45</sup> JRF and The Trussell Trust (2023) An Essentials Guarantee <https://www.jrf.org.uk/report/guarantee-our-essentials>

<sup>46</sup> Tunstall, B. UKWBG (2020) Housing and Gender [final-housing-2020.pdf \(wbg.org.uk\)](#)

<sup>47</sup> Ibid

<sup>48</sup> Ibid

<sup>49</sup> Ibid

<sup>50</sup> Ibid

<sup>51</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>52</sup> Tunstall, B. UKWBG (2020) Housing and Gender [final-housing-2020.pdf \(wbg.org.uk\)](#)

<sup>53</sup> Publications Office of the EU ([Sick pay and sickness benefit schemes in the European Union - Publications Office of the EU \(europa.eu\)](#))

<sup>54</sup> TUC (2021) ([Covid-19 and Insecure Work | TUC](#))



as the National Living Wage rises, due to low hours of work. Therefore, simply being employed is not the answer to financial resilience, but the type of work, how many hours worked, and the rate of pay are all key to determining women's financial resilience and independence.

- During the pandemic, the female employment rate fell back to 71.4% but it has now largely recovered to reach 72.3% in the fourth quarter of 2022. By contrast, the male employment rate exceeds the pre-pandemic rate, sitting at 79% in Q4 2022.
- This is compounded by the fact that women make up the majority of those in insecure and precarious forms of work, including on zero-hours contracts and in self-employment. Such workers may find themselves in low weekly pay, even as the National Living Wage rises, due to low hours of work.
- The headline figures pointing to increased employment mask several groups that are being left behind in the recovery, including older women who have seen significant increases in rates of economic inactivity.
- Black and minority ethnic women were disproportionately impacted by the pandemic and, in 2022, the unemployment rate of minority ethnic women remains more than double the rate of women from a White ethnic background.
- Disabled people were also disproportionately impacted by Covid, with disabled people are at one point being 2.5 times more likely to be out of work than non-disabled people. The employment rate of disabled people has recovered somewhat but remains below pre-pandemic levels.
- While paid employment does reduce the risk of poverty (when compared to being unemployed), 61% of working-age adults in poverty live in a household where at least one adult is in work<sup>55</sup>. While the National Living Wage has increased earnings for the lowest-paid workers, it has not been enough to safeguard against poverty and build financial resilience.
- 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>56</sup>.
- The risk of in-work poverty is higher for disabled workers than for those who are not and is higher for black and minority ethnic workers than for white workers<sup>57</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>58</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>59</sup>.
- Working single parents have seen the fastest rise in in-work poverty, with 23% of working single parents now in poverty<sup>60</sup>.

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<sup>55</sup> JRF (2023) UK Poverty 2022 <https://www.jrf.org.uk/report/uk-poverty-2023#key-findings>

<sup>56</sup> JRF (2023) UK Poverty 2022 <https://www.jrf.org.uk/report/uk-poverty-2023#key-findings>

<sup>57</sup> [Ibid](#)

<sup>58</sup> [Ibid](#)

<sup>59</sup> JRF (2020) UK Poverty 2019/20 [jrf - uk poverty 2019-20 report 0.pdf](#)

<sup>60</sup> JRF (2023) UK Poverty 2022 <https://www.jrf.org.uk/report/uk-poverty-2023#key-findings>

## 5. *To what extent are people saving enough during their working life to achieve financial resilience in their later life? What policy measures would promote lifelong financial resilience whilst a person is in employment?*

UK state pensions are among the least generous in the world. For anyone who retired before the pension rules changed in April 2016, the Basic State Pension is nearly £40 per week less than the government's own poverty threshold (the level at which single-rate Pension Credit is set).

- WBG welcomes the announcement in the Spring Budget 2023 that the triple lock on pensions will be maintained. This is an important measure to protect women, who are more likely to be reliant on state pensions due to career breaks for caring responsibilities<sup>61</sup>.
- Pension-age women tend to have higher poverty rates, reflecting the fact that they generally live longer than men and often have a less complete National Insurance contribution history due to gaps in their employment history.
- Women's domestic roles are crucial to their pension disadvantage: women aged 65 to 74 have one-seventh of the private pension wealth of men. Yet, even when incomes are similar, women's pension saving is less than men's<sup>62</sup>.
- Additionally, because legacy rules treated married women as dependent on their husbands, older retired women in particular are less likely than men to receive the full amount.
- Research carried out by the Joseph Rowntree Foundation also found that 20% of single female pensioners, live in poverty<sup>63</sup>.
- While female pensioners receive on average 16% less state pension than men<sup>64</sup>, recent data from the Government shows that the Gender Pensions Gap in private pensions is 35%<sup>65</sup>
- Women are becoming more likely to save in a private pension. While 45% of men contributed to a non-state pension in 2018, only 39% of women did so<sup>66</sup>. However, it is private pension schemes, promoted and subsidised by UK governments, that are the main reason for the gender gap in pensions.
- Private pensions favour those with continuous full-time employment and high lifetime earnings. Self-employment, zero-hours contracts and other forms of precarious employment have been increasing and these restrict the ability to pay either NI or private pension contributions.<sup>67</sup>

### **WBG recommendations focus on measures to reduce the gender pension gap:**

- Support for full-time employment of mothers through affordable and accessible care services, to allow them genuine choice in balancing paid and unpaid work across the life course.
- A Citizens Pension, based on the Dutch tax-funded model, payable at State Pension Age to each long-term resident and set at the Minimum Income Standard (the amount judged by the public to provide a minimum acceptable standard of living). In 2021, this was £298 per week for a pensioner couple after housing costs.<sup>68</sup>

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<sup>61</sup> J. Ginn (2021) Pensions and Gender. WBG ([https://wbq.org.uk/wp-content/uploads/2021/10/Pensions\\_-\\_Autumn-2021-pre-Budget-Briefing.pdf](https://wbq.org.uk/wp-content/uploads/2021/10/Pensions_-_Autumn-2021-pre-Budget-Briefing.pdf))

<sup>62</sup> ONS (2019) Pension wealth: wealth in Great Britain, Table 6.10, data for 2016-18, (<https://bit.ly/3lUp6BH>)

<sup>63</sup> Joseph Rowntree Foundation (2021) Pensioner poverty (<https://bit.ly/3pfTFUp>)

<sup>64</sup> ONS (2021) DWP benefit statistics February 2021, (<https://bit.ly/2Z47UjX>)

<sup>65</sup> Department for Work & Pensions (2023) The Gender Pensions Gap in Private Pensions (<https://www.gov.uk/government/statistics/gender-pensions-gap-in-private-pensions/the-gender-pensions-gap-in-private-pensions#the-gender-pensions-gap>)

<sup>66</sup> ONS (2021) DWP benefit statistics February 2021, (<https://bit.ly/2Z47UjX>)

<sup>67</sup> WBG (2018) Women, employment and earnings, <https://bit.ly/2ExUjEt>

<sup>68</sup> Davis A, Hill K, Hirsch D, Padley M and Shepherd, C (2021) A minimum income standard for the UK in 2021, <https://bit.ly/3G07soc>

- A Voluntary Earnings-related State Pension Addition (VESPA).<sup>69</sup> A VESPA would be a fully portable pay-as-you-go (PAYG) scheme, allowing workers to save without the investment and longevity risks of defined contribution schemes.
- A Family Carer Top-up in auto-enrolled pension schemes to compensate for the loss of future pension income due to family caring.

**6. Are there any other policies that you would suggest the APPG investigate as ways to improve financial resilience?**

Social Care

- Like early education and childcare, caring for disabled adults/children or the elderly can also reduce the amount of income that people can earn through paid work.
- Three million people in the UK juggle work and caring responsibilities, often under significant pressure. It is estimated that 600 people give up work every day to care for an older or disabled relative<sup>70</sup>.
- The main carer's benefit to replace lost income is very low; restrictive eligibility criteria exclude many carers from receiving it. Meanwhile, carers receive little support from the social care system, other than advice.
- Over a quarter of carers live in poverty<sup>71</sup>, and those who provide high levels of care are more than twice as likely to be in poor health than people without caring responsibilities<sup>72</sup>.
- Polling by Carers UK shows a steep rise in the number of people providing unpaid care throughout the pandemic. An additional 4.5 million people are thought to have started providing unpaid care since March 2020. Additionally, 81% of those providing unpaid care before the pandemic found that their caring responsibilities increased, with 38% reporting that this was because of the reduced availability of social care services<sup>73</sup>
- The impacts are disproportionately felt by women, who do more unpaid care than men, making up 58% of carers, and are more likely to give up employment to care for someone<sup>74</sup>.
- Women just before pension age can also face multiple caring responsibilities – so-called 'sandwich carers' – such as for both their elderly parents as well as young grandchildren.
- A quarter of women in the 50-64 age group have caring responsibilities. These commitments make women four times as likely as men in this age group to give up work, with many older women in later working-age years reducing their working hours due to caring commitments<sup>75</sup>. This will then have an impact on the amount of pension they will be entitled to receive in retirement.

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<sup>69</sup> Ginn, J. and MacIntyre, K. (2013) UK pension reforms: is gender still an issue? *Social Policy and Society*, 12, 1, 91-103

<sup>70</sup> Carers UK. (2019) Juggling work and unpaid care ([http://www.carersuk.org/images/News\\_and\\_campaigns/Juggling\\_work\\_and\\_unpaid\\_care\\_report\\_final\\_WEB.pdf](http://www.carersuk.org/images/News_and_campaigns/Juggling_work_and_unpaid_care_report_final_WEB.pdf))

<sup>71</sup> Joseph Rowntree Foundation (2021) UK poverty 2020/21 (<https://www.jrf.org.uk/file/57306/download?token=iru3hRZ0&filetype=full-report>)

<sup>72</sup> NHS England (n.d.) Carer facts – why investing in carers matters (<https://www.england.nhs.uk/commissioning/comm-carers/carer-facts/>)

<sup>73</sup> Carers UK (2020) Carers Week 2020 Research Report ([https://www.carersuk.org/images/CarersWeek2020/CW\\_2020\\_Research\\_Report\\_WEB.pdf](https://www.carersuk.org/images/CarersWeek2020/CW_2020_Research_Report_WEB.pdf))

<sup>74</sup> Carers UK and Centre for Care (2022) Cycles of Caring: transitions in and out of unpaid care <https://bit.ly/3pDQPL3>

<sup>75</sup> ONS (2018) Statistical bulletin: UK labour market: April 2018 (<http://bit.ly/2rirc0G>)

- 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>76</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>77</sup>.
- WBG recommends the creation of a high-quality universal care service that is free at the point of need, supports wellbeing, self-determination and enhances capacities; trains and pays its staff appropriately in line with the Real Living Wage; and ensures that unpaid care is genuinely voluntary. Our modelling estimates that this would generate 928,000 jobs in the economy as a whole (in care and across the economy from multiplier effect and increased purchasing power) and cost £31.9bn gross annually, 44% of which would be recouped through additional revenues.<sup>78</sup>

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

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<sup>76</sup> Land, H. UKWBG (2020) Social Care and gender [final-social-care-2020.pdf \(wbg.org.uk\)](#)

<sup>77</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>78</sup> WBG (2022) Universal Quality Social Care: Transforming adult social care in England (<https://wbg.org.uk/wp-content/uploads/2022/02/universal-quality-social-care.pdf>)