Response to the Autumn Statement

November 2023

WOMEN'S BUDGET GROUP

EXECUTIVE SUMMARY

In the Autumn Statement 2023, Chancellor Jeremy Hunt presented an optimistic outlook for the UK economy and declared that the country “has turned a corner”.[1] However, the reality for millions of households - in particular women, disabled people, lone mothers, women from Black and minority ethnic backgrounds, and households with low incomes, could not be further from this positive description. Following the cumulative effect of a decade of austerity, stagnant incomes, COVID-19 pandemic and a devastating cost of living crisis, the situation remains bleak. Adult and child hunger is at unprecedented levels, millions of people are skipping meals and turning to food banks and our public services are in crisis.

Higher-than-expected tax revenue due to inflation has led the Chancellor to claim that he has an additional £27bn a year to spend by 2027/28 compared to March 2023. Instead of allocating those much-needed resources to the public sector to make up for the real terms loss to departmental budgets caused by inflation, the Chancellor chose to cut taxes. Both the tax relief for businesses and the cut to national insurance contributions benefit men over women, and private rather than public services.[2] The Autumn Statement was a missed opportunity to reverse the trend of low growth, increasing ill-health, increasing inequality, and worsening living standards.

Key Policy Decisions

Taxation: The Chancellor announced cuts in National Insurance Contributions (NICs) for employees and the self-employed. Among household types, lone mothers will gain the least on average from these cuts, only £76 per year. We call on the Chancellor to reform the NI system to make it more progressive and applicable to all income and also tax wealth. A 1%-2% tax on assets over £10 million would raise revenue for essential public services, reducing gender inequality.

Social Security: Increasing working-age benefits in line with inflation is a welcome move that offers partial relief amid the ongoing cost-of-living crisis. However, the uprate won’t offset the rising living costs for low-income families spending a significant share of their incomes on essentials such as food, where inflation is still over 10%. Women, who are more reliant on benefits due to caregiving roles, have been disproportionately impacted by regressive social security changes since 2010. The Women's Budget Group calls for the abolition of the benefit cap and the two-child limit to prevent further destitution and poverty among women and children.

The Back to Work Plan aims to support employment but fails to address barriers faced by those with caring responsibilities, mainly women. Proposals include mandatory work placements for those unemployed for over 18 months. Evidence suggests recent increases in benefit conditionality fail to incentivise employment. Instead of punitive measures,

[1] Autumn Statement 2023 speech - GOV.UK
[2] A pre-election Statement

investing in health and social care would better support those unable to work due to illness or disability.

Local Housing Allowance: The plan to realign Local Housing Allowance (LHA) rates with local rents brings hope for those struggling with housing costs, but the delayed start in April 2024 and a subsequent freeze in 2025 dampen this optimism. Over 100,000 households are in temporary accommodation, and 130,000 children are affected. Women, especially lone mothers, face added challenges due to lower earnings and caring responsibilities. In the long term, prioritising social housing creation over further adjustments to benefit private landlords is crucial for addressing the wider housing affordability issue.

ECONOMIC CONTEXT

In January 2023, Prime Minister Rishi Sunak said his priorities for the economy were to halve inflation, grow the economy and reduce debt.[3] In his speech on 22 November 2023, the Chancellor, Jeremy Hunt, claimed the Office for Budget Responsibility's forecast shows that these priorities have been met. This supposed good news contrasts with the harsh reality that millions of households are experiencing across the country. The pandemic and the cost of living crisis came after a decade of austerity and stagnant incomes, disproportionately impacting women, disabled individuals, lone mothers, women from minority ethnic backgrounds and households with low incomes.

The Office for Budget Responsibility's report shows that the country's economic picture is more complex and more challenging than the Chancellor suggested in his Autumn Statement. After over ten years of austerity and stagnation, Brexit, the Covid pandemic and a cost of living crisis, the UK is in a weak economic situation.

We have been experiencing historically high inflation levels since 2021, reaching a 40-year maximum in October 2022, with CPI inflation at 11.1%.[4] Although inflation is falling (it was 4.6% in October 2023), this only means that prices are rising more slowly than a year ago. Families are still seeing their groceries, energy and other essentials getting more expensive every month. Moreover, inflation will be more persistent than expected and remain high, above its 2% target, until 2025.[5] As a result, the Bank of England is likely to retain high interest rates for longer, which will increase the cost of debt, including mortgage repayments, and increase unemployment, which is predicted to peak at 4.6% (1.6m) in late 2025[6]. This will leave an additional 300,000 people unemployed compared to the beginning of 2023.[7]

High inflation and high interest rates (which have risen from 0.1% in December 2021 to 5.25% in August 2023), have restrained economic activity. The effects are likely to continue well into 2024. Although the prospects for GDP growth in 2023 have improved compared to the March 2023 projection, from a 0.2% fall to a 0.6% growth, the Office for Budget

[3] Prime Minister outlines his five key priorities for 2023 - GOV.UK
[4] Consumer price inflation, UK: February 2023
[5] Office for Budget Responsibility – Economic and fiscal outlook – November 2023, p17.
[6] Economic and fiscal outlook – November 2023 - Office for Budget Responsibility
[7] ONS (2023) Unemployment rate, aged 16 and over, seasonally adjusted: %

Responsibility (OBR) has downgraded its forecast in the mid-term.[8] The expected growth in real GDP for 2024 is now 0.7%, down from 1.9% in March 2023.

According to the OBR, real household disposable income in 2024/25 is expected to be 3.5% lower than before the Covid pandemic.[9] This is the biggest decrease in real incomes since public records started in the 1950s. The growth in post-tax real terms wages is expected to be only 0.6% between 2019/20 and 2024/25.[10]

COST OF LIVING CRISIS

Although inflation is now falling, this does not mean that prices are coming down, just that prices are rising more slowly than before. UK consumer prices (as measured by the Consumer Prices Index, CPI) were 4.6% higher in October 2023 than in October 2022. Overall, prices are still very high and will keep rising.

This extended period of hardship is creating dire consequences, with poverty and destitution levels in the UK that are seriously concerning. The "Destitution in the UK 2023" report by the Joseph Rowntree Foundation[11] shows that nearly 3.8 million people experienced destitution in 2022, including 1 million children. The levels of destitution have increased among households with children, particularly lone parents. The number of lone parents (the vast majority of whom are lone mothers) experiencing destitution has increased from 65,000 in 2019 to 191,000 in 2022. Moreover, the number of children experiencing destitution has increased by 186% since 2017.

Women's caring responsibilities mean they have lower incomes and fewer savings than men on average. As a result, women have been more exposed to the negative effects of increasing prices. The latest Time Use Survey[12] shows that women spend 327 more hours per year than men doing unpaid work. This equals 8 weeks of full-time employment (40 hours per week). As a consequence, women have less time to participate in the paid labour market, which directly affects their earnings. Women's median annual earnings are around £10,000 lower than men's[13], and they save a third less than men as well, leaving a 40% savings gap by the age of retirement.[14]

For lower-income households, particularly single parents (84% of whom are lone mothers), living costs have increased above inflation because they assign a larger portion of their budget to essential goods where costs have risen faster than the overall rate of inflation.[15] For example, food inflation hit a high of 19.1% in March 2023 and is still over 10% in October 2023.[16] These higher-than-inflation rates for essentials significantly affect women's and low-income households' ability to make ends meet and their overall well-being.

[8] Office for Budget Responsibility – Economic and fiscal outlook – November 2023, p7.
[9] Economic and fiscal outlook – November 2023 - Office for Budget Responsibility
[10] Resolution Foundation (2023) The Living Standards Outlook
[11] Destitution in the UK 2023 | JRF
[12] Time use in the UK: 23 September to 1 October 2023
[13] ONS (2023) Earnings and hours worked, all employees: ASHE table 1
[14] Money (2023) UK savings statistics 2023
[15] The cost crisis: A gendered analysis | Women's Budget Group
[16] Consumer price inflation, UK: October 2023

Between February and May 2023, in the latest version of the Opinions and Lifestyle Survey[17], 82% of lone-parent households[18] said they had experienced an increased cost of living in the last month. To cope with increased costs, 69% of lone parents spent less on food and essentials, versus 44% of the population, and 18% used food banks and charity support versus 3% of all households. 28% of lone-parent households ran out of food and couldn't buy more (versus 5% of all persons). Along the same line, the Consumer Insights Tracker shows that women and households with children are more likely to have "cut the size of meals or skipped meals because there wasn't enough money for food".[19]

Women are the shock absorbers of poverty, cutting essentials for themselves to provide for their children and relatives. The burden comes on top of the unequal distribution of unpaid care, which is mainly done by women. The cost of living crisis threatens to increase gender inequality.

COST OF DEBT CRISIS

The cost-of-living crisis has become a cost-of-debt crisis, impacting women particularly because they have lower savings and are less able to pay back their debts.[20] The proportion of people seeking debt advice from StepChange[21] who are women has risen to 64% in the first half of 2023, up from 60% in 2021. In the first half of 2021, the proportion of women citing the cost of living as their main reason for debt was 6%. This more than doubled to 14% in 2022 and has doubled again to 28% in 2023. This compares to 21% of men seeking debt advice from StepChange in 2023. In Northern Ireland, being in receipt of Universal Credit is related to illegal lending.[22] 6% of women who use high-cost lenders in Northern Ireland borrow from illegal lenders such as paramilitaries.[23]

Until mid-2021, people going to Citizens Advice for debt guidance had an average surplus of £20 per month after paying for their essentials. Data for mid-2023 shows an average deficit of £20, meaning that people are not even able to afford essentials such as food and energy. For lone parents, the situation is even worse, with an average deficit of £37 per month.[24] Of the people referred to a food bank, 56% are women.[25]

PUBLIC SERVICES

Decreased resources in real terms are eroding our public services. According to the Institute for Government[26], all services apart from schools are performing worse than before the pandemic and even worse than pre-2010. The NHS waiting list[27] for consultant-led elective care reached nearly 6.5 million people in September 2023. The median waiting time has doubled since September 2019 (pre-Covid), from 8 weeks to 14.7 weeks, leaving people in

[17] Impact of increased cost of living on adults across Great Britain - Office for National Statistics
[18] Households with only one adult and at least one dependent child
[19] Consumer Insights Tracker October 2023
[20] Gender and Monetary Policy - Women's Budget Group
[21] StepChange (2023) Bearing the burden: Unravelling women's debt dilemma.
[22] Northern Ireland Committee
[23] Women Living with Debt September 2022
[24] Citizens Advice (2023) Cost-of-living data dashboard - October 2023
[25] Citizens Advice (2023) Cost-of-living data dashboard - October 2023
[26] Performance Tracker 2023: Summary | Institute for Government
[27] NHS backlog data analysis

ill health without medical attention for almost twice as long as 4 years ago. 2.6m people are economically inactive due to long-term illness.[28]

The Institute for Government concludes that returning to pre-pandemic performance levels by the end of 2024/25 with the current funding levels is uncertain or outright impossible for most public services.[29] Years of capital underinvestment, combined with workforce crises, leave public services in an extremely critical situation.

This situation is likely to get worse in the next few years. Inflation means departmental spending will be worth £19.1bn less in real terms by 2027/28 than previously planned.[30] At the same time, inflation has resulted in higher than expected tax revenue, allowing the Chancellor to claim that he has an additional £27bn to spend in 2027/28 compared to March 2023. Rather than using this revenue to make up this shortfall in departmental budgets, the chancellor chose to give tax relief to businesses and cut personal taxes.[31]

The real terms cut of £19.1bn for unprotected departments presents huge challenges for local councils in particular, as they were already facing a real terms budget cut in the next few years as a result of changes announced in 2022. Cuts to local services particularly impact women as they are more likely to use these services, more likely to work in the public sector and more likely to take on unpaid work to replace services that have been cut.[32]

In the autumn statement, the Chancellor called for an increase in the productivity of public services. However, standard productivity measures cannot be easily applied to services such as health and care: caring for people is not like producing cars. In manufacturing, for example, a reduction in the amount of labour required to produce each unit typically represents a gain in productivity. In the care economy, reducing costs by reducing the labour input per person cared for reduces the quality of care provided. Real productivity can only be increased by improving the quality of care, increasing quality for the same labour input, or through preventative care, with measures that reduce the numbers needing care but do not reduce the quality of care provided. In this context, the Chancellor's omission of any mention of increased investment in the NHS or preventative healthcare measures is a critical oversight, with implications for public health and the ability of individuals to participate in the workforce.

The UK needs a more balanced approach that recognises the interconnectedness of private and public sector productivity. **This budget prioritises investment in machinery (encouraged by taxbreaks) as opposed to investment in people**. We reiterate the importance of effective and adequately funded public services as integral components of our social infrastructure, serving as the foundation for a robust economy that fosters well-being and equality.

[28] INAC01 SA: Economic inactivity by reason (seasonally adjusted) - Office for National Statistics
[29] Performance Tracker 2023: Summary | Institute for Government
[30] Economic and fiscal outlook – November 2023 - Office for Budget Responsibility
[31] A pre-election Statement
[32] Triple Whammy: the impact of local government cuts on women

POLICY DECISIONS

TAXES

Tax constitutes an essential financial contribution from individuals and businesses towards the functioning of a prosperous society. Public spending, financed by taxes, tends to benefit particularly women.

Cuts to National Insurance Contributions

The Chancellor announced cuts in National Insurance Contributions for employees and the self-employed.[33] The main rate for employees (Class 1 NICs) for those earning above £12,570 per year will be cut from 12% to 10% from January 2024. For those self-employed earning profits of £12,570 or more per year, the rate (Class 4) will be cut from 9% to 8% from April 2024, and they will no longer be obliged to pay the flat rate of £3.45 per week (Class 2).

Middle- and high-earners will benefit the most from this policy, although the upper earnings limit means that the gain for higher earners falls as a proportion of their salary. As women have lower earnings on average, they will benefit the least from cuts in NICs. This is especially true for lone mothers.

Figure 1 shows the impact of the policy on different household types. Lone mothers will see an average increase of £76 per year in their income, while couples without children will get £621 more per year. With a cost of £9.44bn in 2024/25 and £9.9bn in 2028/29, this policy will erode public revenues while doing very little for those struggling the most. Indeed, those with earnings below £12,570, 71% of whom are women, will gain nothing from this tax cut.[34]

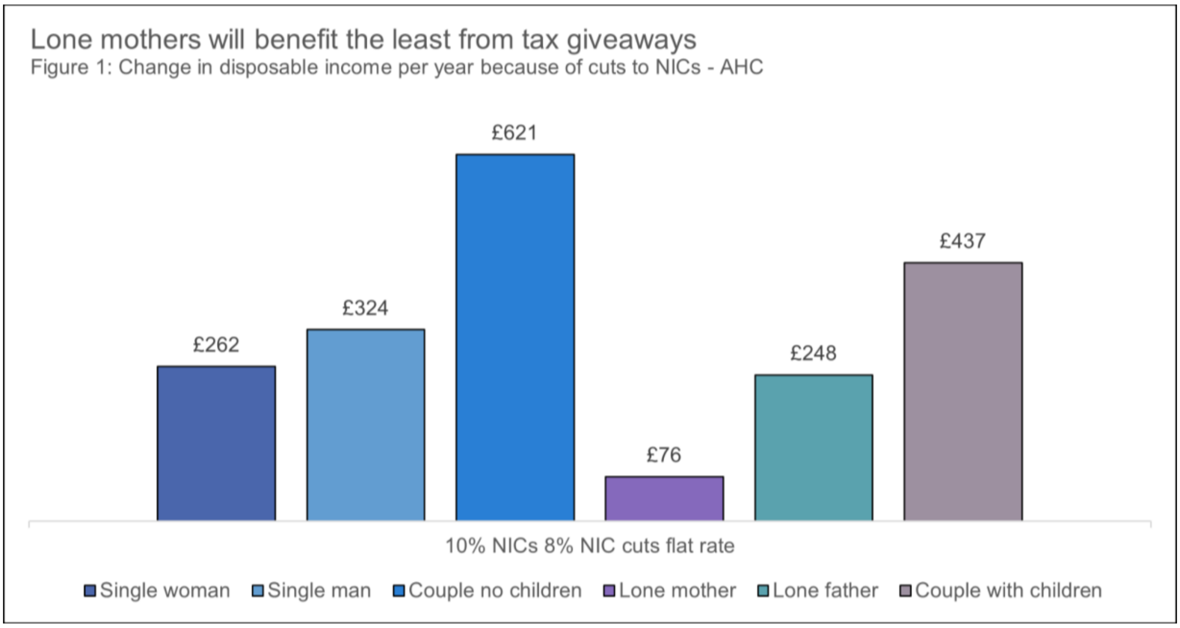
Before cutting NICs rates, the Chancellor should have reformed the NI system. He should have abolished the Upper Earnings Limit by which those earning over £50,284 per year pay lower NICs rates on those earnings, and he should have made it payable on all forms of income, in particular income from wealth, not just on earnings. Although the WBG believes restoring public services affected by inflation is a better use of the increased tax revenue caused by that inflation, if the Chancellor wanted to reduce NICs, a more progressive approach would have been raising the threshold for paying NICs. This change would have benefited low earners, particularly women, more than cutting the rate.[35]

Along with Tax Justice UK and many other organisations, the Women's Budget Group has repeatedly called for greater taxation of wealth in the UK.[36] Wealth is not subject to direct taxation in the UK, deepening inequalities and increasing gender gaps. On average between April 2018 and March 2020, men held £359,926 in wealth, while women held £267,164, 35% less.[37] Since men predominate among those owning high levels of assets, introducing wealth taxation would contribute to reducing gender inequalities in wealth holdings. There is public

[33] Autumn Statement 2023: National Insurance Factsheet - GOV.UK
[34] WBG's calculation using FRS 2019.
[35] Autumn Statement 2023: Taxation and Gender - Women's Budget Group
[36] Tax Justice UK (2019) A manifesto for tax equality; S. Himmelweit (2023) Spring Budget 2023: Taxation and gender
[37] Why taxation of wealth is a feminist issue: A gendered analysis of wealth in Great Britain.

support for the taxation of wealth. Polling by YouGov[38] found 73% of people in Great Britain would support taxing wealth over £5m.

Lone mothers will benefit the least from tax giveaways
Figure 1: Change in disposable income per year because of cuts to NICs - AHC



Notes: WBG calculations using UKMOD B1.08 and Family Resources Survey 2019, for 2024. The analysis includes a 6.7% increase in benefits and the National Living Wage for 2024. UKMOD is maintained, developed and managed by the Centre for Microsimulation and Policy Analysis (CeMPA) at the University of Essex. The process of extending and updating UKMOD was financially supported by the Nuffield Foundation (2018-2021) and the abrdn Financial Fairness Trust (2023-2024). The results and their interpretation are the authors' sole responsibility.

We call on the Government to introduce a reform to tax wealth directly. Applying a 1%-2% on the super-rich, with assets over £10 million, would raise up to £22bn per year.[39] Such a tax would increase the government's revenue, enabling it to restore the public services so vital to women, and help to reduce income and gender inequality.

Permanent "full expensing" for business

The "full expensing" capital allowance for businesses allows companies to deduct spending on new machinery and equipment from profits, on which they pay tax. This has now become a permanent policy, at a cost of £10.9bn a year by 2028/29, having been introduced temporarily in the 2023 Spring Budget. It will likely disproportionately favour men, as they are more commonly employed in sectors that stand to gain from investments in machinery and equipment.[40]

The intention behind this tax relief is not to channel investments toward any particular direction, which is a lost opportunity to incentivise investment in much needed areas such as

[38] Three quarters of Britons support wealth taxes on millionaires
[39] Six wealth tax policies that could raise £50 billion
[40] Autumn Statement 2023 (HTML) - GOV.UK

tackling climate change. Also, this approach overlooks the equally pressing necessity for non-physical investments, such as training.

SOCIAL SECURITY AND MINIMUM WAGE

Social security has many functions, including providing income security during difficult periods (such as the current cost-of-living crisis), supporting people with additional costs (such as disability and children), also alleviating and preventing poverty and acting as an economic stabiliser for society.

Uprate of social security benefits

The Government will increase working-age benefits by 6.7% in April 2024, in line with September 2023 CPI inflation as is standard practice. It is welcome that the Government chose to follow this custom rather than uprating by a lower figure, as had been rumoured. However, this increase is only likely to offer partial relief to thousands of families that rely on social security and are still struggling with the cost-of-living crisis.

As the price increase in food has been higher than CPI inflation, the uprate will not be enough to stop the worsening of living standards for low-income families that spend a larger portion of their budget on essentials.[41] This is particularly worrying because there will not be cost of living payments after Spring 2024, despite the expectation that inflation will remain high throughout 2024.

As a result of their unpaid work, particularly care work, women earn less than men and are more likely than men to depend on benefits. The regressive alterations to social security since 2010 have disproportionately affected women, particularly those from Black and minority ethnic backgrounds, disabled women, and lone mothers, exacerbating their financial difficulties.[42]

The benefit cap was frozen in 2016 and uprated in April 2023, and should be increased at least in line with inflation to protect the incomes of households that rely on social security; 74% of households that are UC capped are single parents (who are predominantly women).[43] However, the Chancellor's speech did not mention a possible uprate of the benefit cap. A new freeze in the benefit cap would result in a real term cut for households subject to it.

Typically, women are the shock absorbers of poverty; they cut essentials for themselves to provide for their children and family members. We call on the Government to eliminate the benefit cap and the two-child limit to prevent more children and women from falling into destitution and poverty.

We welcome the decision to uphold the triple lock on pensions, as it is a crucial safeguard for women, who are less likely than men to have private pensions, and so depend on the value of their state pension more.

[41] THE COST CRISIS: A GENDERED ANALYSIS | Women's Budget Group
[42] Intersecting Inequalities: The impact of austerity in Black and Minority Ethnic women in the UK
[43] DWP. Stat-Xplore (2023) Benefit cap: UC point in time caseload by family type. May 2023.

Increase in National Living Wage and National Minimum Wage

One day before the Autumn Statement, the Government announced a 9.8% increase in the National Living Wage for 2024/25, from £10.42 to £11.44, as well as an increase in the rates for younger workers.[44] This is good news for those in low pay, who are more likely to be women.

According to ONS data, 206,000 women are paid below the national minimum wage in 2023, compared to 160,000 men.[45] 60,000 jobs paid below minimum wage in 2023 were in the human health and social care industry, and 41,000 were in Education.[46] Over 2 million women in the UK were found to earn below the Real Living Wage as set by the Living Wage Foundation in early 2023 when the rate was £10.90 per hour. This equates to 14% of all working women compared to 9% of men.[47]

While the rise in the minimum wage is welcome, it is worrying that there has been no corresponding increase in departmental budgets to meet the costs of higher salary bills. This will mean a real terms cut to the non-salary budgets for crucial public services, including health, education and care.

Changes to Work Capability Assessment (WCA) and the Back to Work Plan

In the Spring Budget 2023, the Chancellor announced the abolition of the Work Capability Assessment (WCA) and our Social Security Pre-budget briefing describes these changes.[48] 52% of UC claimants affected by a health condition or disability are women.[49] Unfortunately, there is no data on claimants likely to be affected by the changes to the WCA disaggregated by sex, and no equality impact assessment appears to have been made on the proposals announced in the autumn statement.[50]

According to the OBR, WCA reform will reduce numbers of those eligible for the additional amount that those with limited capability for work and work-related activity receive (primarily in Universal Credit) by 370,000. At the same time, the OBR estimates that the reform should increase employment by around 10,000 by 2028/29, as the potential loss of income and conditionality push more people to look for a job.[51]

Although the autumn statement announcements are less extensive than feared, they will nonetheless leave many disabled people without support. For example, the changes to the 'substantial risk' provision, which limits the use of the WCA to people with the most severe mental and physical health problems, and which is vital for those who may be at risk of serious harm or death by suicide if they were found fit for work.[52]

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[44] Largest ever cash increase to the minimum wage - GOV.UK
[45] ONS (2023) Jobs paid below minimum wage by category
[46] ONS (2023) Jobs paid below minimum wage by category
[47] Living Wage Foundation (2023) Over 2 million women in the UK earn below the real living wage
[48] Autumn Statement 2023: Social Security and Gender - Womens Budget Group
[49] Social Security and Gender
[50] Deep Concern and Dismay at WCA Reforms: Open Letter From DPOs And Charities to Work And Pensions Secretary | Disability Rights UK
[51] Office for Budget Responsibility – Economic and fiscal outlook – November 2023, p63.
[52] CPAG's post-Autumn Statement briefing for MPs

The Back to Work Plan[53] is described by the Secretary of State for Work and Pensions, Mel Stride, as a "package of employment-focused support that will help people to stay healthy, to move off benefits and to move into work".[54] The reforms to back-to-work support are welcome, but the number of places available is likely to be far less than the number of claimants eligible.[55] Also, it does not address the extent of barriers faced by people with caring responsibilities, typically women, such as the availability of flexible working and childcare. For those not participating in the paid labour market, proposals include forcing people who do not get a job within 18 months to accept a mandatory work placement or take part in other intensive activity, or risk their award being closed.[56]

The Learning and Work Institute[57] have found that the majority of working-age individuals receiving out-of-work benefits have caregiving responsibilities or are assessed as too ill to work. Despite benefit sanctions doubling over the last decade, only 10% of out-of-work older and disabled individuals receive assistance in finding employment each year. This highlights the urgency to promote changes to allow disabled people and people with caring responsibilities to engage in the paid labour market.

Evidence shows that recent increases in conditionality for benefits have failed to act as an employment incentive for those out of work.[58] In the case of lone parents, increased conditionality has discouraged potential beneficiaries from claiming benefits.[59] Of those in work, the majority have low-paid and part-time jobs.[60] Moreover, the "Lone Parent Obligation", introduced between 2008 and 2012, had a negligible impact on fiscal savings.[61] The potential of being sanctioned increases stress and mental distress for many. It also damages the trust in employment support providers, undermining the role they should play.[62] The OBR suggests that tighter conditionality for out-of-work benefits resulted in increased claims for benefits that are not subject to conditionality, such as some incapacity-related benefits.[63]

The cumulative sanctions have previously proven ineffective, exacerbating unemployment and promoting short-term precarious contracts. Rather than punish those too ill or disabled to work, the Chancellor could have chosen to invest in health and social care to enable people to receive the necessary treatment they need for their health conditions, invest in preventative care, and financially support carers who look after family or relatives with long term health conditions or disability.

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53 Employment support launched for over a million people - GOV.UK
54 https://questions-statements.parliament.uk/written-statements/detail/2023-11-16/hcws43
55 CPAG's post-Autumn Statement briefing for MPs
56 Employment support launched for over a million people - GOV.UK
57 Understanding benefits - Learning and Work Institute
58 OBR (2023) Fiscal risks and sustainability.
59 Ibid
60 Do work search requirements work? Evidence from a UK reform targeting single parents | Institute for Fiscal Studies
61 Do work search requirements work? Evidence from a UK reform targeting single parents | Institute for Fiscal Studies
62 From compliance to engagement | New Economics Foundation
63 OBR (2023) Fiscal risks and sustainability.

Uprate of Local Housing Allowance

The announcement that Local Housing Allowance (LHA) rates will be realigned with the 30th percentile of average local rents brought a flicker of hope to those on the lowest incomes facing spiralling housing costs. This was quickly dampened by the fine print, however, which stipulates that the policy won't come into effect until April 2024 and that rates will be refrozen in 2025 at a time when average rents are still rising by around 10% per year.[64] This means another uncertain winter with very little help towards the cost of living for tenants, and any relief brought by the spring is likely to be short-lived.

Before 2010, LHA rates, used to calculate the amount of Housing Benefit or Universal Credit housing element tenants can claim when renting from private landlords, were aligned with the lower 50th percentile of local market rents. In 2010, they were lowered to the 30th percentile and subsequently frozen between 2016 and 2020. They were uprated as a response to COVID-19 crisis, only to be frozen again until now. Research by the IFS and Shelter found that today's LHA rates only cover 5% of available properties, meaning that many tenants have rent shortfalls that have to be paid from income meant for food, fuel and essentials, placing the very real threat of homelessness onto thousands of people.[65]

There are now over 100,000 UK households living in temporary accommodation, including over 130,000 children (an increase of 10.3% since last year).[66] Research from Crisis found that over 80% of councils have struggled to cope with the costs associated with the rise in homelessness[67], which has been exacerbated by the freeze in LHA rates and stands at around £1.7bn. Whilst any policy that brings crucial relief to this crisis is tentatively welcomed, we are disappointed that it falls short in both the short and long term.

Women have lower average earnings than men and, due largely to caring responsibilities, are less able to increase their earnings to cover rising rents. An Equality Impact Assessment carried out by the DWP in 2020 noted that, of housing support claimants who had a shortfall between their rent and their housing benefit, 52% were single women (as opposed to 18% single men and 30% couples).[68] 66% of these women had one or more dependent children. Lone mothers are also disproportionately affected by homelessness. 1 in 38 female lone parents are homeless, as opposed to 1 in 226 people in the general population.[69]

In the short term, we propose immediate enactment of this policy and for LHA rates to be permanently linked to rents. This should come alongside other measures that will support those most at risk of homelessness due to rising living costs, especially lone mothers. In particular, it is crucial that the two-child limit is scrapped alongside removing the current benefits cap, as these policies only force low-income families into deeper hardship.[70] It is as

[64] Institute for Fiscal Studies (2023) Housing quality and affordability for lower income households, p.14
[65] IFS (2023) Housing benefits have been frozen while rents have sky-rocketed. Only 1 in 20 private rental properties on Zoopla can be covered by housing benefit
[66] Department for Levelling Up, Housing and Communities (2023) Households in temporary accommodation, England
[67] Crisis (2019) Cover the cost: restoring Local Housing Allowance Rates to prevent homelessness
[68] Department for Work and Pensions (2020) Equality analysis for uprating Local Housing Allowance rates to the 30th percentile of local rents
[69] Shelter (2021) Fobbed off: the barriers preventing women accessing homelessness and housing support, and the women-centred approach needed to overcome them
[70] Child Poverty Action Group (2023) Six years on the two-child limit is pushing 1.1. Million children deeper into poverty

yet unclear how the increase in LHA rates will interact with the benefit cap, meaning there is a real risk that some households will be left no better off.

In the longer term, it must be recognised that unfreezing LHA rates does nothing to improve the wider picture of housing affordability and an out-of-control rental market. As such, it is crucial that the creation of more social housing is prioritised as a long-lasting policy solution over further tweaks to a policy whose real beneficiaries are the private landlords to whom recipients of housing benefit pay rent.

EARLY YEARS EDUCATION AND CHILDCARE

In the Spring 2023 budget, one of the most significant announcements was expanding funded childcare hours for children aged 9 months to two years from working families in a phased rollout from April 2024 to September 2025. While a step in the right direction, there remains an urgent need for increased support and funding within the system. Otherwise, there is a risk of deepening the crisis currently faced by the childcare sector. The National Day Nurseries Association[71] found that 216 nurseries closed in 2022/23, 50% more than in the previous academic year. 14.5% of these closures were in the most deprived areas in England and are a consequence of the financial crisis that the sector is facing.

In its report "Retention and Return: Delivering the expansion of early years entitlement in England"[72], the Early Years and Childcare Coalition highlights the necessity for a workforce plan in the sector. This plan is crucial, firstly to retain those currently working in the early years sector and, secondly to recruit the professionals required to meet the additional demand resulting from the expansion of funded hours.

The hourly rate for funded hours has increased, which is welcome. In 2024/25 the average hourly rate for under twos will be £11.22, £8.28 for two-year-olds, and £5.88 for three- and four-year-olds.[73] However, although this will increase the funding providers get, it falls below what the Department for Education itself declared necessary to cover the cost of provision.

Following a FOI request from the Early Years Alliance, the DfE released a document from 2015 that indicated that a rate of £7.49 would be needed by 2020/21 to fully cover the cost of childcare provision for three and four-year-olds.[74] In 2023 prices, that rate would be £9.03 an hour. The current rate for three and four-year-olds is far from what is required to cover the actual cost. Given that three and four-year-olds constitute the majority of early-years enrolment, the underfunding for this group creates particular problems for the sector.

Around 15% of the workforce in group-based and school-based providers were paid below the National Living Wage (NLW) in 2022. This was 37% for childminders' assistants. The increase in the National Minimum Wage, in the NLW and its expansion to workers 21 years old[75] and over, while welcome, will add extra financial pressures for providers. The new rates for 2024/25 supposedly reflect the increase in NLW. However, the rate increase is proportionally smaller than the increase in the NLW, and it is unclear if it considers that the

[71] Nursery closure rates up fifty per cent on previous academic year - NDNA
[72] Retention and Return: Delivering the expansion of early years entitlement in England
[73] Date set for new childcare offer applications - GOV.UK
[74] DfE (2015) Early Years Spending Review Scenarios
[75] Childcare and early years provider survey, Reporting year 2022 – Explore education statistics

upper wage bands should be increased too. Therefore, we call on the Government to increase the hourly rate accordingly, allowing providers to cover, at the very least, the rise in the minimum wages and the consequent adjustment in the pay scales.

The childcare sector also relies heavily on apprentices. But childcare apprentices are paid at a lower rate than those in more male-dominated sectors – the £50 million announced by the Chancellor to be invested in apprenticeships will not redress gender inequality.

In the medium term, we propose a reform of our early years education and childcare system, ensuring well-qualified and well-paid staff, maintaining low child-to-staff ratios for optimal care and education quality. We advocate for accessible, free-at-the-point-of-use childcare and early education for all children. This reform, with an initial investment of 0.7% of GDP (£18bn in 2022 levels), anticipates a 61% recoup through positive impacts on the wider economy. Aligning our system with Nordic countries, well-known for higher female participation, better salaries, and quality education, would not only benefit children but also enhance employment, leading to increased tax revenues and reduced social security spending, covering a significant portion of the investment.[76]

CONCLUSION

Despite having more resources than expected, the Chancellor missed the opportunity to invest in our public services and the care economy. With a focus on tax cuts that will benefit men more than women and industry over people, this Autumn Statement will not help address gender inequality and the cost-of-living crisis that poorer households and women are suffering.

Care, including education, childcare, health and social care, maintained our economy during the pandemic but continues to be undervalued as essential economic infrastructure. Strong and well-funded public services are the cornerstone for a strong and healthy economy where people can contribute to society and thrive.

Social care is at particular risk of cuts to local government budgets due to the £19.1bn fall in real terms departmental budgets caused by inflation. In Early Education and Childcare, the promise of childcare expansion is at risk without a plan for retention and recruitment, as well as proper funding to cover the true cost of provision.

At the same time, further pressure will be put on lone mothers on benefits to take up paid employment when their children are as young as two with no consideration of what might be best for the child at that age, and without sustainable quality childcare on offer in their area.

The uprate of benefits in line with inflation and the increase in the minimum wage is good news that will bring some relief for those struggling to make ends meet. However, overall rates of social security are too low. We urge the Chancellor to reform the social security

[76] J. De-Henau (2022) Simulating employment and fiscal effects of public investment in high-quality universal childcare in the UK. We use as reference "Scenario 2": average take-up rate of 71% and pay levels equal to those of primary school teachers.

system to ensure everyone has sufficient income to live with dignity. The benefit cap and the two-child limit should be abolished immediately. These punitive measures affect women in particular in a period of increasing destitution and poverty.

A reform to our tax system will provide more public revenues and more funding for social infrastructure and public services. Asking those at the top of the income and wealth distribution to contribute more is a fairer way to increase government revenues, which also reduces inequality. This would improve living conditions for everyone and benefit women, ensuring that we protect our environment and build an equitable society.

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