Response to the Spring Budget

March 2024

wbg WOMEN'S BUDGET GROUP

EXECUTIVE SUMMARY

The Spring Budget 2024 was labelled as a "Budget for Long Term Growth" by Chancellor Jeremy Hunt. However, the emphasis on tax cuts at the expense of longer-term public investment seemed to indicate shorter-term goals. One of Hunt's major announcements was another cut to National Insurance contributions, benefiting men more than women. Yet he failed to announce additional funding for 'unprotected' departments which are facing real-term cuts from 2025/26.

The Chancellor's economic assessment is not borne out by the economic outlook.

The latest OBR forecast is that growth will return to positive numbers in 2024, after a period of recession in 2023. However, this growth is expected to be only 2% in the next two years.

Real household disposable incomes have plummeted: 2023 saw the largest fall in living standards in any single financial year since ONS records began in 1956-57.[1]

Although prices are not rising as fast as in 2022, prices of food and non-alcoholic beverages are 25% higher than two years ago. High inflation has hit low-income families disproportionately. Households on lower incomes spend a higher proportion of their income on food, energy and other essentials compared to their better-off counterparts.[2]

Women have taken the brunt of stagnating wages, falling living standards and unprecedented high inflation levels.

The level of economic inactivity due to long-term illness has also reached unprecedented levels: of the 2.8 million people of working age who are not in employment and not seeking work due to long-term illness, 1.5 million are women. This figure should be decreasing post-pandemic, but it is increasing, and it is affecting more women than men.

There has also been a worrying increase in insecure and severely insecure work, with women being more likely to be employed in these precarious jobs characterised by low pay, unpredictable hours and lack of autonomy over terms and conditions.

The shorter term prioritisation of tax cuts was at the expense of longer term investment in public services (including within 'unprotected' departments) and social infrastructure. Public services, including local government services, are in crisis. The Chancellor could have increased the funding for public services across the board and taken decisive action to address increasing ill-health and health inequality issues, worsening living standards and the climate crisis. These factors are holding back our economic growth.

The 2024 Spring Budget was yet another missed opportunity to invest in people, infrastructure and our economy.

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[1] Developments in the outlook for household living standards - Office for Budget Responsibility
[2] Low-income families 'terrified for winter' as inflation stays high | CPAG

Key policy decisions

Public Services

High inflation has eroded the budget for public services, meaning that, from 2025/26, unprotected departments will see a 2.3 per cent a year real-term cut in day-to-day spending, according to the OBR. This includes local government, where cuts come on top of an estimated 27% decrease in spending power for local services since 2010.[3]

The underfunding of local government will have a devastating impact on women. Women face a "triple-whammy" when local services and jobs are cut: they are more likely to work for local authorities and schools, they and the people they care for rely on these services more heavily, and they are the ones covering with unpaid care the gaps created because of the lack of public services.

Cuts to National Insurance contributionsTaxation

The 2024 Spring Budget saw further 2% cut in Class 1 rate for employees earning above £12,570 per year, and self-employed with profits above £12,570 per year, at a cost of £10.5bn per year. WBG analysis of Spring Budget NICs cuts shows that women, and especially lone mothers will gain the least from these tax cuts. Lone mother households will see an increase of just £85 in their annual disposable income, while a single man will get £345 more per year.

Taking together the NICs cut announced in November 2023 and in March 2024, single men will gain on average close to £500 more a year than lone mothers and couples without children will on average gain over £1,200 more a year, with a loss of approximately £20bn per year in public revenues. NICs cuts do little for those on low incomes, and don't help those earning below £12,570, 71% of whom are women.[4]

Ending the non-UK domiciled status for individuals starting in April 2025 The WBG has been calling for an abolition of the "non-dom" status. We welcome the Chancellor's announcement of the end of the current rules for non-UK domiciled individuals. Individuals moving to the UK will be exempt from UK tax on all non-UK profits for their first four years of UK residency. Starting in year five, they will pay the same tax on foreign income and grains as other UK residents.[5] While this loophole on tax urgently needed to be closed, it was a missed opportunity to promote more investment in the country.

Increasing the thresholds for High Income Child Benefit Charge (HICBC)

The Chancellor announced that from April 2024, the threshold for the High Income Child Benefit Charge (HICBC) will be raised from £50,000 to £60,000. The taper rate of the charge will also be halved so that Child Benefit is not repaid in full until one earner within a household earns £80,000. These increases in thresholds are welcome and long overdue.

[3] Save local services: Council pressures explained
[4] WBG's calculation using FRS 2019.
[5] Spring Budget 2024: Non-UK domiciled individuals policy summary - GOV.UK

HICBC thresholds have not been uprated since the policy was introduced in 2013, meaning over a decade of inflation has dragged more and more families into paying the charge.

The Government has committed to moving the assessment of Child Benefit to be based on household rather than individual incomes by April 2026, but the tax implications are unclear. Making one partner's tax liability dependent on the other's income undermines the right to independent taxation, an important contribution to gender equality.

There is a strong case for removing the two-child benefit cap, scrapping No Recourse to Public Funds for new migrants and restoring universal child benefit. Universal child benefits that target all children rather than those on lower incomes are better at reducing and preventing poverty.[6]

ECONOMIC OUTLOOK

In his opening statement for the 2024 Spring Budget, the Chancellor said "business confidence is returning…because we have turned the corner on inflation, we will soon turn the corner on growth."[7] However, this optimistic message contrasts with the reality of thousands of households across the country. High prices, wages that barely keep pace with inflation and public services struggling after many years of austerity have made it difficult to recover from the pandemic. This is especially true for women, disabled people, lone mothers, women from minority ethnic backgrounds and households with low incomes.

The UK's economy is far from being in a good place. UK economic growth has been particularly weak since early 2022 due to high inflation and rising interest rates. ONS[8] reports on GDP show that the UK experienced a "technical recession" as GDP decreased in the last two quarters of 2023, putting the UK at the bottom of the list of the G7 countries.[9]

The OBR projects that GDP growth will return to positive numbers in 2024, reaching around 2% in the next years. Even if this proves true, the scenario is not as positive if we consider GDP per person. The OBR forecast for GDP per capita in 2028 slightly deteriorated compared to November 2023, due to changes in expectations of total GDP, labour market participation activity and population estimates.[10]

Economic conditions have shifted in recent years, and the world will not return to its pre-COVID state. We face higher levels of economic inactivity due to long-term illnesses, a healthcare system performing worse than in 2010[11], an ageing population, increased migration, and a growing climate crisis. Public and economic policy must adapt to address this new reality, prioritising strong public services capable of delivering quality service and ensuring a healthy population for a healthy economy. This requires investment in social infrastructure and the transition to a greener economy.

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[6] Barcena-Martin, E., Blanco-Arana, M.C. & Perez-Moreno, S. (2018) 'Social transfers & child poverty in European countries: pro-poor targeting or pro-child targeting?', Journal of Social Policy 47(4): 739-758.
[7] Spring Budget 2024 speech - GOV.UK
[8] GDP monthly estimate, UK: December 2023
[9] GDP - International Comparisons: Key Economic Indicators - House of Commons Library
[10] Economic and fiscal outlook – March 2024 - Office for Budget Responsibility
[11] Public services | Institute for Government

GDP measures don't tell us directly what is happening in different areas of the economy or to household incomes, and even income per capita measures mask the additional pressures some groups face. The unequal distribution of unpaid care and domestic work means that women, on average, have lower incomes and savings. They are more exposed to negative economic shocks, especially after over a decade of spending cuts that have damaged public services and the social security safety net meant to cushion against adverse shocks. High levels of inflation over the last two years have hit low-income households, including women, lone mothers, disabled people and those from ethnic minority backgrounds because they allocate a larger proportion of their budget to essentials.[12]

In October to December 2023, total real pay growth was 1.4% on the year[13], returning to positive figures as inflation pressures ease. According to the Resolution Foundation, real wages will only regain their 2008 value in 2026, reflecting almost two decades of stagnant wage growth in real terms.[14] Real disposable income is expected to return to its pre-pandemic peak by 2025/26, earlier than the OBR estimated in November 2023.

The Bank of England maintained the base rate at 5.25% in February 2024, the highest level since 2008, in an attempt to bring inflation down to 2%, from its current 4%.[15] This will increase the cost of personal debt, limit job creation and wage increases, threatening gender equality. Better coordination of monetary and fiscal policy could bring down inflation in a less costly way and, if done correctly, could benefit gender equality.

This Budget was driven by the Government's fiscal rules, with the Chancellor using all of the "headroom" available. The OBR forecast that the Government's underlying debt (equivalent to 84.9% of GDP at the end of 2022/23) will increase each year before reaching 93.2% of GDP in 2027/28. It is only forecast to fall in 2028/29 (to 92.9% of GDP), thus narrowly meeting the Government's fiscal rule of having debt as a share of GDP falling in the fifth year of the forecast.

The second rule, public sector borrowing under 3% of GDP, is also met, with borrowing as a share of GDP expected to be 1.2% in 2028/29. Part of the reason borrowing is falling over the forecast period is that revenue has been increasing because the combination of freezing tax thresholds and higher inflation-induced nominal wages has brought in higher tax revenue. At the same time, Government spending, including future plans for spending on public services, remains below what is needed to address the crisis in our public services. Spending on "unprotected" departments is set to fall from 2025/26, which has worrying implications for local public services. But the Chancellor did not detail what services would be cut or what impact this would have.

As many have pointed out[16], the Government's fiscal rules are arbitrary, chosen by the Government themselves, and of limited usefulness in guiding fiscal policy in the long term. Slightly different rules would make widely different policies acceptable. Economic shocks that change national and international circumstances will impact the economic forecast, meaning that a rule could be broken without any modifications to fiscal policy.

[12] The Cost Crisis: a Gendered Analysis - Womens Budget Group
[13] Average weekly earnings in Great Britain: February 2024
[14] Back for more? • Resolution Foundation
[15] Monetary Policy Report - February 2024 | Bank of England
[16] Spring Budget 2023 response | Institute for Fiscal Studies; Playing by the fiscal rules | New Economics Foundation

Investing in areas that foster a strong economy and promote well-being makes economic sense. Currently, only expenditure on physical infrastructure like buildings (such as hospitals, schools, and nurseries) is typically seen as an investment, while spending on staff and operational costs is not. However, resources allocated to the day-to-day provision of health, education, and care services (social infrastructure) should also be recognised as an investment due to their long-term, beneficial impacts.

Further, forcing fiscal policy to meet specific targets often results in short-term, politically motivated decision-making. This approach is detrimental to the economy, hindering improvements in public services and undermining the interests of women who rely on them.

For instance, in response to the climate crisis and demographic change, the sensible course of action would involve transitioning our economy towards climate sustainability by allocating more funds to projects that will benefit future generations instead of trying to comply with a numerical fiscal rule. Rather than attempting to reduce public expenditure, the Government should raise taxes on those who can afford them and consider taking on a reasonable level of debt to invest in a green economy supported by robust public services. The OBR long-term projection suggests that to avoid debt rising massively by 2070's, around 300% of GDP, fiscal policy needs to start adjusting as soon as possible.[17] An increase of 1.5 percent of GDP in taxes every ten years would counterbalance the pressures from an ageing population, net zero, and other factors, keeping debt around 75% of GDP in 2071/72.[18]

Labour market

Economic inactivity, defined as people of working age not in employment or looking for a job, increased during COVID-19 and hasn't returned to its pre-pandemic levels. It reached 25.3% for women and 18.4% for men in October to December 2023.[19] More worryingly, the number of people out of the workforce because of long-term illness continues to rise, with a gender divide that has been widening since even before the pandemic. 1.5 million women are not seeking work due to long-term illness, nearly 200,000 more women than men. This number has steadily increased since 2014, surpassing the number of men declaring economic inactivity for the same reason.[20]

This raises issues about increasing health inequalities and life expectancy in the UK, which are highly correlated with socio-economic status, ethnicity and region.[21] Poor health affects labour market participation and, therefore, earnings. The Government's plan to tighten eligibility criteria for benefits fails to recognise the range of reasons why people claim out-of-work support, which many times include disability and long-term illness, and does not address the underlying problem of appropriate access to health and care services.[22]

The proportion of women out of the labour market due to family responsibilities exceeds men's, reflecting the unequal distribution of unpaid care work. 25.7% of women of working age, aged 16 to 64, are economically inactive due to caring for their family or home,

[17] Fiscal risks and sustainability, July 2023 – CP 870
[18] Fiscal risks and sustainability – CP 702
[19] Employment in the UK: February 2024
[20] Women and the Labour Market
[21] What Are Health Inequalities? | The King's Fund
[22] Women's Budget Group full response to the Spring Budget 2023

compared to 7.1% of men. Among those aged 25 to 49, when individuals are most likely to have dependent children, 54.1% of women and just 11.9% of men were economically inactive because they were looking after their home or family.[23]

The UK labour market was doing better than expected after the pandemic, with relatively high employment rates and rates of unemployment close to the lowest.[24] ONS labour market data from November 2023 to January 2024 shows that the employment rate is 75%, which is still below the pre-pandemic employment level.[25]

High rates of employment within the UK labour market, however, hide considerable inequalities and security of work within the labour market. The recent UK Insecure Work Index 2024 report, by the Work Foundation, shows that work has become less secure for UK workers, with an estimated 6.8 million workers (21.4% of the UK workforce) in insecure work.[26] The Work Foundation report identifies an increase of 2 percentage points in people in insecure work, with a higher increase (1.5pp) for those in severely insecure work.

Of the 600,000 additional people in insecure work between 2022 and 2023, 60% are women. Women are more than 2.3 times more likely than men to experience severely insecure work. Childcare availability and costs limit women's job choices, leading them often having to take insecure employment.[27] Rates of insecure work are also high among Black and Indian workers and young workers.[28] There has also been a significant increase among disabled workers in severely insecure work, with a record of 1.45 million disabled workers in severely insecure work.[29]

Cost of Living

CPI inflation for January 2024 was 4%, a decrease from its 40-year-high of 11.1% in October 2022. This indicates that prices are still rising, though not as rapidly as they were a year ago.

Even though the price of food and non-alcoholic beverages decreased between December 2023 and January 2024, it is 6.9% higher than a year ago and 25% higher than two years ago[30], presenting an ongoing financial burden on lower-income households.

High inflation jeopardises gender equality, since women are the ones cutting on essentials for themselves in order to provide for their children and family members when household budgets are not enough to make ends meet. In addition women are less able to absorb negative shocks because of lower earnings and savings.[31]

The Household Costs Indices (HCIs) show how households experience inflation considering different consumption patterns. In December 2023, the all-households HCI was 5% versus a 4% CPI inflation.[32] For households with children, the HCI was 5.5% in December 2023.

[23] Women and the Labour Market
[24] Post-pandemic economic growth: UK labour markets - Business, Energy and Industrial Strategy Committee.
[25] Employment in the UK: March 2024
[26] The UK Insecure Work Index 2024 - Lancaster University
[27] Limiting Choices: Why people risk insecure work - Lancaster University
[28] The UK Insecure Work Index 2024 - Lancaster University
[29] The UK Insecure Work Index 2024 - Lancaster University
[30] Consumer price inflation, UK: January 2024
[31] The Cost Crisis: a Gendered Analysis - Womens Budget Group
[32] Household Costs Indices for UK household groups: October 2023 to December 2023

In response to the cost-of-living crisis, the Government provided cost-of-living payments for low-income households on means-tested benefits during 2023/24, totalling £900 per household.[33] No further direct support will be provided to low-income households to cope with the high prices of essentials despite the fact that 88% of the people in the UK are worried about the cost of living.[34] Lone-parent households, generally lone-mother households, are among the least financially resilient and hence, less prepared to face a crisis like COVID-19 or the cost of living increases.[35]

POLICY DECISIONS

PUBLIC SERVICES

The Chancellor affirmed that between 2025/26 and 2028/29 day-to-day spending on public services will increase by 1% per year in real terms. However, high inflation has eroded the budget for public services, meaning that unprotected services will see a 2.3 per cent a year real terms cut in day-to-day spending from 2025/26, according to the OBR.

The current Spending Review covers until 2024/205, meaning we don't know how the Government plans to allocate resources across departments after that year. Considering some commitments and targets for the different departments, the OBR assumed an increase for the NHS, Defense, Official Development Assistance and Early Education and Childcare (expansion announced in the Spring Budget 2023), and a core school spending flat in per-pupil terms. As a result, other departmental day-to-day spending will need to fall by 2.3% in real terms per year (Figure 2). To avoid these cuts, departmental budgets need a top-up of £10bn to £20bn[36] in 2028/29, a similar amount to the revenue that the Chancellor has given away through cuts to National Insurance contributions.

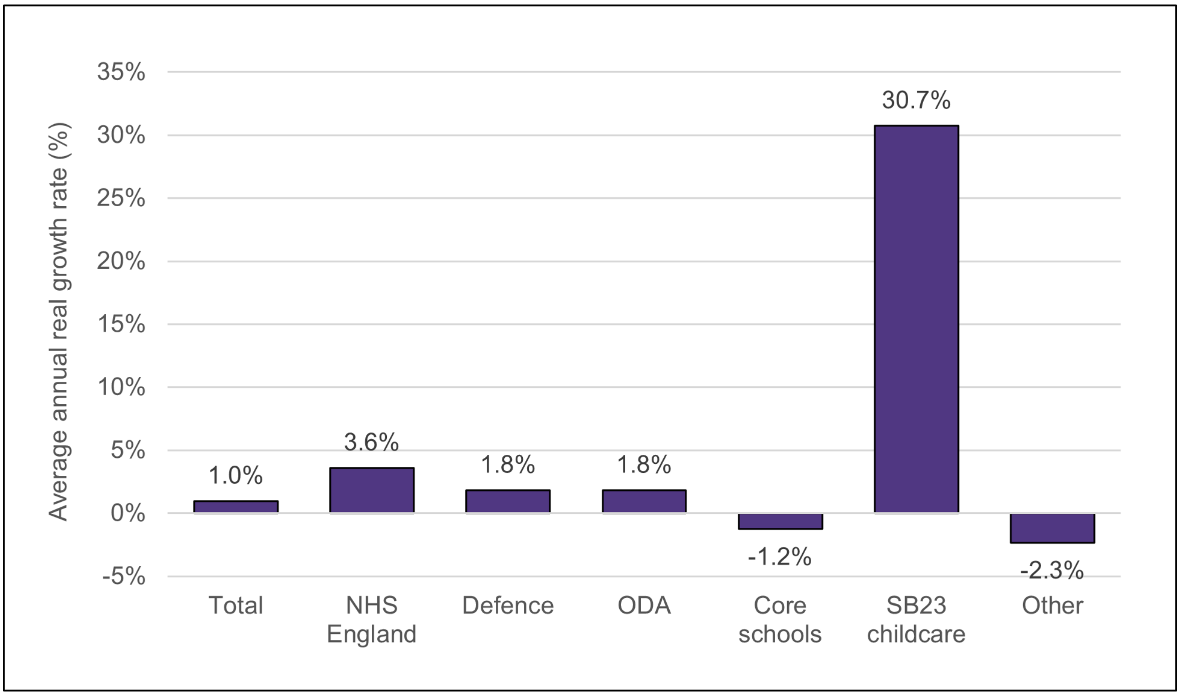
The Public Sector Productivity Programme is a £4.2bn package aimed at increasing the productivity of public services, with £3.4 allocated to the NHS and £0.8bn for other public services.[37] The plans for the NHS are mainly focused on technological and digital transformation to reduce the administrative tasks that many healthcare workers are doing now. New technologies and AI may make work more efficient and increase the quality of the service. However, special attention should be given to gender data gaps and their potential negative effect on women and ethnic minority groups, generally underrepresented in medical data.[38]

Genuine productivity improvements in public services are a good thing. However, changes must be properly assessed to take into account the quality of the delivery. This means that while investment in productivity improvements should lead to higher quality services, they will not necessarily lead to a reduction in staffing levels or to a reduction in costs. In particular, in the human services, such as health care, education, social care and childcare,

[33] Eight million households to receive £2 billion Cost of Living support - GOV.UK
[34] Public opinions and social trends, Great Britain: 31 January to 11 February 2024
[35] Impact of increased cost of living on adults across Great Britain: July to October 2023
[36] Public service spending. Bee Boileau. IFS 2024.
[37] Spring Budget 2024 (HTML) - GOV.UK
[38] Sex and gender differences and biases in artificial intelligence for biomedicine and healthcare | npj Digital Medicine; AI could worsen health inequities for UK's minority ethnic groups - new report | Imperial News

quality measures must consider the importance of human relationships, with staff/user ratios necessarily a significant component. A more productive state should be bigger in terms of what it delivers; it will not necessarily be smaller in terms of the workforce required to deliver a high-quality service.

The OBR estimates that unprotected services will experience a 2.3% real terms cut per year between 2025/26 and 2028/29
Figure 2: Implied post Spending Review 2021 breakdown of real RDEL spending.



Source: "Chart C: Implied post-SR21 breakdown of real RDEL spending and share of RDEL" March 2024 Economic and fiscal outlook - charts and tables. Chapter 4 - Fiscal outlook. OBR.

Local Government

The Household Support Fund will be extended in England until September 2024 with £500m for local authorities to support the most vulnerable households with essentials such as food and energy. This extension will provide some relief for councils and families struggling to make ends meet. However, short-term initiatives are not a substitute for long-term funding for councils and a decent benefits system that allows people to maintain an adequate living standard.

Local governments are currently under the "unprotected" departments that are expected to see a real-terms cut in their budgets from 2025/26, which would put them in an even more critical situation.

We are witnessing the consequences of councils being underfunded across the country, which strongly impact women's lives. Birmingham City Council has stripped back social care as well as non-statutory services and is directly cutting up to 600 jobs.[39] Coventry is among

[39] Birmingham City Council to vote on cuts after effective bankruptcy - BBC News

several councils reducing or cutting life-saving services for survivors of domestic and sexual abuse and their children[40] and Nottingham City Council has cut social and youth services.[41]

Further cuts come on top of an estimated 27% decrease in spending power for local services since 2010.[42] Women are hit in three ways when local services and jobs are cut, facing a "triple-whammy": they are more likely to work on local authorities and schools, they and the people they care for rely on these services, they are the ones covering with unpaid care the gaps created because of the lack of public services.[43]

In response to the crisis, Birmingham plans to increase council tax by 21% next April to generate more revenue.[44] Other local authorities with social care responsibility are planning to increase Council Tax[45] by 4.99%, the maximum permitted. This is a regressive tax because it takes a higher proportion of income from low-income households, council tax bands do not reflect the current value of people's homes, and councils in deprived areas raise less from council tax and business rates but have a greater demand and need for their services.

VAWG services

There were no additional resources for domestic and sexual violence services announced by the Chancellor despite the cliff edge faced by crucial services in 2025 due to uncertainty on funding for 2025/26. Because of spending constraints on local government, these vital life-saving services have already been cut or are at risk of being cut locally.

Women's Aid reports that 60% of referrals to refuges are turned away in 2022/23 and 14,000 survivors of sexual violence are on the Rape Crisis waiting list.[46] Services led 'by and for' Black and minoritised women are six times less likely to receive funding compared to other domestic abuse services. We call on the Government to invest in these services to avoid the devastating consequences that funding cuts will have in women's a girls' lives.

TAXATION

Cuts to National Insurance contributions

The Chancellor announced a cut to National Insurance contributions, with the Class 1 rate for employees earning above £12,570 per year falling from 10% to 8% and the Class 4 rate for the self-employed with profits above £12,570 per year falling from 8% to 6%[47], at a cost £10.5bn per year according to the OBR.[48]

The poorest households will benefit the least from this policy.[49] As women have lower earnings on average, with many earning below the NICs threshold, they will benefit the least

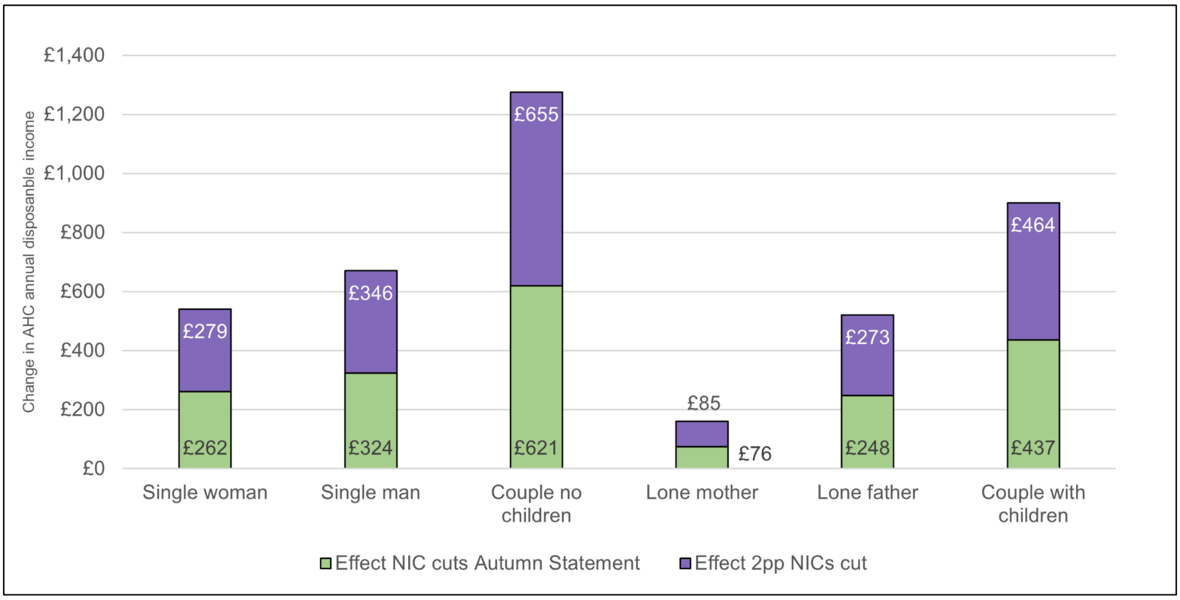
[40] UK charities warn of 'devastating' council cuts to women's services | Violence against women and girls | The Guardian
[41] Nottingham: Wide-ranging cuts approved at 'bankrupt' city council - BBC News
[42] Save local services: Council pressures explained
[43] Triple Whammy: the impact of local government cuts on women
[44] Birmingham City Council signs off 'devastating' cuts - BBC News
[45] Local authorities warn 'difficult but necessary' council tax rises are needed to help prevent insolvency, as new analysis reveals 95% plan maximum increase
[46] Women's Aid and sector colleagues send letter to the Chancellor ahead of the Spring Budget Announcement
[47] Spring Budget 2024 (HTML) - GOV.UK
[48] Economic and fiscal outlook – March 2024 - Office for Budget Responsibility
[49] Poorest receive just 3% of chancellor's spring budget tax giveaways | New Economics Foundation

from cuts in NICs. This is especially true for lone mothers, as Figure 1 shows. Lone mother households will see an increase of just £85 in their annual disposable income (purple bar), while a single man will get £345 more per year.

In the Autumn Statement 2023, the Chancellor announced a similar cut to National Insurance contributions, with a similar distributional effect (green bars in Figure 1) at a cost of around £10bn per year. Taking together the NICs cut announced in November 2023 and the ones announced in March 2024, single men will gain on average close to £500 more a year than lone mothers and couples without children will on average gain over £1,200 more a year, with a loss of approximately £20bn per year in public revenues. NICs cuts do little for those on low incomes, and it doesn't help those earning below £12,570, 71% of whom are women.[50]

Cuts to NICs benefit lone mothers the least

Figure 1: cumulative effect of cuts to NICs: Autumn Statement 2023 and Spring Budget 2024



Notes: AHC equivalised disposable annual income for 2024. "Effect of 2pp NICs cut" is a comparison of the current scenario and a scenario with a 2 percentage point cut in Class 1 Employee NIC (from 10% to 8%) and a 2 percentage point cut in Class 4 NIC (from 8% to 6%) .WBG calculations using UKMOD B.109 with 2019 FRS data. UKMOD is maintained, developed and managed by the Centre for Microsimulation and Policy Analysis at the Institute for Social and Economic Research (ISER), University of Essex. The results and their interpretation are WBG's sole responsibility.

The announcement of tax cuts comes after a steady rise in income tax paid due to the freeze on thresholds from 2020 which will continue until 2028. The cumulative impact of these tax policies, the freeze in thresholds and the cuts in NICS rates, varies across different income brackets and demographic groups. By 2027/28, individuals earning between £26,000 and £60,000 will see their earnings increase due to the tax policies, while those earning less than £26,000 or over £60,000 will experience negative effects.[51]

[50] WBG's calculation using FRS 2019.
[51] Back for more? • Resolution Foundation

Full-time employees will benefit from the combination of these tax decisions, but part-time employees will suffer losses. Women, who often have caring responsibilities and are more likely to work part-time, are particularly at risk of losing out due to the government's tax policy. Furthermore, pensioners are significant losers as their disposable income falls in real terms due to the threshold freeze without the benefit of reduced National Insurance Contributions rates.[52]

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 personal taxes, a more progressive approach within the current tax system would have been raising the threshold for paying NICs or unfreezing the personal allowance and basic rate threshold of Income Tax. This change would have benefited low earners, particularly women, more than cutting the rate.[53]

The tax system requires a significant overhaul to become more progressive and inclusive, shifting away from the perception of tax as a burden and recognising tax as an important way of redistributing resources and funding our public services. This reform should incorporate gender and distributional analysis, evaluating not just the impact of taxation on different demographic groups, but also the overall revenue generated, considering the essential role of enabling public spending for women and those with lower incomes.

In his Budget speech, the Chancellor described National Insurance as an unfair double taxation of work[54] and mentioned his long-term goal of abolishing it. National Insurance contributions and credits are important to qualify for certain benefits and state pension. Hence, any plan to reform or abolish NIC should consider an alternative scheme to assess eligibility for contributory benefits.

Cuts to National Insurance contributions announced in the Autumn Statement 2023 have led to a decrease in the flow of contributions into the National Insurance Fund, causing it to fall below the outflow of benefits (49% state pension) and raiding the current £84bn surplus of the Fund.[55] The additional cuts announced by the Chancellor will accelerate the run-down of the surplus, making the state pension reliant on general taxation. This exposes future state pension payments to austerity cuts and politically motivated reforms.

Women on average have smaller private pension pots[56] than men and depend on the state pension. The underfinancing of state pensions via the National Insurance Fund that the NIC cuts create is a threat to gender equality. The Government needs to urgently explain how it envisages the financing of future state pensions.

Abolition of the "Non-dom" status (non-domiciled individuals).

The WBG has been calling for an abolition of the "non-dom" status, and we welcome the Chancellor's announcement of the end of the current rules for non-UK domiciled individuals starting in April 2025. The new system will be based on residence rather than domicile and

[52] Back for more? • Resolution Foundation ; Spring Budget 2024: Taxation and Gender
[53] Autumn Statement 2023: Taxation and Gender - Womens Budget Group
[54] Spring Budget 2024 speech - GOV.UK
[55] Report to Parliament on the 2024 re-rating and up-rating orders - GOV.UK
[56] The Gender Pensions Gap in Private Pensions - GOV.UK

will replace the remittance base of taxation with a simpler regime.[57] The reform is good news, but it maintains an incentive for keeping wealth outside the UK. It was a missed opportunity to promote more investment in the country.

The Government expects to raise £2.7bn per year in 2028/29, which could be spent on chronically under-funded public services, and tackle gender inequality directly, as 67% of current “non-doms” are men.[58]

UK ISA

Chancellor Jeremy Hunt announced the creation of a new “UK ISA” focused on investments in the UK, with a £5,000 tax-free allowance additional to the current ISA allowance. The WBG has previously noted how given men's greater capacity to save through higher earnings, the tax relief on non-cash ISAs (individual savings accounts) goes predominantly to men.[59] This new tax break is also expected to benefit men to a greater degree, while further contributing to the existing £6.7 billion cost of tax reliefs associated with ISAs.[60]

WBG is in favour of restricting tax breaks, such as ISAs, to those whose savings are used in beneficial ways, such as in green investments. But these should be applied to existing ISAs which are already over-generous to those who can afford to save and not create new tax breaks. Moreover, the best way to make UK assets attractive to investors is to create a healthy economy through investing in the social infrastructure that supports a thriving economy.

Fuel duty

The Government is freezing fuel duty rates for 2024/25, extending the 5p cut until March 2025, and cancelling the planned increase in line with inflation for 2024/25. Fuel duty is included in the price paid for petrol, diesel and other fuels used in vehicles or for heating. The headline rate on standard petrol and diesel is currently 52.95 pence per litre. Government policy is that fuel duty should rise in line with inflation, but it has been frozen since 2011/12, and the Government has implemented a temporary 5 pence cut in 2022/23, 2023/24, and 2024/2025.

Whilst the fuel duty cut has been sold by the Chancellor as a means of helping with the cost of living, there is evidence that it may not even benefit cash-strapped households: the RAC claimed last December that retailers were failing to pass the 5p cut onto customers.[61]

There are many more, better-targeted policies that would help mitigate the impacts. The estimated £13 billion of support provided to drivers over the three years from the cut being introduced would have been far better invested in public transport.[62] This would help the environment and keep prices low for those on low incomes, including women, who are more likely to rely on public transport for everyday activities.[63] The extension of the fuel duty cut

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[57] Spring Budget 2024: Non-UK domiciled individuals policy summary - GOV.UK
[58] Spring Budget 2024: Taxation and Gender
[59] Savings and Investments: Gender Issues
[60] Non-structural tax relief statistics (December 2023) - GOV.UK
[61] RAC (Dec 2023) Drivers losing £184m a month as fuel retailers refuse to pass on 5p duty cut
[62] Towards Gender Inclusive and Sustainable Transport Systems - Womens Budget Group
[63] The Women's Budget Group (Oct 2019) Public transport and gender

mainly benefits better-off men, particularly those with large cars, as they are more likely to take longer car journeys.[64] The Chancellor's decision will increase gender inequalities by giving tax reliefs to men and cutting public spending for women.

Cutting fuel duty is also a decision that flies in the face of the other crisis facing us, the climate emergency. People want to see the Government prioritise the environment, not make it another victim of rising prices. This policy doesn't help the most vulnerable people, and it won't help the environment either.

Extension of the Energy Profits Levy

The Government will extend the Energy Profits Levy (EPL) until 2028/29, one additional year. This measure will raise £1.53bn. The Energy Profits Levy was introduced in 2022 as a windfall tax for oil and gas companies experiencing extraordinary profits because of the unexpectedly high energy prices. It is charged at 35%.

The extension of the windfall tax is good news. Still, we would like to see excess profits taxed at 100% because these are unexpected profits resulting from energy scarcity rather than any productive activity. Also, we call on the Government to abolish tax reliefs associated with investments in the extraction of oil and gas.

British Gas saw a hike in profits from £72m in 2022 to £751m in 2023, a tenfold increase.[65] BP and Shell combined have made a profit of £75bn since the Russian invasion of Ukraine started.[66] A higher EPL would produce additional revenue that could be used to support households struggling with high energy prices instead of increasing profits for shareholders.

SOCIAL SECURITY

High Income Child Benefit Charge

The Chancellor announced that from April 2024, the threshold for the High Income Child Benefit Charge (HICBC) will be raised from £50,000 to £60,000. The taper rate of the charge will also be halved so that Child Benefit is not repaid in full until one earner within a household earns £80,000.

Child Benefit is paid to most parents or guardians to help with the cost of raising children. It is paid every four weeks (or weekly in some cases) at a rate of £24 per week for the first child and £15.90 per week for any additional children. Women make up 87% of all Child Benefit claimants.[67] Before 2013, Child Benefit was a virtually universal benefit for most parents or carers of children (with some exceptions due to residence conditions). Its universal nature has been compromised by the HICBC.

Changes to the HICBC are a welcome first step, but it is long overdue. HICBC thresholds have not been uprated since the policy was introduced in 2013, meaning over a decade of inflation has dragged more and more families into paying the charge.

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[64] Gov.uk (Aug 2022) National travel survey 2021: household car availability and trends in car trips
[65] British Gas profits leap from £72m to £751m in a year | Energy industry | The Guardian
[66] World's largest oil companies have made $281bn profit since invasion of Ukraine. The Guardian
[67] HMRC (April 2023) Child benefit statistics: annual release, data at August 2022

The government states that raising the HICBC threshold from £50,000 to £60,000 will take 170,000 families out of paying the tax. It also estimates that nearly half a million families will gain an average of £1,260 in 2024/25 as a result of halving the rate of the charge so that Child Benefit is not repaid in full until one earner within a household earns £80,000. The change will be a relief to many parents, especially lone mothers, who are currently losing out on what should be a universal benefit for children. In high-cost areas like London, an income of £50,000 after tax is lower than median costs of rent, childcare and energy for a two-child household[68]. Whilst these threshold changes are a welcome step, they follow a decade of fiscal drag which has resulted in the HICBC affecting close to 1 in 3 families.[69]

We are also very concerned about the Government's commitment to moving to assessing child benefit on household rather than individual incomes by April 2026. If, as planned, HMRC were to do this by linking the tax records of individuals within the household, it would undermine independent taxation, an important principle contributing to gender equality and women's economic independence, and it might open the door to further erosion of this principle.

The HICBC undermines the effectiveness of a universal child benefit and should be abolished. Child Benefit should be regarded as a contribution that the community as a whole makes to all children, recognising that raising a child is a social good. Universal benefits that target all children rather than those on lower incomes are better at reducing and preventing poverty.[70] Restoring Child Benefit as a universal benefit will also ensure that the right to independent taxation is not compromised by a move to a household means test.

With over half of children living in poverty in some local areas[71], we urge the Government to act on more pressing policies needed to help the poorest families and restore the universal nature of Child Benefit, as well as abolishing the benefit cap and the two-child limit.

Extension of Budgeting Advance Loans repayment period

The announcement that Budgeting Advance Loans taken out by claimants on Universal Credit will be repayable over 24, rather than 12, months is welcome but doesn't make up for the inadequacies of the benefits system. During his Spring Budget speech, the Chancellor himself highlighted that nearly one million households on Universal Credit take out budgeting advance loans to pay for more expensive emergencies like boiler repairs or help getting a job.[72] Despite this, he failed to recognise the obvious failings of a system that forces so many people into debt in order to pay for essentials.

Furthermore, the policy won't come into effect until December 2024, providing no relief for those applying for Budgeting Advance Loans or struggling with repayments in the meantime.

Compared to the population of the UK, the over-indebted are more likely to be female and have children.[73] As women are the shock absorbers of poverty, this is leaving many

[68] Women's Budget Group (Feb 2024) Pre-budget briefing on child benefit
[69] IFS, (2022) Reforms, Roll-outs and Freezes in the Tax and Benefit System
[70] Barcena-Martin, E., Blanco-Arana, M.C. & Perez-Moreno, S. (2018) 'Social transfers & child poverty in European countries: pro-poor targeting or pro-child targeting?', Journal of Social Policy 47(4): 739-758.
[71] End Child Poverty (June 2023) Local indicators of child poverty after housing costs, 2021/2022
[72] Gov.uk (Mar 2024) Spring budget 2024 speech
[73] The Women's Budget Group (Mar 2020) Household debt and gender

struggling to meet the basic needs of themselves and their families. Indeed, recent research suggests that three-quarters of those accessing food banks are women[74]. Far more ambitious policy is needed, both to help those struggling with debt immediately and to prevent more people on Universal Credit falling into debt in future.

The Government needs to address the root cause of this problem, which is the inadequacy of Universal Credit payments and the five-week wait before the first payment of Universal Credit is received. We call for an immediate increase in benefits to keep pace with inflation, restored to 2010 levels in real terms, and for Budgeting Advance Loans to be converted into non-repayable grants. We also call for an end to the five-week wait before the first payment of Universal Credit is received. The five-week wait is another key driver of debt accrual for those on Universal Credit, resulting in increased levels of hunger and poverty in the UK.[75]

Removal of the £90 fee for Debt Relief Orders

The Chancellor has announced the welcome removal of the £90 administration fee for obtaining a Debt Relief Order (DRO) from 6 April 2024. DROs are a personal insolvency debt solution for individuals who have debt they are unable to repay. The Government is also raising the maximum debt value threshold from £30,000 to £50,000[76], and increasing the maximum value of motor vehicle that an individual can retain from £2,000 to £4,000. These changes are due to take effect from 28 June 2024.

Women have had a higher rate of insolvency than men for nine successive years, and they are more likely to have a DRO or individual voluntary agreement. In 2022, DROs accounted for 23% of insolvencies among women and 15% among men.[77] Whilst the removal of the £90 administration charge for DROs will undoubtedly provide relief for women in the short-term, this policy does nothing to address the root causes of gender inequality with regards to debt. In order to address these issues, we call for an overhaul of the social security system, including abolishing the two-child limit and removing the benefits cap and the five-week wait for the first Universal Credit payment. The Government should also increase the budgets of local authorities to make Local Hardship Funds more widely available.

EARLY EDUCATION AND CHILDCARE

The Chancellor announced that the rates paid to providers will "increase in line with the metric used at Spring Budget 2023 for the next two years"[78] with an investment of £500m.

The WBG agree with the Early Years and Childcare Coalition that this is a sensible policy that will provide some certainty to providers until 2025/26.[79] If the Government gets the calculation of the metric right, it could help to reduce the part of the gap between what the providers receive per hour and the real cost of delivering those hours. Our analysis shows

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[74] Fareshare (Dec 2023) Cost of living crisis continues to hit women hardest
[75] The Trussell Trust (May 2021) State of hunger: Building the evidence on poverty, destitution, and food insecurity in the UK
[76] The maximum debt value threshold is the maximum level of debt a person can have to access a DRO. More details in Debt relief orders - what you need to know - Citizens Advice
[77] The Insolvency Service (Mar 2023) Commentary - Individual insolvencies by Location, Age and Gender, 2022
[78] HMT (2024) Spring Budget p.45
[79] Budget 2024: EECC welcomes childcare funding certainty but calls on Government to do more to deliver the upcoming expansion

that the gap between what the Government funds settings and what it costs to provide each place currently adds up to around £2bn a year for 3- and 4-olds and up to £5bn in total when the planned expansion is due to be fully rolled out in September 2025.[80]

We call on the Government to increase the investment in the sector, with funding rates that cover the provision costs, a workforce strategy to retain and recruit early years professionals and a long-term growth plan for the sector.

The Women's Budget Group advocate for accessible, high-quality, free-at-the-point-of-use childcare and early education for all children. With an initial investment of 0.7% of GDP (£18bn in 2022 levels), such a reform is anticipated to recoup 61% of its costs through positive impacts on the wider economy. Aligning our system with Nordic countries, which are well-known for higher female participation, better salaries, and quality education, would not only benefit children and their parents, but also enhance employment, leading to increased tax revenues and reduced social security spending, covering a significant portion of the cost of the initial investment.[81]

THE NEED TO UNDERTAKE AND PUBLISH EQUALITY IMPACT ASSESSMENTS

Under the Public Sector Equality Duty (PSED) the Treasury, as with all public bodies, has a legal obligation to have due regard to the impact of its policies on people with protected characteristics under the Equality Act. These characteristics include: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

One of the main ways policy makers can ensure equality is taken into account when policy is made is to carry out an Equality Impact Assessment (EIA), and take action to amend the policy if necessary before it is implemented. Because inequalities based on gender intersect with other forms of inequality it is also important that equality impact assessments adopt an intersectional approach.

Budgets and financial statements produced by the Treasury since 2011 have failed to include publication of meaningful Equality Impact Assessments. WBG has raised this repeatedly in our budget analysis.[82]

The only impact assessment relating to protected characteristics in Budget documents are the Tax Information and Impact Notes (TIINS) produced by HMRC.[83] The quality of assessments contained in the TIINs is poor. A recurring response in the TIINS documents is: "It is not expected that there will be adverse effects on any group sharing protected characteristics" but there is information on how it is worked out and no detail about the extent of these impacts.

The Tax Information and Impact Notes (TIINS) produced this year are no exception. For example, in relation to the changes to anti-avoidance legislation covering the transfer of

[80] Updated analysis: Early Years Education and Childcare funding shortfall - Womens Budget Group
[81] 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.
[82] UK Budget Assessments Archives - WBG
[83] Spring Budget 2024 tax related documents - GOV.UK)

assets abroad, the TIINS document states: "This measure will impact wealthy individuals. Based on the population, the measure will therefore likely impact those who are male and older."[84] There is no further information given about what proportion of those who benefit will be male and what proportion will be female, or the extent of the benefit that they will receive. Significantly, there is no published equality impact assessment on the impact of the 2pp NICs cuts on groups with protected characteristics.

Equality impact assessments should be carried out at the development stage of any policy or measure to examine the potential differential impacts and design in any mitigating measures necessary. To carry out EIAs after the measure has been decided will be unlikely to result in a policy being modified if the distributional impacts are shown to be uneven or unfair. If government departments (and other public bodies such as the Bank of England) do carry-out equality impact assessments on proposals before they are included in the Budget, then that should be stated, and the assessment made available.

CONCLUSION

It is difficult to square the Chancellor's announcement that we have turned the corner on the economy when figures show that the UK is in a weak economic situation. Real household disposable income per person is forecast by the OBR to be lower by 3.5% in 2024/25 than before the pandemic. We are far from a rosy picture.

The tight UK labour market also masks concerning issues in relation to the growth of severely insecure work and economic inactivity due to long-term illness. We cannot have a healthy economy without healthy people. Our previous work has shown that women have borne the brunt of austerity cuts to public services,[85] hit hard by the pandemic, and are now disproportionately affected by the cost of living crisis.[86] In the same week of the 2024 Spring Budget, the Food Foundation Tracker revealed that 15% of UK households, equivalent to approximately 8 million adults and 3 million children, were going hungry or skipping meals.[87]

Yet the Chancellor went ahead with NICs cuts, which benefitted men more than women. The workings of any equality impact assessments carried out on NICs cuts did not appear to be published. In addition, the Chancellor did not specify how immediate and specific tax cuts in the 2024 Spring Budget would be paid for by future spending or cuts. There is a serious concern that much of these tax cuts will be funded by real-term cuts to unprotected departments. Local governments are currently under the "unprotected" departments that are expected to see a real-terms cut in their budgets from 2025/26, which could resemble cuts even more devastating than the austerity era.

We are witnessing the consequences of councils being underfunded across the country.[88] Cuts to local services will disproportionately impact women who rely on public services more than men.

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[84] Changes to anti-avoidance legislation — transfer of assets abroad provisions - GOV.UK
[85] Stephenson, Mary-Ann. "Feminist challenges to austerity." *Globalizations* 13.6 (2016): 915-918.
[86] Cost Of Living Briefing Series - Womens Budget Group
[87] Food Insecurity Tracking | Food Foundation
[88] Nottingham: Wide-ranging cuts approved at 'bankrupt' city council - BBC News

The implications of Budgets should not just be about the actions the Chancellor took; it should also be about the actions the Chancellor did not take. Social care was not even mentioned in this Budget. Instead of investing in crisis-hit public services and social infrastructure, the Chancellor chose to cut national insurance, ignoring the advice of the IMF warning against tax cuts.[89] Preserving high-quality public services, undertaking critical public investments and working towards net zero targets should be the priority in a long-term plan. A strong economy relies on a strong and well-resourced social infrastructure. The choice for our economy is not public investment or economic growth. It is public investment and economic growth.

UK Women's Budget Group
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[89] https://www.bbc.co.uk/news/business-68140634