

## ***‘Budget 2013 – helping or hurting women?’***

### **Women in UK today face entrenched economic inequality**

Even before the financial crisis women in the UK faced a range of persistent economic inequalities. For example:

- Women dominate in low paid work: almost two-thirds (63%) of those earning £7 per hour or less are women.<sup>1</sup>
- Across the board (for full-time and part-time work), women earn an average of 19% less per hour than men.<sup>2</sup>
- Around a million women are ‘missing’ from the UK workforce due to a lack of the types of flexible work opportunities that women require to balance their work and caring commitments.<sup>3</sup>
- Women’s average personal pensions are only 62% of the average for men and they make up the majority of pensioners living below the breadline.<sup>4</sup>
- Benefits make up a much greater percentage of women’s income than men’s – on average, 1/5<sup>th</sup> of women’s income is made up of welfare payments and tax credits compared to 1/10<sup>th</sup> for men.<sup>5</sup>

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<sup>1</sup> [http://www.resolutionfoundation.org/media/media/downloads/Beyond\\_the\\_Bottom\\_Line\\_-\\_FINAL.pdf](http://www.resolutionfoundation.org/media/media/downloads/Beyond_the_Bottom_Line_-_FINAL.pdf)

<sup>2</sup> 2012 ONS Annual Survey of Hours and Earnings

<sup>3</sup> Resolution Foundation, *The Missing Million: The potential for female employment to raise living standards in low to middle income Britain*, December 2011.

[http://www.resolutionfoundation.org/media/media/downloads/The\\_Missing\\_Million.pdf](http://www.resolutionfoundation.org/media/media/downloads/The_Missing_Million.pdf)

<sup>4</sup> J. Hills et al, National Equality Panel, *An Anatomy of Economic Inequality in the UK*, January 2010.

<sup>5</sup> The Fawcett Society, *Who Benefits?: A gender analysis of the UK benefits and tax credits system*, April 2006: <http://www.fawcettsociety.org.uk/index.asp?PageID=788>.

## Austerity is making it worse

To date, the government's austerity agenda, with its emphasis on deep spending cuts over other approaches, has necessarily left women facing a 'triple jeopardy' of impacts: cuts to their public sector jobs where women make up two-thirds of the workforce; cuts to their benefits where women rely more on state support and; cuts to public services that women tend to use more frequently and intensively than men.

The combination of these impacts has hit women's economic equality hard and women in the UK now face:

- *A 25 year high in unemployment* – cuts to public sector jobs are hitting women hardest, whilst increasing numbers of lone parents are being required to seek work - all while competition for jobs is fierce.
- *Reduced incomes* – to date around three-quarters of the money cut from welfare spending has come from women's pockets.<sup>6</sup>
- *Access to vital support services undermined* – as funding for services such as those that provide childcare, social care, legal aid and support for victims of sexual and domestic violence is reduced.
- *A reduction in their financial independence* – as benefits that provide financial autonomy for women - including those that provide choices around combining work and childcare - are rolled back and incentives to work are reduced.

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<sup>6</sup> Overall, of the £14.9 billion worth of cuts made to benefits, tax credits, pay and pensions introduced to date (in the 2010 budget, 2010 CSR, 2011 budget, 2011 AFS and 2012 budget) 74% is taken from women's incomes.

Source: House of Commons Library:

<https://docs.google.com/spreadsheets/ccc?key=0AonYZs4MzIZbdHA1M2JJVF8tZTBvYWUzeFRnRU1yOHc#gid=0>

## Is the private sector led growth agenda delivering for women?

- The government is clear that it believes that the route to economic recovery lies with private sector growth and job creation. However, whilst more women have lost their jobs in the public sector over the past few years they are not yet accessing job opportunities in the private sector at a sufficient rate.
- This is because there is both fierce and growing competition for the types of flexible work opportunities that many women require and because women are not yet benefitting sufficiently from the job opportunities being created as a result of the government's 'measures for growth' where to date these have been weighted towards male-dominated industries.
- In fact, since the first quarter of 2010, 60% of increase in private sector employment is accounted for by men and 40% by women and *women account for only 24% of the fall in overall unemployment levels since they began falling in the final quarter of 2011.*
- Further, the persistent levels of female unemployment look likely to begin rising again as further public sector cuts kick in - using OBR figures we have calculated that around 75% of public sector job losses are yet to come.
- We are also concerned that as more jobs move to the private sector women's pay will take a considerable hit: the private sector tends to offer women reduced pay prospects across the board, particularly for lower paid work.
- This also contributes to the considerably *higher gender pay gap* that women face in the private sector where the overall gap for all work stands at 24% in the private sector and 17% in the public sector.<sup>7</sup>
- Unless action is taken to both ensure that women are able to benefit fully from decent work opportunities in the private sector and to tackle the lower levels of pay and the wider pay gap in the private sector we are likely to witness:
  - o *Persistent and rising levels of female unemployment*
  - o *Diminishing levels of female pay across the board and a widening of the overall pay gap between men and women*
  - o *The proportion of women in low paid work increasing*

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<sup>7</sup> ONS ASHE 2012

## What's bad for women is bad for economic prosperity

Women's economic equality is not only crucial for women themselves but it is crucial for a stable and prosperous economy. For example, the increasing numbers of women in work in recent years has helped to offset the flat wages and falls in income from male employment.

The current approach to reducing the deficit, along with a lack of targeted measures to ensure that women are part of, and can fully benefit from, the drive for a private sector led recovery is not only damaging women's economic equality but is also hampering the UK's prospects for economic growth:

- Taking money out of women's pockets, particularly from those who are already struggling on low incomes, means less money will be spent back in the economy.
- High and persistent levels of female unemployment mean lower tax revenues and a higher welfare bill for government. As the Home Secretary Theresa May MP has noted, if the skills and qualifications of women who are currently out of work were fully utilised the UK could deliver economic benefits of £15 to £21 billion pounds per year, more than double the value of all our annual exports to China.
- Reducing the prospects for women to take up decent paid work also has higher cost implications for the state as insufficient wages need to be supplemented through the tax credit system.
- Not utilising the full potential of women to participate and prosper in the labour market also has wider implications for growth: for example, the current lack of women engaged in entrepreneurial activity represents huge untapped potential. The government itself reports that if women set up businesses at the same rate as men, there would be an extra 150,000 start-ups in the UK each year and if the UK had the same level of female entrepreneurship as the US, there would be approximately 600,000 extra women-owned businesses, contributing an extra £42 billion to the economy.<sup>8</sup>

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<sup>8</sup> <http://www.homeoffice.gov.uk/equalities/women/women-work/business-council/>

## The 2013 budget – key watch points for women's equality

Whilst less information on the likely content of the upcoming budget has made it into the public domain than for budgets of previous years a number of key headline measures have been touted that will have significant implications for women.

### Watch for: further cuts to welfare

- In the 2012 budget the Chancellor announced that an additional £10bn of savings from welfare spending will be made by 2016/17, on top of the £18bn of savings that the coalition has announced to date.
- £3.6bn of this £10bn was announced in the 2012 Autumn Statement via the introduction of the 1% cap on all working age benefits. It is very likely that the 2013 budget will introduce further cuts to welfare in order to meet this £10bn target.
- As a general rule, welfare cuts tend to hit women much harder than men – this is because women tend to rely more on benefits and tax credits than men, in particular due to their greater caring responsibilities, their relative economic inequality and poverty and likelihood that they will be in low paid work as well as the greater likelihood that they will be single parents. On average, 1/5<sup>th</sup> of women's income is made up of welfare payments and tax credits compared to 1/10<sup>th</sup> for men.<sup>9</sup>
- To date, cuts to housing benefits, child benefits, support for childcare costs, working tax credits and many others have hit women harder – in fact around three-quarters (74%) of the savings made to date have come from women's incomes.<sup>10</sup> Research shows that mothers in low-income households are prepared to go without food, clothing and warmth in order to protect their children (and partners) from the full impact of an inadequate income
- Any further cuts to welfare announced in the 2013 budget are very likely to hit women harder. Once again, women – and in particular single mothers - look set to bear the brunt of the government's austerity agenda.

### Watch for: investment in measures for growth

#### Support for business:

- To date the government has introduced a range of measures to support UK businesses in order to help drive economic recovery and growth. These include greater income tax reliefs for small and mid-sized businesses (SMEs) and the introduction of a fund to help create and support new sources of lending for SMEs.
- Whilst support for SMEs is welcome, such investment will do little to help women as men make up the vast majority of those who own and invest in business. Women are about

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<sup>9</sup> The Fawcett Society, *Who Benefits?: A gender analysis of the UK benefits and tax credits system*, April 2006: <http://www.fawcettsociety.org.uk/index.asp?PageID=788>.

<sup>10</sup> Source: House of Commons Library:

<https://docs.google.com/spreadsheet/ccc?key=0AonYZs4MzIZbdHA1M2JJVF8tZTBvYWUzeFRnRU1yOHc#gid=0>

half as likely as men to be entrepreneurs: in 2011, 5% of working-age women were engaged in entrepreneurial activity, compared with 10% of men<sup>11</sup> and overall, just 14% of SMEs are majority-led by women (either run by a woman or have a management team that is over 50% women).

- The deficit of women engaged in entrepreneurial activity represents huge untapped potential. The government itself reports that if women set up businesses at the same rate as men, there would be an extra 150,000 start-ups in the UK each year.<sup>12</sup> For women themselves - particularly those with caring responsibilities – running their own business can offer a flexible and fulfilling way to combine work with family and caring commitments.
- However, despite the opportunities that entrepreneurship presents for both individual women and the wider economy, women still continue to face considerable barriers to setting up their own businesses where issues include difficulties in accessing finance, a lack of confidence, a lack of maternity leave provisions and issues with childcare.<sup>13</sup>

#### Capital investment projects:

- Alongside measures to support businesses, the government has also announced spending on a number of projects, particularly in the science, engineering and technology (SET) and construction sectors in order to help drive economic growth in the private sector. For example, the 2011 Autumn Statement announced £5 billion capital investment as part of the National Infrastructure Plan, including initiatives such as road building, energy and telecommunications.
- However, women are typically vastly under-represented in these sectors: currently, women make up only 12.3% of the SET workforce<sup>14</sup> and 13.5% of the construction industry.<sup>15</sup>
- Research suggests that women face a wide range of barriers throughout the pipeline, from a lack of role models and the influence of gender stereotypes on girls' career choices, through to sexist workplace cultures and a lack of support and flexible working opportunities for women with caring responsibilities.<sup>16</sup>

Many - including the CBI and business lobby - are calling for increased investment in infrastructure developments and further measures to support business in order to help facilitate growth. Whilst such investment would be welcome, unless more is done to address the gender segregation in these industries measures will do little to help either the record

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<sup>11</sup> These statistics refer to the Total Entrepreneurial Activity - defined as the proportion of working age adults who are either actively involved in setting up a business or are the owner-manager of a business that has been active for less than 42 months.

<sup>12</sup> <http://www.homeoffice.gov.uk/equalities/women/women-work/business-council/>

<sup>13</sup> Delta economics (2011) 'Challenges and Opportunities for Growth and Sustainability (COGS): A focus on women in the UK and Europe'

<sup>14</sup> Women's Budget Group (WBG), *The impact on women of the Autumn Financial Statement 2011*, January 2012: <http://wbg.org.uk/pdfs/The-Impact-on-Women-of-the-AFS-2011.pdf>

<sup>15</sup> Business Innovation and Skills Committee, *Apprenticeships Fifth Report of Session 2012-3*, November 2012 <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmbis/83/83.pdf>

<sup>16</sup> [http://www.prospect.org.uk/dl/pdf/31431\\_1364459364.pdf/as/2012-01091-Circular:-Standard-Women-in-STEM-Version-06-07-2012.pdf?ts=14716&ts=14716](http://www.prospect.org.uk/dl/pdf/31431_1364459364.pdf/as/2012-01091-Circular:-Standard-Women-in-STEM-Version-06-07-2012.pdf?ts=14716&ts=14716)

numbers of women out of work or those women being forced to settle for low paid, low grade work in the private sector due to a lack of better opportunities.

**Watch for: an announcement on childcare**

- The UK's problem with childcare is well known: childcare costs in the UK are amongst the highest in the world and the percentage of the average families income going on childcare is increasing year on year.
- The lack of affordable high-quality childcare in the UK is currently a major barrier to women's full and productive engagement in the labour market. A recent survey by *Netmums* found that 44% of respondents said that the lack of affordable quality childcare was a barrier to full time employment, rising to nearly half for those on low to middle incomes.
- Furthermore, increasing numbers of low-income mothers are being asked to move into paid work whilst support to help cover childcare costs through the tax credit system is declining.
- The government has been closely examining the issue of childcare and to date has introduced two key reforms in an effort to cut the cost of childcare in England: the provision of 15 hours of free early years education has been extended to the most deprived 40% of two year olds (from September 2014) and; a relaxation in the ratios of children that carers can oversee – though many are concerned that this move will compromise quality, safety and children's development.
- It is likely that the government will announce a further measure, possibly in the 2013 budget, to help reduce the costs of childcare for families. Signs are that this will take the form of childcare vouchers worth around £1,700 a year available to all working families (except those with an earner in the top rate of tax) to be introduced in 2015.
- Fawcett welcomes the introduction of any measure to increase the availability of affordable high-quality childcare in the UK and to reduce childcare costs as a percentage family's expenditure.

## We are calling for....

### **Much better government analysis**

It is clear the government needs to think carefully about the implications for women of both its deficit reduction measures and its strategies for growth - both to ensure that women are not unduly impacted and to ensure the skills and talents of women are fully utilised in the drive for private sector growth.

In fact, equality law (section 149 of the Equality Act 2010) requires that government thinks about the impact of its proposed policies on equality between women and men – both in terms of their individual impact and how they will cumulatively impact on women and men across the board.

Whilst government is doing this to some extent, particularly for welfare changes, this analysis considers income at the household, rather than the individual level, which limits understanding of the impact of changes on individual men and women.

***We are calling on the government to publish robust analysis on the impact of both individual measures, and the cumulative impact of measures outlined in the 2013 budget on equality between women and men.***

### **A robust plan for women's employment**

It is clear that a range of large-scale changes taking place in the UK labour market right now - from the reductions in the public sector workforce to the drive to move work towards the private sector – are having specific and often negative implications for women's economic equality and overall standing in the labour market.

Whilst the government is currently undertaking a number of activities to bolster the status of women in the labour market – for example the establishment of the Women's Business Council - a one-year independent inquiry, with the aim of 'ensuring real action by government, business and others to maximize women's contribution to economic growth', a much wider package of measures is urgently needed to respond effectively to the broad range of challenges currently facing women in the labour market and to ensure that women are enabled to play their full part in the economic recovery.

This plan should contain measures that seek to:

- Protect and improve the levels of pay - particularly low pay - that women receive in order to prevent regression on the pay gap as more women move into private sector work.
- Improve the general accessibility of the labour market for women through the extension and promotion of progressive working practices.
- Ensure that women are able to benefit from employment opportunities in private sector, particularly given government investment in business and male-dominated industries.

- Ensure that the particular and heightened barriers that single mothers face to entering into decent, well paid work are addressed.
- Ensure robust and targeted action on the gender pay gap given the current heightened threats to progress on closing the gap.

***We are calling on the government to consider and respond to the specific challenges and opportunities for women in the UK labour market today through implementing a coordinated cross-government plan/package of measures on women's employment.***

### **A re-think on the current approach to deficit reduction**

The current approach to reducing the deficit i.e. one that focuses primarily on large cuts to public spending is having a devastating impact on many women.

We would like to see government think carefully about how it might seek to reduce the deficit in ways that do not hit women so much harder – such as through increasing the amount of money raised through direct taxes, or investing more heavily in measures for growth.

Even if a major reductions in public spending continue there is still much more scope for government to better assess the impact of measures on women's equality and adjust their approach if necessary.

***We are calling on the government to assess more thoroughly how deficit reduction plans impact on equality between women and men and consider alternative approaches that do not hit women harder.***

Further copies of this report and supporting information are available from [www.fawcettsociety.org.uk](http://www.fawcettsociety.org.uk)