

WOMEN’S BUDGET GROUP
November 2000 Pre Budget Report Response

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Overview

The Women's Budget Group (WBG) welcomes the government's stated commitment to:

- a stable macro economic framework, the fruits from which all people can share (PBR: 1.1)
- reducing social divisions such as those sustained by class and gender inequalities (PBR: 1.18)
- creating conditions for social and economic improvements that are compatible with respect for a sustainable environment (PBR: 1.19)

These are all important human goals. However, the government needs to back up these commitments with financial resources and economic policies that are adequate to the task. In some key areas of this year's Pre Budget Report, we feel this has not always been followed through. We believe that the systematic application of a gender analysis would be of significant value in helping the government turn the PBR's goals into reality.

KEY POLICY RECCOMENDATIONS

Use the individual as the unit of policy analysis in assessments for programs such as Employment Tax Credits and State Pension benefits. This would lead to greater individual economic independence and security in the long term.

Extend entitlements of the New Deal to all not currently in employment. This would capture women not currently in employment because of caring responsibilities.

Provide funding for longer maternity leave, paid at a higher statutory rate from the first day of employment. Provide paid parental leave at income replacement level. This would help ensure work life balance for families and increase the take-up of parental leave among men.

Increase training opportunities for low-wage and first-time employees and provide more child care facilities. These preconditions make employment more meaningful and possible for many returners and entry-level employees.

Develop a more comprehensive National Child Care Strategy that is not restricted to women already in employment. The lack of adequate, affordable childcare is a key determinant in preventing women's long-term participation in employment. The right of the child to receive childcare should not depend on low-income parents' ability to pay.

“EnGendering” the Government’s Economic Strategy

Box 1: Gendering Government’s Equal Opportunity Commitment

Good governance requires a thorough analysis of the complex ways in which government policies affect men and women differently and unequally, as well as the ways in which “ungendered” policy emphases and assumptions help to further entrench gender inequalities for female citizens. Once these distortions in macro-economic policy have been identified, it will not be enough for the government to state that it is cognizant of them; government priorities must more urgently reflect that it has made a serious commitment to reversing these inequalities for the benefit of women and men, in both the immediate and short-terms.

The WBG strongly welcomes the PBR's statement of the main aims of government economic policy: “To fulfil national potential, building a stronger economy and a fairer society in which everyone can contribute to and share in rising prosperity and a better quality of life”(PBR: 1. 1)

We also agree that it is important “to remain focused on the long term and avoid the mistakes of the past where short-termism in decision making was a major cause of economic instability” (PBR: 1. 2)

However, we believe that there are places where a lack of gender analysis has allowed short-term considerations and priorities to distort a focus on the longer term.

In particular, the WBG suggests the following reorientation:

- building the goal of ensuring that rising prosperity is fairly shared among all, more consistently into core economic policy
- creating the conditions for all members of society to be economically independent in the long-term, rather than short-term policies which prioritise expediting the immediate movement of welfare claimants off social benefits

- more consistently providing people with opportunities to access education and to develop the skills needed to be more productive, have better jobs and a better long-term future in employment

We have organised our Response to the Pre Budget Report according to three main themes through which the Treasury's policy analysis could better focus on the long term through the incorporation of a gender perspective. Throughout the Pre Budget Report, these are recurring issues which seem to present the government with policy challenges. They are:

- delivering **Growth and Macroeconomic Stability**,
- promoting **Individual Economic Security**
- increasing national levels of **Employment and Productivity**.

Delivering Growth and Macroeconomic Stability

In order to deliver on the government's aim to promote "rising prosperity and a better quality of life" (PBR: 1.1) policies need to engage with social as well as economic issues. A focus on high and stable growth rates is only one component of this. This is, for a number of reasons, principally related to **work-life balance, growth with equity and sustainable growth**.

- Work-life balance is an important component of a "better quality of life". People have important needs that are not always met through the market. Yet, adequately fulfilling such needs can impact positively on growth. In particular, children and many adults need care, while non-work time is an important constituent of the quality of life for people of all ages. The caring components of non-working time represents a substantial proportion of non-market needs that have to be met if people are to lead truly satisfying lives. The Office of National Statistics is currently developing a satellite household account to measure the value of unpaid labour in the economy. Similar exercises in other countries suggest that the market value of unpaid household production is of a magnitude comparable with that of the paid economy. When such statistics are available, we hope that the government will systematically and routinely measure the impact of its policies on both the paid and unpaid sectors, and take the demands of both economies into account in developing policy.
- It is important that growth is achieved in an equitable way. We are all aware of the immense difficulties of growth patterns that widen economic inequalities, causing the government great challenges in taxing the rich to re-distribute income to the poor. In moving away from a strategy of 'growth first – distribute after the fact', government should concentrate on moving towards generating the kind of growth that would allow everyone to participate equally. A policy of redistribution would, however, be essential to counteract the current failures of our patterns of growth. This government has brought in many policies that should help reverse the increasing inequalities associated by poor distribution of growth, created by the last government.
- The sustainability of economic growth is important. Growth may also create negative externalities. An obvious one in the current public debates is

environmental degradation. But rapid growth and economic change also have human costs such as social dislocation, hyper-competitiveness, unemployment and stress. Economic restructuring in the market economy can lead to new pressures on the finite resources in the unpaid sector at a time when families and communities need them most. Government policy should seek to avoid or minimize these costs, and to develop programs to address the needs of those who bear most of the burdens from changes.

Box 2: Gendering Government's Equal Opportunity Commitment

The recent public crisis around transport and the environment and its resolution is a clear example of how the concerns of women are often sidelined over the interests of men. The outcomes women would have favoured in such a national debate - **improved public investment in transport** that is safe and reliable - were overshadowed, if not ignored, by the male-dominated lobby of the haulage industry. The genuine pursuit of good governance, transparency and fiscal responsibility would require that government systematically incorporate a gender analysis in macro economic decision-making to ensure that the interests of those with less power to disrupt the economy, yet who are responsible for providing care and social sustenance for families and communities, are also met.

Individual Economic Independence and Security

Creating a stable and secure economy will require planning beyond a short-term objective of reducing the number of claimants on welfare, to encompass the greater and longer-term benefits of enabling everyone to have the opportunity of becoming economically independent. We are concerned by the government's current lack of an explicit gender analysis of social programs such as the **New Deals, the modernisation of the tax/benefit system, and State Pensions**. Many of these difficulties seem to stem from the Treasury's overriding emphasis on the **household, as opposed to the individual, as the unit for tackling economic insecurity**

Households vs Individuals

Individual financial independence should be considered a key goal of government policy in order to ensure that the rewards of economic growth are fairly distributed. It is also essential in order to secure effective employment opportunity for all. Yet, the PBR's analysis is routinely framed in terms of households (or, where applicable, couples), rather than in terms of individuals. For example, where the gap between 'work-rich' and 'work-poor' households is identified as a matter of concern, it is couples which are said to need to earn certain amounts to be better off in work. The distribution of income within the family/household, in couples without children, is not identified in the Report as a relevant factor to take into account. The Women's Budget Group argues that analysis must include looking inside the 'black box' of the family/couple/household; that individual financial autonomy is a basic right; and that consideration must be given in all cases to who receives the income, as well as to how much it is and how it is distributed.

The consistent focus on households as the unit of policy analysis is problematic because it disregards the reality that it is individuals who get jobs, rather than couples or households. The government's apparent lack of ambition in being satisfied with only one worker in each household in paid work, unintentionally reintroduces the norm of a single earner household, which invokes the traditional idea that men's employment is more crucial than women's. This produces the perverse effect of a

disincentive for second earners with working partners, usually women, receiving WFTC to take employment. The government's notion of jobs going to already "work-rich" households as a negative trend seems to rely on an outdated conception of women working for "pin money" and is therefore profoundly in opposition to the promotion of equal employment opportunities for women. This approach simultaneously fails to offer incentives for the employment of a key group of potential workers and also indirectly promotes inequity between men and women in employment opportunity, thus contradicting the government's principle of equal opportunities for women and men. We would like to stress here that most modern households actually depend on two incomes. In addition to recognising the "polarisation of employment opportunity" between households, we strongly recommend that equivalent attention be paid to the restricted employment opportunities of women within households and couples and to the difficult conditions associated with female employment.

It is time to truly modernise the principles behind the tax/benefit system by individualising duties and entitlements – benefits as well as taxes.

Active Labour Market Policies: New Deals, Maternity and Parental Leave

We welcome the extension of the New Deal for Lone Parents to all lone parents who are currently not in employment, or who are working less than 16 hours per week, because it extends the policy to all who might benefit from moving into employment rather than just those whose employment might cut current welfare spending.

However, there are others, notably potential second earners in households, who are usually women, who are still left out.

- A New Deal for Returners: Potential second earners are currently economically dependent on the wage earners in their family and are given no incentive to develop employment skills which might enable them to be economically independent in the future. A genuine commitment to the long term would be to extend New Deals on a voluntary basis to all those who are currently not in employment and yet want to get back into work.

- Not only are skills and employment potential lost to the economy in this way, but also, many of those who currently rely on other members of their household to support them financially are very vulnerable to poverty if their family circumstances change. In particular, first earners may lose their jobs or families may split up. In that event, many of today's housewives will be tomorrow's lone parents.
- Current policies are also unfair, mainly to women, who are more likely not to be “employed” because of caring responsibilities. Those who are not in employment lose out in terms of earning and the chance to acquire skills. The current unequal gender division of caring responsibilities should not be entrenched by government policies through inequalities in help in finding employment, which will in turn result in inequalities in pay and quality of jobs in the future.
- Those who stay out of the labour market lose pension entitlements in the long run. Unequal distribution of help in gaining employment will be reflected in unequal pension entitlements in the future. This is not only unfair but may in the long run end up costing the state more in terms of pension top ups.

Maternity and Parental Leave

Box 3: EnGendering Government's Equal Opportunity Commitment

Making it possible for women to have **good maternity leave** will necessitate an improvement of current provisions to incorporate longer maternity rate, paid for by the state at a higher statutory rate from the first day of employment. The government has at last formally recognized the comparatively weak position of the UK compared to the rest of the EU. As a direct result of these disparities, 40% of women who are entitled to extended maternity leave of 40 weeks take just 18 weeks or less because they cannot afford to stay away from work. Rights to maternity leave paid for by the state should not depend on length of service with the same employer as these stipulations restrict women's occupational mobility and thus their career prospects compared with men's. **Paid parental leave** at income replacement level would go a significant way towards increased take up by men.

More financial support for those undertaking specific caring responsibilities would help achieve future economic independence for all. There should be more recognition that those who are not employed because of caring responsibilities, usually for a limited period of time, are contributing to society and therefore deserve support. We welcome the recent Green Paper on Parental Rights, which considers the case for

extending paid maternity and parental leave. We strongly recommend such payments since they would help foster women's economic independence and so facilitate optimal levels of contributions to both the paid and unpaid economies in the longer term. We welcome the consideration in the Green Paper of other policies, which could contribute to the aim of encouraging greater participation in labour markets throughout the life cycle. We firmly support policies that would include programs that would give employees the right to move between part-time and full-time employment, and improved employment rights for workers with caring responsibilities.

Employment Tax Credit

The Report does not seem to advance the debate about the Employment Tax Credit beyond previous documents, although it does suggest that the government is thinking about an ETC for couples that is assessed on both partners' incomes. Our concerns, expressed above, about the need to look beyond the household/couple to the individuals involved, lead us to suggest further investigation into whether a household based ETC is the most appropriate way to encourage employment of individuals in childless couples.

With regard to the specific gender impact, we believe that an ETC based on a couple's income would present the same disincentives as the Working Families Tax Credit to women's employment when they are second earners. However, extending employment tax credits to some categories of couples without children would mean that these disincentives would be extended to second earners whose employment is not constrained by caring responsibilities. Overlooking these disincentives would be counter-productive to the government's pledge of increasing the productivity of both men and women in the economy.

At the general level, we are also concerned that a wage supplement such as the ETC might work to suppress wages and remove individual employer incentives to increase earnings. In other words, we fear that the ETC will become a government subsidy to low-wage employment, which becomes an employer disincentive to invest in greater productivity and workers' skills. This will further degrade the quality of jobs open to low earners.

State Pension

Box 4: EnGendering Government's Equal Opportunity Commitment

Women are poorer in retirement because of the employment constraints women face through the essential demands of family care during their prime years. Only a minority have any private pension and very few are able to accumulate a substantial amount of such pension income. If women's years of full time employment match men's at some future time, it will take a generation for the effects to feed through into gender equality of private pension income in retirement. It is therefore vital to women's financial security in later life that the basic state pension be set at a level sufficient to live on now, and indexed to national income.

- We welcome plans to increase the levels of the basic state pension, and the Minimum Income Guarantee, as well as plans to raise tax allowances for pensioners above inflation.
- The proposed Pension Credit, however, will draw more pensioners into the net of means testing, a development which is undesirable both for pensioners and in terms of the administrative load on DSS.
- In spite of the government's campaign, improvement in the take up of MIG has so far been limited. Take up is likely to pose similar problems for the Pension Credits. The transition period proposed before introduction of the Pension Credit should be used to evaluate the extent to which MIG take up has improved.
- Although Pension Credits would reduce the severity of the poverty trap, a trap will remain at the upper limit of Credit eligibility (£130pw for lone pensioners, £200pw for married/cohabiting).
- Women are increasingly entitled to the full basic pension, due to HRP. The positive effects of this are lost if the basic pension declines relative to earnings.

As a final consideration, we would like to re-emphasise that, because Pensions Credits will be a means-tested benefit, the unit of assessment will be of great importance. Assessing benefit claims individually would send out an important signal - that all types of savings are valued and rewarded equally. By contrast, family-based

assessment introduces well-known problems where there are women in couples whose savings may not be rewarded. Further, because the MIG increases relative to pension, the more MIG replaces the basic pension for recipients, the greater the likelihood that more resources will tend to be routed through one person in couples, and that person is more likely to be the man. This will have regrettable consequences for fairness and equity within households.

Employment and Productivity

We welcome the priority given to the commitment to full employment and for the modernisation of the concept to mean employment opportunity for all. However, we think there are places where this objective has not yet been fully realised in policy detail. This includes:

- insufficient **development of education and training policies** tailored to the needs of women returning to employment after a period of intensive childcare
- uneven development of **active labour market policies** which do not yet fully extend employment opportunities to women who are not in employment
- insufficient resources to implement the **National Childcare Strategy** so that childcare is available to all who want it, sooner rather than later

More inclusive Education and Training Policies

The PBR lays considerable emphasis on employment as the first aim of the New Deals. However, for some, education or pre-employment training may be more important than immediate participation in entry-level employment. Investing in people's capabilities, by ensuring that they have a long-term future in the labour market can more positively contribute to raising the productivity of the economy as a whole. It is not clear, for example, on what basis the claim is made that, among those participating in the New Deal 25+, there is only a "small minority who are likely to benefit from longer periods of full-time education or training" (PBR: 4.23). Hence, the WBG calls for greater recognition of the potential and need for learning new skills among new-comers and returners to the workforce, and greater concentration on raising the skills of all those can benefit from training.

- It is shortsighted to raise people's skills only to the point that they can get a low wage job and then subsidising that employment, since no incentive is then provided, to either employer or worker, to improve productivity over the longer term.

- This may be particularly true for those who have been out of the labour market for caring responsibilities, but may have great capacity to learn new skills.
- Low skill, part-time jobs for women are easily available in many parts of the country, yet they currently deliver very little progression or on the job training. The long-term future of these women could be much better supported by part-time training courses.

Box 5: EnGendering Government's Equal Opportunity Commitment

Lack of **equal working opportunities** remains a problem for women, even after they have been able to secure some form of employment, because gender discrimination follows women onto the job. Along with wage inequality, gender inequality pursues working women in the form of occupational segregation, both at the levels of horizontal access to industries and professions as well as in vertical occupational mobility within organizations. The concentration of women in “female jobs” and at “feminised” ranks within organisations, combined with the growing preponderance of women in employment categories with sub-standard labour conditions, accounts for the major result of poverty having a woman’s face. To reduce the risks to women and children of the **feminisation of poverty** would require much more effective implementation of the Sex Discrimination Act and the Part Time Work Directive, as well as proactive government programs to make the UK workplace more gender equitable.

More Gender-sensitive Labour Market Policies

Box 6: EnGendering Government's Equal Opportunity Commitment

Thirty years after the Equal Pay Act is sufficient time for government to take the lead in removing **gender wage differentials** by closing the gap in the public sector. This move would not only provide leadership for the private sector but would also send a strong indication to women that their votes and voices can count towards their political interests being met by government. Continuing to raise the minimum wage would be another way to firmly commit to ending the income gap between men and women workers at the low-wage end of the market. Since the passage of the Minimum Wage Act, there have been no negative effects for employment and productivity; rather both have increased. This solution, however, would not be applicable as a remedy for pay inequality among skilled workers. According to Labour Force Survey data for 1996, female managers receive only an average of £9 per hour, compared with the male average of £14.40, and that is despite having more degrees than men.

Although the Report notes the need to raise skill levels in order to raise productivity, it appears to ignore the specific needs of women returning to the labour market to work part time and who form the largest group of least skilled workers.

- While there are special schemes for many groups, there appears to be none tailored to the needs of this group of women who rarely have the money to pay for their own training and whose employers will rarely fund training for part-timers.
- Such women returners and part-time workers should be given at least the same rights to £750 training subsidy as those on the New Deal, perhaps through a Voluntary New Deal for Women Returners.

National Child Care Strategy

We welcome the further development of the National Childcare Strategy, since this is crucial for women's long-term involvement in employment. However, the number of places currently falls far short of need.

- For equal employment opportunities for all to fully include women would require that the government dedicate extra resources to help deliver a more comprehensive Child Care Strategy.
- The current Strategy, which depends so heavily on the market, has not delivered adequate numbers of places, forcing women to have to make difficult choices about workforce participation and caring responsibilities. Since the market is not delivering, there is a need for more direct government intervention and subsidies to provide the childcare needed.

Box 7: EnGendering Government's Equal Opportunity Commitment

Children are a public good, and as such, the resources of time, labour and money women and families invest in developing children from childhood to adulthood should be better recognised in public policy. The commitments that women, in particular, make to providing care for young people should not be allowed to work against them in terms of their participation in public life of the economy. The subsidy for childcare should be made available to all low-income parents whether or not they have found employment. We are calling on the government to reduce the parental contribution for the poorest parents and for those seeking employment, in such a way as to subsidise childcare (directly or indirectly) so that effectively no child is excluded through parental inability to pay.