

Women's Budget Group

Response to the 2004 Budget

Key Recommendations	3
1 Introduction.....	5
2 Macroeconomic stability	6
3 Meeting the Productivity Challenge	8
3.1 Gender Productivity Gap	8
3.2 Enterprise.....	9
3.3 Regulation	9
3.4 Employer Training Pilots	10
3.5 Modern Apprenticeships	11
3.6 New Deal for Skills	11
4 Increasing Employment Opportunity For All	12
4.1 Minimum Wage.....	12
4.2 Compulsion	12
4.3 Partners	13
New Deal for Partners	13
Individualising benefits	13
4.4 Sick and Disabled People	14
4.5 Housing Benefit Reform	15
5 Building a Fairer Society.....	15
5.1 Pensioners and Pensions	15
£100 payment to pensioner households for assistance with council tax	15
Simplification of limits on pension contributions qualifying for tax relief	16
Increasing Employment Opportunities for Women	18
Informed choices for working and saving	19
Flexibility in retiring and deferring the State Pension	20
Pension Statistics	20
5.2 Support for Families and Children.....	21
Tackling Child Poverty	21
5.3 Financial Support for Children:.....	21
5.4 Childcare, Sure Start, Children's Centres and Support for Families with Children.....	23
5.5 Payment of working tax credit	24
5.6 New Tax Credits	25
5.7 Child Trust Fund	26
5.8 Volunteering and mentoring	27
6 Delivering High Quality Public Services	27
6.1 Increasing Transparency	27
6.2 Achieving Greater Efficiency	27
6.3 Relocation.....	29
6.4 Equal pay in the civil service.....	30
6.5 Criminal Justice	30
6.6 Increased funding of the NHS	30

The Women's Budget Group

The Women's Budget Group (WBG) is an independent organisation bringing together academics and people from non-governmental organisations and trades unions to promote gender equality through appropriate economic policy.

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Key Recommendations

- The WBG welcomes the Chancellor's commitment to increase public expenditure in order to invest rather than to cut taxes. We recommend that he should invest in a fourth key area, to support the provision of care, as well as investing in science, education and enterprise.
- Gender analysis should be included in all budget matters
- We welcome the commitment to increasing transparency on the level of performance against PSA targets and recommend that in order to deliver transparency their performance should be measured using gender disaggregated statistics, even if gender is not named within the PSA. Lessons should be learnt from the HM Treasury and Women and Equality Unit Gender Analysis of Expenditure Pilot project.
- The concept and definition of 'investment' should be expanded so that it includes investment in education and in children (sometimes called investment in human capital)
- The UK has a larger gender productivity gap than many comparator countries. The Chancellor should develop the analysis and policy instruments to monitor and tackle the gender productivity gap.
- Work place training schemes should be extended to people who wish to return to work after a period of caring but need training to re-enter the labour market in quality jobs. This will contribute to narrowing the gender pay gap, increasing paid employment for lone parents and abolishing child poverty.
- Job centre staff should be able to use additional funds to tackle the particular barriers faced by all women, and especially those dealing with the interaction of different forms of discrimination, in finding paid employment.
- When setting conditions for job-seekers benefits, consideration should be given to the particular difficulties faced by those with caring responsibilities, and to the interests of those for whom they are caring.
- We welcome efforts to help lone parents into paid employment. However the Government must recognise that a substantial number of lone parents are not in a position to take up immediate employment, and should ensure they receive the help and support they require.
- While we support the principle of individualising benefits, we recommend that the Government give serious consideration as to

how best to do this, with particular reference to the impact on women, and in consultation with civil society groups such as the WBG.

- The current British pension system, state and private, is grossly inadequate for women and in need of a radical overhaul. Pensions must be restructured so as not to penalise women for their major contribution to caring work. In particular the system of caring credits should be revamped to give adequate reward for women's unpaid work.
- We welcome additional funding for childcare and children's centres, but are concerned that childcare places are not being created quickly enough
- WBG welcomes the support offered to the main carer through the new system of tax credits but maintains that Child Benefit is the most effective form of spending to address child poverty as it also 'follows the child' via receipt by the main carer without the problems of complexity or take-up. The money allocated to the Child Trust Fund would be better spent on increasing Child Benefit.
- We believe that the Government has now given the voluntary pay audit approach a fair trial, and we believe that the time is now right to consider when and how such audits should be made mandatory.

1 Introduction

- 1.1 The WBG welcomes the Chancellor's commitment to increasing public expenditure, rather than cutting taxes, in order to invest in science, education and enterprise. But we are disappointed that he has not taken the opportunity to examine the budget through a gender lens. If he had done so, he would have seen that there are important gender dimensions to science, education and enterprise (and indeed, to all the other issues addressed in the budget) which need to be taken into account, if public money is to be spent fairly and effectively; and that there is something equally important missing: investment to support the provision of care. In a modern economy, in which there is no longer a sufficient reserve of women out of the labour force available to provide apparently costless care, ensuring the provision of adequate care becomes a matter of public policy, for which investment has to be planned.
- 1.2 A gender-budgeting approach recognizes, for example, that:
- As well as increasing funding for science, measures need to be taken to ensure that medical research addresses health problems to which women are particularly prone, for example, the chronic health problems associated with aging, to the same extent as those to which men are more prone, such as heart disease. It also needs to address the gender imbalance among scientists, especially at higher levels, for example by ensuring that progression in scientific careers is possible for people who have caring responsibilities
 - As well as increasing funding for education, measures need to be taken to end gender-stereotyping in skills development.
 - As well as increasing the incentives for businesses to invest, measures need to be taken to ensure that women and men are equally able to take advantage of these incentives.
 - When investing in 'a modern and reliable transport network' in its design, more attention must be paid to the need of children and frail elderly people to make safe journeys on their own, particularly on foot. The need to be an escort is a constraint on the time and availability for employment of a growing number of carers, the majority of who are women.
- 1.3 Investment in science, education and enterprise all help to increase economic growth. But economic growth is not the only thing that is required for individual well-being and social cohesion. Care - for those who are young, old, sick; for people with disabilities; and for those who are able-bodied and in the prime of life - is essential for well-being, social cohesion, and indeed for growth. Care is disproportionately provided by women; either unpaid in their

families and communities; or in low paid, poorly resourced jobs, in the public and private sectors. Provision of care cannot be taken for granted; it needs to be supported and its quality improved through investment. The economy of care encompasses some of the issues that are most important to women in the UK: including the balance of work and family life, issues about the affordability and quality of child care and care for elderly people, the training and career structure of care work, the poverty in later life of those who devote their time to caring for others, and the confinement of so many women who reduce their hours of employment to do unpaid caring to jobs with low-pay and low prospects, from which they cannot then escape when their caring responsibilities diminish. This care economy also requires investment.

2 Macroeconomic stability

2.1. The Chancellor is justly proud of the fact that the macroeconomic performance of the UK economy is currently much better than that of the rest of the European Union. But he fails to note the areas where UK performance is worse than that of other EU countries:

- a bigger gender pay gap
- the meanest state pensions, especially for women
- the highest child care costs
- the least qualified and worst paid child-care workers
- one of the highest levels of child poverty

2.2. The Chancellor's 'golden rule' is that over the economic cycle the government will borrow only to invest and not to fund current spending. We have no quarrel with that as a principle, but are concerned that there is an out-of-date equation of 'investment' with expenditure items that are by convention labelled as the 'capital account'. In other contexts the Chancellor talks of "investing" in education and in children. This makes sense in economic terms since an investment is an expenditure whose benefits extend over several periods, not just the current one. Investment therefore covers much more than the expenditure on equipment and infrastructure that makes up the conventional Capital Account. Expenditure on the services that are critical for the creation and maintenance of human "capital" (such as caring and teaching and nursing) also create long-lived benefits, but such capital building expenditure is not included. The current interpretation of the golden rule leads to underinvestment in these social services, and underinvestment in the training of people who provide them. It can be very wasteful, for example when it leads to absurdities such as the closure of wards for lack

of money to pay trained nurses or creating additional childcare places only to see them close because there is insufficient revenue to sustain them when the initial grant ends. Both sorts of investment should count for the golden rule, and they need to be thought about together. We recommend that the government not only changes its own interpretation of the golden rules in this way, but encourages the collection and presentation of statistics that would enable a fuller notion of investment to become embedded in policy

- 2.3. While we are pleased that the Chancellor has not cut or frozen public expenditure, we regret that the rate of growth of public expenditure is to be lower in the 2004 Spending Review than it was in the 2002 Spending Review. We consider that there is still scope for increasing tax revenue through increases in progressive taxes, like income tax, bearing in mind that the tax to GDP ratio is still considerably below its level in the early 80s and well below that of those European partners who do so much better on the measures listed in 2.1 above. The adequacy of public expenditure should be judged against the benchmark of need, not against historic spending, when that was also inadequate to meet needs.
- 2.4. We wish the government's commitment to public expenditure were matched by its commitment to the public sector. Among all the figures in the Budget documentation, there is an important one missing- the proportion of public expenditure which is used to purchase private provision. The figure is likely to be high. For example, currently 70% of elderly residents of private care homes, which now provide 9 out of 10 residential care places, are sponsored by local authorities who pay all or part of the fee. Most of the government's contribution to the cost of childcare is spent in the private sector. Particularly in the economy of care, outsourcing tends to worsen quality of provision for users and leads to the providers being less well trained, and often paid at rates that cannot attract and retain high quality workers. This is because in care, as in other face-to-face services, there are few productivity gains that can be reaped without worsening quality. That is why staff to client ratios and turnover rates are measures of quality in care services. This means that privatisation can only produce efficiency gains either by reducing quality or by employing less well-qualified staff and reducing their pay and working conditions. Evidence of a deterioration of standards in private home care services compared with those in the public sector, was found in the final report (2002) of the then Social Services Inspectorate and confirms similar findings in the Netherlands where these services have also been recently privatised.
- 2.5. The outsourcing of services is often driven by false measures of efficiency that fail to take account of quality of service, and fail to take account of the spill-over effects on the health of employees and their balance between work and family life. We are

concerned that the annual 'efficiency' savings of 2.5 % a year which the Chancellor is requiring from Departments will in fact lead to a transfer of costs, to where they are less visible and do not appear in balance sheets, rather than a real reduction in costs. Discharging patients from hospital as quickly as possible frees up beds but takes for granted the presence of an informal carer at home. Today, however, unlike the past, many informal carers are in paid employment and it is government policy to encourage this. If they are to continue to provide this essential care the impact of caring, even for short periods, on their employment, pay and pension needs to be recognized and taken into account.

- 2.6. In a prosperous economy, productivity can be expected to rise elsewhere in the economy but will, for the reasons given above, be unable to do so in caring. If those involved in caring are to share in the rising prosperity of the nation and caring services are not to deteriorate, the amount of resources devoted to caring will have to rise. Luckily increasing prosperity makes that affordable and there is still more left over for everyone else. However trying to freeze costs or meet benchmarks in terms of the proportion of GDP spent on public services does not allow the resources devoted to caring to rise in the way that they need to if standards are not to fall. The chancellor should therefore be applauded for the rising proportion of GDP being devoted to education and health. Similarly, increasing resources need to be devoted to other care services.

We therefore recommend that the Chancellor does not set benchmarks only in terms of the proportions of GDP devoted to public spending. Instead the benchmarks for spending should be based on need. A better and more direct way to demonstrate that public expenditure is not undermining individual freedom to spend is to show that after tax income continues to rise. We recommend that such benchmarks be adopted and the logic behind them should be rigorously argued for in national and international bodies.

3 Meeting the Productivity Challenge

3.1 Gender Productivity Gap

- 3.1.1 We welcome the Chancellor's re-iterated commitment to a high skill full employment economy. However, we think that the Chancellor is letting slip opportunities to produce such an economy. The UK has a larger gender gap in productivity than many comparator countries as noted in the recent report for the

Department of Trade and Industry by Sylvia Walby and Wendy Olsen¹.

- 3.1.2 The WBG notes the importance of increasing the rate of productivity growth and of closing the productivity gap. However, this challenge would be met with greater success if the effects of gender were more overtly acknowledged. We are disappointed by the continued reluctance to produce analysis and policy specifically targeted at the gender dimension of the productivity gap
- 3.1.3 Additionally, it should not be assumed that all women doing unskilled work are themselves unskilled. Many women are doing jobs that do not use previous skills due to time out of the labour market for caring and subsequent re-entry into a low skill job because either they have 'lost' their skills in their time out, or because the low skill job better accommodates their caring responsibilities. This is a waste of actual as well as potential skills. A real and effective right to flexible working for older as well as younger carers could reduce this problem.

We recommend that the Chancellor develop analysis and policy instruments to target the gender productivity gap.

3.2 Enterprise

- 3.2.1 We welcome the aim to raise new business creation in every region up to the levels of the best regions, and government action to help small businesses access capital. Currently women are less likely to be running their own business than men. It is important that the Government supports the entrepreneurial spirit of both women and men for the benefit of job and wealth creation.
- 3.2.2 We recommend that the state funds used to support entrepreneurship are structured so as to ensure that women, as well as disadvantaged communities, suffer no disadvantage in attracting start-up funds and receiving the ongoing support. We recommend that the Enterprise Investment Scheme, Venture Capital Trust, the Small Firms Loan Guarantee schemes and the new package of training and support for small and medium enterprises have the promotion of equal opportunities for women built into their core objectives, and that the distribution of their funds and resources be monitored using gender-disaggregated statistics.

3.3 Regulation

- 3.3.1 The Budget refers to controls on regulatory proposals which might impose a major burden on business. We understand the need to

¹ Walby, S. & Olsen, W., *The Impact of Women's Position in the Labour Market on Pay and Implications for UK Productivity*, Department of Trade and Industry, 2002

reduce red tape but there are desirable regulations, for both employers and employees, which we would not wish to lose. Reduction in regulations for small firms needs to be done in such a way as to avoid damaging women's rights and opportunities in the workplace.

- 3.3.2 We note the proposed tests to ensure that the new legislation does not damage the EU economy. However this may not be compatible with the Chancellor's aim of improving both the quality and the quantity of employment in the UK which is necessary to boost productivity. The Working Time Directive provides for a central aspect of work-life balance, and thus of access to employment for those with caring responsibilities, many of whom are women. Its unenthusiastic implementation and the insistence on keeping the UK's opt out reduces the ability of carers, including lone parents, to take employment, a key lever of many of the Chancellor's main policy objectives.

Regulations designed to help or protect workers, and especially part-timers and women workers, should not be removed or diluted. Rather, we recommend the more rigorous implement of EU Directives on Working Time and Part-Time Workers to improve the employment conditions and hence productivity of these workers.

- 3.3.3 We comment on the issue of payment of working tax credit by employers below, in section 5.5.

3.4 Employer Training Pilots

- 3.4.1 Employer training pilots are welcomed, particularly given their success and the way in which they have reached low-skilled women (and we welcome the fact that the data given on them is disaggregated by gender) but again the scheme does nothing to help those who are more detached from the labour market. They are also less likely to benefit part time than full time staff. This disadvantages women as 44% of employed women work part time².
- 3.4.2 In practice we would also urge the government to display some caution in extending the scheme without consideration of what works, as previous government experience of involving employers in training has been mixed. Evidence from the social care and childcare sectors shows that employers have very low expectations of their responsibilities for training and reviews of both Modern Apprenticeships (with non-completion rates of 80%) and the newer Foundation Degrees show that employer involvement and commitment can be problematic.

² Pay, pensions and poverty: How do women fare?, A Fawcett Briefing, 2003

Government should monitor the Employer Training scheme for its accessibility to people in part-time employment, the majority of whom are women.

Government should consider 'what works' in terms of employer training. WBG stresses that it is crucial that time off for training is paid; training is done within working hours (to be inclusive of those with caring responsibilities) and is supervised by experienced staff.

3.5 Modern Apprenticeships

3.5.1 We recognise the potential value of the Modern Apprenticeship scheme but believe it is currently severely limited by extreme sex segregation. The modern apprenticeships programme is even more heavily gender segregated than the labour force as a whole. 96% of engineering apprentices are men whereas 89% of health and social care apprentices are women. Continuing gender segregation limits people's opportunities, especially women's, and places costs upon the economy as a whole. Tackling the problem should also help expand the number of workers, in those 'feminised' areas (such as childcare) where there are staff shortages.

WBG calls for an immediate investigation into the causes of the severe gender imbalance in modern apprenticeships and makes proposals for reducing it.

3.6 New Deal for Skills

3.6.1 We appreciate the Government's moves to tackle the problem of low skills and urge government to recognise that most people with low labour market skill levels are women, including many women wishing to return to the labour market after a period of caring and those working part time. The New Deal for Skills is a welcome attempt to tackle low skills both for the employed and unemployed. However if it is to be effective it must recognise and address the specific difficulties faced by these women.

3.6.2 Within the New Deal for Skills we welcome the focus on basic skills. However, a lack of a gender analysis of skills in the budget means that the focus on attaining an NVQ 2 level may exclude the many women who need help to develop 'soft' skills, such as those acquired through assertiveness training, before they can move on to more formal qualifications. This will be especially true for those women who are more detached from the labour market. Community based learning and a number of the innovatory pilots supporting the New Deal for Lone Parents have shown the importance of building up self-esteem, health and links into the community as the first stepping-stones that women in poverty take towards further education and employment. Therefore we believe that the focus on skills should be broader than that in the pilot areas.

- 3.6.3 A gender analysis would highlight how many women in poverty have low confidence, poor health, restrictions in time, and disengagement from education. We would also like an analysis of how the work in pilot areas that is shown to be successful will then be mainstreamed.
- 3.6.4 At the other end of the spectrum, there should also be greater encouragement to achieve qualifications at NVQ 3 level and beyond so that women can obtain sustainable employment and a reduction in inequalities in pay and conditions compared with men. In addition childcare should be made available for training programmes as lack of childcare can constrain women's ability to attend such courses effectively. This childcare provision should be for all courses rather than just those targeted at women in order to avoid an even greater gender divide in skills and employment. In addition the timing of these courses should take into account the needs of all those with family commitments.

We recommend that the government:

- ***think beyond the formal qualification for those furthest from the labour market such as assertiveness training***
- ***extend to NVQ3 as this will lead to more sustainable employment***
- ***provide childcare for all courses***
- ***ensure that course times fit around family commitments.***

4 Increasing Employment Opportunity For All

4.1 Minimum Wage

- 4.1.1 The WBG welcomes the increase in the National Minimum Wage, which is important to so many women on low earnings. We also support its extension to young people aged 16 and 17. Further increases in the NMW will be necessary if part-time work, preferred by many women, is effectively to lift them out of poverty. There is currently a gap of over £25 between weekly wages from 16 hours a week working at the National Minimum Wage, and the threshold for receiving the maximum amount of Working Tax Credit.

4.2 Compulsion

- 4.2.1 Overall, we welcome moves to help and support lone parents and partners in the transition into work. However we are concerned about any moves towards compulsion for these groups, and would like to see better training provision and support within the New Deal for Lone Parents. With an increasing governmental focus on

the importance of parenting, the need for lone parents to have a balance in their lives between their parenting role and their paid work must be acknowledged.

- 4.2.2 The increase in the minimum number of steps to find work required by JSA claimants and increases in the area over which JSA claimants are required to travel to find work concern us. The Chancellor's demand that job seekers travel greater distances to find work has not been thought through and requires a gender analysis else it will be indirectly discriminating against women and carers. It will impact negatively on women, as women are more likely than men to use public transport and are more likely to be combining work with caring. Many women will find it extremely difficult, time consuming, expensive or even impossible to travel greater distances for their job. It may also impact negatively on their children who may as a result be subject to longer, more costly or less secure care arrangements.
- 4.2.3 The proposal that jobseekers travel greater distances for employment must be rethought and allowances made for those with caring responsibilities. As a first step the proposals should be subject to gender impact assessment as set out in the Women and Equality Unit guidance.

The needs and position of women, parents and carers, and particularly lone parents, should be taken into consideration when considering moves towards compulsion for the unemployed.

4.3 Partners

New Deal for Partners

- 4.3.1 We welcome the extension of the New Deal for Partners for those on Income Support but we would like reassurance that the options available on both the New Deal for Partners and the New Deal for Lone Parents provide real high quality support for women wanting to return to work.

More emphasis and funding must be given to training and education within both these programmes.

Individualising benefits

- 4.3.2 Individual benefits follow logically from the shift from a male breadwinner model, which underpinned the UK's tax and benefit system for the last century, to the current dual earner model.
- 4.3.3 Extending an individual's right to payment is practical and viable now so as to reduce financial dependency.

- 4.3.4 However, we are concerned that the government's focus seems to be on introducing joint rather than genuinely individualised claims. On the surface, joint claims to benefit appear to be more egalitarian than having a 'claimant plus partner' approach. However, while joint claims extend responsibilities to both partners, by making both responsible for the information supplied, and also ensure access to dependent partners by the Employment Service, they are not the most obvious route to achieve independent rights to benefit. Just as 'joint and several liability' for the poll tax proved problematic, it is not clear what will happen with overpayments, fraud etc. with joint claims, as they are relatively untested. We would welcome feedback from the government on any problems encountered before proceeding further with joint claims for other benefits.
- 4.3.5 Moreover, currently under joint claims one partner still claims benefit for both. The government appears to be suggesting individualisation of payment in the longer term, albeit within the context of joint claims. This would seem to be necessary to complete its agenda of 'extending rights and responsibilities', by giving partners a right to benefit payments.
- 4.3.6 However, whilst the principle of individual payment may be easily agreed, the practice is more complex. In particular, recent research has shown that because men's and women's definition of 'personal' spending differs, it is possible that if benefit payments means-tested on household income were divided between a couple, the woman could have less to spend on household and children's needs than before.
- 4.3.7 By contrast, there are some benefit systems which are much more conducive to individualisation. A structure of largely universal benefits, or one in which benefits are means tested only on an individual's access to resources, would be a much better foundation for promoting individual treatment within the benefits system.

Whilst we support the principle of individualising benefits, we recommend that government give serious consideration to how best to do this, with particular reference to the impact on women, and in consultation with civil society groups such as the WBG.

4.4 Sick and Disabled People

- 4.4.1 We welcome the recognition that 'disabled people often face additional costs when participating in the labour market' (4.17) but we believe the extra costs faced by those disabled people who are carers, for example the additional cost in taking a child to school, also need to be recognised within the benefits system.

4.5 Housing Benefit Reform

- 4.5.1 We welcome the increased childcare disregard in Housing Benefit and efforts to make the administration of the system more efficient. We would also welcome any action that reduces the steep withdrawal rates which have long been known to be a significant contributor to the poverty and unemployment traps.
- 4.5.2 The pilots of Local Housing Allowance need to be carefully monitored to ensure that people are not forced into substandard accommodation due to an inability to find decent accommodation set at the local rate. There is also some concern over the restructuring of rents in social housing to reflect the quality of accommodation. Those on low income (e.g. lone parents) may be forced into poor accommodation thus further excluding them.

Local Housing Allowance pilots should be introduced to the social sector as soon as possible.

The impact of both Local Housing Allowance pilots and the restructuring of social housing rent should be monitored carefully for their impact on quality of accommodation and living standards.

While the reform of Housing Benefit is underway there is a need for a system similar to the Social Fund to help those whose claims are taking a long time to process and who face eviction.

5 Building a Fairer Society

5.1 Pensioners and Pensions

£100 payment to pensioner households for assistance with council tax

- 5.1.1 The financial problems experienced by pensioners facing council tax increases illustrate the failures of a pension system that now has a quarter of pensioners living below the poverty line.
- 5.1.2 WBG acknowledges the government's recognition of the grave financial hardship faced by many pensioners in being subject to council tax rises well in excess of inflation, when the substantive components of their incomes rise at or below the rate of inflation. The £100 lump sum to be paid to those over 70 will be of welcome help to some of the poorest pensioners, who are mostly women. It will especially help those in single person households, mostly widows and divorcees who live alone and who are among the poorest pensioners. We welcome the payment of this benefit as a universal flat-rate benefit that is simple to administer and easy to understand.

- 5.1.3 We note with regret that there is no commitment to continue this benefit beyond the 2004 tax year nor any commitment to ensure that council tax is related to income.
- 5.1.4 Although those over 70 are poorer on average than those under 70, we are concerned that the new benefit provides no help with Council Tax increases for the 37 per cent of pensioners who are aged under 70. There is a large amount of variation among those recently retired, with approximately half of those reaching retirement age eligible for pension credit on retirement. For these people, most of whom are women, the age limit of 70 for the new council tax benefit seems arbitrary.
- 5.1.5 The underlying problem of a compulsory, unavoidable tax that rises faster than pensioner's incomes has not been addressed and is an issue for all pensioners, since they do not share in the nation's increasing prosperity in the same way as wage earners.

We recommend:

- ***That help with council tax is immediately extended to all those over state retirement age.***
- ***That the government makes a commitment to addressing the ongoing inequity arising from annual increases in council tax that exceed inflation rates.***

Simplification of limits on pension contributions qualifying for tax relief

- 5.1.6 Simplification of the massively over-complicated system of state and private pension accumulation is much needed. The WBG welcomes the additional flexibility surrounding savings and retirement decisions associated with the new regime, and the new rule relating to the tax free lump sum that can be withdrawn on retirement. However, tax relief on private pensions still represents an unacceptably large expense in public resources and one that is highly regressive.
- 5.1.7 The reforms to the annual and lifetime limits for pension contributions are likely to have very little, if any, impact on the pensions of women or the pension prospects for women. Of the top ten per cent of earners (who receive half the tax relief) we estimate that about 80 per cent are men. This is due to women's generally lower earnings, their lack of access to good pension schemes, and the need of mothers to use such disposable income as they have to provide for the needs of their children.
- 5.1.8 We recommend a full gender audit of the distribution of tax relief for private pension payments.
- 5.1.9 The WBG is concerned that much time and energy has been devoted to ensuring that these tax reforms do not in any way

diminish the massive pension accumulation of a very few well-off people, who do not require tax incentives to save. No similar attention has been paid in this budget to those millions of people at the lower end of the earnings distribution, mainly women, for whom pension accumulation is extremely difficult.

5.1.10 The right to withdraw very small accumulated pension funds as a lump sum without the requirement to annuitise on retirement would be particularly important to women, and the government is urged to implement this reform.

5.1.11 The WBG regrets that this opportunity has not been taken to consider tax and benefit reforms that will ensure that women accumulate sufficient pension to support themselves with dignity in old age.

5.1.12 In particular:

- For most pensioners, the State pensions are their most important pension component.
- The State Pension system is urgently in need of reform. It requires substantial simplification so that those of working age are able to have a clear understanding of how their pension is accumulated over their life course.
- Low earners (most of whom are women) need to be able to calculate whether, given the growing gap between the basic state pension and means tested limits, it is appropriate for them to be committing money to private pensions.
- It is essential that the unpredictability and discontinuity of paid work for women due to the vital care work that they undertake for children, older people, and other adults needing care, is recognised in their accumulation of state pension. This can only be achieved if the Basic State pension is sufficient to prevent poverty.
- Incentives to save in pension schemes need to be directed at the lowest rather than the highest earners. This could be achieved by an incentive scheme of matching payments by government into second tier pensions instead of the current system of tax relief. Such a system would be a better incentive to the low paid, and would be a fairer way of distributing these benefits.
- Restrictions placed on contributions to state pensions for those earning below the Lower Earnings Limit, most of whom are women, need to be urgently addressed if women are to be enabled to accumulate pensions of their own.
- The appropriateness of the restrictive qualifications for carer credits for HRP need to be urgently re-assessed, in particular:

- hourly limits
 - the nature of care provided
 - the interaction with part-time work
 - the current inability to combine part-years of HRP
 - the needs of low earners.
- Carers should receive credits in state pensions to cover periods of caring and the criteria in the State Second Pension need to be aligned with those for the basic pension.
 - Whilst increasing the Basic State Pension at a rate slightly higher than inflation is better than maintaining a rigid link to prices, it is insufficient to improve the future pension prospects for women.
 - With increased reliance on personal pensions and employer's direct contribution pension schemes, sex equality in the provision of annuity rates is becoming more important. The lower annuity rates available to all British women result in gross unfairness at an individual level and exacerbate older women's poverty.

The WBG urges the government to undertake a full gender audit of tax reliefs and rebates for pension saving, and to publish the results.

Those with very small pension pots should be allowed to withdraw the whole fund rather than be forced to annuitise 75% of it.

Incentives to save in pensions should be directed at the low paid, in an easy to understand format, such as co-payments. Pension tax incentives should be progressive rather than regressive, and failing that should be phased out.

The WBG urges the government to recognise that the Basic State pension must provide a baseline level of income for older people above the poverty line if perverse incentives against savings, gross inequalities, and future pensioner poverty are to be avoided.

Contributions and credits to the Basic State Pension and the State Second Pension are needed to recognise the vital support given to the economy by women who provide full and part time care to children, adults, and older people.

We urge the government to support the proposed European Directive requiring sex equal annuities.

Increasing Employment Opportunities for Women

5.1.13 We welcome steps taken in this budget to increase employment opportunities for women and recognise that this may improve the pension prospects of women.

5.1.14 Employment by itself will only improve the pension prospects of women if:

- The employment is paid at a reasonable rate
- It provides a good employer's pension
- Women are able, because of sufficient household income, to spare wages for pension investment
- It will benefit them to contribute to a pension, because they are not subject to means testing in retirement.

5.1.15 We hope that the government will evaluate the extent to which increased participation by women in the paid labour force is in fact impacting on their pension prospects, rather than simply assuming that this will be so.

We recommend that the pension impact of programmes to assist women into the labour force is assessed on an ongoing basis.

Informed choices for working and saving

5.1.16 The WBG agrees that it is vital that the population is in a position to make informed choices about their future pension income. Combined pension forecasts are a step in the right direction. However:

- All people need information in an easy to understand, integrated format. State entitlements need to be integrated with all pension entitlements from all deferred and present schemes in which an individual might have an interest.
- Individuals need to know what they have accumulated to date in deferred, defined benefit and defined contribution schemes, with no assumptions being made about their future pension accumulation.
- They need to have information about present day equivalents of their combined accumulation, so as to make the information meaningful.
- They need to know precisely how the pension credit system interacts with their accumulated pension.

5.1.17 The current scheme whereby providers can elect to combine state and private pension forecasts with their annual statements is insufficient to provide all adults below state retirement age with appropriate information at fairly regular intervals. The WBG recognises the challenges involved in providing a fully integrated service that includes the state system, deferred pension benefits,

defined benefit and defined contribution schemes, but sees such a service as an essential ingredient of the ability of individuals to plan their retirement.

5.1.18 Research should be undertaken as to the most appropriate format in which to communicate this information in a meaningful and intelligible way, and in the way most likely to be taken account of by individuals.

5.1.19 Government reliance on employers voluntarily arranging pensions advice for employees is likely to exclude from any form of advice:

- The 30% of women aged between 20 and 59 who, at any given time, are not in the paid labour force.
- The self-employed.
- Employees of smaller employers, less likely to see the benefits of or arrange such advice. These employees are most likely to be women.

5.1.20 These excluded groups are urgently in need of pension planning advice.

At regular intervals prior to retirement, individuals need to receive in an easy to read, comprehensible form, information showing their accumulated state benefits, their accumulated private benefits, and the impact of means tested benefits in retirement.

The government needs to reconsider a strategy that appears to rely on the goodwill of employers for the provision of retirement planning advice. This strategy is likely to exclude many of those who need retirement advice most, the majority of whom will be women.

Flexibility in retiring and deferring the State Pension

5.1.21 The WBG welcomes the added flexibility to retire gradually that being able to take an employer's pension and continue working for the same employer will bring to all older workers.

Pension Statistics

5.1.22 The government has repeatedly stated its concern that future generations of women pensioners are able to live with dignity in retirement. Central to this idea is the ability to understand and model the retirement incomes of women. It is therefore very important for the understanding of gender inequality among pensioners in the future that pension statistics are capable of disaggregation by gender at every level.

The WBG urges those charged with the reform of the collection of pension statistics to have gender in mind at every stage of their deliberations on the future collection of pension statistics.

The WBG hopes that the Pension Statistics Review Committee will consult with academics and professionals with expertise in the analysis of present and future pension income for women.

5.2 Support for Families and Children

Tackling Child Poverty

5.2.1 The Women's Budget Group applauds the Chancellors reiterated commitment to his targets of eliminating child poverty and we applaud the Government's stated commitment to ensuring that every child has the best possible start in life. The increase in child tax credits and the 17 per cent increase in spending on childcare, Sure Start programmes and children's centres will ensure that the Government will almost certainly meet its intermediate target of reducing child poverty by a quarter by 2004-05. However, if Government is to meet its next target of reducing child poverty by half by 2010, more broadly based policies are needed.

5.2.2 The Women's Budget Group remains concerned about ensuring continued progress towards this goal and the failure of the Government to fully understand the need to tackle the prevalent problem of women's poverty if it is to meet the child poverty targets. Of particular concern, is the continued reluctance to acknowledge and recognise the needs of larger families – particularly those with 3 or more children, and couples where only one parent is in employment. The continued inadequate consideration given to women's poverty in the annual Households Below Average Income report is a worrying indication of this problem.

5.3 Financial Support for Children:

5.3.1 Child poverty targets can only be achieved if policies are put in place to raise women's wage levels and increase the levels of child benefit and child tax credit. While child related benefits are no longer based on a parent's employment status, more thought needs to be given to further reducing the disincentive to second earner's employment. This is particularly important in light of the high rate of partnership breakdown, where it is the earnings of the mother that many children at risk of poverty will depend on in the long run.

5.3.2 As announced in the 2003 Pre Budget report, from April 2004

- Rates of Child Benefit will rise in line with the Retail Prices Index to £16.50 for the first child and £11.50 for subsequent

children. The rate for the first child therefore remains 25 per cent higher in real terms than it was in 1997; and

- The child equivalent of the Child Tax Credit will increase by £180 to £1,625 a year, equivalent to a weekly increase of £3.50
- The restrictions in the childcare element of the Working Tax Credit that prevent mothers on paid maternity leave receiving help with the costs of childcare for their new babies will be removed.
- The government will uprate Statutory Paternity Pay and Statutory Adoption Pay in line with Statutory Maternity Pay, to £102.80 a week.

5.3.3 While on the surface the continued roll out of these proposals is welcome, the tax credit income thresholds – the points at which tax credits start to be withdrawn as income rises – have been frozen. Consequently, workers who receive a pay rise in line with inflation will see their net incomes increase by less than inflation. The failure to up-rate will cease to help ‘make work pay’ and is therefore at odds with the rest of the Government’s welfare to work strategy. Of particular concern to the Women’s Budget Group, is that the maximum eligible costs for the childcare element of the Working Tax Credit have been frozen at £135 per week for one child and £200 for two children. The implications of this decision will hit mothers particularly hard.

5.3.4 While any increase in benefits and tax credits and allowances is positive and warmly welcomed, the Women’s Budget Group argues that the small increases that will take effect in April 2004 remain insufficient to make a real difference to child poverty. Presently, the level of support for families living in poverty is a drop in the ocean. To date, the government’s fiscal initiatives have benefited those living just beneath the breadline most. The poverty gap – the total amount of income by which all families fall short of the poverty line – has actually increased in recent years³.

5.3.5 Protecting family income, particularly that which is available to the primary caregiver, in most cases, the mother, is critical. Measures to improve the level of low earnings and reduce unfair inequalities in rewards for work, that disproportionately fall upon women are vital. Increasing benefit and tax credit levels is imperative. Despite improvements, income support levels are still below the poverty line and many families are living on even lower levels of income – one in three claimants have money deducted from their benefits. The consequences of moving away from a male breadwinner model to a dual earner model have been insufficiently

³ Brewer, M and Goodman, A (2003). What really happened to child poverty in the UK under Labours first term? *Economic Journal*. June.

recognised. Mothers' earnings are very important in keeping families out of poverty in both two parent and lone parent families. Ending child poverty will require benefits, tax credits and the minimum wage to be raised in line with income growth, not just inflation, to ensure that the living standards of the poorest in society, many of whom are women, do not continue to progress at a far slower pace than the better off.

Issues of concern:

The system of financial support for children in the United Kingdom remains too biased towards the first child and towards smaller families, especially with supporting the costs of childcare.

Half of all poor children are found in the families with three or more children but the Child Tax Credit and the childcare tax credit continues to be insufficient in meeting the needs of larger families.

Nearly half of all poor children are found in one parent families and particular attention will need to be paid to lone parents if the child poverty targets are to be met.

All mothers need access to affordable childcare while they are training, in education and when seeking employment as well as when they are in employment. Financial support with childcare remains too tightly tied to employment and household status.

5.4 Childcare, Sure Start, Children's Centres and Support for Families with Children.

5.4.1 The Women's Budget Group welcomes the reiteration of the Government's vision for every parent to have access to affordable, flexible, good quality childcare. In particular, we welcome announcements detailing:

- Additional investment in childcare places and services for disadvantaged children of £669m by 2007-08, based on the findings of the Childcare and Child Poverty Reviews.
- That this new investment will establish a Children's Centre in each of the 20 per cent most disadvantaged wards by 2007-08 and a total of 1700 Children's Centres by March 2008.

5.4.2 While this represents a significant step forward towards the goal of a Children's Centre in every community, the Women's Budget Group continues to be concerned at Government's reliance on sporadic and targeted initiatives that meet the needs of the most disadvantaged, rather than looking at bigger roles that housing, health, education and transport ought to play in ameliorating and providing a way forward for children and their families who are currently faced with growing up in poverty. The Women's Budget

Group are of the view that the action that government has taken since pledging to end child poverty, through Sure Start programmes, Children's Centres initiatives and the like, while helping some children out of poverty, has stalled rather than reversed the overall national trend. Consequently, there are a generation of families who remain left behind, unable to move on and with the odds on improving their lives heavily stacked against them.

- 5.4.3 The announcement that the new investment would also fund a pilot to extend free part-time early education places to 6,000 two year olds living in disadvantaged areas is potentially beneficial to those who might receive them. However it indicates the perpetuation of priorities that differentiate between care and education, is in conflict with the aims of the 'welfare to work' strategy and fails to meet the needs of parents, and in particular mothers.
- 5.4.4 The Women's Budget Group believes that the steps out of poverty are relatively simple. Families, and particularly women, need access to local services that support their individual needs, employment opportunities that acknowledge, support and accommodate their caring commitments and an income adequate to meet the realities of the cost of living. In areas with programmes such as Sure Start which are starting to mesh with the improvements in benefit and tax credit income, there have been improvements which have made inroads into eliminating child poverty. However, to date, greatest support has been targeted on the 20 per cent most disadvantaged areas. But only half of all children in poverty live in those areas. The Women's Budget Group remains adamant that to eradicate child poverty, services such as Sure Start and Children's Centres must become universalised as a matter of public urgency.

The Women's Budget Group believes that a far more ambitious approach is required to tackle child poverty through the public services. There needs to be a collaborative, yet strategic effort, led by government, across all public services to maximise efforts towards reducing child poverty.

The Women's Budget Group would urge government to be more forthright and to put in place strategies that detail clear and non negotiable resources and timetables to ensure that a Children's Centre in every community is delivered as soon as possible. A children's centre in every community by 2008 will not deliver the volume of childcare places necessary if the Government is to meet its target for 70% of lone parents to be in employment by 2010.

5.5 Payment of working tax credit

- 5.5.1 The government has suggested that after consulting employers, payment of the working tax credit via employers will be phased out in favour of direct payment to employees by the Inland Revenue.

- 5.5.2 The main reason for this move is concern about the administrative burden on employers. The Women's Budget Group note that this proposed change would also address important issues about privacy and power in the relationship between employees and their employers and therefore welcome it.
- 5.5.3 The Women's Budget Group acknowledge the transfer of resources from men to women which has been effected by the introduction of new tax credits in 2003/04. The issue of to whom working tax credit will be paid in future as a result of this proposed change is not raised explicitly and we look forward to being consulted about this. The Women's Budget Group has concerns about what happens in unequal relationships, especially because of joint ownership of tax credits and the increase in joint bank accounts. The attribution of 'main carer' to whom the childcare tax credit is paid and 'main earner' labels may also become open to challenge.
- 5.5.4 There is also a longer-term issue arising from the Chancellor's announcement. The government originally argued that payment through the pay packet was essential in order to reinforce the message that tax credits are a reward for work. The Women's Budget Group are not convinced by the argument that this has now been established and therefore payments can now be made directly. We also note that the government's longer-term aim is the integration of the income tax and benefits systems. However, we have always been sceptical about the desirability and practicality of such an aim, as it appears to suggest using joint assessment throughout the merged systems. We hope that the direct payment of working tax credit means that this is no longer part of the government's longer-term vision.

The Women's Budget Group welcomes the move to pay working tax credit directly to employees.

5.6 New Tax Credits

- 5.6.1 We are concerned that the take-up rate of the tax credits is low. Reports suggest that as many as one third of those eligible have failed to claim tax credits⁴. This means that some of the neediest families in the country are living in greater poverty than the government intends. We are also worried by the press reports of delays in the payment of the new tax credits, and the need for emergency payments from Inland Revenue offices and hope that these are temporary problems are resolved swiftly.
- 5.6.2 We note that the government's 'money2mummy' campaign about the new tax credits suggested that in couples receiving CTC, men would be receiving less money and women more. Whilst this will certainly be the case for many, it will not be the case for all

⁴Guardian Society, 30 April 2003, p.8

couples. In those couples who chose for the 'main carer' (usually the mother) to receive working families' tax credit, she will actually get less money in future, because the in-work wage supplement, working tax credit, will be paid via the pay packet to the main wage earner, with no choice for the couple. Only the child element (CTC) will in future be paid to the main carer. Thus there will be some losers as well. This was not clear in the publicity and some couples may be misled. This may have significant effects if, as a result, the gaining partner does not compensate the loser.

- 5.6.3 We continue to support the payment of child tax credits to the 'main carer' and the understanding that this is most usually the mother. However, we are keen that the campaign does not enforce or entrench gender stereotypes so we are keen that the recipient is referred to as the 'main carer' and not necessarily the mother.

Research must therefore be directed to solving the problem of low take-up and reconsidering features, such as means testing, if these are shown to be responsible for the low take-up rate.

As one solution, which could be adopted alongside others, we would urge the government to put as large as proportion of resources as possible into child benefit, which also 'follows the child' via receipt by the main carer but has very few of the problems of complexity or take-up of means-tested benefits or tax credits. In addition to the important advantage of a secure and stable form of income, this also removes a major source of stress from the main carer, which is likely to benefit children in her care.

5.7 Child Trust Fund

- 5.7.1 We note that the Government has adopted the child trust fund in order to 'strengthen the saving habit of future generations'; but we are concerned that the policy lacks a clarity of purpose, and believe that there are more effective means of facilitating a less unequal start in life for all children. Money could be better spent targeting poorer families who need the money now whilst their children are young, rather than accumulating a lump sum many years later.
- 5.7.2 The Government should recognise that, however well designed, the proposed scheme will disproportionately benefit the children of better-off parents, who are more able and likely to top up their children's fund than the parents of children in poorer families. If tax relief is also available to help them to do this we fear that such provision will exacerbate rather than reduce inequalities.
- 5.7.3 Further, there is a danger that the existence of such funds will open gates for more fee-based education and training. By raising the costs of higher education a large part of the benefit to young people will be negated.

The WBG argues that Child Benefit is the most effective form of spending to address child poverty. We therefore believe that the money allocated to the Child Trust Fund would be better spent on increasing Child Benefit. This would allow money to be spent when it is most needed when the children are young. It would also assist the Government in meeting its target to eradicate child poverty.

5.8 Volunteering and mentoring

5.8.1 We recognise the potential benefits of the proposed commission on a National Youth Volunteering Strategy.

We urge the government and voluntary sector to encourage and enable the young women and men who volunteer to be able to undertake the form of voluntary service that best suits their talents and interests, and to take proactive steps to avoid gender stereotyping and segregation of such opportunities.

6 Delivering High Quality Public Services

The WBG welcomes the Chancellor's commitment to high quality public services and the increase in expenditure on them.

We recommend the inclusion of a commitment to promote gender equality within the framework set for government departments.

6.1 Increasing Transparency

6.1.1 We welcome the commitment to increasing transparency on the level of performance against PSA targets.

We recommend that in order to deliver 'transparency' their performance should be measured using gender disaggregated statistics, even if gender is not named within the PSA.

6.2 Achieving Greater Efficiency

6.2.1 We question whether it will be possible to deliver high and improving quality services at the same time as 'achieving greater efficiency', if efficiency is measured mainly in terms of staff reductions. The substantial numbers of job cuts could endanger service delivery.

6.2.2 We are concerned that there will be a negative impact on services and that this will have a greater impact on women than on men both as users and providers of services. For example it is hard to see how job cuts such as 30,000 posts by 2008 in the Department for Work and Pensions can be achieved without having an impact on benefit claimants.

- 6.2.3 The impact on women working in the civil service comes from job cuts, vacancy freezes, and uncertainty.
- 6.2.4 It is not yet clear which jobs are to be cut. The budget refers to 'backroom' jobs together with a cut in real terms in the cost of administration. Women predominate in the administrative grades - - 63% of staff in the Administrative Assistant and Administrative Officer grades are women (whereas they make up 52% of all staff)⁵.
- 6.2.5 The three largest departments in the civil service, about which job cuts announcements were made in the budget, employ over half of civil service staff. They include those with a very high proportion of women. In DWP 70% of the staff are women and in the Inland Revenue 62% are women⁶.
- 6.2.6 The budget announcement and subsequent action by management has a disproportionate impact on women.
- 6.2.7 Although numbers of posts to be cut in the biggest departments have been announced, detailed proposals will not be available until July. Proposals for other departments will be appearing in the next few months. It is likely that the resulting uncertainty and inevitable low morale will result in the most mobile people leaving the service. Those left behind, who are most likely to be women, will be under greater pressure to deliver the service, resulting in longer working hours, with the consequent impact on their work-life balance and family responsibilities.
- 6.2.8 Some departments, for example DWP, have already announced immediate job vacancy freezes or restrictions, which is likely to lead to difficulties in delivering services. These will have a further impact on staff morale and retention. In this period of uncertainty and vacancy freezing it is likely that there will be increased use of agency staff, with the consequent greater exploitation of workers with very few rights. Again most of these workers are women.
- 6.2.9 It is not clear what the proposals for improving services by moving them from the 'backroom' to the 'front room' will mean in practice. There is no date for publication of the Gershon review, and management in civil service departments do not yet know what is intended. It is still unclear therefore what movements between either civil service backroom to frontline or from public sector backroom to frontline will be recommended. The Gershon review is looking at the whole public sector, and there are suggestions that civil service administrators could for example, be redeployed as classroom assistants. This raises issues of training and cost, amongst others.

⁵ Civil Service Statistics 2002, HMSO 2003

⁶ Civil Service Statistics 2002, HMSO 2003

- 6.2.10 The proposal to achieve better efficiency by economies in back office and transactional services by investing money in modern technology must be carefully monitored. Replacing staff with more IT doesn't always produce more efficient or effective services. Sadly there are too many examples in the public sector where over confidence in IT (especially in private hands) has had disastrous consequences for service users and has not resulted in savings (two examples are the Child Support Agency and the Criminal Records Bureau).
- 6.2.11 Although the proposal to redistribute resources to improve public services sounds positive, a lot more work needs to be done in order to put this into reality. As yet it is not clear either how this will be resourced, or whether it will be put into practice in a way that will improve services and benefit users or whether in practice services will suffer as a result of arbitrary cost driven cuts in staff.

The Women's Budget Group would like to emphasise that trying to deliver services with fewer staff doesn't necessarily make them more efficient, and replacing staff with more IT doesn't always produce more efficient or effective services. Efficiency cannot be measured just in terms of numbers of staff and more computers- we need better measures of 'efficiency'.

The impact of job cuts on service delivery should be monitored, and an attempt should be made to monitor its impact on women service users.

The impact on job cuts and vacancy freezes on women service providers should also be monitored.

The proposal to achieve better efficiency by economies in back office and transactional services by investing money in modern technology must be carefully monitored.

6.3 Relocation

- 6.3.1 The acceptance by the Chancellor of the recommendations of the Lyons review, to relocate 20,000 civil service jobs out of London, may have a serious impact on women. The detail of the proposals is not yet clear, but we strongly suggest that an equality audit is included in the business planning process for such moves. It should be recognised that such moves will affect both the women employees in these posts and women family members of other workers who moved. Appropriate solutions should be sought to minimise possible detrimental impacts.
- 6.3.2 There is case law to show that there is potential issue of sex discrimination over any compulsory moves of staff⁷.

⁷ Meade Hill v British Council, 1995, IRLR 478

- 6.3.3 Any move disrupts childcare arrangements, whether formal or those provided by relatives. These can be difficult to rearrange, particularly in areas with less provision, availability and potentially with public transport shortages. This is an area to which special attention and support should be given to reduce, even if not remove, gender inequities in the impact of such a move.

We recommend that an equality audit is included in the business planning process for such moves.

We also recommend that there should be consideration of the full implications for staff affected and their families.

6.4 Equal pay in the civil service

- 6.4.1 We know that all civil service departments and agencies required by the government to carry out equal pay audits have now submitted action plans. We urge that these action plans are considered as a key factor in the civil service 2004 pay round and that the Treasury allocates funding to eradicate any identified gender pay gaps.
- 6.4.2 We are concerned however that the government has not widely publicised the results of the civil service audits, and has had limited success in encouraging other sectors to carry out audits.

The Government has now given the voluntary pay audit approach a fair trial, and we believe that the time is now right to consider when and how such audit should be made mandatory.

6.5 Criminal Justice

- 6.5.1 We note the Government's commitment to reduce crime. We recommend that the Government more explicitly mainstream gender into this area, by noting the significance of violence against women, and providing challenging targets for change and reform on this area, which many women think is more important than property crime.

We trust that the Chancellor will make available the funds needed to implement policy reform and service provision in this area.

We recommend that more challenging targets be set for the public services to play their part in the reduction and elimination of domestic violence and other forms of violence against women, including, but not only, targets for the police.

6.6 Increased funding of the NHS

- 6.6.1 The reconfirmation of substantial extra funding for the NHS is welcome. The NHS is critical to the health and economy of the country and plays a particularly important role in the lives of

women, who are the majority of users of, and employees in, the NHS.

- 6.6.2 The WBG also supports the decision to continue funding the NHS through general taxation. A system of healthcare funding which pools risk and is free at the point of use is important for women who earn less on average than men and hence are less able to pay for private health insurance.