

Women's Budget Group

September 2024

Budget Representation to HM Treasury: Invest in the foundations of a healthy economy

Summary

1. The UK Women's Budget Group (WBG) is a feminist think tank that provides evidence and capacity building on women's economic position and that proposes policy alternatives for a gender-equal economy. We welcome this opportunity to submit a representation to HM Treasury on the Autumn Budget 2024 / Spending Review.
2. Although inflation (CPI) has dropped to 2.2% in the year to July 2024¹, austerity policies since 2010, followed by Covid and the cost of living crisis, have precipitated an unprecedented fall in living standards that requires urgent policy interventions. Falling inflation does not mean falling prices, but only that prices are rising more slowly. The costs of some key goods and services have gone up by more than inflation, including housing² and childcare³. The cost of living crisis has put a strain on households' ability to make ends meet, with women and those on low incomes disproportionately impacted. Combined with lower-than-inflation wage growth and weakened public services from over a decade of underfunding followed by a global pandemic, people's living standards are continuing to fall.
3. The impact of this is higher on those on low incomes who are more dependent on public services, spend a higher proportion of their income on essentials and have less savings, and on women as the "shock absorbers of poverty" within families.
4. Taxes should be seen as a contribution to society and the common good, and a progressive and fair tax system is fundamental to building strong public services and a healthy and equal economy. Under-taxation of wealth reinforces gender disparities since women tend to have lower savings and wealth but rely disproportionately on the public goods that taxes help pay for. The tax system should be reformed by integrating taxation of capital gains and incomes from work into a single schedule with progressive bands, taxing wealth directly rather than just its transactions and transfers.
5. We contend that public spending cuts in the name of fiscal responsibility are mistaken. Not only do they disproportionately affect those who can least afford it, they also have the opposite effect than intended by weakening the economy and worsening public finances. Good public services

¹ONS (2024) Consumer price inflation, UK: August 2024

²ONS (2024) Private Rent and House Prices UK: April 2024

³Early Education and Childcare Coalition (2024) Rescue and Reform: A Manifesto to Transform Early Education and Childcare in England

underpin a strong economy, and fixing the foundations of the economy must be by ensuring the needs of the most vulnerable are met.

6. We urge the Government to abolish the two-child limit in line with their commitment to breaking down the barriers of opportunity for every child. Removing the two-child limit would be the most effective way to tackle child poverty, lifting 300,000 children out of poverty and reducing poverty for 700,000 children.
7. Cuts to public services and social security have disproportionately impacted women especially poor, Black, Asian and Ethnic Minority women, single mothers and Disabled women across the UK, who cannot afford another period of austerity.
8. We encourage a funding settlement for state departments and local government based on needs rather than a predetermined spending envelope. Our public services like health and care services need to be invested in to cope with demand, support gender equality and sustain a strong economy.
9. Investment in infrastructure is vital to promote a healthy economy. This should include not only physical infrastructure but social infrastructure such as health, education and care services. These are as integral to the health and wellbeing of people and productivity of the economy. It is not just roads and rail that enable people to get to work and live fulfilling lives, but vital social infrastructure including early education and childcare and social care.
10. Social infrastructure should also be expanded in response to the climate crisis in order to move the economy to an environmentally sustainable one. WBG analysis of ONS data on emissions found that the average job in health and care produces 26 times less greenhouse gas than a manufacturing job, over 200 times less than an agriculture jobs and nearly 1,500 times less than a job in oil and gas⁴. Moreover, demographic changes in the population are increasing the need for these services.
11. Equality Impact Assessments are an integral way of evaluating policy for its impact on different groups of society, including women. They are the best tool to ensure compliance with the Public Sector Equality Duty that all public bodies, including the Treasury, are bound by. More information on Equality Impact Assessments is available in our briefing [here](#). For more information on gender responsive budgeting please see our [online resources](#).

Policy Recommendations for “Fixing the Foundations”

Taxation

1. The current system of taxation perpetuates existing gendered economic inequalities that could be addressed by improving progressivity and redistributing revenue through sustained investment in social infrastructure, such as public services. While the current tax take may be high historically by

⁴ WBG and Wen (2022) A green and caring economy.

UK standards⁵, it is not high by those of better functioning European⁶ and OECD⁷ economies, and its impact could be distributed more fairly. Because of structural gender inequalities in the labour market and society – and because women are more likely to be unpaid carers – women rely heavily on public services. Cuts in public services therefore have a disproportionate detrimental impact on women⁸.

2. Taxes should be seen as a contribution to society and the common good. A progressive and fair tax system is fundamental to building strong public services and a healthy and equal economy. Under-taxation of wealth reinforces gender disparities since women tend to have lower savings and wealth but rely disproportionately on the public goods that taxes help pay for. Wealth inequality has increased even more than income inequality over recent years. Equalising taxes on income from wealth and from work could reduce gender inequalities and raise up to £24 billion a year⁹.
3. We urge the Chancellor to reform the tax system by integrating taxation of capital gains and incomes from work into a single schedule with progressive bands, taxing wealth directly rather than just its transactions and transfers, and putting council tax on a more progressive schedule based on a revaluation of properties. Equalising Capital Gains Tax and income tax rates could raise up to £16.7bn per year¹⁰.
4. The system of Inheritance and Capital Transfer Taxes should be reformed so that lifetime receipts, rather than bequests, are progressively taxed at income tax rates, incentivising the distribution of wealth to more recipients. Reforming the tax system would provide more income to the Treasury to invest in social infrastructure.
5. The UK raises less than similar European countries from income taxes and social security contributions. For the income tax system to promote gender equality and be fairer, and at the same time provide increased revenue, it needs to be more progressive and inclusive, with a steeper rise in rates from a lower basic rate as well as a lower personal allowance.
6. National Insurance Contributions should be made fairer by abolishing the Upper Earnings Limit and making NI payable on all forms on income and by those above State Pension age.
7. The Marriage Tax Allowance and the High-Income Child Benefit Charge make one partner's tax liability depend on the other's income, undermining the right to independent taxation. These measures should be abolished.

⁵ IFS (2023) This will be the biggest tax-raising parliament on record

⁶ M. Conte, H. Miller and T. Pope, (2019) How Do Other Countries Raise More in Tax than the UK? IFS Report R160

⁷ Tax Policy Associates (2023) Is the UK over-taxed or under-taxed?; P. Narayanan P (2023) Fairer taxes, smarter spending: A recipe for sustainable growth, IPPR.

⁸ WBG (2024) Taxation and Gender – Briefing for a New Government (<https://www.wbg.org.uk/publication/taxation-and-gender-briefing-for-a-new-government/>)

⁹ Ibid.

¹⁰ WBG (2023) Why Taxation of Wealth is a Feminist Issue: A Gendered Analysis of Wealth in Great Britain (<https://www.wbg.org.uk/publication/why-taxation-of-wealth-is-a-feminist-issue-a-gendered-analysis-of-wealth-in-great-britain/>)

Social security reform: Universal Credit, Child Poverty, and the Two-Child Limit

8. Social security is a necessary part of the social infrastructure on which a caring economy and society is based¹¹. The current system is failing vulnerable people and compromising the aims of Universal Credit: women particularly are worse off under Universal Credit and disincentivised from working by the single taper rate as they tend to be the majority of second earners. This decreases women's participation in the labour market and increases their economic dependence, undermining the ambition that under Universal Credit it 'pays to work'. For more on the disproportionate impact of Universal Credit on women see our [policy briefing](#).
9. The five-week wait for a claimants' first Universal Credit payment is forcing claimants into poverty and debt. Our work has also shown how it traps women in violent and abusive relationships since they fear being left destitute once they leave and have to make a new claim for UC¹².
10. Tackling women's poverty should be a prime concern for this Government, both because women's wellbeing matters in its own right and for the wellbeing of the economy, and also, crucially, because children's poverty cannot be divorced from that of their mothers. Tackling women's poverty is therefore critical to the success of the Government's ambition to tackle child poverty and breaking down the barriers of opportunity for every child.
11. The benefits cap and the two-child limit particularly disadvantage single mothers, disabled people, and Black, Asian and Minority Ethnic families who are statistically more likely to have three or more children¹³. We call for an end to the benefits cap – social security payments should be based on need not an arbitrary limit. We also urge the Government to increase Child Benefit to £50 to support larger families with higher costs and reduce the poverty rate by a quarter¹⁴.
12. The two-child limit, which currently affects around 1.6 million children, interacts directly with gender inequality and child poverty, as 40% of families report that it limits their ability to pay for childcare, preventing parents from working to meet the childcare responsibilities¹⁵. The impacts are worse for families where somebody is disabled or single-parent families, most of whom are women. Our research shows that households with 3 or more children, affected by the two-child limit, are also those that are most affected by cuts to public services since 2010¹⁶.
13. The two-child limit should be abolished. The Child Poverty Action Group (CPAG) estimates that lifting the two-child limit would be the most effective way to tackle child poverty because it would

¹¹ WBG (2022) Social Security and Gender

¹² WBG (2018) Universal Credit and financial abuse: exploring the links

¹³ WBG (2019) The Women's Budget Group (WBG) calls on the Department for Work and Pensions to assess and publish the impact of Universal Credit on women and men before 'managed migration' <https://wbg.org.uk/wp-content/uploads/2019/10/Policy-note-EIA-of-UC-before-MM-FINAL.pdf>

¹⁴ WBG (2024) Child Benefit Pre-Budget Briefing (<https://www.wbg.org.uk/publication/child-benefit-briefing-2024/>)

¹⁵ WBG (2023) The Two Child Limit to Means Tested Benefits: Pre-Budget Briefing (<https://www.wbg.org.uk/publication/the-two-child-limit-to-means-tested-benefits/>)

¹⁶ WBG (2024) Children in families hit by 2-Child Limit also lose most from cuts to public services (<https://www.wbg.org.uk/article/children-in-families-hit-by-2-child-limit-also-lose-most-from-cuts-to-public-services-finds-the-wbg/>)

lift 300,000 children out of poverty and reduce poverty for 700,000 children, at a cost of £1.7 billion¹⁷.

14. Social security benefits should be increased regularly to at least match inflation. The real value of benefits must be adjusted to ensure they contribute to achieving an acceptable standard of living and adequately cover essential needs. For instance, the childcare element of Working Tax Credits has been frozen since 2006.
15. The social security system should promote well-being for all, decent living standards and opportunities for everyone to fulfil their potential in life¹⁸.

Social Security Reform: Winter Fuel Payment

16. Restricting the Winter Fuel Payment this autumn does not give the UK Government time to significantly boost Pension Credit take-up to a level that would reduce some of the side-effects of this measure. It will leave many older people on low incomes facing a cold and dangerous winter. If the decision to link the qualification of the Winter Fuel Payment to whether an older person receives Pension Credit is taken now, it could mean up to 1.2 million older people on low incomes miss out on even more vital financial support.
17. We therefore urge the Government to rethink its plan to cut the Winter Fuel Payment and to enact a Pension Credit take-up action plan so that everyone receives the Pension Credit they're entitled to, alongside a broader benefit take-up strategy.
18. In the long-term, conduct a process to establish an adequate level of income needed in later life to avoid poverty, and put in place plans to ensure everyone receives it.

Social Security Reform: Parental Leave Reform

19. The distribution of unpaid care is at the heart of women's poverty, which is intrinsically linked with children's poverty¹⁹. The current UK Maternity, Paternity and Parental Leave policy is based on an outdated model that does not encourage sharing of care between parents, therefore perpetuating existing economic and social inequalities.
20. While parental leave reform is not a direct remit of the Budget and Spending Review, we recognise that the system is currently being reviewed. We therefore think that the Budget should include provision to move to a system of adequately paid leave that encourages equal distribution

¹⁷CPAG (2024) Things will only get worse

¹⁸WBG (2024) Social Security and Gender: [Briefings for a New Government](#)

¹⁹CPAG, Runnymede Trust and WBG (2023) [Inequalities Amplified: The Alarming Rise of Child Poverty in the UK](#)

of care between parents. Our recommendations for a better system of parental leave can be found [here](#).

Investment in Social Infrastructure: Restore funding to Local Government

21. We cannot build a strong economy with dysfunctional public transport or long healthcare waiting lists. Those barriers that people face to their well-being have a negative effect on the economy and on wider society, as they stifle people's ability to fully participate in the labour market and in their communities. Economic inactivity remains significantly higher for women (25.1%) than men (18.5%), with ill health and caring responsibilities cited as the main factors constraining the ability of women to participate fully in paid employment and driving further economic inequalities.
22. People who have borne the brunt of the last 14 years of austerity and economic dysfunction, including working-class women, lone mothers, Disabled people and people from minority-ethnic backgrounds, should be the focus of the new Government's decisions.
23. Local Government is often best placed to support the needs of people, especially women in local communities, as they provide vital services and social infrastructure to redistribute care and support survivors/victims of domestic abuse. A sustainable plan is needed to strengthen social security and the role of local authorities as providers of public services.
24. Central Government funding for local authorities fell by over 49% between 2010/11 and 2017/18²⁰ with councils in the most deprived areas suffering the greatest cuts, and Local Authorities face a funding gap of £6 billion in the next two years²¹. Cuts since 2010 have been detrimental to Local Government's ability to provide life-saving and life-changing services so funding Local Government adequately is a fundamental first step to restore prosperity in English towns.
25. This means moving away from plans developed by the previous government to make local authority funding entirely dependent on locally raised revenue (council tax and business rates-based funding) as this widens regional inequalities. Instead, a Labour government should increase grants from central government to ensure funding is distributed based on need not local affluence or poverty.
26. Local Government funding needs to be urgently restored to a level which enables councils to meet their statutory obligations as well as providing the preventative, non-statutory services which are vital to the wellbeing of women, children and those in need of care. Adequate funding should come from central Government to ensure that local authorities in poorer areas, often with a higher need for services, have the funding that they need²². In the short-term, ensuring funding to local government is enough to avoid real-terms cuts to unprotected departments is a necessary first step.

²⁰ WBG (2019) Triple whammy: The impact of local government cuts on women

²¹ WBG (2024) Local Government and Gender: briefings for a New Government (<https://www.wbg.org.uk/publication/local-government-and-gender-briefing-for-a-new-government/>)

²² Ibid

27. Meaningful equality impact assessments of local government funding levels and proposed cuts should be carried out by central government and local authorities.
28. The Fair Funding Review has been repeatedly delayed, most recently to beyond 2025. Councils need long-term funding certainty, and the review should look at the totality of resources needed by councils, not simply re-distribution of the current pot.

Investment in social infrastructure: Childcare and Early Education

29. High quality early education and childcare is a form of social infrastructure that is integral to the productivity of the economy, wellbeing of families and to gender equality. The current lack of good quality affordable early education and childcare is bad for children, bad for parents, bad for early years professionals, and bad for the economy. High costs are a significant worry for parents in the cost-of-living crisis, with 52% of families concerned about having enough resources to pay for childcare²³. Full-time early education and childcare for two-year-old or younger children absorbs nearly half of the median earnings for women in full-time employment²⁴. Prior to the pandemic, only 56% of local authorities in England reported that they had sufficient provision for full-time working parents²⁵. This contributes to gender inequalities as well as economic output loss. An estimated 1.7 million women are prevented from taking on more hours of paid work due to childcare issues, resulting in up to £28.2 bn economic output lost every year²⁶.
30. Around 40% of the total attainment gap between sixteen-year-olds from the most deprived fifth of families and the least deprived fifth of families is already present at age five²⁷, and the current policies aimed to support disadvantaged children are not working. Parents receiving Universal Credit are only able to claim up to 85% of their early education and childcare fees and these are paid in arrears. In addition, the cap on the childcare element of Universal Credit has not been updated since 2016 while fees have been increasing above inflation since before 2022. At the same time, parents are not claiming tax free childcare, with £1.7bn in underspend 2017-20²⁸. The tax-free childcare funding is not ring-fenced and since 2017, when it was launched, the Department for Work and Pensions has passed £2.4bn of unspent funds back to the Treasury²⁹.
31. Current funding for the Department for Education's 'free' entitlements does not cover costs. In 2019-20, there was an estimated £662 million deficit in funding for early education and childcare³⁰. Department for Education (DfE) files released in response to freedom of information requests submitted by the Early Years Alliance (EYA) show that DfE officials estimated a funded early years place for three- and four-year-olds would cost an average of £7.49 per hour by

²³ Nesta (2022) Cost of living crisis pushing worried parents to the edge with 2 in 3 concerned about paying for essentials.

²⁴ I. Pinto (2022) The cost crisis: a gendered analysis

²⁵ S. Reis and L. Stephens (2022) Childcare and gender. Spring Budget 2022 Pre-budget briefings. WBG.

²⁶ Centre for Progressive Policy (2021) Women in the labour market.

²⁷ Hutchinson, J. and Dunford, J. (2016) Divergent pathways: the disadvantage gap, accountability and the pupil premium. Education Policy Institute

²⁸ C. Gaunt (2020) Government reveals £1.7bn in underspend on Tax-Free Childcare

²⁹ R. James (2022) Tax-Free Childcare: Parents only using half of accounts. National Day Nurseries Association.

³⁰ Early Years Alliance (2019) Alliance gives new evidence to Low Pay Commission

2020/21³¹. Considering inflation and increases in the National Living Wage, that would be £9.42 per hour by 2025/26. Based on the DfE assumptions that the cost of provision for 2-year-olds is 40% higher than for 3- and 4-year-olds, the true cost for that group would be £13.19. For children under 2 years old, assuming 90% higher costs than for 3- and 4-year-olds, the true cost would be £17.48. We calculate that the Government should allocate an additional £5 billion to meet the funding shortfall and cover the funded hours of childcare³².

32. Public investment in a system of high quality, free universal early education and childcare provided to all children in the UK between the age of 6 months and primary school by qualified staff would have long-term benefits for children, parents and the economy.
33. Research by Women's Budget Group member, Dr Jerome De Henau³³, finds that much of the initial investment required has the potential to be recouped quickly through additional tax revenue generated by additional jobs created and savings on social security benefits from more people in employment. Modelling various staff qualification/payment models we found that if early years professionals providing free universal childcare were paid an equivalent salary of primary school teachers and all 3.1m children were offered 40 hours a week for 48 weeks, the annual gross cost would be £57bn (2.7% of GDP); if pay rates were based on wage levels by qualification, the investment would be £38bn (1.8% GDP).
34. This would create between 1.4 million and 1.5 million full-time equivalent jobs, raising women's employment rate by between 5.6 and 5.9 percentage points. Direct and indirect taxation on income and consumption has the potential to recoup between 72% and 76% of this annual investment leaving between £9bn and £16bn net funding figure. Funding can also be recouped through the reduction of single mothers claiming social security benefits.
35. In the short term, funding for the 'free' hours hourly rate should reflect the true cost of provision so that providers are no longer reliant on cross-subsidising them by charging parents higher rates for non-Government funded hours. Although this would be an emergency measure, it would be possible to use this intervention to move towards the wider reforms needed. For example, this public investment should include conditions, such as ensuring providers comply with expectations such as ensuring all staff are paid at least the Real Living Wage; and that a percentage of places are available for children that benefit the most, including for children with SEND and 2-year-olds that qualify for the free hours³⁴.

Investment in social infrastructure: Adult social care

36. The [crisis in care](#) is a longstanding one, predating both the pandemic and the financial crash, that now requires urgent reform. Supporting unpaid carers out of poverty and making it easier for them to combine paid work with unpaid caring responsibilities would bring significant economic and

³¹R. Lawler (2021) New data shows ministers knew early years was underfunded. Early Years Alliance.

³²WBG (2024) [Updated Analysis: Early Years Education and Childcare Funding Shortage](#).

³³De Henau, J. (2019) 'Employment and fiscal effects of investing in universal childcare: a macro-micro simulation analysis for the UK', IKD Working Paper No. 83, March (<https://bit.ly/2C8E8vQ>) All figures updated for 2018. Figures are not simply higher compared to 2014 because the child population is slightly lower but also teacher pay rise was slightly less than inflation while GDP and living wages have increased, so differential between the two scenarios is less than in 2014.

³⁴WBG (2022) Childcare and Gender. Spring Budget 2022 Pre-Budget Briefings. WBG

societal benefits. Given that over a third of the NHS workforce have caring responsibilities, adequate support to carers would contribute to the stability and effectiveness of the NHS. There are over 2.8 million carers juggling work and unpaid care across the UK³⁵, yet huge numbers of carers end up leaving the labour market because the right support is not in place³⁶.

37. The Women's Budget Group welcomed the proposal to create a National Care Service³⁷, that should be fully integrated with the NHS and with provisions for independent living for disabled people, as the solution to the social care crisis. We are disappointed that it appears that action to implement the National Care Service has not been outlined for the near future. Carers, and the wider economy, cannot afford to wait.
38. To address the failing markets and financialisation of care, we advocate for an expanded role for local authorities requiring them to develop and deliver long term strategies to transform provision in line with the Care Act 2014, and for a new national body to drive improvement by setting and enforcing standards, including better pay and conditions for care workers.
39. Significant investment is required to create a high-quality universal service that would ensure that people's needs are met in a way that supports their wellbeing, with a well-trained workforce with decent pay and conditions and financial costs shared progressively across society. Our costings of such a system are:
 40. 'Core' (free care for those with needs as defined by local authorities, improved pay, resulting in higher take-up): £52bn or 2.5% of GDP, which is £32bn above current public spending power;
 41. 'Transformative' ('Core' plus better training and wider needs): £71bn or 3.4% GDP, which is a further £19bn above the core scenario.
42. Even at these increased costs, total social care spending would remain a relatively small fraction of NHS England's budget, which was £164.9bn in 2024/25. Our modelling suggests that the additional investment required for our core scenario would generate 928,000 new full-time-equivalent jobs in 2021/22 terms, both in the care sector and more widely through indirect and induced employment, boosting tax receipts by £14bn. However, at least some of the public funding for a universal care service would need to be offset by expanding the tax base elsewhere in the economy, as set out in our recommendations on taxes.
43. Solving the social care crisis with free personal care for the elderly and independent living provisions for disabled people would also help meet enormous demand for care without forcing women out of the workplace therefore bringing more people into the paid economy and redistributing the burden from women's unpaid labour. Top priorities include addressing the backlog and developing a comprehensive workforce strategy that addresses major retention, turnover and lack of career and pay progression.

³⁵ Census 2021

³⁶ Carers UK (2024) General Election Manifesto

³⁷ WBG and NEF (2022) Universal Quality Social Care

44. In the short term, restoring Local Government funding (as below) is integral to meeting huge demands for social care in the elderly, disabled and vulnerable populations as well as allocating emergency funds. As women make up the majority of paid and unpaid carers as well as those requiring social care, it is also a matter of gender equality³⁸.

Meaningful Equality Impact Assessments

45. Finally, the Women's Budget Group calls for HM Treasury to ensure a comprehensive and meaningful cumulative equality impact assessment is undertaken before the budget is finalised, in line with the requirements of the Public Sector Equality Duty and the recommendations of the Equality and Human Rights Commission and Treasury Select Committee³⁹. The outcomes of equality impact assessments should also be made public to ensure transparency in the process.

46. A meaningful equality impact assessment must take account of the impact of a policy or budget allocation on all people and groups with protected characteristics including age, disability, sex, gender reassignment, pregnancy and maternity, race, religion or belief and sexual orientation.

47. For gender sensitive policy it is particularly important to take account of how policy will impact individuals as well as households as resources are not always equally distributed between women and men within households.

48. A gender equality impact assessment also requires policymakers to take account of how any policy reform will interact with unpaid care work and, to take lifetime and cumulative approaches to policy reform. For example, pension policy must take account of people's lives across a lifetime not in a snapshot. To avoid disadvantaging one group, policies must be considered together as well as individually.

For more information on any of the above please contact: angela.barca@wbg.org.uk

WBG consents to our submission being made public.

³⁸WBG (2019) Gender and social care <https://wbg.org.uk/analysis/uk-policy-briefings/2019-wbg-briefing-social-care-and-gender/>

³⁹For more detail on EIAs as well as an example of a policy which requires assessment see: WBG (2019) The Women's Budget Group (WBG) calls on the Department for Work and Pensions to assess and publish the impact of Universal Credit on women and men before 'managed migration' <https://wbg.org.uk/wp-content/uploads/2019/10/Policy-note-EIA-of-UC-before-MM-FINAL.pdf>