STUDY

UK Austerity Policy – a Feminist Perspective

CLAIRE ANNESLEY

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- The Conservative-Liberal Democratic Coalition's economic policies have inflicted major damage to the economic situation of women in Britain in terms of income, jobs and services, and much of the progress that had been made towards gender equality under successive Labour Governments has been knocked into reverse.

- The overall picture shows that the Government is cutting expenditure on the welfare state but elsewhere it is willing to forego tax revenue in order to benefit certain – often electorally important – groups. This approach has significant gendered implications.

- The Coalition's approach to deficit reduction, emphasizing rapid cuts to the welfare state rather than increases in revenue, is particularly detrimental to women. Women in the UK are more reliant than men on the welfare state as a source of income, for public services and for employment.

- The government's approach does not promote gender equality. In contrast it is reversing many gains towards gender equality in incomes, employment and service provision that had been made before 2010. Analyses speculated that the measures were driven by an ideological desire to return to a traditional male breadwinner welfare state. The reintroduction of a transferable tax allowance for married couples announced in 2013 is one example for this.

- The UK Women's Budget Group (WBG) has called for the Coalition, and the Labour opposition, to replace the current approach with a Plan F, a feminist strategy for economic recovery which includes women, enables them to be financially autonomous, support their inclusion in paid employment and emphasizes and values care.

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The Conservative-Liberal Democratic Coalition, now more than half way through its five year term in office, faces a significant dilemma. In three years its economic policies have inflicted major damage to the economic situation of women in terms of income, jobs and services, and much of the progress that had been made towards gender equality under successive Labour Governments has been knocked into reverse. As the very gendered consequences of austerity hits home, so support among the female electorate for the Coalition parties is plummeting. In September 2013 a Mumsnet IPSOS Mori poll recorded 29 % female support for the Conservatives compared with 42 % for Labour; and the Conservatives are likely to need those female votes to secure victory in 2015. Aware of its ›problem‹ with women the Conservative-led Coalition has recently proffered some policies which it hopes will win back women who are, after all, traditionally Conservative voters. The recently announced transferable tax allowance for married couples is one example. But policies like these support very few women, and they offer almost nothing to the many on very low incomes. They certainly do nothing to address the gendered impact of the Coalition's overall economic approach.

Even now, as economic growth starts to pick up, there is little reason to believe that men and women will benefit from the recovery on equal terms, particularly when it comes to employment opportunities. For that to happen there needs to be a major feminist rethinking of economic policy, which is unlikely to come from the Coalition Government committed to its ›Plan A‹. Neither of the Coalition parties has an ideological commitment to gender equality. Ahead of the 2015 election the Conservatives made a strong push to feminise the party and pledged to be the most family friendly in history, but there is no coherent strategy for gender equality. For their part, the Liberal Democrats placed emphasis on the social mobility of individuals, ignoring the factors which structure their trajectories. What is more, neither of the Coalition parties has a strong record of female representation in parliament or in government. There is of course no guarantee that women MPs will act for women, but the more equal the representation in politics, the more likelihood that a range of ideas and perspectives will find its way onto the government's agenda.

Outside of government, gender equality advocates from think tanks, trade unions, academia and the opposition Labour Party are rising to the challenge of measuring the gendered impact of austerity and mapping out an alternative feminist economic future. This goes some way in addressing the gender inequality we see now and offers new options for more equal economic outcomes in the long run. For example, the UK Women's Budget Group (WBG) has systematically tracked the gendered impact of the Coalition's budgets, spending reviews, and social security reforms. In parallel it has begun to outline its alternative to Plan A. The WBG's ›Plan F‹ is a feminist strategy for a sustainable economic recovery that includes women, enables them to be financially autonomous, and supports gender equality. For its part, the Labour Party is now moving into a position where its vision for promoting gender equality is more clearly stated. The 2013 Labour Party conference saw announcements on wrap around childcare for all school children and an increase in the provision of free childcare from 15 to 25 hours per week.

In his first Budget speech in June 2010, the Chancellor George Osborne argued: ›everyone will be asked to contribute. But in return we make this commitment. Everyone will share in the rewards when we succeed. When we say that we are all in this together, we mean it‹. This paper sets out evidence that people are not contributing equally or fairly and that there is a distinctive gendered bias in who is bearing the cost of the Coalition's austerity policies. It also makes clear that there is little evidence to support the claim that everyone will ›share in the rewards‹ of the early shoots of economic growth. An alternative economic plan is required from the Coalition or a future Labour government to ensure a more gender equitable economic future.

1. The Coalition's Economic Strategy: Cuts Fast, Cut Deep

Since June 2010 the Coalition's economic strategy has focussed on reducing the deficit at a significantly faster rate than was planned by the outgoing Labour government. Equally as notable is the fact that the Coalition's deficit reduction plan is achieved through cuts in government spending rather than increases in revenue from taxation. The June 2010 Emergency Budget set out the intention that this would be achieved at a ratio of 77:23, that is, roughly 77 per cent through cuts in spending and 23 per cent through higher taxes.

However, the most recent analysis from the Institute of Fiscal Studies (IFS) calculates that the cuts:revenue ratio is now at 85:15 in favour of cuts. The Coalition's strategy to cut deep and cut fast has required large scale cuts to social security and tax credit entitlements as well as public service provision.

Cuts in social security and tax credit transfers have been introduced by abolishing some benefits and reducing the value of or limiting eligibility to others. For example, the Coalition abolished the Health in Pregnancy grant, a universal payment to pregnant women. It froze Child Benefit for three years and then reduced eligibility to this previously universal benefit by no longer paying it to families where one member earned enough to pay a higher rate of taxation. The Coalition has introduced plans to cap the level at which benefits will be annually uprated, meaning that their value reduces over time, and it has introduced an upper limit to the overall value of social security payments that a household can claim. Families have also been hit by limits to the eligibility rules for in-work tax credits as well as reductions in the childcare element of tax credits. The list of benefit cuts could go on.

The Coalition has also implemented cuts in spending to government departments which deliver public services. The Coalition's first Spending Review in October 2010 set the tone with an average 19 % cuts to departments. While spending on health and education was largely protected, local government and communities took an above average hit. These cuts in departmental spending meant not only reductions in the provision of public services but also imply job losses across the public sector.

In terms of tax revenue, the Coalition made an early decision in the 2010 Emergency Budget to increase the rate of indirect tax on goods and services – VAT – from 17.5 % to 20 %. However, elsewhere it has decided to forgo tax revenue by not implementing planned increases, changing tax allowances, or bringing down the tax rate. For example, the 2011 Budget announced that tax on fuel would not be increased: the fuel duty escalator was scrapped and the main fuel duty rate was cut by 1p per litre, at a cost of £1,900 million per year. In December 2012 the Chancellor announced an increase on the personal tax allowance, meaning that no tax would be paid on incomes up to £9,440. Then, the 2013 Budget announced a reduction of the top rate of income tax from 50p in the pound to 45p for those with incomes over £150,000.

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2. The Coalition's Economic Approach Hits Women's Incomes, Public Services and Jobs

The Coalition's approach to deficit reduction, emphasising rapid cuts to the welfare state rather than increases in revenue, is particularly detrimental to women. Women in the UK are more reliant than men on the welfare state as a source of income, for public services and for employment. On average, benefits and tax credits comprise one fifth of women's income and less than one tenth of men's. This can be explained by the fact that: women of all ages tend to be poorer than men, either in work or out of work; they receive income from the welfare state to support the people they care for; and women tend to live longer than men. For similar reasons, women make more use of public services than do men. Women also comprise the majority of employees of the welfare state: around 66 % of public sector workers are women. A range of organizations have produced detailed impact assessments of Coalition economic statements as well as the cumulative impact across the welfare state and over time. The emergent picture is that the Coalition's economic approach is detrimental to gender equality in terms of income, services and jobs. The analysis also finds that certain groups of women are consistently harshly affected, lone mothers and single female pensioners in particular.

Since June 2010 the House of Commons Library, commissioned by Labour MP Yvette Cooper, has calculated the source of Treasury revenue both from cuts in expenditure and changes in direct taxation. It examines what impact each measure has on an individual's income and then calculates the gender split of that measure. The analysis has consistently found that around three quarters of Treasury income comes from women's purses, despite the fact that their incomes tend to be lower than men's. Indeed by the 2013 Budget the House of Commons' cumulative data showed that since 2010 a total of £11,454m (79 %) had been raised from women compared with £2,956m (21 %) from men.[1]

The UK Women's Budget Group analyzed how the Coalition's changes to indirect taxation affects the incomes of different types of households as a proportion of their income. The study confirmed the regressive impact of raising VAT to 20 %, finding a higher incidence on households in the bottom decile of income distribution, with a particularly heightened impact on low income female households whose tax incidence would increase by 3 %. The analysis also found that increasing VAT had a particularly harsh effect on the incomes of lone mothers, workless households with children and women living on their own. In contrast the WBG found that the Chancellor's fuel duty tax giveaway benefitted single men and households with male earners the most, and women lone parents and single female pensioners the least.[2] The WBG also found that raising the tax threshold to bring people out of direct income tax does nothing to enhance the incomes of the the poorest. Nearly 4 million people earn too little to pay tax, and 73 % of these are women.

The finding that poorer women – lone mothers and single female pensioners in particular – are experiencing the harsh effects of the Coalition's austerity policy on their income has been backed up by other studies. For instance, the IFS teamed up with the Fawcett Society to produce an analysis of the cumulative impact of tax and benefits changes between 2010–11 and 2014–15.[3] The study found that lone mothers are set to lose the most as a proportion of their net income. Their incomes will be down 8.5 %, compared to couple households with no children losing just 2.5 % of their net income.

The WBG and Howard Reed (Landman Economics) calculated the gendered impact of the cuts to public services announced in the 2010 Spending Review. They used data on service use to allocate spending and cuts to households and then calculated the incidence of cuts by household type. They found that lone parent and female single pensioners would experience the greatest reduction in standard of living as a proportion of their net income: −18.5 % and −12 % respectively. Other studies have shown how cuts in public services have put women's safety at risk as the provision of support for victims of domestic violence declines.

Most recently the same WBG/Howard Reed team analyzed the cumulative impact of austerity policies on different types of families from the June 2010 Emergency Budget to the June 2013 Spending Round, including measures due to come into force by 2015. It calculated the combined impact of cuts to social security benefits, changes in direct and indirect taxation, and cuts to public services. This study found that the two household types which lose the highest proportion of their disposable incomes are: single mothers (−15.6 %) and single female pensioners (−12.5 %). The comparative figures for men are: single fathers (−11.7 %) and single male pensioners (−9.5 %). Single women with no children are also set to lose more than their male counterparts (−10.9 % compared with −9 %).[4]

These quantitative gender impact assessments provide a clear and consistent picture of how the Coalition's austerity policies have a disproportionate impact on women's incomes and standards of living, with certain groups particularly affected from the cumulative effect of measures.

The economic downturn in 2008 was initially dubbed a mancession because of the anticipated impact it would have on men's jobs. However, in the UK, austerity is also having an impact on women's labour market participation, working conditions and wages. Deep cuts to public spending have led to job losses for women, too, given the fact that women make up 66 % of public sector workers. As noted above, public spending in education and health was ›protected‹ and this may have insulted women from even greater job losses, given their predominance in those professions and occupations. Nevertheless, women's unemployment across the UK stands at a 24 year high, and, while men's unemployment has fallen by 0.6 percentage points since 2009/10, it has increased for women by 0.8 percentage points.

The Chancellor has remained optimistic that job losses in the public sector will be replaced by a growth in employment in the private sector. Indeed there is evidence

1. data available via http://www.yvettecooper.com/women_are_being_hardest_hit_this_year_changes_are_worst_of_all

2. http://wbg.org.uk/pdfs/Indirect_tax_Budget_2011_final_report_June_20.pdf

3. http://www.ifs.org.uk/bns/bn118.pdf

4. http://www.wbg.org.uk/wp-content/uploads/2013/10/WBG-Analysis-June-2013-Spending-Round.pdf

that new jobs have been created, some 800,000. At the same time the data show that women are not profiting equally from new employment opportunities in the private sector. The WBG found that of the 800,000 jobs created in the private sector 56 % have gone to men, and that overall for every 100 new (net) jobs created, 63 % went to men and 37 % to women.[5] This can be explained by the fact that many of the new jobs are related to the Coalition's programme of investment in physical infrastructure – construction, transport, broadband. These are all occupations traditionally strongly dominated by men; investment in physical infrastructure effectively means, as the WBG has pointed out, ›jobs for the boys‹. This trend will be further reinforced by the reform of the social security system to combine transfer payments into the single ›Universal Credit‹ in order to make work pay. While Universal Credit increases the financial incentive for one earner in a household to move into paid employment, the support that households will be able to retain when a second earner takes a job falls away at a very rapid rate. This further reduces the incentive for second earners, usually women, to take paid employment.

The changing pattern of labour market participation brings with it strong concerns about women's levels of pay and conditions of employment. In the public sector much had been done to close the gender pay gap in median hourly pay from 18.2 % in 2009/10 to 14.2 % in 2012/13. However, the gender pay gap is wider in some public sector occupations. Indeed analysis by the WBG found that women's pay was poorer and the gender pay gap wider in eduction and health, the sectors ›protected‹ from cuts, than elsewhere in the public sector, meaning that gender inequalities in the public sector will increase overall as a result of cuts.[6] Meanwhile, in the private sector, there has been no reduction in the gender pay gap over time; it has remained at 21.5 % since 2009/10. Put another way, the gap between women's median weekly earnings in the private sector and public sector has increased over the past three years from 28 % to 31 % while the gap for men decreased from 17 % to 14 %.

According to the TUC, since the recession there has been a notable increase in non-standard employment conditions: self employment, underemployment, involuntary part-time, and zero-hours contracts. Women now account for 29 % of self-employed and women's self-employment has been growing faster than men's for at least ten years. The number of women in part-time work who would prefer to work full time is increasing, and women make up the majority of the underemployed.[7] Also to note is the increase in number of zero hour contracts which, according to the IFS, has risen from 75,000 in 2005 to 146,000 in 2011. Moreover, this type of casualised employment has been particularly marked amongst female workers, rising from 32,000 in 2005 to 85,000 in 2011. The Resolution Foundation recently confirmed that women are overrepresented in low paid jobs and that they are significantly less able than men to use this as a springboard to better employment opportunities: 1 in 5 low paid men have been stuck on low pay for 10 years compared with 1 in 3 low paid women.[8]

For many women, it is the need to combine paid employment with caring responsibilities that acts as a major barrier to moving on to better paid employment opportunities. The Coalition has extended the provision of 15 hours a week free childcare to 2–3 year olds in deprived communities, but also reduced the amount of support it was to provide to support low income families with the costs of childcare by reducing the childcare element of tax credits from 80 % to 70 %. A Resolution Foundation report, showed that by 2012 the cost of childcare made work unaffordable for many low earning women and for low earning single mothers the reduction in the childcare element of tax credits has made working completely unaffordable.[9]

In the 2013 Budget the Chancellor announced two measures that will help working families with the cost of childcare: one is a £750 million subsidy to cover 20 % of the childcare costs for children under five of working parents not on tax credits or Universal Credit (except for households in which a lone parent or both parents earn more than £150,000). The second is a smaller subsidy of £200 million to pay for 85 % (up from the current rate of 70 %) of childcare costs for families who qualify for

5. http://www.wbg.org.uk/wp-content/uploads/2013/10/WBG-briefing_Sept-2013_final.pdf

6. http://wbg.org.uk/RRB_Reports_4_1653541019.pdf

7. http://www.tuc.org.uk/economic-issues/labour-market/labour-market-and-economic-reports/women-and-work

8. http://www.resolutionfoundation.org/media/media/downloads/Starting_out_or_getting_stuck_FINAL_1.pdf

9. http://www.resolutionfoundation.org/media/media/downloads/Counting_the_costs_of_childcare_2.pdf

tax credits or Universal Credit.[10] A distributional analysis of these two subsidies found that beneficiaries of these two measures are significantly skewed towards the top three quintiles of income distribution, with almost no households in the bottom quintile benefitting from these measures.[11]

Overall, the picture emerges of an increasingly dualised labour market, characterised by high levels of female unemployment and deteriorating conditions of work and pay for women in work. Financial support for childcare has been reduced and while new schemes will offer support it is not directed at those most in need and who have lost the most as a consequence of austerity.

3. The Coalition has a Blind Spot on Gender Equality

There is no clear or coherent gender order behind the Coalition's austerity policies. As it has been shown, the government's approach most certainly does not promote gender equality. In contrast it is reversing many gains towards gender equality in incomes, employment and service provision that had been made before 2010. Early analysis of the Coalition speculated that the measures were driven by an ideological desire to return to a traditional male breadwinner welfare state, that is, one based on a clear gendered division of labour: paid work for men and unpaid caring roles for women.[12] This interpretation of the Coalition's direction was supported by welfare reforms such as Universal Credit which strongly prioritizes one household member entering employment, but reduces the incentive for a second member of a household to enter paid employment. Also, the reintroduction of a transferable tax allowance for married couples announced in 2013 is a very traditional measure to support male breadwinner gender relations (albeit that it equally applies to same sex married couples or those who are in a civil partnership).

Simultaneously, however, other Coalition policies have been criticised by traditional advocates of the traditional male breadwinner model for the way they undermine support for full-time mums. Scrapping child benefit for households with a higher rate taxpayer was a withdrawal of support and read as a devaluing of the contribution made by full-time mums. Similar criticism has been pitched at changes in the way support for costs of childcare is delivered as it now targets support on dual earner families, leaving stay at home mums with nothing. The proposed extension of shared maternity leave on a more flexible basis also points to a less traditional understanding of gender roles.

The sole element of consistency in the Coalition's economic policy is the overwhelming drive to cut spending and the inherent disregard of the impact of cuts on gender equality. In this sense it is an approach driven by gender blindness. Though claiming that ›we are all in this together‹ it ignores the structural factors which determine the ability of some people to contribute more to the cuts agenda than others. The gendered analysis of the cuts presented here confirms that in fact those least able to participate in paid employment and secure an adequate independent income from the market are being asked to contribute the most to deficit reduction. The analysis has also found that when the Chancellor has made political decisions to put money back into people's pockets or the economy to promote growth, it has not benefitted those most harshly hit by cuts.

The Coalition's gender blindness is reinforced by a refusal to assess the gendered impact of its economic approach. The government has an obligation under the Public Sector Equality Duty of the 2010 Equality Act to take ›due regard‹ of the need to eliminate unlawful gender discrimination and to ›promote equality of opportunity‹ between men and women. Since 2010, however, the Coalition has been widely criticised for failing to adequately assess the impact of its economic policy on gender equality. In summer 2010 the Fawcett Society filed for a judicial review of the Government's 2010 Emergency Budget, asking the courts to examine whether the budget had been drawn up in accordance with the equalities legislation. The court found that the 2010 Budget had not adequately assessed the impact on men and women and confirmed that government budgets are subject to equality law. Subsequently, the Equality and Human Rights Commission carried out a Section 31 Assessment of the 2010 Spending Review to establish whether HM Treasury had met its legal obligations to consider the equalities impact of the Spending Review decisions.

10. http://www.wbg.org.uk/wp-content/uploads/2013/10/WBG_Budget-Analysis_2013.pdf

11. https://twitter.com/jamestplunkett/status/316130169616232449

12. http://blogs.lse.ac.uk/politicsandpolicy/archives/11270

Since then the Treasury has indeed produced equalities impact assessments of its decisions, but these are generally incomplete, covering only some measures announced, and they tend to rely on exceptionally low quality qualitative evaluations and contain no quantitative impact assessment. For example, the equalities impact assessment to accompany the 2013 Spending Round was 13 pages long but contained just two short paragraphs on the impact on gender, one of which related to a measure not even announced in the Spending Round.[13] The analysis provided by the House of Commons, the WBG and IFS all demonstrate how this can be done with data readily available to the Treasury and other government departments.

The Coalition's capacity to assess the gendered impact of its policies and to plan strategically for enhancing gender equality is further undermined by two factors: a major defunding of the government's gender equality machinery since 2010; and a lack of women in positions of influence across government. The budget of the Government Equalities Office was cut by 38 % in the 2010 Spending Review, the Women's National Commission was scrapped and the remit of the Equalities and Human Rights Commission was significantly downscaled. In its place, Prime Minister David Cameron appointed a lone policy advisor on women, who is largely anonymous. The hollowing out the governance machinery set up to promote equality is exacerbated by the low number of women in the Coalition benches in parliament, across government departments, and their absence in the key sites of Coalition decision-making. Just 13 % of Coalition party MPs are women; in government, 20 % of members of Cabinet are female but that drops to 18 % when you look at ministerial positions across government. There are no women in the ›Quad‹, the Coalition's informal decision making body made up of the Prime Minister, Deputy Prime Minister, Chancellor and Chief Secretary to the Treasury.

4. The Feminist Alternative

The economic crash of 2008 could have been an opportunity to rethink the gendered causes and consequences of economic policy. Instead, in the UK the Coalition's austerity-focussed and gender blind economic strategy has hit women hardest. To make matters worse, the women most harshly affected by austerity benefit the least from attempts to put money back into people's pockets to boost incomes, or into the economy to boost growth. The burden is not being carried by those with the ›broadest shoulders‹ as the Chancellor has always claimed.

As the economy moves towards recovery it is now the time to ensure that any future economic strategy is one from which women and men – all women and all men – benefit equally, The WBG has called for the Coalition, and the Labour opposition, to replace the current approach with a Plan F, a feminist strategy for economic recovery which includes women, enables them to be financially autonomous, support their inclusion in paid employment and emphasizes and values care. Overall, it is an approach which deviates from the 85:15 formula favouring cuts in social security and public services, emphasising instead a fairer contribution from the wealthy, companies or financial transactions through the tax system. The WBG has, for example, calculated that a financial transactions tax set at a rate of just 0.01 % would raise net revenues by around £25 billion a year, which would allow the government to reverse its most damaging spending cuts.

Plan F calls for adequate incomes for all women by reversing the cuts, freezes and caps that have been made to social security and tax credit payments upon which women rely – for themselves and for the people they care for. Plan F also demands adequate incomes from paid employment too, as UK wages are often not sufficient to lift people out of poverty. This entails lifting the minimum wage to a living wage and taking concerted action to close the gender pay gap, in the private sector and for part time workers in particular.

Plan F advocates a halt to cuts to public services upon which so many women rely, and instead calls for a major investment in the social infrastructure of the UK to develop a high quality network of caring services which would enable women to take paid employment and would support the many unpaid carers looking after children, the elderly or disabled family members and friends.

The Coalition is keen to boost investment in physical infrastructure – transport, construction and broadband –

13. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209039/spending-round-2013_impact_on_equalities.pdf

and justifies this as capital investment. The WBG argues in its Plan F for a fundamental reconceptualisation of social care services as social infrastructure since it boosts the capacity of all to contribute to national economy and social wellbeing now and in the future. In this way, social infrastructure investment would be considered capital investment to be encouraged rather than current spending to be avoided.

At the same time, Plan F makes the case for concerted action to ensure that women and girls benefit equally from the employment opportunities presented by investment in physical infrastructure. Given the UK's segregated labour market, women are under represented in jobs and apprenticeships in construction, science and technology. Plan F therefore calls for complementary programmes to train more women in these occupations and professions, to make these jobs more family friendly, and to overcome gender stereotyping.

The potential for these changes to be realised relies upon on a more gender equal process of economic decision making that involves more women at all levels. The Coalition and future governments need to include more women in economic decision making in the Cabinet, the Treasury, across spending departments as well as including the voices of women from outside Westminster. Enhanced, sustained gender equality in budgetary decision making can be achieved through careful equalities assessments of individual economic decisions as well as incorporating gender budgeting into the overall economic strategy.

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