

SINGLE MOTHERS:SINGLED OUT

Summary: the impact of 2010-15 tax and benefit changes on women and men

About us

The Fawcett Society is the UK's leading campaign for equality between women and men and traces its roots back to 1866, to Millicent Fawcett's peaceful struggle for women's right to vote. Fawcett's vision is of a society where women and our rights and freedoms are equally valued and respected and where we have equal power and influence in shaping our own lives and our wider world.

About the Institute for Fiscal Studies (IFS)

The IFS is Britain's leading independent microeconomic research institute, and an authoritative commentator on matters such as the public finances, tax and welfare policy, tax law, education, inequality and poverty.

Key points

Methodology:

- This Fawcett Society briefing paper draws on new analysis from the Institute for Fiscal Studies (IFS) on the impact of tax and benefit changes on men and women. This analysis, uses existing data and tax-benefit modelling systems that are available to government, to model the effect of tax and benefit reforms on the households in which men and women live.¹
- This analysis provides evidence of a simple and meaningful method of data analysis that the government could, but currently does not, employ in order to advance its compliance with its legal duty to pay '*due regard*' to the impact of its policies on equality between women and men.
- It is likely that the Treasury could produce more detailed and robust analysis on the impact of individual tax and benefit changes by gender than that which is outlined in this paper by utilising the larger samples of administrative data that it/the government holds.²

Findings:

- Single women are hit harder than single men, couples and multifamily households by the current government's tax and benefits changes.
- Lone parents, the large majority of whom are women, are, on average, among the biggest losers as a result of the reforms.

¹ J. Browne (2011), *The impact of tax and benefit reforms by sex: some simple analysis*, Institute for Fiscal Studies. Please see: <http://www.ifs.org.uk/publications/5610>

² *ibid*, page 2.

This paper also considers the wider impact of the deficit-cutting measures on lone parents, 92% of whom are women³. It finds:

- Lone parents are also facing increased pressure to find paid work - just as adequate employment opportunities are diminishing and support for childcare and training is being diminished.
- Lone parents are also suffering the greatest loss as a result of the cuts to public services.

This analysis of current economic policy reforms provides conclusive evidence that the government's deficit-cutting approach is having a disproportionate cumulative impact on lone parents, who account for 10% of all households.⁴

Recommendations

The Fawcett Society recommends that, in order to advance compliance with its legal duty to pay 'due regard' to the impact of its policies on equality between women and men, the Treasury should:

- Employ as routine the method of household level gendered data analysis set out in this paper to provide a simple first means⁵ of determining the comparative impact of tax and benefit reforms on women and men.
- Explore additional methods of analysis of the impact of tax and benefit reforms on women and men that could be undertaken using the larger samples of administrative data that HM Treasury hold.
- Consider the cumulative impact of economic policy reforms on women and men, including on specific groups (such as is done here for lone parents), in order to gain a holistic, joined-up understanding of how women and men and/specific groups of women and men fare as a result of policy reforms.
- Undertake routine screening exercises for all government policy as it is developed in order to determine any potential impact on equality between women and men. Where policies are shown to have such an impact, undertake full, transparent and documented Gender Equality Impact Assessments (GEIAs) that include consideration of how any unequal effects identified can be eliminated/mitigated against.
- Work with the Departments for Work and Pensions; Business, Innovation and Skills and Education, in consultation with groups representing lone parents, to review current welfare, employment and childcare policy, to meet the needs of lone parents, such that the disproportionate effect of fiscal policy is mitigated.

³ 92% of lone parent households are headed by females according to the Office for National Statistics (Social Trends 39, ONS (2008)).

⁴ <http://www.statistics.gov.uk/census2001/profiles/commentaries/family.asp>

⁵ For more info on this see 'UK Women's Budget Group (November 2010), *The Impact on Women of the Coalition Spending Review 2010*' p.4. See: http://www.wbg.org.uk/RRB_Reports_4_1653541019.pdf

Single Mothers: Singled Out

The impact of 2010-15 tax and benefit changes on women and men

Introduction

The past year has seen the coalition government undertake great swathes of reform to economic policy in the UK, commencing with the emergency budget in June 2010. Fawcett has closely monitored the impact of these changes and has long been raising concerns that many of the reforms, both individually and cumulatively, look set to significantly increase both economic and wider inequality between women and men.

Fawcett has repeatedly raised our concerns that the government is failing adequately to comply with its legal duty to pay 'due regard' to the impact of its policies on equality between women and men and filed for judicial review of the government on this basis in August 2010.⁶ During proceedings, the judge ruled that the Treasury's economic policy was subject to equality law and the Treasury expressed regret that it had not complied with its legal duties.

This Fawcett Society briefing paper draws on new analysis from the Institute for Fiscal Studies (IFS) on the impact of tax and benefit changes on men and women. We commissioned the research in order to demonstrate the power of existing datasets and modeling tools to provide greater understanding about how economic policy affects men and women. By adopting similar impact assessment approaches, the government can improve its compliance with equality law. What's more, the more the government understands about how policy options affect different groups, the more effective its policy decisions will be in directing scarce resources to those who need them most.

This analysis looks at the impact of all tax and benefit measures to be introduced between 2010–11 and 2014–15, as outlined in the June 2010 emergency budget, the October 2010 Comprehensive Spending Review, and the March 2011 budget. The methodology used reveals the comparative impact of the changes by disaggregating data for single-adult households by the sex of the adult.⁷

The impact of tax and benefit reforms on single adult households

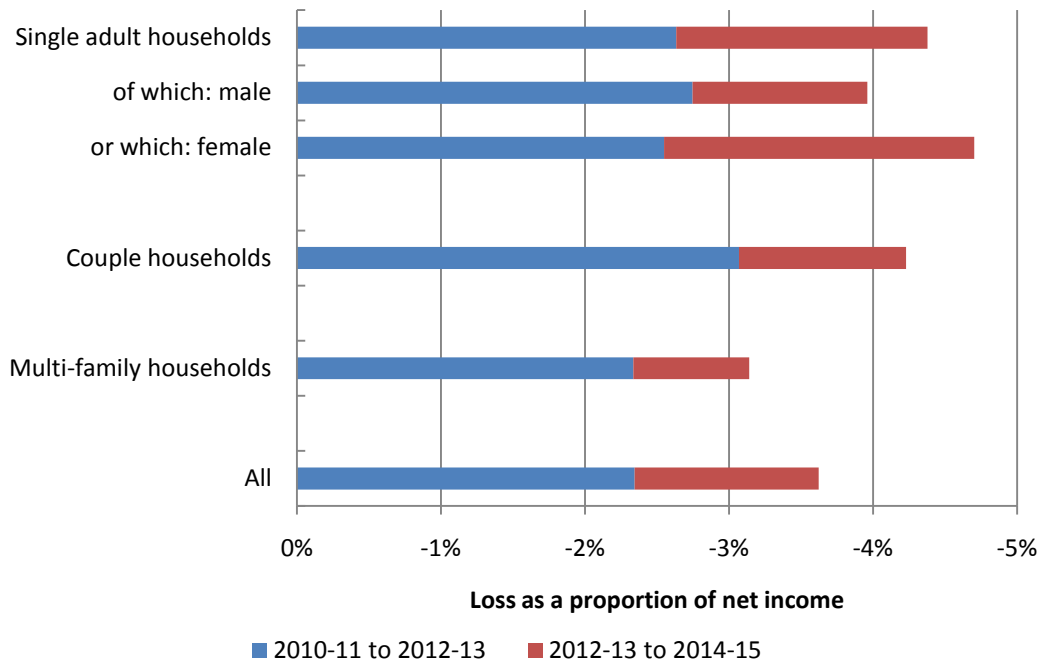
Figure 1 below shows the impact on the net income of single adult households of all tax and benefit reforms to be introduced between 2010 and 2015. The bars are split to show the effect of reforms introduced between 2010-11 to 2012-13 (in blue) and 2012-13 to 2014-15 (in red). Couple and multi-family households are included for comparison.

This chart shows that the overall impact of all tax and benefit reforms to be introduced between 2010 2015 has the greatest impact on single female households. Single women lose more as a proportion of their income than single men.

⁶ For more information see: <http://www.fawcettsociety.org.uk/index.asp?PageID=1223>

⁷ J. Browne (2011), *The impact of tax and benefit reforms by sex: some simple analysis*, Institute for Fiscal Studies. Available at <http://www.ifs.org.uk/publications/5610>

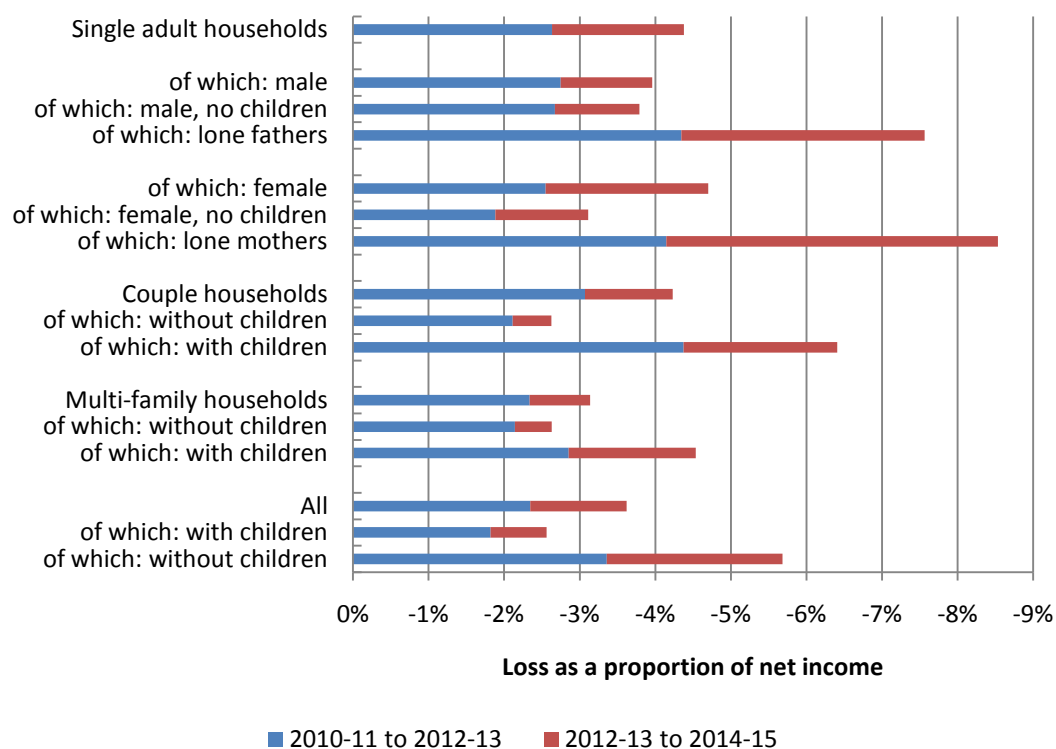
Figure 1: Impact of tax and benefit reforms on household incomes for single adult households by sex of adult, with average loss for couple and multi-family households for comparison



Much of this difference arises from the fact that the reforms impact particularly severely on lone parents, the vast majority of whom are women. The average loss for single women as a whole is skewed by the extent of the impact on single mothers.

Figure 2 below further breaks down the findings in figure 1, to reveal the marked impact of the reforms on lone parents.

Figure 2: Impact of tax and benefit reforms on household incomes for single adult households by sex of adult, couple households and multi-family households by presence of children



Both lone mothers and fathers fare badly as a result of the reforms. However, the overall impact of on single men is much less than on single women, because there are far fewer lone parents among single men.

Lone parents lose a greater amount as a result of current austerity measures as they are particularly reliant on income from benefits and tax credits. The switch to using the Consumer Prices Index (CPI) as opposed to the higher Retail Prices Index (RPI) for the up-rating of benefits and tax credits (which, as a lower index, reduces the value of benefits relative to inflation) hits lone parents hard. This impact is compounded year on year.

Lone parents are also hit hardest by the withdrawal, restriction and reduced value of individual benefits as they account for a greater percentage of their income.

Such benefit changes include:

- Reductions in **housing benefits**. Single women, many of whom will be lone parents, make up around 50% of the recipients of housing benefit compared with couples making up around 25% and single males 25%.
- Restriction of the **Sure Start Maternity Grant** to the first child only – this amounts to a cut of £500 for low income pregnant mothers.
- A three-year freeze in the rate of **child benefit**.

- A 10% cut in the amount of childcare costs for low-income families provided by the childcare element of the **Working Tax Credit**. This will particularly affect lone parents.

Figure 3 below shows the impact of both the child benefit freeze and the restriction of the Sure Start Maternity Grant to the first child only on households with children. The chart shows that these changes will represent a higher loss as a percentage of income for lone parents, particularly single mothers.

Figure 3: Impact of reforms to child benefit and the Sure Start Maternity Grant on household incomes for single adult households by sex of adult, couple households and multi-family households by presence of children.

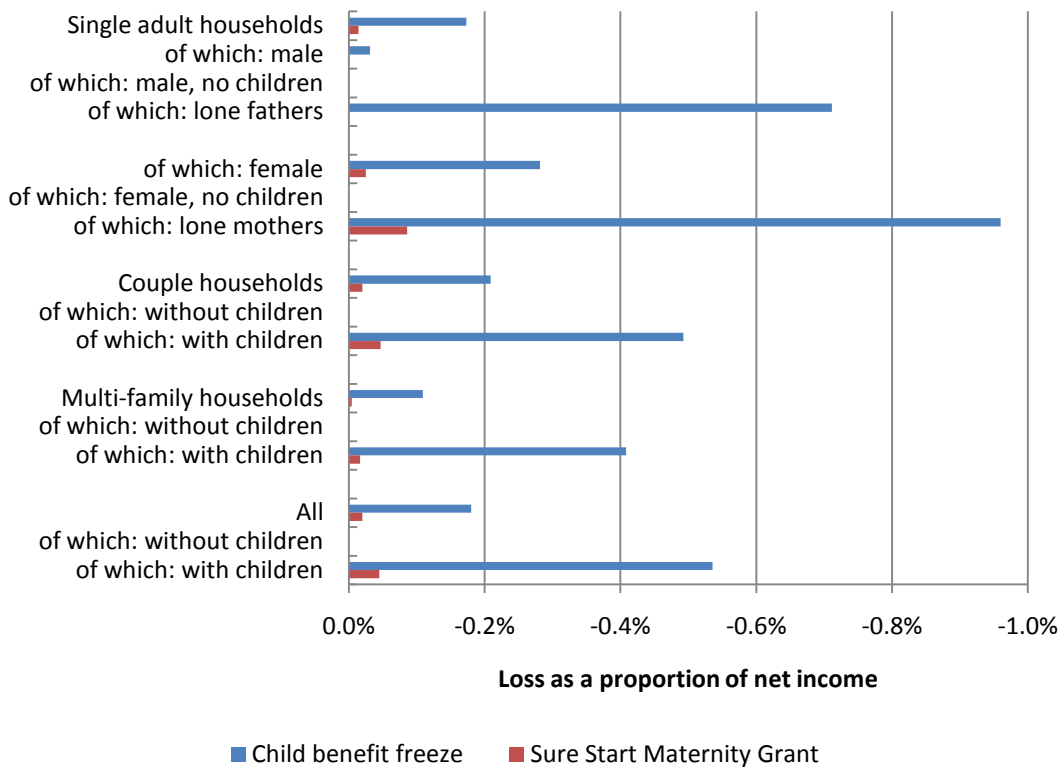


Figure 2 also shows that single women without children lose less as a result of the tax and benefit changes than single men without children. Women living alone – who continue to provide more informal care both for children and older or disabled adults - tend to have lower incomes than men living alone, as they on average both earn less per hour and are employed for fewer hours. Direct tax changes that reduce both income tax⁸ and National Insurance liabilities therefore have a larger proportionate effect on many earners in this group of women.

⁸ through the increase to the personal tax allowance for under-65s

However, despite the benefit for many of increasing the personal allowance this change does nothing to help the millions of people who earned less than the threshold in the first place - the majority of whom are women. In 2009/10, 3,769,252 people had earnings below the threshold of £7475 - 73% of whom were women, and those earning just above that amount will gain less than those earnings more.⁹ For lone mothers in this group, a more effective use of resources would be, for example, to raise child benefit, rather than the three year freeze that is currently being implemented.

Catch 22: the lone parent employment challenge

The analysis above shows the impact of tax and benefit changes on net income. However, this method of analysis is not sufficient to capture the impact of benefit reforms that seek to incentivise greater numbers of lone parents into employment as such changes do not have any immediate impact on income.

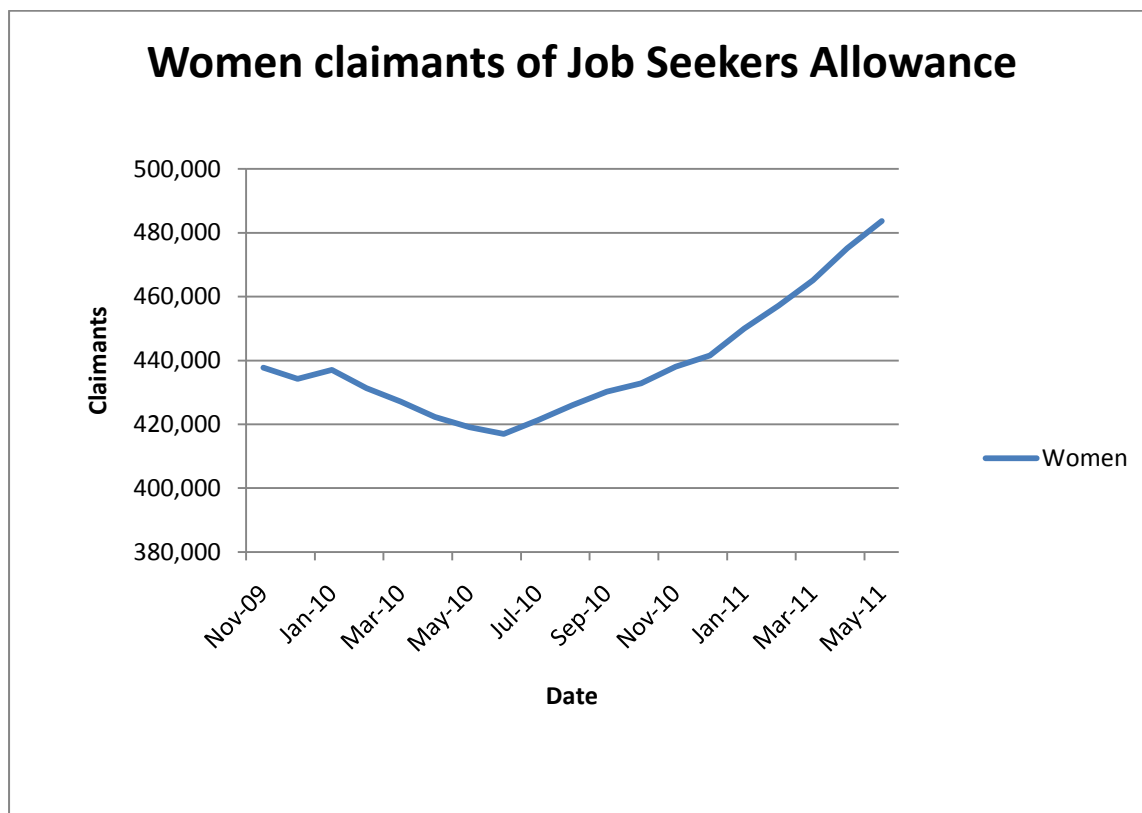
Reforms to increase 'lone parent conditionality' were initiated by the previous government and have been stepped up by the current government. The first tranche of reforms to lone parent conditionality required that, as of October 2010, lone parents whose youngest child reaches 7 years would be moved from Income Support (IS) to Jobseeker's Allowance (JSA). According to the DWP this will affect up to 111,000 single parents. The second tranche of reforms, to be introduced in October 2011, will move lone parents whose youngest child reaches 5 from IS to JSA. This will affect up to 75,000 additional single parents per year.

The move to transfer lone parents onto JSA has contributed to the significant increase in the number of women claiming JSA in recent months, as shown in figure 4 below. The latest figures from the Office of National Statistics (ONS) from June 2011¹⁰ reveal that the number of women claimants of JSA increased for the 11th consecutive month to reach 483,700, the highest figure since comparable records began (in October 1996). This number looks set to increase further as greater conditionality kicks in as of October 2011.

⁹ UK Women's Budget Group (April 2011), *The Impact on Women of the Budget 2011*, p.3. See: http://www.wbg.org.uk/index_7_282363355.pdf

¹⁰ Office of National Statistics (15 June 2011). *Labour Market Statistics: June 2011*. See: <http://www.statistics.gov.uk/pdudir/lmsuk0611.pdf>

Figure 4: Women claimants of Job Seekers Allowance: November 2009 – May 2011



Whilst transferring lone parents onto JSA does not have any immediate impact on their income as both benefits are worth the same, the conditions attached to JSA mean that single parents are required to actively search for paid work and take up a job if one is offered, or face cuts in the amount of benefit they receive.

Lone parents face particular barriers to securing and undertaking paid work and so will be unduly penalised by moves to push them into work if they fail to:

1. Secure adequate work

It has long been recognised that, despite the desire of the majority to work, lone parents face particular barriers in securing adequate flexible paid work that is compatible with their childcare responsibilities.¹¹

The move to push more lone parents into paid work comes at a time when these barriers look set to increase further as opportunities in the labour market diminish. In particular, the rapidly declining number of jobs in the public sector - which has been quicker than the private sector to adapt to women's maternity and care needs through providing more quality flexible and part time jobs - will further exacerbate the barriers lone parents face to securing suitable work. A significantly smaller pay gap exists in the public sector (11.6%) than in the private sector (20.8%).

¹¹ 'Flexible work' includes part-time jobs, job shares, compressed hours, term-time and annualised hours.

Government support for lone parents to enter into work is also being reduced, for example a grant to help support lone parents with the costs associated with training has recently been axed.¹²

2. Access affordable childcare

As Gingerbread has reported¹³, accessing appropriate and affordable childcare remains a significant hurdle for many single parents seeking work.

Recent research from the Daycare Trust shows that only 45% of local authorities report sufficient childcare provision for children aged 5-11¹⁴. Furthermore, the cost of childcare in the UK, which is ranked as amongst the highest in the world¹⁵, is rising year-on-year¹⁶. For example, the cost of an out-of-school club has risen by 12.5 per cent since 2009, far above the rate of inflation.

Meeting such costs is set to get even harder for single parents due to changes to the Working Tax Credit which amount to a 10% cut in the amount of childcare costs that low-income families can expect to be covered by the state. As the Treasury states in its 'Overview of the impact of Spending Review 2010 on equalities'¹⁷, published alongside the 2010 Comprehensive Spending Review, "The reduction in support through the childcare element of tax credits...will particularly affect women in lone parent households" - 60% of the recipients of the childcare element are working single parents.

A recent survey conducted by Working Mums provides evidence that changes to the Working Tax Credit are already having a marked impact on the ability of mothers – many of whom will be lone mothers – to combine work and childcare. The survey found that 24% of mothers have had to give up work as a result of the changes.¹⁸

Conflicting messages

At the same time as the coalition government introduces wide-scale welfare reform with the intention of "making work pay", they are reducing the level of support for childcare and training costs that help lone parents into work.

Meanwhile, universal credit proposals create disincentives for mothers in couples seeking paid employment where their partner is already working/seeking work. As the DWP itself

¹² <http://www.mirror.co.uk/news/politics/2011/06/02/tories-axe-single-mums-job-lifeline-115875-23173002/>

¹³ Gingerbread (October 2010) *Changes to single parent welfare entitlements: Income Support to Jobseekers Allowance switch*. See: <http://www.gingerbread.org.uk/uploads/media/17/7050.pdf>

¹⁴ DayCare Trust (25 October 2010) Press release: *Lone parent welfare reform will fail without investment in childcare*. See: <http://www.daycaretrust.org.uk/pages/lone-parent-welfare-reform-will-fail-without-investment-in-childcare.html>

¹⁵ See: Save the Children (10 May 2011) Press release: *UK childcare is among the most expensive in the world*. See: http://www.savethechildren.org.uk/en/uk-childcare-among-the-most-expensive-in-world.htm?dm_i=679,FTJ4,3VT4HF,1A4PO,1

¹⁶ DayCare Trust (09 February 2011) Press release: *Rapid rise in childcare costs adds to family finance woes*. See: <http://www.daycaretrust.org.uk/pages/rapid-rise-in-childcare-costs-adds-to-family-finance-woes.html>

¹⁷ HM Treasury (October 2010) *Overview of the impact of Spending Review 2010 on equalities*. See: http://cdn.hm-treasury.gov.uk/sr2010_equalities.pdf

¹⁸ Working Mums (18 May 2011) Press release: *Mums forced to quit work due to tax credit cuts – survey*. See: <http://www.workingmums.co.uk/working-mums-magazine/news/2574511/mums-forced-to-quit-work-due-to-tax-credit-cuts-survey.thtml>

states, universal credit has been designed primarily with the aim of improving work incentives for the household, as opposed to individuals, where “work incentives for first earners have been given priority over second earners”. Given that women are less likely to be ‘first earners’ (because they are both far more likely to have taken time away from the labour market to raise children and because they still earn less on average than men), this reform undermines opportunities for mothers in couples to seek paid work and thus risks reinforcing the highly regressive man-as-breadwinner/woman-as-homemaker model.¹⁹

The government is implementing policy that, whether by fault or design, will nudge some mothers (those with partners) away from the labour market and towards the home, while nudging others (those without partners) into paid work. The contradiction fails to recognize the needs, interests and circumstances of the diverse women who fall into each group and risks reinforcing outdated stereotypes and penalizing those who do not conform to them.

Furthermore, such policy changes fail to recognise that many of today’s partnered mothers will be tomorrow’s lone parents, and they and their children will do very much worse if they have been out of the labour market for sustained periods.

Insult to injury: the impact of service cuts on lone parents

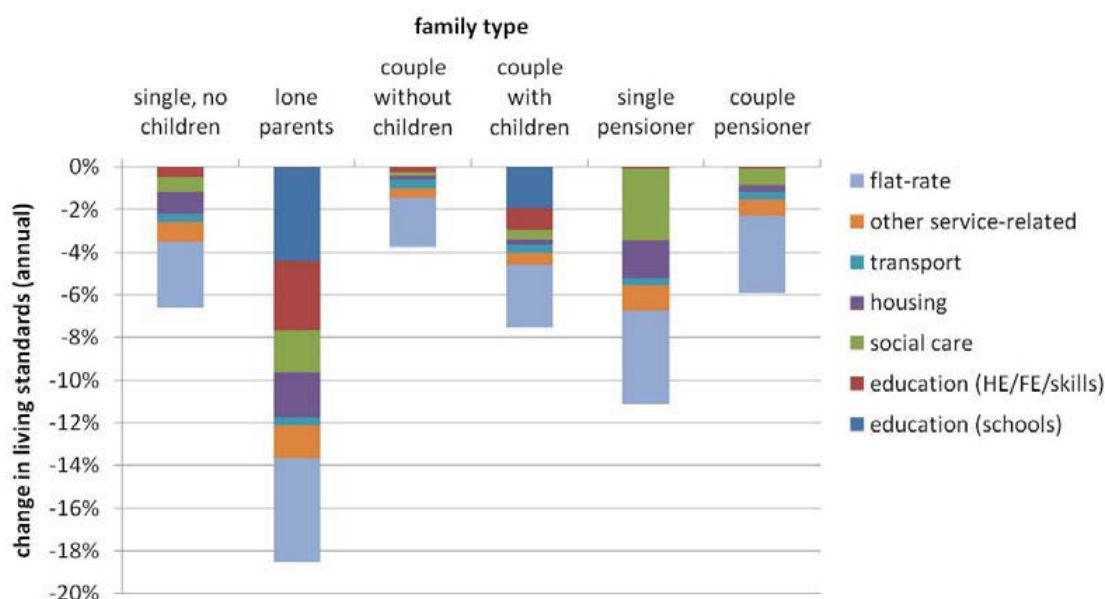
Further to the penalties that lone parents face as a result of tax and benefit cuts and the increased push to get them into paid work, recent research by Howard Reed and Tim Horton for the TUC²⁰ shows that lone parents are also being hit hardest by cuts to public services.

By determining the ‘cash value’ of public services for different households this research shows the distributional impact of cuts to public services on these different households. As Figure 5 below shows, lone parents are clearly hit hardest by the public service cuts. They stand to lose the equivalent of around 18.5% of their net income, more than double the proportion lost by couple parents.

¹⁹ For more info see: UK Women’s Budget Group (June 2011) *Universal Credit and Gender Equality*. See: http://www.wbg.org.uk/RRB_Reports_13_4155103794.pdf

²⁰ TUC (12 September 2010) *Where the money goes: how we benefit from public services*. See: <http://www.tuc.org.uk/extras/wherethemoneygoes.pdf>

Figure 5: effects of spending cuts by family type: as % of net income, all services



As figure 5 shows, lone parents are hit particularly hard by cuts to income-related spending: further education and higher education, housing and social care. Since lone parents are often poorer than other groups, the cuts form a much larger proportion of their income.

Conclusion

This paper provides analysis of the cumulative impact of the deficit-cutting measures on lone parents - who far from being a minority group account for 10% of all households²¹ - and clearly reveals that they look set to be hit hardest from all quarters as a result of the government's deficit-cutting approach.

The consequences of many of the reforms outlined in this paper are not limited to lone parents alone. They will have devastating consequences for other groups of women including single pensioners, women in couples trying to combine work and family life, pregnant women and disabled women to name but a few. Reduced access to employment opportunities, shrinking incomes and scaling back financial autonomy all amounts to a threat to women's economic rights and women's ability to participate fully in shaping both their own lives and the wider world.

²¹ <http://www.statistics.gov.uk/census2001/profiles/commentaries/family.asp>

Recommendations

The Fawcett Society recommends that, in order to advance compliance with its legal duty to pay 'due regard' to the impact of its policies on equality between women and men, the government should:

- Employ as routine the method of household level gendered data analysis set out in this paper to provide a simple first means²² of determining the comparative impact of tax and benefit reforms on women and men.
- Explore additional methods of analysis of the impact of individual tax and benefit reforms on women and men that could be undertaken using the larger samples of administrative data that it/the government holds.
- Consider the cumulative impact of economic policy reforms on women and men, including on specific groups (such as is done here for lone parents), in order to gain a holistic, joined-up understanding of how women and men and specific groups of women and men fare as a result of policy reforms.
- Undertake routine screening exercises for all government policy as it is developed in order to determine any potential impact on equality between women and men. Where policies are shown to have such an impact, undertake full, transparent and documented Gender Equality Impact Assessments (GEIAs) that include consideration of how any unequal effects identified can be eliminated/mitigated against.
- Work with the Departments for Work and Pensions; Business, Innovation and Skills and Education, in consultation with groups representing lone parents, to review current welfare, employment and childcare policy, to meet the needs of lone parents, such that the disproportionate effect of fiscal policy is mitigated.

**Daisy Sands, Policy and Campaigns Officer
June 2011**

The Fawcett Society would like to thank the following people:

James Browne, Senior Research Economist, Institute for Fiscal Studies

Mike Brewer, Professor of Economics, Institute for Social and Economic Research,
University of Essex

Susan Himmelweit, Women's Budget Group

Diane Elson, Women's Budget Group

For press enquiries, please contact:

Charlie Woodworth: Charlie.woodworth@fawcettsociety.org.uk

020 7253 2598 / 07767 297812 (out of hours)

²² For more info on this see 'UK Women's Budget Group (November 2010), *The Impact on Women of the Coalition Spending Review 2010*' p.4. See: http://www.wbg.org.uk/RRB_Reports_4_1653541019.pdf