



## BRIEFING PAPER

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# Estimating the gender impact of tax and benefits changes

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## Summary

Since 2010, successive Labour Shadow Ministers for Women and Equalities have publicised analysis of the impact of personal taxation and benefit changes on women. Commissioned from the House of Commons Library, this analysis is based on a methodology created by Yvette Cooper MP in 2010.

This briefing paper looks the basis for Labour's claim that changes in taxes and benefits have had a disproportionate impact on women and outlines how the Government has responded to this claim.

It also compares the figures used by Labour to analyse the impact of Government policies by gender with alternative approaches adopted by the Equality and Human Rights Commission, Institute for Fiscal Studies and Women's Budget Group.

# 1. Background: the Equality Act 2010

Under the *Equality Act 2010* there is an obligation on the government to “have due regard” to the effects of its policies on gender inequalities.

## What is the Equality Act 2010?

The *Equality Act 2010* unified pre-existing equality duties into a single Public Sector Equality Duty. Under section 149 of the *Act* all public authorities must, in the exercise of their functions, “have due regard to the need to” eliminate conduct that is prohibited by the Act. Such conduct includes discrimination, harassment and victimisation related to the protected characteristics that the *Act* identifies. The protected characteristics are:

- age;
- disability;
- gender reassignment;
- marriage and civil partnership;
- pregnancy and maternity;
- race;
- religion or belief;
- sex;
- sexual orientation.

Separate equality duties had spanned different legislation before the *Equality Act 2010* was introduced, though they were restricted in their focus to sex, race and disability discrimination.

## Why was the Coalition Government challenged over the Act in 2010?

A judicial review was sought in 2010 by the Fawcett Society over the fact that the June 2010 Budget documents for budget did not include an equalities impact assessment. Permission for the review was not granted but the Government agreed that it should have undertaken a gender impact assessment of two major policies (the public sector pay freeze and changing to the CPI from the RPI for the indexation of benefits).

The Government argued that the responsibility for producing gender impact assessments lay with spending departments (and could be done after the budget) and that it was not possible to produce an overall gender impact assessment of the budget as a whole.

Permission for the judicial review was not granted, but it was confirmed that budgets are covered by equality law and that there was a need for improved data collection on the impact of taxation and spending policies on women and men.

## Does the *Equality Act* require the Government to produce Equalities Impact Assessments?

An Equality Impact Assessment (“EIA”) is an analysis of a proposed organisational policy, or a change to an existing one, which assesses whether the policy has a disparate impact on persons with protected characteristics. They are carried out primarily by public authorities to assist compliance with equality duties.

The *Equality Act 2010* does not specifically require public authorities to produce Equalities Impact Assessments. The current legal position is that Equality Impact Assessments are one way - but not the only way - for a public authority to demonstrate compliance with the Public Sector Equality Duty.

### Further information

Our research briefing [The Public Sector Equality Duty and Equality Impact Assessments](#) (15 December 2017) provides further background and detailed explanation of the issues outlined above.

## 2. Labour Party figures

Since 2010, successive Labour Shadow Ministers for Women and Equalities have publicised analysis of the impact of personal taxation and benefit changes on women.<sup>1</sup> Commissioned from the House of Commons Library, this analysis is based on a methodology created by Yvette Cooper MP in 2010.

### The methodology used

Labour's analysis encompasses measures identified as having a direct impact on personal income, including changes to direct taxes and/or benefits and tax credits. It does not include other changes which cannot be apportioned to individuals; for example, it does not include changes to Departmental spending or business tax rates.

Budget "red books" and Autumn Statement "green books" include HM Treasury policy costings for newly announced measures.<sup>2</sup> Labour's approach is to apportion the costs / savings associated of each relevant measure between men and women.

To do so requires an "apportionment factor" for each measure, usually based upon the proportion of the caseload of people affected by a measure comprising women. Where possible, information on differences in the average awards paid to men and women is taken into account when assessing benefit measures.

Such an exercise necessarily rests on assumptions about the distribution of resources within families. The assumption used here is that policies primarily impact on the gender of the person to whom the benefit is paid or tax imposed. In some cases, this can be estimated from administrative data.

#### Example apportionment: limits to support provided via tax credits

Summer Budget 2015 announced that, in most cases, the 'child element' within tax credits and Universal Credit will be limited to two children for new claims and births from April 2017. Similar limits would also apply to Housing Benefit.<sup>3</sup>

HM Treasury's latest available policy costing for this measure suggests it will save around £1.6 billion in 2020-21 (nominal terms).<sup>4</sup>

Labour's analysis apportions this saving between men and women based on available caseload data. In the absence of further information, it uses the Child Tax Credits (CTCs) caseload as a proxy for the number – and gender – of people affected by this measure. Table 7.2 of HMRC's April 2016 [Personal Tax Credits: provisional statistics](#) shows that in 87% of in-work families in receipt of CTCs awards are paid to a women (be that a female lone parent or women within a

<sup>1</sup> Labour's Shadow Ministers for Women and Equalities: Yvette Cooper MP May 2010 – October 2013; Gloria De Piero MP October 2013 – September 2015; Kate Green MP September 2015 – June 2016; Angela Rayner MP June 2016 – October 2016; Sarah Champion MP October 2016 – August 2017; Dawn Butler MP August 2017 - present.

<sup>2</sup> Usually in Table 2.1. Table 2.2 often includes updated costings for measures announced at previous fiscal events.

<sup>3</sup> HM Treasury, Summer Budget 2015, paragraph 2.103 page 87-88

<sup>4</sup> HM Treasury, Budget 2016, table 2.2

couple). Table 3.1 provides further information on the gender of out-of-work adults with children in receipt of CTCs. Summing information from tables 7.2 and 3.1 together suggests around 88% of adults in families in receipt of CTCs are women.

Therefore, Labour's analysis assumes 88% of savings from this measure are derived from women – equal to around £1.4 billion in 2020-21.

## Labour's publications

Labour MPs have publicised this analysis on multiple occasions. For example, in July 2010 the Guardian reported:

“Cooper accused the coalition government of sanctioning a budget whose impact fell disproportionately on women. The gender audit of the budget – structured by Cooper but conducted by the Commons library – showed that more than 70% of the revenue raised from direct tax and benefit changes is to come from female taxpayers.

Of the nearly £8bn net revenue to be raised by the financial year 2014-15, nearly £6bn will be from women and just over £2bn from men.”<sup>5</sup>

Similarly, in April 2013 Ms Cooper wrote on her website that these figures “have shown time and again that women are being hardest hit by [the Coalition] Government”, while in November 2015 Ms Cooper wrote:

“New figures compiled by the House of Commons Library show women are still being hit three times harder than men by changes to welfare spending and taxation;

Of the £16billion being raised in the current Parliament, £12billion is coming directly from the pockets of women. This includes changes to universal credit, childcare support and child benefit.”<sup>6</sup>

Ms Cooper's successors, in particular Kate Green MP and Sarah Champion MP, have also made similar arguments. See, for example, Kate Green MP's press release following [March Budget 2016](#), also quoted in the Women's Budget Group's response to Budget 2016.<sup>7</sup>

At Autumn Statement 2016 Sarah Champion posted on her website:

“Research commissioned by Sarah Champion MP shows that women are faring just as poorly under Philip Hammond's Autumn Statement as they did under George Osborne's budget earlier this year.

As of the Autumn Statement yesterday, 86% of savings to the Treasury through tax and benefit changes since 2010 will have come from women.

This is an increase in the burden on women from the last Autumn Statement when the figure was 81%.”<sup>8</sup>

<sup>5</sup> Allegra Stratton (The Guardian); [Women will bear brunt of budget cuts, says Yvette Cooper](#) (4 July 2010)

<sup>6</sup> Yvette Cooper; [Women are still being hit three times harder than men by Osborne's Autumn Statement](#) (26 November 2015)

<sup>7</sup> Women's Budget Group; [The impact on women the 2016 Budget: Women paying for the Chancellor's tax cuts](#)

<sup>8</sup> Sarah Champion MP; [Sarah Champion MP condemns cuts to women in Autumn Statement](#) (24<sup>th</sup> November 2016)

## 8 Estimating the gender impact of tax and benefits changes

Labour has published summary versions of the analysis on several occasions, including in 2010, [2015](#), [Budget 2016](#) and [Autumn Statement 2016](#).<sup>9</sup>

The latest version of the analysis was published in summary form following Autumn Budget 2017, by Yvette Cooper MP.<sup>10</sup>

<b>ESTIMATED NET SAVINGS AND EXPENDITURE APPORTIONED TO MEN AND WOMEN FROM SELECTED PERSONAL TAXATION AND WELFARE MEASURES POST AUTUMN BUDGET 2017</b>					
<i>£ billions, nominal terms</i>					
Measures announced	Generating savings in	Apportioned to		Total	
		Men	Women		
2010-15 Parliament	2010-15	3.6	19.4	23.0	
2010-15 Parliament	2015-20	12.0	54.2	66.3	
2015-17 Parliament	2015-20	-1.1	7.7	6.7	
Current Parliament	2015-20	-0.9	-0.6	-1.6	
<b>Total</b>	<b>2010-20</b>	<b>13.6</b>	<b>80.7</b>	<b>94.3</b>	
		14%	86%		

**Notes** Positive figures indicate savings made to the Exchequer.

Analysis focuses on selected measures relating to direct personal taxation & social security/tax credit spending. The basic assumption for the male/female apportionments is based on the 'purse or wallet' the money is paid into - where the available data indicates which member of a couple is the nominated recipient of the couple's benefit / tax credit award, they are treated as the single recipient on the same basis as a single man/woman. Where no such data is available, the couples benefit/tax credit award is generally split 50/50. The same male/female apportionments have been applied in each year.

Within each item, the same apportionment is used for each year from 2010 to 2020. This means that the analysis is not sensitive to any potential changes in the male/female impact within each item over time.

### Full Fact's assessment of Labour's analysis

The fact checking organisation Full Fact looked into Labour's claims in November 2013.<sup>11</sup> Their conclusion is that the disproportionate impact of benefit changes on women is an artefact of the demographics of those in receipt of benefits. These are predominantly women. It is not the result of policies specifically targeted at women.

#### **Are women more affected by tax and benefit changes than men?**

The Labour party claims that women are paying the price for the Coalition's austerity measures. Are the stats all that they seem?

"women [are] paying three times more than men to bring down the deficit"

Gloria de Piero MP, [Labour party website](#), 7 November 2013

The Labour party's claim that women are the "hardest hit" by the Coalition Government isn't new. Shadow equalities minister Yvette Cooper said as much back in [April](#) this year, and before that in [December 2012](#). Back then women were hit "four times harder" than men by the government's tax and benefit reforms specifically. This morning the claim became "three times more".

<sup>9</sup> Sarah Champion MP; [Research reveals economic gender inequality in Autumn Statement](#) (13 December 2016)

<sup>10</sup> Yvette Cooper MP; [Twitter post 2.02PM – 28 November 2017](#)

<sup>11</sup> Joseph O'Leary (Full Fact); [Are women more affected by tax and benefit changes than men?](#) (7 November 2013)

In fact, all the claims are based on the same figures: the difference between them is explained by more how the numbers are framed rather than the substance of the figures themselves.

### The findings

To the party's credit, all the numbers and sources are [published for all to see](#) on Yvette Cooper's website, so it's easy to see where they're coming from. All the numbers check out.

Labour asked the House of Commons Library - using Treasury data - to take every single specific change to direct taxes, benefits and tax credits since 2010, work out how many people would be affected by each one, and estimate what proportion were men and women. That takes us back to the Coalition's first budget of June 2010 right up to the 2013 budget.

For instance, whenever the government raises the income tax [personal allowance](#) (it has done so several times), this tends to affect most income tax payers positively. Since [most income tax payers are men](#), this policy will tend to affect men slightly more than it does women.

On the flipside, [most state pension claimants are women](#), which means changes to pensions will tend to affect women more. As well, more than two thirds of public sector workers are women, so public sector pension reforms and the like will have a larger impact on women as well.

This partly explains why the [government's decision](#) early on to uprate benefits and pensions by the Consumer Prices Index (CPI) rather than the usually higher Retail Prices Index (RPI) had a bigger effect on women's payments than men's by about two to one.

Other benefits such as child tax credits and child benefit are overwhelmingly claimed by women, however there's a cautionary note here: it's only possible to split these payments by gender based on whichever parent is the ['nominated' recipient of the benefit](#), which can be either the mother or father. Just because the mother claims the benefit, doesn't mean that the father is unaffected by any changes to the payments, it just becomes an indirect effect.

The Institute for Fiscal Studies came across a similar problem in their own [analysis](#) of the effects of taxes and benefits by gender in 2011. They constrained their findings to the household level since their own model couldn't be relied on to distinguish between individual members of a household, male or female.

Their findings do give us another perspective however, not obvious from the Labour figures.

They [found](#) that while government reforms early on did not affect single adult households significantly differently according to gender, the reforms from 2012 onwards disproportionately affect single women compared to single men because single women are more likely to be lone parents as well (and thus lose out from certain reforms to child benefits).

It's easy to explain the fact the women are the more affected by just pointing to the demographics already discussed - women just tend to be in the groups more affected by benefit changes. The reforms in question aren't targeted at women specifically and so they do not affect all women equally.

## Government response

Just as Labour have successively publicised this analysis, the Government has repeatedly argued against the party's analysis on a range of grounds.

The Government's arguments can be summarised under three main objections: first, that Labour's analysis does not account for the fact resources may be shared within couples; second, over the selection of measures included or excluded by the analysis; third, that the analysis does not account for the impact on individuals of wider economic policies, such as increased economic security brought about via sound public finances.

In September 2010, then Minister for Equalities Lynne Featherstone MP said that Labour's analysis was not a "detailed assessment" of all measures announced by the Government and that the decisions to apportion costs / savings to the named adult within a couple, rather than the couple as a whole, was "extreme".

### **The Minister for Equalities (Lynne Featherstone):**

I very much welcome the opportunity to speak on this subject, and to clear up once and for all some of the myths surrounding the Budget and its impact on women.

I shall refer first to some of the points that the hon. Member for Hackney North and Stoke Newington (Ms Abbott) made, before putting the Government's case per se. The Library findings were biased in their Budget analysis. The analysis was not robust; it included only selective measures.

### **Ms Abbott:**

On a point of order, Mr Speaker. Is it in order for the Minister to impugn the integrity and professionalism of servants of the House?

### **Mr Speaker:**

Impugning integrity is neither desirable nor orderly. Perhaps I did not hear as clearly as the hon. Lady heard, but I shall listen intently. To my knowledge, nothing disorderly has occurred, but the hon. Lady is a long-standing - I will not say old, because she is not old - campaigner, and she has put her view forcefully on the record.

### **Lynne Featherstone:**

Thank you, Mr Speaker. No integrity was being impugned, but the Library itself notes that its research paper is not a detailed assessment based on individual tax and benefit data and, therefore, remains a rough and ready approximation.

### **Fiona Mactaggart (Slough) (Lab):**

Has the hon. Lady commissioned the kind of detailed assessment, based on tax and benefit information, that she is uniquely placed to do? If she has, will she tell the House what it concluded about the emergency Budget?

### **Lynne Featherstone:**

I shall certainly come to that in the course of my speech.

Any analysis of tax and welfare changes by gender must make assumptions about how resources are shared within the household, and the Library's research makes an extreme assumption that no income is shared. It is not robust, and it is based on outdated assumptions about family structures. On the issue of cuts to welfare hitting the poorest hardest, the Government have been clear that the burden of deficit reduction will have to be shared. The reforms that the Government are undertaking do protect the most vulnerable, including children and pensioners, and I shall go into detail about that in a moment.<sup>12</sup>

Subsequently, following Budget 2016 Economic Secretary to the Treasury Harriet Baldwin MP described the analysis commissioned from the Library as "fundamentally flawed".<sup>13</sup>

Specifically, Ms Baldwin argued that the analysis should not include measures such as clawing back Child Benefit paid to adults earning over £50,000 to £60,000 per annum and that it did not recognise the wider economic benefits of the Government's policies. Chancellor George Osborne argued similarly in relation to changes to distributional impact analysis previously produced by the Government following Budgets and Autumn Statements.<sup>14</sup>

Rushanara Ali MP and Harriet Baldwin MP debated in April 2016:

**Rushanara Ali (Bethnal Green and Bow) (Lab):**

Analysis by the House of Commons Library, including that on the 2016 Budget, shows that, cumulatively, 86% of savings in the period between 2010 and 2020 will come from women's pockets. What has the Chancellor got against women? [904529]

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<sup>12</sup> Hansard; House of Commons debate 6 September 2010, column 152

<sup>13</sup> In reaction, 49 MPs from a range of parties including the Labour Party, Conservative Party, SNP, Paid Cymru, DUP, SDLP, Ulster Unionists, the Green Party and an independent MP signed [Early Day Motion 1398](#) in support of the Library's service to the House: *"That this House commends the work of the House of Commons Library; acknowledges that as servants of the House, the Library's work is held in the highest esteem by hon. Members on both sides of the House; praises the Library's independence and impartiality; further praises the professionalism and competence of the numerous Library specialists in carrying out a variety of work to assist the House; recognises that the Library's response time to requests is exemplary; further recognises that the Library also offers a public service through the publication of briefings and statistics and data made available to the public online; and calls on the Government to recognise the tremendous work that the House of Commons Library does to support the House."*

<sup>14</sup> See also then Chancellor George Osborne's [letter to Andrew Tyrie MP of 9 September 2015](#) regarding what form of distributional analysis HM Treasury may publish: *"In this Parliament, the Government has taken a decision to present the distribution of public spending and taxes that affect households both before and after the policy changes we have made since 2010. This is a move away from analysis which presents spending funded by additional borrowing as an unequivocal gain to households, and measures to reduce borrowing as an unequivocal loss. As I said when I released the quintile analysis, that older presentation is not the most appropriate way to consider the distributional impact of economic policy, when we know that without sound public finances there is no economic security for working people, and that any apparent benefit to households cannot be sustainable if it has not been paid for."*

## 12 Estimating the gender impact of tax and benefits changes

### **The Economic Secretary to the Treasury Harriett Baldwin (Con):**

The analysis by the House of Commons Library is fundamentally flawed. First, it assumes that every pound of Government borrowing benefits people. It also does not highlight the fact that it is higher rate taxpaying women such as me, whose child benefit has been ended, who form the largest part of that group. Is the hon. Lady saying that her party wants to reinstate child benefit for higher rate taxpayers?<sup>15</sup>

At Autumn Statement 2016 HM Treasury published a distributional analysis showing the cumulative impact, by income decile, of modelled tax, welfare and public service spending changes announced since May 2015.

Shortly prior to this, the House of Commons Women and Equalities Committee had pressed the Government to “do more to demonstrate that it has fulfilled its obligations to assess the equalities impacts of future Spending Reviews, Budgets and Autumn Statements”. The Committee also criticised assessments that accompanied the Summer Budget 2015 in particular as being “insubstantial and lacking in details”.<sup>16</sup>

In December 2016 Andrew Tyrie MP, then Chair of the Treasury Committee, thanked Chancellor Philip Hammond for publishing the analysis and questioned the Chancellor on its findings.

The Chancellor replied:

#### **Q 296 - Mr Philip Hammond (answering)**

I just wanted to make the point that I was pressed by this Committee to publish the distributional analysis in this form, and I am happy that we have been able to do so. But it is important to make this point: if we are going to have a mature debate, you obviously need information in a format that you can use, but I need a sensible response to what that information shows.

We have been elected on a manifesto commitment to increase the thresholds for income tax at the basic rate and for income tax at the higher rate. As that manifesto commitment is delivered, every single member of this Committee understands that that will have an impact on the distributional analysis. Clearly, it will benefit those who are not at the bottom of the income distribution. I hope that if we are going to publish these kinds of figures, we will not have a pantomime display of shock horror when the manifesto commitment that is well known and understood delivers the outcome that must also be well known and understood.<sup>17</sup>

The Treasury Committee further questioned the Chancellor and Clare Lombardelli, Director of Strategy Planning and Budget for HM Treasury, on 6 December 2017 following Autumn Budget 2017. Ms Lombardelli argued that the Treasury is not “duty-bound” to produce Equality Impact Assessments for Budgets, that equalities impacts are considered

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<sup>15</sup> Hansard; [House of Commons debate 19 April 2016](#)

<sup>16</sup> Women and Equalities Select Committee; [More transparency needed from HM Treasury on equality analysis](#); 18 November 2016

<sup>17</sup> Question 296; [Treasury Committee Oral Evidence: Autumn Statement 2016, HC 837](#); 12 December 2016

in decision making and that HM Treasury does publish detailed information on the distributional analysis of the policies.

**Q366**

**Alison McGovern MP:** The Treasury is duty-bound to produce an equality impact assessment of the Budget. Where is it?

...

**Clare Lombardelli (HM Treasury):** We are duty-bound to consider equalities in all the measures that we include in the Budget, and we did consider the equality impact of all the measures.

**Nicky Morgan MP, Chair:** Is that recorded somewhere?

**Q367**

**Alison McGovern MP:** The demonstration of your commitment to fulfilling that duty is to tell us that you have done it.

**Chancellor Philip Hammond:** The equalities impact requirements apply to all measures across government, not just the Budget. We do that for all measures. Ministers receive advice on the equalities impacts of every measure before they sign them off, and are asked to sign the advice to confirm that they have received and considered it.

**Q368**

**Alison McGovern MP:** Why will you not put an equalities impact assessment in the Budget?

**Clare Lombardelli:** We do not publish any of the detail of the internal policy advice that goes to Ministers, but we do consider the equalities impact of all the measures. We have considered it in the process. Ministers see that advice. They take it alongside all their other policy advice.

**Q369**

**Alison McGovern MP:** We have had this debate about the distributional analysis before. If you do not publish the information about the impact on different parts of the population of the budgetary measures, other people will calculate and publish it. Why does the Treasury not publish its understanding of the impact, on different parts of the population, of its budgetary measures?

**Clare Lombardelli:** We publish detailed information on the distributional analysis of the policies. We publish a document that covers the recent trends, the impact of employment and earnings inequality. We have published some distributional analysis that shows the impact of the individual policies, since and including autumn 2016. We also publish the impact of all the policies to be implemented between 2015-16 and 2019-20. That is more than many other people publish. We do not publish an analysis of the impact on things like gender. I think you raised this with some of the other witnesses before the Committee. It is very difficult to produce an overall robust picture by different demographic groups. All sorts of things affect that: the household structure, taxes and benefits, all those things. Other people produce versions and variants of this, but they all have their own faults and issues.<sup>18</sup>

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<sup>18</sup> Treasury Committee [Oral Evidence: Autumn Budget 2017, HC 600](#); 6 December 2017

### 3. Analysis from the Equality and Human Rights Commission

The Equality and Human Rights Commission's November 2017 [\*Impact of tax and welfare reforms between 2010 and 2017: interim report\*](#) analyses the effect of tax, welfare, social security and public spending.

The analysis captured the impacts of changes to direct taxes, NICs and welfare benefits using the Family Resources Survey, and assessed the impacts of changes to indirect taxes using the Living Costs and Food Survey.

In broad terms, the Commission's preliminary analysis concluded that:

Overall, the impact of policy decisions taken between 2010 and 2017 is significantly regressive, and particularly so for policy decisions taken in the 2015-17 Parliament (the impacts of which are, for the most part, still to come).

The Commission highlighted that policies announced since 2010 will have a clear, "significantly adverse" impact on disabled families. The impact on lone parent families and families with three or more children will also be "particularly strong".<sup>19</sup>

Women in every income decile will lose more than men, according to the Commission's analysis. The report's key estimates include:

- Women lose more than men from the reforms at every income level. (Overall, women lose around £940 per year on average from the reforms compared with losses of around £460 for men).
- The biggest average cash losses for both men and women are in decile 2 (around £1,200 per year for men and £1,600 for women respectively).
- The smallest difference between average annual losses for men and women is in the lowest decile (just over £800 for men and around £1,000 for women). The biggest difference is in decile 7 (around £220 for men, around £740 for women).<sup>20</sup>

Also, women in all age groups except 65-74 will lose more than men; these differences are particularly pronounced for women aged 25-34 and 35-44. This reflects that fact support for children is commonly paid to the mother in a couple household and the fact that lone parents and disproportionately women.<sup>21</sup>

The EHRC also observed, in a similar manner to Full Fact in 2013 (see page 8-9 earlier), that:

The result that women experience larger losses than men is mainly driven by the fact that women receive a much larger proportion of benefits and tax credits than men. Given that the largest negative impact on incomes is as a result of cuts to benefits and tax credits since 2010, it is not surprising that the welfare reforms have a larger impact on women than men.

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<sup>19</sup> Impact of tax and welfare reforms between 2010 and 2017: interim report; page 30

<sup>20</sup> Ibid. page 26

<sup>21</sup> Ibid. page 28

## 4. Alternative studies

The Institute for Fiscal Studies and Women's Budget Group campaign have analysed the impact of tax and benefit changes by gender using different, alternative methodologies. Paul Johnson, director of the IFS, also gave evidence to the Treasury Select Committee following Autumn Budget 2017 on considerations around producing Equality Impact Assessments.

### Institute for Fiscal Studies

In November 2017, the Treasury Select Committee questioned Paul Johnson, Director of the Institute for Fiscal Studies, on the feasibility of producing Equality Impact Assessments.

Mr Johnson answered that any attempt to produce a gender impact assessment must decide how to account for women (and men) who live within a couple household. How couple households are treated impacts upon the scope of the analysis and, thereby, how it can be interpreted and its limitations.

**Paul Johnson:** You clearly can provide some analysis of the gender impact of tax and benefit policies. You just have to be very careful about exactly how you interpret and present them. For example, suppose you were to raise the 40p or 45p rate of income tax, we know exactly the genders of the people who pay that on their incomes, and they will be overwhelmingly men. Does that mean it has no impact on the women to whom those men might be married? No, it does not, so you clearly need to put that in context. Equally, if you cut benefits for families or children, which are currently paid to the woman, will that have no effect to whom they are married? No, it will not. If you are going to provide any kind of gender breakdown like that, you need to be very clear about those things where you are saying something about the individual to whom the money is being paid, but also about the family structure within which that individual is living, in order to get some kind of full picture. You can do both of those things and it would be relatively straightforward for Government to do that. They may feel that it is rather difficult to communicate it, but to do it for tax and benefits is not terribly hard.<sup>22</sup>

The Institute for Fiscal Studies has also looked at the gender impact benefit and tax changes from a different angle from analysis commissioned by Labour from the House of Commons Library.

Rather than apportioning the overall fiscal impact by gender, the IFS has looked at the impact of tax and benefit changes on specimen family types using its TAXBEN model.

In June 2011, the IFS concluded that budget measures had hit single women more than single men but it was not possible from its model to distinguish the gender effects for couples. IFS summarised its analysis as follows:

The [Equalities Act 2010](#) places an obligation on the government to give 'due consideration' to the effects of its policies on gender inequalities. The IFS was asked by the [Fawcett society](#) to consider

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<sup>22</sup> Q 131; Treasury Select Committee; Oral evidence: The Autumn Budget 2017, HC 600

## 16 Estimating the gender impact of tax and benefits changes

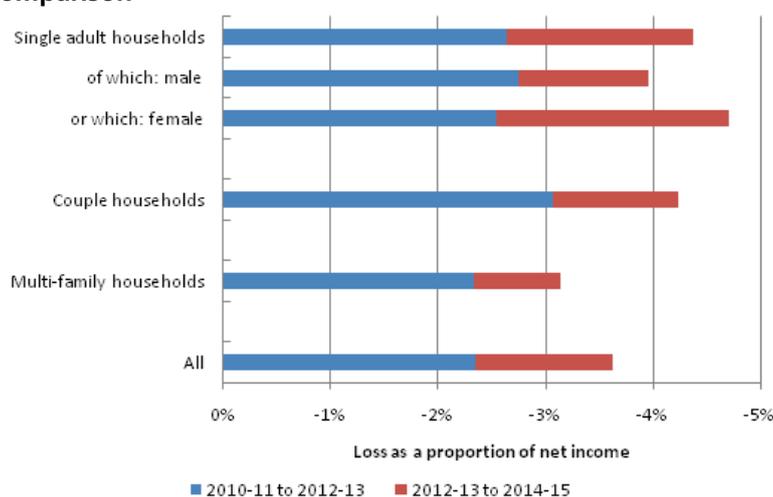
ways in which our tax and benefit microsimulation model, TAXBEN (which we use for our distributional analysis of tax and benefit changes [after each Budget](#)) could be used as part of an assessment of the separate impact of Budget measures on men and women. We have today published [some simple analysis](#) that does this.

It is straightforward to compare the effects of tax and benefit changes on single men and single women living in households without other adults. The budget measures hit single women somewhat harder than single men, largely because lone parents were net losers from the changes, and most lone parents are women.

It is harder to distinguish the effects of changes on men and women living as couples or in bigger households in part because we don't know how much sharing of resource there is in households, and in part because it is slightly harder to allocate benefit eligibility between individuals in households.

TAXBEN calculates households' tax liabilities and benefit entitlements for each household under different tax and benefit systems, enabling us to calculate how much each household would gain or lose from a particular set of tax and benefit changes. This means that the comparison between men and women is straightforward for single people not living with any other adults. In Figure 1 we compare the average loss from the austerity measures that are being introduced between 2010-11 and 2014-15 as part of the government's deficit reduction package for single adult households according to the sex of the adult.

**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**



We find that overall, single women lose more as a percentage of their income than single men largely because the more than 90% of lone parents are women. In fact, single women without children lose less than single men without children, but because lone parents are a group that loses a particularly large amount from tax and benefit changes to be introduced after 2012-13, the average loss for single women as a whole is larger than that for single men.

In short, there are some simple ways in which the government could have chosen to show that it had undertaken its statutory duty to consider the impacts of its policies on gender inequalities. Performing this analysis need not require large additional resources - all of the charts in the report could be produced by HM Treasury using the data underlying the charts it presents in Annex A of the [Budget document](#). Administrative data available to various government departments may also provide larger sample sizes to examine more robustly the impact of individual policies on smaller groups. That said, what is possible falls a long way short of a full gender impact assessment. Because most people live in households with others, and we don't know how incomes are shared, it is very hard to look at effects separately for many men and women. Furthermore understanding the [impact of cuts to public service spending](#) could be at least as important as the changes to personal taxes and benefits that I have considered, but doing this is even more fraught with difficulty.<sup>23</sup>

Also see the IFS's June 2011 note [How could the government perform a gender impact assessment of tax and benefits changes?](#)

## Women's Budget Group

The [Women's Budget Group](#) (WBG) is a campaign group which describes itself as "a network of leading feminist economists, researchers, policy experts and campaigners committed to achieving a more gender equal future."

Among other things, the WBG advocates the need for organisations – be they Non-Government Organisations or Governments themselves – to carry out 'gender budgeting'.

This involves, the WBG explains, analysing any form of public expenditure or method of raising public money from a gender perspective and, in doing so, identifying the implications and impacts for women and girls as compared to men and boys (or any other subset of individuals).<sup>24</sup>

"The ultimate aim", the WBG argues, "is to promote gender sensitive budgets. These are not separate budgets for women, or budgets which spend the same amount on women and men, but budgets which recognise the different situation and needs of women and men and aim to promote gender equality."<sup>25</sup>

In November 2016 the WBG published cumulative analysis of "ten years of austerity policies", arguing that single female pensioners and female lone parents are among those households worst affected by Coalition government policies:

The study used the Landmann microsimulation tool to model the impact of changes to tax and benefits as well as public spending on households, disaggregating by income and household type, for the five years of the Lib-Dem/Conservative coalition government and for policies announced thus far by the Conservative government that took office in May 2015.

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<sup>23</sup> James Browne (Institute for Fiscal Studies); [The impact of tax and benefit reforms by sex: some simple analysis](#), IFS Briefing Note 118 (23 June 2011)

<sup>24</sup> Women's Budget Group; [What is gender budgeting?](#) (17 November 2016)

<sup>25</sup> Ibid.

## 18 Estimating the gender impact of tax and benefits changes

Key findings are:

Austerity policies that are planned for the 2015-20 Parliament have an even more regressive distributional impact than those implemented in the 2010-15 Parliament

The living standards of the 10% lowest income households is cut by an average of 21% annually in 2020, more than five times as much as the cut to living standards for households in the top decile

Women are hit harder than men and households headed by women such as lone parents and single female pensioners are hit hardest, both being about 20% worse-off on average in 2020.<sup>26</sup>

The Women's Budget Group updated this cumulative analysis following Autumn Statement 2016, highlighting that "individuals in the poorest households stand to lose most from tax and benefit changes, but in every income group women lose more of their individual income than men and BME women will lose the greatest amount." Specifically, the WBG's analysis estimated that:

Black women in the poorest third of households stand to lose £1,926 a year in tax and benefit changes by 2020. Asian women will lose £2057 a year. In contrast white men in the richest third of the population will gain £79 a year;

A household with both a disabled adult and a disabled child stand to lose £13,000 per annum by 2020 as a result of cuts to benefits and services;

The 10% poorest households stand to lose on average 19% of their living standards (net income + the value of in-kind public services) by 2020, almost ten times as much as the richest 10% of households, who lose just 2%;

Lone mothers (91% of lone parents) are set to lose 18% of their household's living standards on average, that is a real-term cut of almost £9000 per annum, mainly through cuts to the real value of benefits and spending on schools and childcare;

Single female pensioners (71% of single pensioners) are set to lose 11% of their living standards, the majority due to cuts to social care spending.<sup>27</sup>

The Women's Budget Group has also argued publishing an Equality Impact Assessment should be viewed as necessary to comply with the *Equality Act 2010*. After Autumn Budget 2017, the WBG argued that:

As in previous years the Treasury has failed to carry out a meaningful equality impact assessment of its policies. A limited impact assessment of some changes to tax policy was provided in the Tax Information and Impact Notes but these did not include the freeze in fuel duties and alcohol tax rates, both of which have a gender impact. In the absence of any published EIA the Treasury is unable to demonstrate whether it has complied with its obligations under the Public Sector Equality Duty to have due regard to equality.<sup>28</sup>

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<sup>26</sup> Women's Budget Group; [A cumulative gender impact assessment of ten years of austerity policies](#) (16 November 2016)

<sup>27</sup> Women's Budget Group; [Gender Impact of the Autumn Financial Statement: Briefing from the Women's Budget Group](#) (12 December 2016)

<sup>28</sup> Women's Budget Group; [A chancellor tinkering at the margins](#), Dec. 2017; page 2

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