

# Multiple Jeopardy?

**The impacts of the UK Government's proposed  
welfare reforms on women in Scotland**

**An Engender Briefing Paper  
January 2012**



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**1. Introduction**

Since the June 2010 'emergency budget' the UK government has sought to cut expenditure on public services and introduced proposals for reforming the welfare system. This briefing paper presents a very rapid overview of the changes that have already been introduced and those proposed in the Welfare Reform Bill currently going through the UK Parliament, and looks at what these may mean for women in Scotland. Many people will be affected by these changes and it is hoped that this paper can help to add to all the voices challenging the detrimental impacts of the reforms and the inequalities that they may perpetuate and exacerbate.

**2. What do people mean when they talk about 'welfare reform'?**

The term 'welfare reform' is being used to refer to two separate but linked processes:

- A wider programme of welfare reforms, covering all changes to the UK welfare system introduced by the current UK Government since June 2010. This includes changes already made in relation to housing benefit, tax credits and child benefits; and
- More narrowly it refers to the proposals for 'simplifying' the benefit system contained in the Welfare Reform Bill currently going through the UK Parliament.

While changes to the welfare benefits system are a reserved policy area (that is, the Scottish Government does not have legislative powers in this area), these changes can have an impact on demand for devolved services in Scotland. Scotland also has a disproportionate share of key benefits claimants.

In addition to these changes to the welfare system, reductions in public expenditure will impact on women as public sector employees as well as users of public services.

**3. The UK Government June 2010 'emergency budget'**

The UK Government June 2010 'emergency budget', introduced changes in existing welfare benefit rates and also called for a reduction in public sector

borrowing and a public sector pay freeze. Some of the main elements of the budget are indicated in box 1.

**Box 1: UK Government June 2010 Budget: Public expenditure and welfare benefits changes**

- Public sector net borrowing to reduce from £149b in 2010 to £20bn in 2015/16
- Two year public sector pay freeze on staff earning more than £21,000
- People earning less than £21,000 will each receive a flat pay rise worth £250.00 in each of the two years
- Rise in the state pension age to 66 will be accelerated
- Benefits, tax credits and public service pensions will increase in line with Consumer Price Index (CPI) rather than Retail Price Index (RPI)
- Child Benefit to be frozen for three years from 2011/12
- Caps on Housing Benefit from April 2011. Local Housing Allowance for people in the private rented sector reduced from the 50<sup>th</sup> percentile (the median rent in an area) to the 30<sup>th</sup> percentile (the point below which 30% of rents fall)
- Sure Start maternity grant will go to first child only
- Eligibility for child tax credits to be reduced for families with a household income of more than £40,000 from April 2011
- The Baby Addition of Child Tax Credit to be withdrawn from April 2011
- The Child element of Child Tax Credit will increase by £30 (on top of indexation in 2011/12) and by £50 in 2012/13

**4. Proposed changes to the welfare system: The Welfare Reform Bill 2010-2011**

Following publication in July 2010 of a consultation document (*21<sup>st</sup> Century Welfare*) and a subsequent white paper (*Universal Credit: Welfare that Works*), the UK Government published the Welfare Reform Bill in February 2011. The main proposals included in the Bill are summarised in box 2.

## **Box 2: Key proposals contained in the Welfare Reform Bill 2010-2011**

### **Part 1 Universal credit**

This part covers proposals for the introduction of Universal Credit. This is an integrated working-age benefit to be paid to people in and out of work replacing working tax credit, child tax credit, housing benefit, Income Support, income-based Job Seeker's Allowance and income-related Employment and Support Allowance. The aim of Universal Credit is to smooth the transition into work by reducing the support a person receives at a consistent rate as their earnings increase.

The financial support provided by Universal Credit will be underpinned by responsibilities which claimants may be required to meet.

### **Part 2 Working-age benefits**

This part of the Bill makes provision for changes to the responsibilities of claimants of Job Seekers Allowance, Employment and Support Allowance and Income Support in the period leading up to the introduction of Universal Credit. Provision is made for the introduction of a claimant commitment.

### **Part 3 Other benefit changes**

This part introduces changes in the ways Local Housing Allowance rates are set including the basis on which the rates will be set and also introducing a size criteria to the assessment of benefit.

It also includes proposals for the two of the discretionary elements of the Social Fund: Community Care Grants and Crisis Loans to be devolved.

Introduces changes to arrangements for State Pension Credit.

### **Part 4 Personal independence payment**

This part introduces a new benefit, the Personal Independence Payment, which will replace the Disabled Living Allowance. This will consist of two components – the daily living component and the mobility component. For each component there will be two rates: standard and enhanced. Entitlement to either of the components (and the applicable rate) will be determined with reference to a new objective assessment.

**Box 2: Key proposals contained in the Welfare Reform Bill 2010-2011 (cont.)**

**Part 5 Social security: General**

This part includes a proposal to cap the amount of welfare benefits a claimant or a couple receives by reference to average earnings of working households in GB.

**Part 6 Miscellaneous**

This part includes proposals to introduce a new 'gateway' to establish whether it is possible or appropriate to make a family-based maintenance agreement before the application can be accepted by the Child Maintenance and Enforcement Commission; Statutory collection service only available to applicants allowed through the gateway if the Commission is satisfied maintenance will not otherwise be paid.

(The UK Government also proposes imposing an up front and on-going collection charge on the parent with care for the use of the statutory maintenance scheme and a surcharge on the no-resident parent for every child maintenance payment collected).

This part also sets out plans to establish a Social Mobility and Child Poverty Commission.

**Part 7 Final**

This contains clauses relating to financial provision, the territorial extent of the Bill (including the provisions covering Scotland), when the different provisions will come into effect following Royal assent, the short title (Welfare Reform Act 2011), and Acts to be repealed when the Bill is passed.

**5. A differential impact? Why these proposals are likely to have a greater impact on women**

To understand why these changes are likely to have a disproportionate impact on women, the following provides some facts and figures on the position of women in Scotland:

- Women are the majority of those dependent on Income Support
- 90% of lone parents are women and women make up 95% of lone parents dependent on Income Support
- Women are the majority of those in receipt of state pensions and of pension credits. Women are more likely than men to be dependent on state benefits in retirement, and overall less likely to have access to

- occupational pensions schemes, especially if they were in low paid part time employment
- In February 2011, there were 346,670 Disability Living Allowance (DLA) claimants in Scotland. Around one-half of these are likely to be women. Disabled people are far less likely to be in employment than non-disabled people. Disabled women of working age are much less likely to be in employment than non-disabled women
  - Women comprise nearly 60% of those providing care to people in their own homes and 64% of those providing care to people outwith their home
  - Women are more likely to work part-time than men and to work in lower paid jobs. Even in those occupations in which women predominate, women may still be over-represented among those in lower grades and under-represented among those in managerial or senior positions
  - Over the year to March – May 2011 the unemployment rate for females rose by 0.2 percentage points to 6.7%. Data produced by Engender suggests that there has been a 20% increase in the number of women claiming Jobseekers Allowance in Scotland in the last year
  - Women account for 64% of the public sector workforce
  - In the region of 20% of Scotland's population is over retirement age, of whom 64.0% are women. Women also comprise nearly 62% of the 8% of the population aged 75 and over in Scotland.

Given the profile of women in Scotland the next two sections focus on some of the key changes that are likely to have an impact on the majority of women at some point over their life course. This is followed by an overview that suggests some groups of women may be affected even more than others.

## **6. Universal Credit: Gendered loss?**

### ***Changing the basis for uprating benefits***

From April 2011 the uprating of welfare benefits, tax credits and public sector pensions will be based on the Consumer Price Index (CPI), rather than the Retail Price Index (RPI). CPI is generally lower than RPI. This could result in rises in income being suppressed for around 1.6 million benefit claimants in Scotland. Given women's greater dependency on benefits this is likely increase women's vulnerability to poverty.

As women comprise a disproportionate number of public sector workers, the proposals to link public sector pensions to CPI will, disproportionately affect women.

### ***Universal Credit***

Although the fine detail has yet to be worked through, it has been estimated that approximately 140,000 households in Scotland will lose out from the introduction

of Universal Credit. There will be 'winners and losers'. Because of changes to the earnings disregards, some women may gain because they will be able to combine Universal Credit with 'mini jobs' of less than sixteen hours a week depending on the way the credit is calculated. Others, however, may be 'losers', and those at greatest risk are lone parents, the great majority of whom are women (see below).

The rationale behind Universal Credit is to increase the incentive to work. However, labour market conditions (and the gendered nature of the labour market), together with childcare availability and costs, will significantly influence women's ability to find work.

Claims for Universal Credit will be paid on the basis of households rather than individuals and both members of a couple will be required to claim universal credit. The Government is, however, proposing that for couples one person should claim the Universal Credit on behalf of the family. This may leave women without any independent income. It also does not take into account the potential unequal control over the household 'purse'.

As part of these reforms it is proposed to introduce a cap on the total amount of benefit that working-age people can receive. Because of the 'taper', that is the way Universal Credit will be withdrawn as income increases, second earners, usually women are likely to be worse off under Universal Credit. This may discourage women from seeking paid work, again leaving them without an independent income and increasing their vulnerability to poverty (and that of their children). This may also impact on women in later life by limiting their opportunities to contribute to occupational pension schemes.

The UK government also proposes that the Universal Credit will have a more severe sanctions regime: individuals who are able to look for work will be required to do so and those who fail to meet their responsibilities will face a financial sanction. This may have implications for those with caring responsibilities, and in particular on women in low-income families, because of the difficulties of entering into and progress in paid work.

## **7. Housing Benefit reforms: No place to go?**

If someone is on a low income and needs help to pay all or part of their rent they can apply to their local authority for Housing Benefit (HB). If someone is renting from a private landlord the amount of HB they are entitled to will be calculated using Local Housing Allowance (LHA) rules. For people in council accommodation or other social housing the most HB they can receive will be based on their 'eligible rent'. In Scotland around 470,000 people claim HB, of these, around 86,000 were in the private rented sector.

The welfare reforms being introduced include quite substantial changes to the HB criteria that will affect both people living in the private rented sector and in social

housing. In fact, nearly all of those living in the private sector will be affected by the changes which include the removal of the £15 excess that allows claimants to keep up to £15.00 of the difference between LHA and actual rent, and basing LHA on the 30<sup>th</sup> percentile (the point below which 30% of rents fall), compared with basing it on the median rent in an area (50<sup>th</sup> percentile).

For HB claimants in the private sector, an analysis undertaken by the Department of Work and Pensions (DWP) (based on GB-wide data) suggests that single women households (with or without children) comprise 46% of the current LHA caseload, 32% of the caseload comprises single men households (with or without children) and couples (with or without children) account for 22% of the caseload. It is estimated that the same proportions of single women, single men and couple households will be affected by the cumulative impact of the changes in LHA provisions. In other words, in absolute terms more single women will be affected than single men. By family type, lone parents (the majority of whom are women) comprise 32% of the current caseload and 32% will be affected by the changes.

For claimants in the social rented sector, one of the major changes is the restriction on HB for working age tenants who occupy a larger property than their family size warrants. The DWP estimates that, out of 670,000 claimants likely to be affected by the changes, 350,00 (52%) will be single female households compared with 160,000 (24%) single male households and 160,000 (24%) couple households. By family type, around 160,000 will be lone parents (22% of the total claimants likely to be affected).

In real terms, women, including lone parents with younger children still living with them and those whose children may have left home (leaving them in a larger property than they are now considered eligible), may again bear the brunt of the HB changes in terms of reductions in income, loss of community if they have to move and increased risk of homelessness.

## **8. Multiple jeopardy?**

The cumulative impacts of the benefit changes already being introduced and those that are proposed may result in many women being at risk as a result of the social and structural factors that systematically disadvantage women. But some groups of women may be at risk of double or triple jeopardy because of the multiple sources of discrimination they may experience because of their role as carers, as older women, as women with disabilities or because they come from a black or ethnic minority community. The following summarises the possible impacts for some of these groups.



### ***Between a rock and a hard place: Women with childcare responsibilities/lone parents***

The one group of women who are likely to bear the greatest burden of the welfare reforms are single parent families, 90% of which are headed by women. Lone parents are among the biggest losers because they are particularly reliant on income from benefits and tax credits. Lone parents will be particularly hit by:

- The switch to using the Consumer Prices Index as opposed to the higher Retail Prices Index for the uprating of benefits and tax credits
- Reductions in housing benefits
- Restrictions of the Sure Start Maternity Grant to the first child only (equivalent to a cut of £500.00 for low income pregnant mothers)
- The 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.

In addition, single women in general and lone parents in particular are likely to be most affected by the proposed Household Benefit cap. The Department of Work and Pension's (DWP's) own impact assessment acknowledges that *around 60% of customers who are likely to have their benefit reduced by the cap will be single females, but only around 3% will be single men.*

Lone parents are already being squeezed by earlier changes requiring them to move from Income Support to Jobseeker's Allowance once their youngest child reaches five years old. The 'lone parent conditionality' requires them to actively search for paid work and take up one if offered, or face cuts in the amount of benefits they receive. This is at a time when opportunities in the labour market are being reduced, and particularly in the public sector.

At the same time, the cuts to the childcare elements of tax credits (from 80% to 70% of childcare costs) make it difficult to pay for affordable childcare. The cost of childcare is already a barrier for some people and a reduction in support for childcare costs may create a disincentive to work - effectively putting lone parents (predominantly women), between a rock and a hard place.

In addition to the changes in benefits and taxes, the proposed changes to child maintenance arrangements, outlined in the Welfare Reform Bill risk "exacerbat[ing] the disadvantage of the children affected and increase the vulnerability of those left directly caring for children" (Gingerbread, Nov 2011).

### ***Women with disabilities***

Women with disabilities will be affected by the cuts in public services, the recent changes in entitlement to Incapacity Benefit and the proposed replacement of Disabled Living Allowance by the Personal Independence Payment.

Over the period Spring 2011 – Spring 2014 disabled people who have been

claiming Incapacity Benefit (IB) will have to undergo an assessment to see if they are eligible for Employment Support Allowance (ESA). People on ESA will be placed in two groups. Those who are judged to be less severe are placed in the 'work related activity group' and are expected to take part in work-focused activity.

The expressed aim of this change is to move disabled people off benefits and into paid work. However, in addition to the concerns being expressed about the way the assessments are being carried out, a combination of a depressed labour market and discrimination may work to significantly disadvantage disabled women.

Once the Welfare Reform Bill becomes law the Personal Independence Payment (PIP) will replace Disabled Living Allowance (DLA). Entitlement to either of the components (and the applicable rate) will be determined with reference to a new "objective assessment". A concern raised by the Equality and Human Rights Commission is that the focus of the assessment on the ability to carry out everyday activities could directly build in an emphasis on a medical model as opposed to a social model of disability, one which recognizes the barriers in society (environmental, attitudinal and organizational). Potentially this shift may doubly disadvantage disabled women if it disregards or compounds the social factors that underpin inequality.

The potential implications for disabled women also have to be seen in the light of the planned reduction in Personal Independence Payments spending by 20% by 2016.

### ***Women as carers***

The move from DLA to Personal Independence Payments could impact on women as carers. If someone is currently receiving a middle or higher rate of DLA but is subsequently assessed as only eligible for the lower rate of PIP or not eligible at all, not only will the disabled person lose money, but their carer will also lose their carer's allowance. This change could lead to further hardship putting both the disabled person and the carer at risk of living in poverty.

### ***Women from black and minority ethnic communities***

People from black and minority ethnic communities comprise around 3% of the population in Scotland. No recent data are available to indicate the break down by sex. Although there are variations between different groups, as a whole people from black and minority ethnic communities have higher poverty rates, generally have lower incomes, have larger families and are more likely to have higher numbers of dependent children. Both minority ethnic women and men are less likely to be in employment and more likely to be unemployed than the white population. They may also be vulnerable to changes in the job market, and more

affected by the impacts of the recession.

Taken together, employment patterns, household composition, levels of poverty and low incomes all point to the vulnerability of people from black and minority ethnic communities in general, and women in particular to the impacts of reductions in public services and welfare benefits changes.

### ***Women of working age***

Given the high proportions of women in the public sector cut backs in public expenditure will clearly make them vulnerable to job cuts or wage freezes. The Scottish Government's current policy of avoiding compulsory redundancies in the public sector may be beneficial for women in Scotland. However, like their colleagues in England and Wales, those in the public sector earning over £21,000 pa are currently subject to a pay freeze: and women account for a majority of those earning more than the pay freeze threshold.

### ***Older women not yet of retirement age***

Older women, not yet of retirement age, will be affected by the changes in the age at which they can claim their state pensions. This includes speeding up the equalisation of male and female pensions rates so that women's pension age becomes 65 in November 2018. The pension age for men and women will increase to 66 years from December 2018, and again increase to 67 years between April 2026 and April 2028. Women currently in their mid-fifties will have only a limited time to adapt to the change.

Older women also face barriers gaining or retaining employment, because of the 'double jeopardy' of age and sex discrimination. Older women may experience barriers to finding employment because of their caring responsibilities: as grandparents (with a knock on effect on parents, particularly women, in terms of their capacity to undertake paid work); and as informal carers of other family members.

### ***Women of pensionable age***

The Scottish Government anticipates that of pensioner households, single pensioners, the majority of whom are women, may suffer most from the combined effects of reduced services, increased costs and reduced incomes as a consequence of UK Government measures. This is against a background in which, across the UK, around 2 million pensioners are living in poverty, around two-thirds of whom are women.

The cut in the winter fuel allowance by £100 to £300 for households with members over 80 years old, and by £50 to £200 for pensioner households whose members are under 80, will have an immediate and disproportionate impact on women.

But, given women's greater reliance on the state pension, the other major concern is the impact of the change in the basis on which the state pension will be based. From 2012 the basic pension will be subject to a 'triple lock': it will be uprated by the highest of earnings, Consumer Price Index or by 2.5% per annum. While in the medium to longer term this may prove to be beneficial, in the short term this is effectively a cut in the basic pension since all three parts of the 'lock' are projected to rise well below the Retail Price Index (WBG, 2011).

### ***Women who are victims of, or at risk of being victims of violence and access to Justice***

#### *Services for women who are victims of, or at risk of being victims of violence*

Concerns have been expressed both in England and Scotland about the likely impact of the reductions in public expenditure on services for women who are victims or at risk of domestic violence. This is an area that needs to be monitored as the public expenditure cuts begin to be felt in Scotland.

#### *Access to justice*

In England there are concerns that cuts to the legal aid budget are likely to have a disproportionate impact on women, people from black and minority ethnic communities and people with disabilities. Although legal aid is a devolved area, the Scottish Government is also introducing cuts in its Legal Aid budget. Scottish Government policy suggests attempts are being made to mitigate the worst effects of these cuts, but a task for the future will be monitoring the gender impacts of the proposed reforms.

## **7. Punitive, regressive and unfair?**

There is agreement on the need to simplify the welfare benefits system. But the combined impact of the cuts in public spending and the changes to the benefits system are seen by many as punitive, regressive and unfair, hitting some groups harder than others: with women potentially being the biggest losers.

#### *Cumulative and regressive*

- Overall, the combined average annual loss in income and services for the poorest tenth of households is £1,514, equivalent to 21.7% of their household income. For the richest tenth of households, the annual loss in income and services is £2,685, equivalent to just 3.6% of their household income
- Of the £8 billion raised in changes in direct taxes and benefits by the UK Government June 2010 'emergency budget', £5.8 billion will be paid by women and £2.2 billion by men. This is because a larger share of women's income is made up of benefits and tax credits than men's. This will exacerbate the existing inequalities in income between men and

women.

### *Giving with one hand, taking with another?*

Although the increases in Child Tax Credits for families on low incomes have been welcomed the gains may be outweighed by the losses. For example:

- Low income mothers and their children will be negatively affected by the changes in the ways benefits are updated (being based on the lower Consumer Price Index instead of the Retail Price Index), together with the restriction of the Sure Start maternity grant to the first child, cuts in housing benefit and cuts in public services
- Child Tax Credits are not disregarded for the purposes of Housing Benefit, while Child Benefit is. Reducing the value of Child Benefit and replacing the income lost with Child Tax Credit may not look like a cut, but for families who receive Housing Benefit it will be, as their Child Tax Credit increase will be taken away from their Housing Benefit Allocation
- While women in paid employment will benefit from the increases in personal tax allowance overall it will benefit fewer women than men: the changes will give £514 million to women who pay tax and £680 million to men who pay tax. It will do little to help the millions of people on low incomes, many of whom are women. Any gains may also be limited for the high proportions of women working in the public sector affected by the pay freeze.

### *Inequitable*

*“Measures to reduce the deficit are hitting women hard: cuts to their jobs, cuts to the benefits and services supporting women’s every day lives, and a growing likelihood that women will be the ones left ‘filling the gaps’ as state services are withdrawn.*

*This triple jeopardy is turning back time on women’s equality. (Fawcett Society, A Life Raft for Women’s Equality, nd)*

The EHRC points out that because of the links between having a ‘protected characteristic’ (for example, women, people from black and minority ethnic minorities, older people, people with disabilities) not being in employment and having a low income, these groups of people are likely to be over-represented amongst those who require welfare support, and therefore those most vulnerable to the negative impacts of the proposed changes. As the previous sections have suggested, women in general, and some groups of women in particular, are among those most affected by the changes. Rather than being, in the language of the UK Government, ‘fair’ there is a very real risk that the welfare reforms, in both the narrow and broad sense, fall disproportionately, inequitably and *unfairly* on one group – women.