



## **Briefing for Scottish Government Debate: Supporting Scotland with Cost of Living and Reducing Child Poverty**

**April 2023**

Close the Gap is Scotland's policy advocacy organisation working on women's labour market participation. We have been working with policymakers, employers and unions for more than 20 years to influence and enable action that will address the causes of women's labour market inequality.

### **1. Introduction**

Prior to the outbreak of COVID-19, poverty in Scotland was gendered. Women were more likely to be in poverty; more likely to experience in-work poverty; and were more likely to experience persistent poverty than men.<sup>1</sup> As highlighted in the Scottish Government's Tackling Child Poverty Delivery Plan, **women's poverty is also inextricably interlinked with child poverty**<sup>2</sup>. A gendered analysis is, however, less evident in the current child poverty delivery plan, *Best Start, Bright Futures*<sup>3</sup>. While the plan highlights Scottish Government's prior commitment to developing a strategy to better mainstream equality in policy and delivery, gender is not mainstreamed in the plan itself. Women's earnings are a crucial factor in child poverty, with evidence showing that where women's disposable income is reduced, spending on children decreases. Tackling gender inequality is therefore essential to tackling child poverty and meeting the Scottish Government's child poverty targets.

The deepening cost of living crisis is pushing more women and their families into poverty, and for those already living in poverty their experiences are intensifying. Women who were already struggling are now under enormous financial pressure. This is particularly true for specific groups of women who were already more likely to be living in poverty including single mothers, disabled women, older women, and Black and racialised women. This underscores the importance of a gendered response to both the cost of living crisis and child poverty. Without action to protect women's financial

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<sup>1</sup> Close the Gap (2018) *Women, Work and Poverty: What you need to know* available at

<https://www.closesthegap.org.uk/content/resources/1---Women-work-and-poverty-what-you-need-to-know.pdf>

<sup>2</sup> Scottish Government (2018) *Every Child, Every Chance: tackling child poverty delivery plan 2018-2022*,

available at: <https://www.gov.scot/publications/child-chance-tackling-child-poverty-delivery-plan-2018-22/>

<sup>3</sup> Scottish Government (2022) *Best Start: Strategic early learning and school age childcare plan for Scotland 2022-26*

security, women and children will be pushed into further and deeper poverty, and gender inequality will worsen.

## 2. Why women are disproportionately impacted by the cost of living crisis

There are a number of key reasons why women are being hardest hit by the crisis:

- Women are the majority of low-paid workers, and are already more likely to be experiencing poverty.
- Women's engagement with the labour market continues to be constrained by their caring responsibilities. This creates gendered barriers to women being able to increase their working hours and earnings.
- Women have lower levels of savings and wealth than men, and are more likely to be in debt. This adversely affects women's financial resilience during periods of economic crisis.
- Women are more reliant on social security and have been disproportionately impacted by cuts to social security entitlements.
- Women are "poverty managers" in the home and go without food and other necessities themselves in order to provide for their children. The cost of living crisis is likely to have a damaging effect on women's physical health and wellbeing as they try to make household budgets stretch.

### Women's experiences of financial insecurity are directly linked to their experiences of the labour market

The gender pay gap is a key driver of women's higher levels of poverty. Women are more likely to be in low-paid work, and account for **60% of workers in Scotland earning less than the real living wage**. Women are more likely than men to have caring responsibilities and therefore face the additional pressure of finding work that allows them to balance earning with caring. **Women consequently account for 75% of the part-time workforce**. This sees women further concentrated into low paid and insecure work, as most part-time work is found in the lowest paid jobs and sectors, often leading to women working below their skill level. Women face gendered barriers to increasing their working hours and earnings such as a lack of high-quality flexible working opportunities, including part-time work, and the prohibitive cost of childcare.

### Women have lower levels of savings and wealth than men

Women are more likely to be in debt and this has worsened as a result of the pandemic. **Prior to the outbreak of Covid-19, analysis by the UK Women's Budget Group found that women were more likely to be in debt with 61% of those getting into debt to purchase everyday necessities being women.**<sup>4</sup> Women's low pay increases their risk of falling into problem debt, particularly in the context of the ongoing sharp increases in the cost of necessities such as food and energy.

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<sup>4</sup> WBG (2021) *Household debt, gender and Covid-19*

Older women are already more likely than their male counterparts to be experiencing pensioner poverty. **Research by Age UK found that 1 in 5 female pensioners in 2021 were living in poverty** compared to 16% of male pensioners.<sup>5</sup> Moreover, 27% of single women pensioners compared to 23% of single men pensioners were living in poverty. The gender pay gap is a key contributor to the gender pension gap, leading to higher rates of pensioner poverty among women. Labour market data has highlighted rising economic inactivity among older workers with early retirement being a key contributor to this trend.<sup>6</sup> **Older women are leaving the including changes to working practices in response to Covid-19; the fear of the virus and ill-health; and the lack of high-quality part-time and flexible work.** Leaving the labour market earlier than planned could have far-reaching implications for older women's financial security.

### Women are more reliant on social security and have been disproportionately impacted by cuts to social security entitlements

**Women are twice as dependent on social security as men.** Social security should be an important anti-poverty measure for women, but this is not currently the case as the system is not designed to meet women's needs. Changes and cuts to the social security system, such as the benefit cap, have had a significant disproportionate impact on women over the last decade. These changes have reduced women's financial resilience, placing women at a greater risk of deeper and sustained poverty during periods of economic crisis. The five-week wait for universal credit claims also exacerbates women's financial insecurity, potentially forcing women to access other forms of finance including high-interest loans or to fall into council tax and rent arrears, fuel debt and social security debt.

### *Women are often "poverty managers" in the home*

Evidence shows that the division of domestic labour continues to shape the management of poverty at the household level. This means that the **cost of living crisis is increasing women's stress and worsening their mental health as they try to make household budgets stretch.** In fulfilling their role as "poverty managers", women will often shield their families from poverty by going without essentials themselves. This is particularly true for single parents, 90% of whom are women, who are already more likely to be experiencing poverty. Barriers that impact all women's participation in the labour market, including the lack of affordable childcare and lack of flexible working opportunities, are also particularly pertinent for single mothers. This further traps single mothers in poverty.

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<sup>5</sup> Age UK (2021) *Pensioner Poverty: Making ends meet: why pensioner poverty is still an issue*

<sup>6</sup> Close the Gap (2022) *Close the Gap Response to the Covid-19 Recovery Committee Inquiry into the impact of the pandemic on the Scottish labour market*

Analysis<sup>7</sup> of ONS data shows that inflationary price rises have tended to be higher on goods marketed at women. Women's formal shoes have on average gone up five times as much (75% increase) as men's (14% increase) and while women's blouses have risen by 2%, there was a 6% drop in men's shirts. This difference reflects the "pink tax" on women's consumer goods which means women have felt cost increases even more acutely.

### **3. What needs to happen**

The structural inequalities that drive women's economic and labour market inequality and child poverty require a strategic response from Scottish Government which takes a gender mainstreaming approach. An essential step is integrating gender budget analysis in Scottish budget processes. Close the Gap joined with other national women's organisations to call for gender budget analysis to be incorporated into the emergency budget review and other crisis budget packages<sup>8</sup>.

**Close the Gap is calling for the following action to tackle the gendered impacts of the cost of living crisis, and end child poverty:**

- Take action to address the causes of the gender pay gap, including addressing the undervaluation of "women's work" so that women's skills are recognised and appropriately remunerated, increasing flexible working, and tackling occupational segregation.
- Expand the funded childcare entitlement to 50 hours a week for all children aged six months and above.
- Develop gender-sensitive employability support that addresses occupational segregation as a core aim, and enables women into flexible work paid at least the real living wage.
- Increase the Scottish Child Payment to at least £40 per week as soon as possible to ensure the interim child poverty targets are met.
- To deliver automatic individual payments of Universal Credit, as first committed to in 2017.
- To integrate intersectional gender budget analysis into the Scottish budget process, and to give this a statutory footing.

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<sup>7</sup> Ferber, Alona, Katherine Swindells and Ben van der Merwe "How inflation is worse for women: Prices are rising faster for items aimed at women, who tend to be poorer already", *The New Statesman*, 22 August 2022, available at: <https://www.newstatesman.com/business/economics/2022/08/uk-inflation-rate-higher-for-women>

<sup>8</sup> Letter to John Swinney MSP, Deputy First Minister on gender budget analysis in budgetary reviews, 11 October 2022, available at: <https://www.closesthegap.org.uk/content/resources/Gender-Budget-Analysis-in-Budgetary-Reviews---letter-to-John-Swinney.pdf>