



Scottish Parliament Welfare Reform Committee Inquiry into Women and Welfare Response to the call for evidence April 2015

1.0 About Close the Gap

Close the Gap is a partnership initiative which works in Scotland on women's participation in the labour market. Partners include Scottish Government, Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, Scottish Trades Union Congress, and Equality and Human Rights Commission. The breadth of the partnership recognises that equal pay is a productivity issue as well as an equalities issue, and that narrowing the gender pay gap would return aggregate productivity gains to the Scottish economy.

Close the Gap works with a range of organisations that are stakeholders in women's labour market participation, and works with policymakers across a number of areas including occupational segregation, skills, and care.

Close the Gap has been working with other gender equality organisations in Scotland and called on Scottish and UK Governments to address the significant gender impact of 'welfare reform'¹. We welcome the opportunity to submit evidence to the Committee's inquiry into women and welfare.

2.0 Women and social security

Women have a very different experience of the labour market to men. The gender pay gap is 12 per cent when comparing women's average full-time hourly pay with men's average full-time hourly pay, and 32% when comparing women's part-time hourly pay with men's full-time hourly pay².

¹ See Engender (2014) *Gender and 'welfare reform': A joint position paper*; and Engender (2015) *A Widening Gap: Women and welfare reform*

² Close the Gap (2015) *Gender pay gap statistics*

Occupational segregation is a major cause of the gender pay gap and describes where women and men do different types of work (horizontal segregation) and different levels of work (vertical segregation). Patterns of occupational segregation in the Scottish labour market are a cause and consequence of gendered assumptions and stereotypes about women and men's capabilities in relation to paid and unpaid work, often resulting in the concentration of women in low-paid, undervalued jobs. This substantially diminishes women's earnings over their lifetimes, and also reduces the pool of skilled workers available in local labour markets.

Women's over-representation among the lowest paid in the labour market means that many women are reliant on benefits to top-up their low pay. Women are twice as dependent on social security as men, with 20 per cent of women's incomes coming from the benefits and tax credit system compared with less than 10 per cent of men's.³ The impact of the austerity agenda means that women are at an increased risk of sustained poverty, and where women's disposable income is reduced, spending on children decreases. The links between women's and children's poverty are widely recognised.⁴

Social security programmes which fail to militate against the barriers which prevent or restrict women's labour market participation will further entrench occupational segregation, and the gender pay gap.

3.0 Women and welfare reform

Since 2010, £26 billion of cuts have been made to benefits, tax credits, pay and pensions. 85 per cent of these cuts have been taken from women's incomes⁵.

3.1 Universal Credit

The current UK Government policy of 'making work pay', which is embodied in Universal Credit, aims to increase incentives to enter the labour market and to reduce in-work poverty. The design of Universal Credit does not, however, take cognisance of the gendered barriers to employment nor the gendered patterns of caring. Women are much more likely than men to be primary carers, whether for children, disabled people or older people.

³ The Fawcett Society (2006) *Who Benefits? A gender analysis of the UK benefits and tax credit system*

⁴ Women's Budget Group (2005) *Making the Links: Women and children's poverty*

⁵ Fawcett Society (2015) *Where's the Benefit? An Independent Inquiry into Women and Jobseeker's Allowance* cited in Engender (2015) *Women and Welfare Reform: A Widening Gap*

3.1.1 Earnings disregard

The earnings disregard, which is income that is exempt from total amounts used to calculate benefit entitlements, may disincentive second earners from entering the labour market. The gender pay gap means that women tend to be lower paid than men, and are therefore far more likely to be second earners. For second earners on the national minimum wage, and many lone parents, 91 per cent of whom are women⁶, disposable income plateaus at as little as ten hours a week, as Universal Credit reduces sharply with additional earnings. For many women, it will not pay to work more than 30 hours a week because of the combination of expensive childcare costs, reduced Universal Credit payments, and income tax.⁷

In its current form, Universal Credit is also likely to reduce women's access to income, even if the level of income for the family is sustained. The household payment will be paid to one individual with one person claiming on behalf of the family on a monthly basis, which will place significant pressures on household budgets. It will also reduce women's economic autonomy which will increase the opportunity to create financial dependency. This, in turn, prevents women from leaving abusive relationships and places women and their children who are experiencing domestic abuse at increased risk.⁸

3.1.2 Universal Credit and self-employment

Since 2008, women's self-employment has risen dramatically, accounting for 63 per cent of newly registered businesses. In 2014, this figure rose to 88 per cent. Labour market data shows that increasing part-time self-employment was 'solely driven by women', whilst men's self-employment fell.⁹

Many of these women will be penalised by a new minimum income floor policy based on assumed earnings which will replace the more flexible tax credits system. If these estimated targets (based on at least the national minimum wage for seven days a week, 52 weeks a year) are not met, Universal Credit will not bridge the gap. The Department of Work and Pensions (DWP) reports that only

⁶ ONS (2014) *Families and Households, 2014* <http://www.ons.gov.uk/ons/rel/family-demography/families-and-households/2014/families-and-households-in-the-uk--2014.html> accessed April 2015

⁷ Engender (2015) *A Widening Gap: Women and welfare reform*

⁸ *Ibid.*

⁹ *Ibid.*

one in 45 businesses confidently felt that earnings could be sustained above that level.¹⁰

3.2 Employability and job seeking support services

Jobseeker's Allowance recipients have been subject to a punitive system of sanctions and conditionality that has been introduced through DWP and Jobcentres. Recipients are placed under extreme pressure to participate in employability activity that is supposed to move participants closer the labour market. These programmes have been heavily criticised, with specific impact on women being of particular concern.

3.2.1 *Occupational segregation*

These employability programmes do not consider occupational segregation, one of the major causes of the gender pay gap, when pairing jobseekers with mandatory work activity. Generic skills and employability programmes are likely to replicate gendered patterns of skills acquisition and employment, which sees women clustered into low-paid, undervalued jobs. Support structures around Jobseeker's Allowance and Work First do not consider the gendered barriers to labour market participation, and will therefore entrench occupational segregation and widen the gender pay gap.

3.3.2 *Lone parents*

New Income Support rules require single mothers to take part in work-focused interviews when their youngest child is one year old, and women with children as young as three or four can be required to undertake mandatory work activity. Recipients of JSA can be referred to Jobcentre Plus staff to complete unpaid placements of four weeks of up to 30 hours a week. Those who do not comply face sanctions.¹¹

Current provision of childcare is entirely insufficient to meet the needs of all women who are categorised as 'economically inactive'. This means that not all women will be able to meet the requirements of the programme, and will therefore be subject to sanction.

¹⁰ Prowess (2013) *Universal Credit for the Self-employed: Unworkable, unfair and short-sighted* <http://www.prowess.org.uk/universal-credit-self-employed> cited in Engender (2015) *A Widening Gap: Women and welfare reform*

¹¹ Engender (2015) *A Widening Gap: Women and welfare reform*

Lone parents, 91 per cent of whom are women, are particularly impacted by the policy of increased conditionality and sanctions. In order to combine paid work with their caring responsibilities they often have to take part-time work which is predominantly found in low-skilled, low-paid jobs. Lone parents are more likely to be under-employed, both in terms of hours worked, and also in terms of skill level. Working part-time has a negative impact on women's pay, progression opportunities, and also their income in retirement¹².

Safeguards which are currently set down in regulation aim to ensure that work availability requirements placed on parent jobseekers reflect their caring responsibilities. However, evidence suggests that these are not always being applied correctly. Under Universal Credit, the parent flexibilities will be significantly reduced, and detailed in guidance as opposed to regulation, further eroding the limited safety net in place.¹³

3.3 Childcare

As women still do the majority of unpaid caring, childcare is one of the most immediate barriers to women's equal labour market participation. Access to good quality, affordable childcare is essential to enable women to work outside the home. There is evidence that, because of other pressures on family budgets, including those caused by welfare reform, an increasing number of women are dropping out of the labour market because childcare has become too expensive. A quarter of parents in severe poverty in the UK have given up work and a third have turned down a job mainly because of high childcare costs.¹⁴

Childcare has not been a consideration in the development of Universal Credit. Changes to Child Benefit, the childcare element of Working Tax Credit, and Income Support will push women with very young children into stressful and unrealistic job-seeking activities, remove the sole source of independent income from women with high-earning partners, and reduce access to childcare for low-income families. Lone parents are particularly at risk in this regard.

3.4 Carers

Unpaid carers, almost 60 per cent of whom are women, save Scotland an estimated £10.3 billion, equivalent to more than a third of the national budget. In spite of this, Carer's Allowance is set at the lowest rate for any income

¹² Close the Gap (2012) *Briefing on women and work*

¹³ The Fawcett Society (2015) *Where's the Benefit? An independent inquiry into women and Jobseeker's Allowance*

¹⁴ Close the Gap (2012) *Briefing on women and work*

replacement benefit, and amounts to just 25 per cent of the national minimum wage. This reflects the undervaluation of caring, of ‘women’s work’, and of the contribution of care work to the economy. Across the UK, £1 billion will be cut will cut from carers’ incomes between 2011 and 2018.¹⁵

Women comprise the majority of carers in employment, and those who provide care for more than 35 hours per week. Long caring hours and low-paid, part-time work (male carers are more likely to work full-time) explain why women are twice as likely to claim Carer’s Allowance.¹⁶

Deeply entrenched attitudes and assumptions around women’s perceived innate ability to do care work means that women are twice as likely to leave their paid work in order to take up the responsibility of caring for someone. A low earning disregard within Carer’s Allowance can act as a financial disincentive to take up paid work where this is possible¹⁷.

3.1.3 Multiple discrimination

Disabled women are particularly affected by welfare reform. Many of the benefit cuts will have a disproportionate impact because disabled women are far less likely to be in full-time employment than non-disabled people. The employment rate for disabled men is almost 90 per cent compared with only 40 per cent for disabled women.¹⁸ The pay gap between disabled men and non-disabled men is 11 per cent, and for disabled women who are less likely to be in employment, the pay gap when compared with non-disabled women is 22 per cent.¹⁹

Analysis suggests that claimants are being moved from Employment and Support Allowance, which replaced Incapacity Benefit, to the lower rate Jobseeker’s Allowance.²⁰ Once on Jobseeker’s Allowance, recipients are subject to strict conditionality and sanctions, with 20 per cent of all Jobseeker’s Allowance sanctions being imposed on disabled people.²¹ Disabled women face

¹⁵ Carers UK (2014) *Caring and Family Finances Inquiry: Carers struggling with alarming levels of hardship* cited in Engender (2015) *A Widening Gap: Women and welfare reform*

¹⁶ *Ibid*

¹⁷ Scottish Government (2015) *Scotland’s Carers* cited in Engender (2015) *A Widening Gap: Women and welfare reform*

¹⁸ The Poverty Site <http://www.poverty.org.uk/45/index.shtml> accessed April 2015, cited in Engender (2015) *A Widening Gap: Women and welfare reform*

¹⁹ Inclusion Scotland (2011) *Women in work MSP briefing*

²⁰ Inclusion Scotland (2011) *Welfare reform briefing*

²¹ Engender (2015) *A Widening Gap: Women and welfare reform*

a number of barriers to labour market participation including discrimination, attitudes and assumptions about their capabilities, and stigma.

The changeover from Disability Living Allowance to Personal Independence Payment is premised on significantly reduced income for thousands of disabled people and therefore thousands of carers face the loss of linked entitlements. There are significant concerns that the knock-on effect of the expected reduction of claimants following the implementation of PIP will see many unpaid carers shifted into 'work-related' activity groups, and being subject to the sanctions regime. Carers juggling micro-jobs with pressures such as multiple appointments with healthcare and support services do not have the capacity to for additional work requirements.

Refugee women and their children are also at severe risk of the changes being implemented under welfare reform. The root of this lies in the linguistic and cultural barriers to the labour market, stigma and discrimination, existing physical and mental health issues as a result of their experiences as asylum seekers, and a lack of support network including access to childcare.²²

Older women are also particularly impacted. Two-thirds of pensioners living in poverty across the UK are women, and single pensioners, the majority of whom are women, are the most affected group affected by public spending cuts. The increase in pension age for women has pushed older women into mandatory work activity for which they do not have the skills nor the physical capacity.²³

4. Further devolution of powers

We have had deep concerns about the rapidity at which the process for further devolution of powers to the Scottish Parliament has taken place, and as a result, a complex division of responsibility for social security has emerged. Throughout the Smith Commission process Close the Gap, along with other organisations working on gender equality in Scotland, has called for gender equality to be mainstreamed in discussions, and for robust gender impact assessment to inform the development of any proposals on further devolution of powers. It is critical that a gender analysis is embedded throughout the process of further devolution.

²² Refugee Women's Strategy Group (2011) *The struggle to contribute* cited in Engender

²³ APPG on Race and Community (2012) *Ethnic minority female unemployment: Black, Pakistani and Bangladeshi heritage women* cited in Engender (2015)

There are significant opportunities for the social security system to be improved for women in Scotland. It is crucial that women impacted by welfare reform, and organisations working on gender equality, should be directly involved in shaping how new powers are used. Without this involvement, the gender discrimination which characterises the UK system is likely to be replicated in Scotland.

Benefits relating to employability, care and children should be delivered within a framework that takes account of women's experiences of the labour market, caring responsibilities, and discrimination, and is also linked to relevant policy areas such as women's employment, social care, childcare, and anti-poverty strategies.

The power over employment support offers the potential to mitigate gendered patterns of skills acquisition that contribute to occupational segregation in the labour market which sees women clustered in low-paid, insecure jobs. Occupational segregation is negative not just for women but also for the economy where it functions as a drag on growth, as many women are working below their skill level. Employability programmes that take account of the gendered barriers to women's labour market participation, and provide gender-sensitive support to women are very likely to have an effect on women's economic activity. Employability support must also be tailored to take account of different groups of women such as disabled and refugee women, unpaid carers, and former carers.