

# Universal Credit: The Gender Impact

**Equality and Diversity Forum Research Network**  
***"Welfare Reform: Issues and Impacts"***

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## **Women's Budget Group**

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# Introduction and overview

- **Women's Budget Group** involved in 'welfare reform' debates
  - see [www.wbg.org.uk](http://www.wbg.org.uk) for detailed briefings for all stages of reform
- Government is required to assess policy proposals for **impact on 'protected groups', including women**
  - often (to date) implemented via equality impact assessments, though PM now announced government is ending them
- **Should go beyond estimates of numbers affected, losses/gains by sex, ie :**
  - make-up and labelling of any payments changing balance of resources between women and men
  - potential impact on (gendered) roles/relationships – eg measures affecting employment incentives have gendered effects; and
  - possible effects on autonomy and financial security of women and men; volume and division of caring responsibilities; and inequalities within the household, in short and longer term

- **Autonomy** a central element in capabilities framework (EHRC)
- **Financial autonomy** is seen as key by gender theorists and others:  
*'... everyone should have a right to resources over which they have control ... Rights are important within households as well as between households.'*  
(Atkinson, 2011)
- WBG is concerned about **access to independent income** for (gendered) individuals within couple households – can give:
  - some 'say' over use of income
  - independence of action (not dependent on partner's situation)
- **Wages and non-means-tested earnings replacement benefits** are forms of independent income in this sense (whereas UC is not)

# Issues for second earners

- The **UC taper** based on household income acts like a “tax” at different rates on:
  - Household earnings below earnings disregard 0%
  - Household earnings above earnings disregard;
    - Individual earnings below tax/NI threshold 65%
    - Individual earnings above tax/NI threshold 76%
  - Council tax support (outside UC) can increase these tax rates
- **Earnings disregard** allows the first tranche of earnings to be “tax” free
  - But is household based so, except in rare cases where first earner earns too little to use it up, a potential second earner effectively has no earnings disregard
  - So first and second earners face quite different employment incentives
- Made considerably worse when second earner’s employment entails **childcare costs**
  - UC will pay up to 70% of these, but even paying 30% of childcare costs raises the participation tax rate for many second earners above 100% (Resolution Foundation)

# This problem is not new

- Applied to **joint taxation**
  - Separate taxation was a great victory for women's equality in taxation
  - Undermined by household means testing of benefits, tax credits and now UC
- Applies to **tax credits**
  - Tax credits were effective in raising lone parents' employment rates, had a more ambiguous effect on couples (IFS)
- Universal Credit likely to affect **larger numbers of couples**
  - operates on net not gross income, with higher net effect
    - In general lowers first earners' participation tax rate but raises second earners' (substantially for those who earn less than the income tax/NI threshold)
  - pays only 70% of childcare costs (had been raised to 80% for WTC)
  - has more immediate effect since no within claim period disregard

# Earnings disregard for each?

- Might be costly and extend household means testing further up the income scale
  - Not necessarily if restructured
  - Lays bare issues of equity between single and dual earner couples and between couples and sole adult households
- Government will look at this possibility “*when resources allow*” but its **priority is getting one earner per household into employment** (Lord Freud HoL)
- **Government is content** that “*second earners may choose to reduce or rebalance their hours or leave work. In these cases, the improved ability of the main earner to support his or her family will increase the options available for families to strike their preferred work/life balance.*” (IA of UC para 80)
- But this incentivises change only in one direction - so in practice this statement **endorses single earner model** rather than ‘choice’

# Why is this a problem for equality?

- Single earner model is not gender neutral but based on **traditional gender roles**
  - Gender pay gap and gender norms reinforce expectation that a single earner is, or should be, the man
    - GenIX research shows that both members of a couple are more concerned about man's employment status than woman's (even controlling for level of earnings)
- Unequal employment status translated into **inequalities within the household**
  - GenIX research shows that employment status affects the extent to which individuals benefit from household resources
- Total financial dependence on a partner can **reduce a person's autonomy and well-being:**
  - GeNet research shows women particularly care about this.
- An individual's **human capital and future earning power can depreciate** rapidly during time out of the labour market
  - A short time spent out of the labour market can have severe long-term effects on income over a lifetime
  - Forms much of the explanation of gender earnings gap

# Further issues

- The earnings of second earners are crucial in **keeping households out of poverty**
  - and particularly in reducing child poverty
    - From 18.9% with one FT earner to 2.1% with two (IFS)
- Many potential second earners will **become first or sole earners**
  - if partner loses job or relationship breaks down
  - those already in employment better equipped to become a main earner and family less likely to be in poverty
- It is contradictory to focus on:
  - **short-term costs** of equal treatment of first and second earners
  - rather than the benefits of improving the earning power of second earners on the **effectiveness and costs of UC system**



# Employment and Support Allowance, Carer's Allowance

- *The Importance of Independent Income: Understanding the role of non-means-tested earnings replacement benefits* (Bennett, F. & Sutherland, H., 2011)
- Withdrawing such benefits has **differentially gendered effects** (women losing benefits more likely to have earning partner; women lose more proportionately, though less absolutely)
- **In work poverty** in couples is also exacerbated by such changes
- **Contributory ESA** for work related activity group is being time-limited to a year; & move to Personal Independence Payment from DLA means some carers will lose **Carer's Allowance**

# Universal credit (UC): payment issues

- **Means-tested benefit** (joint assessment, depends on partner's situation) – now also **jointly owned** (tax credits, UC)
- **Not independent income** in same sense as earnings or non-means-tested earnings replacement benefits
- **But** payment issues still important, for a range of reasons
- **Focus: monthly payment** of UC and **payment to couples**
- No appeal about how benefit is paid – so **important to get this right**
- Concern: how best to **deliver welfare to all** within households

# Monthly payment: impact on families (especially on women)

- **Information lacking** (RR800 findings, 2012: budgeting chapter only based on information from 'main claimant')
- GeNet research: bills were often on (monthly) direct debits; **women were often responsible for daily/weekly items:** *'I'm bills, she's food'*
- **Women are more likely to manage budget/debt** in low-income families (where management is not control but source of stress)
- Women as **'shock absorbers' of poverty** when money doesn't stretch (WBG 2006, Brown 2011)
- **Monthly assessment and whole month approach** to changes of circumstances will exacerbate problems of monthly budgeting
- **No labelling** after first award? **no juggling**, all eggs in 1 basket

# Payment of UC to one partner/account in joint claims by couples

- Couples must make **joint claim for UC** – but must **choose one account** for payment (or Secretary of State decides which account)
- **More significant under UC** as payments for housing, children etc. are amalgamated and only one payment is made per month
- **Exceptions:** splitting payment (or all paid to other partner)
- **Issues not explored** (e.g. RR800 findings based on 'main claimant', with few relevant questions):
  - splitting collapsed into budgeting issues, but different;
  - one account confused with all eggs in one basket payment;
  - user centred design was focused on claiming, not payment

# Likely impact?

- Greater opportunities for **financial/economic abuse**
  - one partner may not gain or practise financial capability
  - couple relationships may be less equal
- **Government recognises:**
  - 'particularly in low-income households ... men sometimes benefit at the expense of women from shared household income'* (House of Commons *Hansard*, Written Answers 14 March 2011, col, 126W)

# Proposal

- UC must be flexible enough to **work for all families**
- **amend regulations** to ensure that **all couples who wish to split UC payment can do so** (compatible with IT)
  - government preference for split of UC by %, not elements

# Government justifications for not normally allowing splitting

- **like wages?**
  - But wages are individual, not jointly owned/assessed as UC;
  - & many couples have 2 wages and more than one account
- only 7% cohabiting/ 2% married couples have **completely separate finances** – but this is about couples with children and is irrelevant to the issue of each having an income
- *'joint accounts mean it doesn't matter who income goes to'*
  - But joint accounts do not guarantee income sharing or equal access (as shown in GeNet research)

## Problems for government too

- **risk to committed coupledness** if all UC has to be paid to one partner/account (especially relevant in new relationships)

**Combining benefits is key to design of UC, paying it all into one account is not**

# Is UC gender neutral?

- **The government says:**

*'The Universal Credit policy is gender neutral. Where men and women are in the same circumstances they are treated equally under Universal Credit.'* (UC IA para. 80)

## **But**

- most **second earners** are in practice women and UC will not operate in any way to challenge this
- problems for women as **managers of household budget** and **shock absorbers** of poverty worse due to monthly payments
- **within household inequalities** may be reinforced or exacerbated by paying UC into a single account

## **Also**

- **unfair to impose conditionality on many women** (as potential second earners) but give them no earnings disregard – and potentially make their access to joint UC income more difficult
- This makes the **impact of UC not 'gender neutral'**