

Response of the Equality and Human Rights Commission to Consultation:

Consultation details

Title:	The Impact of Economic Reform Policies on Women's Human Rights. To inform the next thematic report of the Independent Expert on Foreign Debt and Human Rights
Source of consultation:	Office of the High Commissioner of Human Rights
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Response of the Equality and Human Rights Commission to a Consultation on the Impact of Economic Reform Policies on Women's Human Rights, to inform the next thematic report of the Independent Expert on Foreign Debt and Human Rights

1. Introduction

- 1.1. The Equality and Human Rights Commission (the Commission) is a statutory body established under the Equality Act 2006. It operates independently to encourage equality and diversity, eliminate unlawful discrimination, and protect and promote human rights. The Commission enforces equality legislation on age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. It encourages compliance with the Human Rights Act 1998 and is accredited by the UN as an 'A status' National Human Rights Institution.
- 1.2. In 2017 we commissioned a cumulative impact assessment (CIA) of the distributional impacts of tax and spending decisions on people sharing different protected characteristics.¹
- 1.3. The assessment sought to answer:
 - How much per year are individuals and households expected to lose as a result of tax and welfare reforms?
 - How many households gain and lose from the reforms in total, and by how much?
 - How many adults and children will fall below an adequate standard of living due to changes to taxes and social security?
- 1.4. The CIA² provides, in as much detail as possible (given data availability), an analysis of all policy changes to tax and welfare reforms made between May 2010 and January 2018 which will have been implemented by the financial year 2021–22.³
- 1.5. The Commission modelled reforms to the following parts of the tax and welfare systems: income tax, National Insurance Contributions (NICs), indirect taxes (VAT and excise duties), means-tested and non-means-tested social security benefits, tax credits and Universal Credit. The analysis also considered the national minimum wage available for individuals over 25.⁴ Although this is not formally part of the tax and benefit system, it was included in the modelling for the CIA.
- 1.6. We also commissioned a review into existing evidence about the ways in which people sharing certain protected characteristics have been affected by welfare reform and welfare to work programmes introduced by the Governments elected in 2010 and 2015.⁵
- 1.7. This submission highlights the key relevant findings from the evidence review and the CIA in relation to the impact on women. It also presents findings of intersectional analyses of the impacts of the reforms, looking at gender in conjunction with other characteristics such as age, ethnicity and income. The evidence presented below is for Great Britain (GB) as a whole.⁶

¹ There are nine characteristics protected under the Equality Act 2010: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Further details available at <https://www.equalityhumanrights.com/en/equality-act/protected-characteristics>.

² Available at <https://www.equalityhumanrights.com/en/publication-download/cumulative-impact-tax-and-welfare-reforms>.

³ We model changes announced by the 2010–15 Conservative–Liberal Democrat Government, the 2015–17 Conservative majority Government, and the Conservative minority administration elected in June 2017, whether or not they had been implemented by January 2018. The research uses the tax-transfer model (TTM), a microsimulation model developed by the Institute for Public Policy Research, Landman Economics and the Resolution Foundation. The TTM uses data from two UK datasets, the Family Resources Survey (FRS) and the Living Costs and Food Survey (LCF).

⁴ This is called National Living Wage (NLW) in the UK.

⁵ Available at <https://www.equalityhumanrights.com/en/publication-download/impact-welfare-reform-and-welfare-work-programmes-evidence-review>

⁶ The analysis in the full CIA report produces separate results for England, Scotland and Wales.

2. Evidence review findings

Key findings from the evidence review:

- Reforms were backed by a clear strategy aimed at incentivising paid work over inactivity, reducing welfare expenditure and simplifying the welfare system. Over time, the focus of the reform programme shifted towards a stronger focus on cost cutting within the UK Government's austerity agenda.
- Most published equality impact assessments did not include detailed exploration of possible financial and non-financial impacts.
- There is a particularly strong adverse impact on lone parents and larger families, including their children. The adverse impact on women is mainly driven by the fact that 90% of lone parents with dependent children are women,⁷ and receive a larger proportion of their income from benefits and tax credits, so have been negatively affected by cuts across the board.
- There is evidence of an adverse impact resulting from the chosen delivery model of some benefits, in particular the move to single monthly payments and payment via one nominated account. These have a disproportionate impact on women as those who most commonly manage household budgets.
- There is evidence that increased benefit conditionality, and the resultant increase in sanctioning, has had many adverse impacts, including increased debt and borrowing, destitution, increased homelessness and the use of food banks.
- Some individuals and families directly affected by reforms face barriers in reducing their costs and in down-sizing. These groups include disabled people, pregnant women and new mothers.
- The reforms have created some perverse incentives. Universal Credit in particular has reduced incentives for second earners to work more than a small number of hours. Due to the weaker incentives for second earners, who are often female, concerns have been expressed that the reform has a male breadwinner model that discourages equal workplace participation within a household.
- The review identified a number of evidence gaps, including in relation to: lesbian, gay, bisexual and transgender people, pregnant women and new mothers. There were also some specific gaps in evidence in relation to the impact of particular reforms, and what the equality and human rights implications may be.
- There is some evidence of reduced spending on essentials, including food and heating, reduced levels of independence among disabled people, and movement into poorly paid and insecure work.

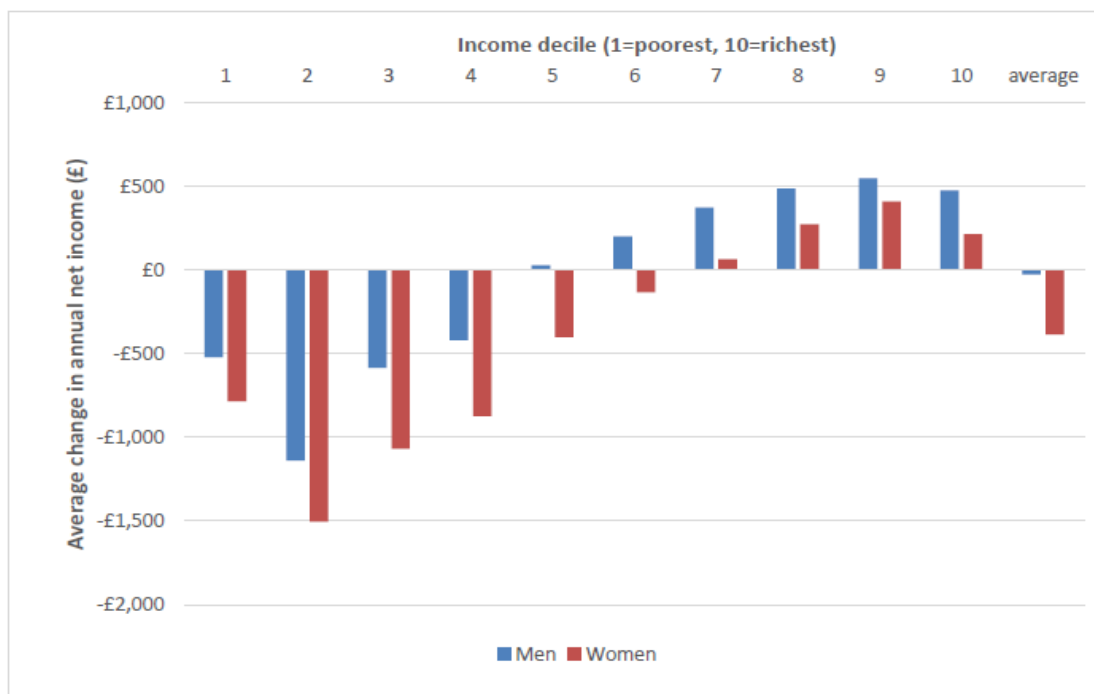
⁷ Office of National Statistics (ONS) (2017) Families and households. London: ONS. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/familiesandhouseholds/familiesandhouseholds>

3. Cumulative Impact Assessment findings

3.1. Impact of reforms by gender and income decile

- 3.1.1. Our CIA report found that on average, across the whole income distribution, women lose considerably more from changes to direct taxes and benefits than men. Women lose just under £400 per year from the reforms, whereas men lose only around £30.
- 3.1.2. Changes to transfer payments⁸ have a smaller negative effect for men than for women at almost all points of the household income distribution. This is because women tend to receive larger amounts of transfer payments than men do,⁹ partly because, as noted above, the majority of lone parents with children are women, and partly because women are more likely to receive benefits and tax credits in couples with children.
- 3.1.3. Men benefit slightly more than women from the changes to income tax and NICs. This is partly because working-age men have a higher employment rate than women, but mainly because women are more likely to be full-time homeworkers looking after pre-school children. Also, women are more likely than men to work part-time and to have lower hourly earnings.
- 3.1.4. Figure 1 shows the cash impact of reforms to direct taxes and transfer payments by gender and income decile. This figure is based on individual-level, rather than household-level results. Women lose more (or gain less) from the reforms on average across every decile of the household income distribution, so for example women lose around £1,450 in decile 1 and £2,100 in decile 2.

Figure 1. Cash impact of reforms to direct tax and transfer payments by gender and income decile, 2021–22 tax year: Great Britain.¹⁰



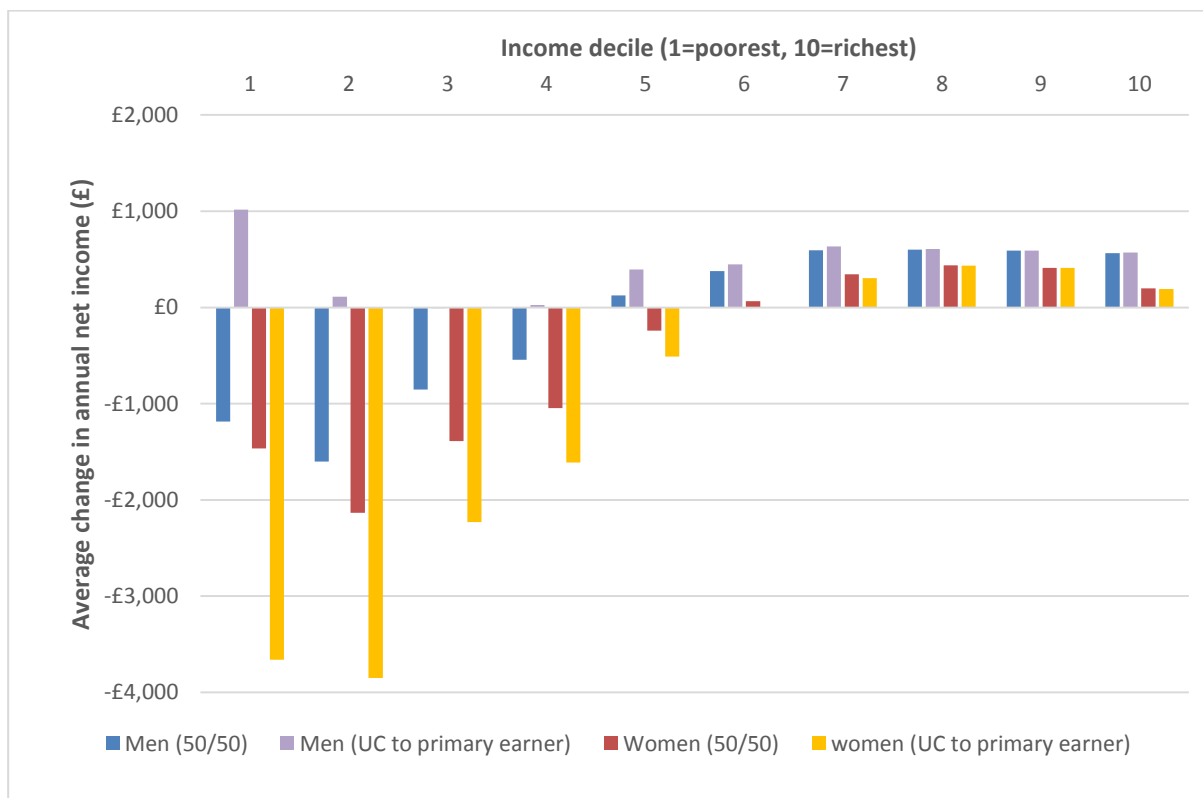
⁸ 'Transfer payments' are defined as the sum of benefits, tax credits and (where rolled out) Universal Credit.

⁹ Women receive an average of around £7,900 per year in transfer payments compared with around £6,550 per year for men.

¹⁰ This graph and all other graphs are sourced from Landman Economics tax-transfer model analysis using the FRS pooled dataset, 2012-13 to 2015-16.

- 3.1.5. The UK Government has designed Universal Credit as a single payment, with a couple nominating which partner receives the benefit. As noted above, women tend to receive larger amounts of transfer payments than men. However, as Universal Credit has yet to be fully rolled out, it is difficult to fully assess which partner is most likely to receive the Universal Credit payment, and therefore what the impact of this will be.
- 3.1.6. The CIA report explores how different assumptions about who receives Universal Credit (when rolled out) lead to very different impacts on women (see figure 2). If Universal Credit payments to couples are split 50/50 between men and women, then women lose around £1,400 in decile 1 and £2,100 in decile 2. If the modelling is based on an assumption that the primary earner in a couple receives Universal Credit, the distribution of income changes drastically from women to men. In this scenario women would lose an average of over £3,650 per year in the bottom decile, and £3,850 in decile 2, while men gain just over £1,000 in decile 1 and just over £100 in decile 2 respectively. This pattern of redistribution from women to men would occur because the male partner is the primary earner in around four-fifths of couples.

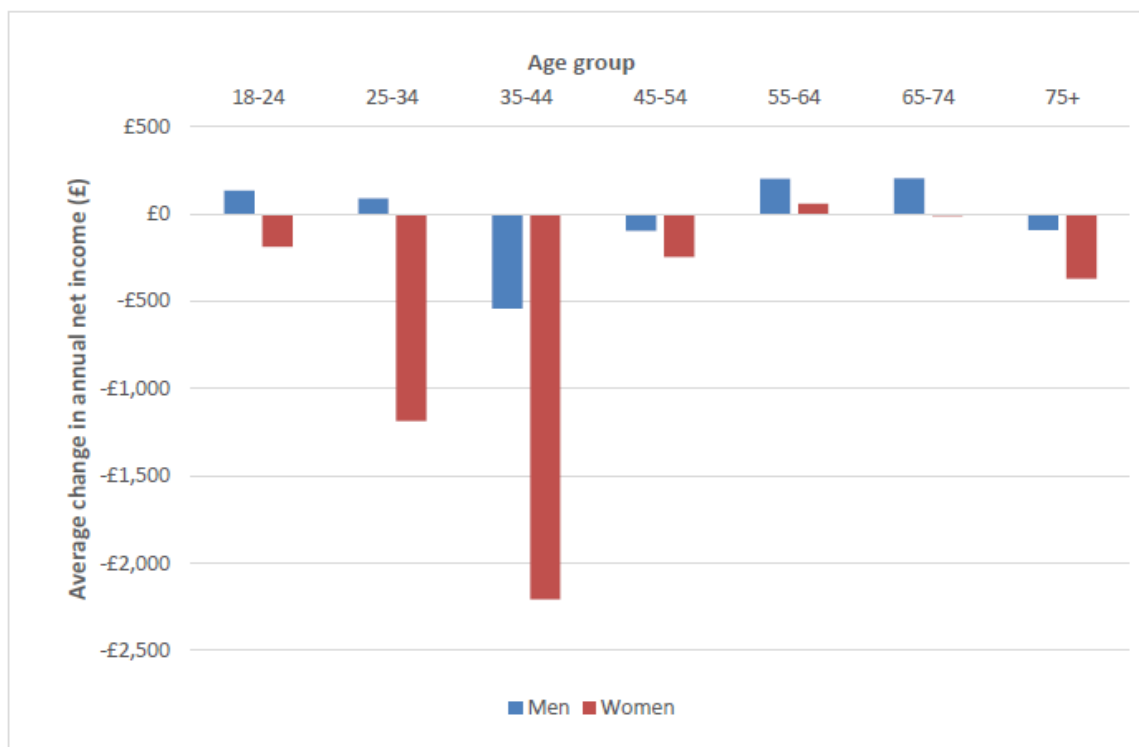
Figure 2, Impact of Universal Credit being paid to the primary earner instead of split 50/50 between both partners, men and women in couples by household income decile, 2021-22 tax year: Great Britain



3.2. Impact of reforms by gender and age

- 3.2.1. As with the analysis by gender and income (see above), women fare worse than men in each age group. However, the size of the differential between men and women is much more pronounced in the 25 to 34 and the 35 to 44 age groups than in any other age group. Women aged 35 to 44 lose an average of slightly over £2,200 per year from reforms compared with slightly under £550 for men. In the 25-34 age group, women lose an average of slightly under £1200 per year compared with average gains of slightly under £100 for men. The pattern of average losses and gains for women compared to men in these age groups is explained by the fact that women in these age groups receive much larger amounts in transfer payments than men in the same age groups. As before, this is partly explained by the fact that the vast majority of lone parents are women, and partly by the fact that transfer payments tend to be paid to mothers in couples with children.
- 3.2.2. In the other age groups, the differences between men and women are less pronounced, but men still experience larger net gains (or smaller net losses) from the reforms. This is the case for both the 18 to 24 age group, and for the over 75s. In summary, women lose more from changes to transfer payments than men across every age group, including pensioners.

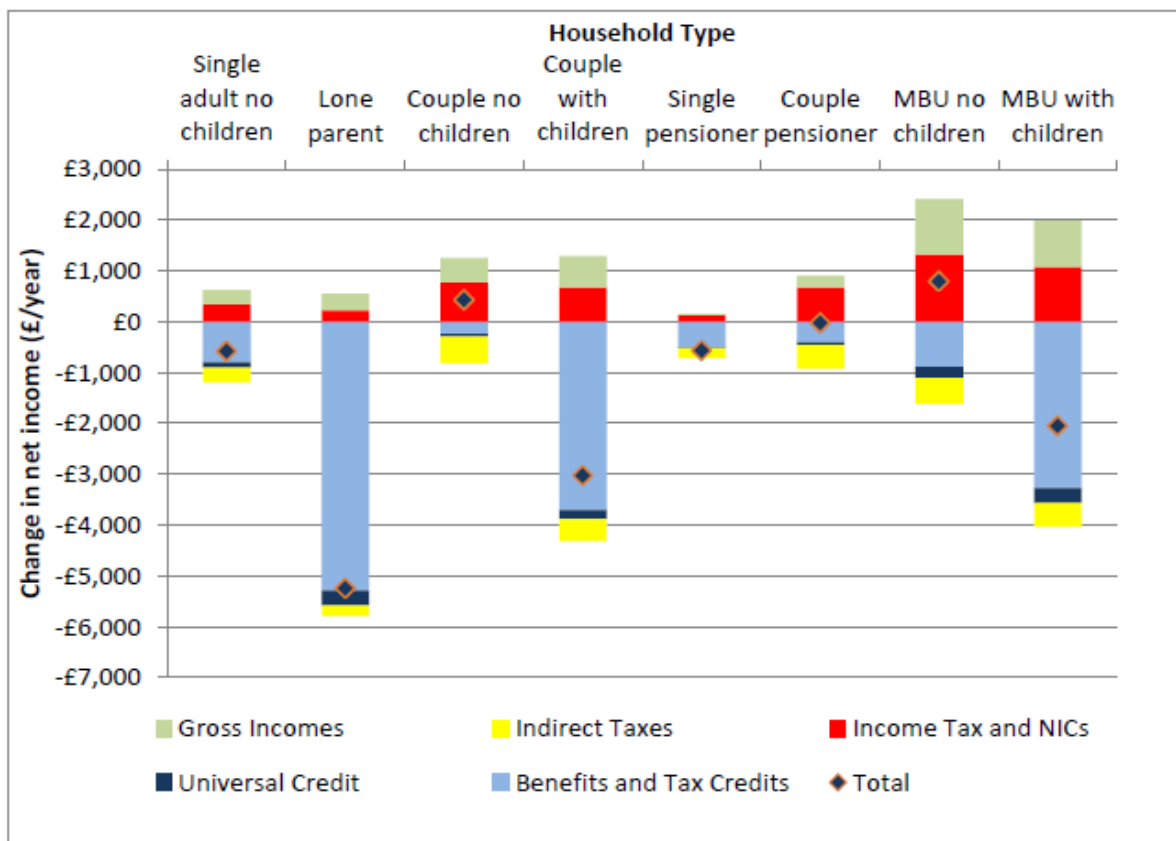
Figure 3. Cash impact of reforms to direct tax and transfer payments by gender and age group, 2021–22 tax year: Great Britain.



3.3. Impact by household demographic type

- 3.3.1. Our CIA found that that households with children experience much larger losses as a result of the reforms than households without children. Losses are especially dramatic for lone parents (the vast majority of whom are women) who lose around £5,250 on average, equivalent to almost 19% of their net income.
- 3.3.2. An intersectional analysis, by household demographic type and household income distribution, finds that the poorest lone parents at the bottom of the household income distribution suffer particularly large average losses from the reforms, equivalent to around 25% of their net income. The average losses for lone parents in the bottom fifth in income are much greater than for couples with children in the bottom fifth (around 17.5%).

Figure 4. Cash impact of reforms to taxes and transfer payments by household demographic type and type of reform, 2021–22 tax year: Great Britain.



3.4. Impact by household demographic type and disability status

3.4.1. Two of the strongest negative impacts of the reforms since 2010 are:

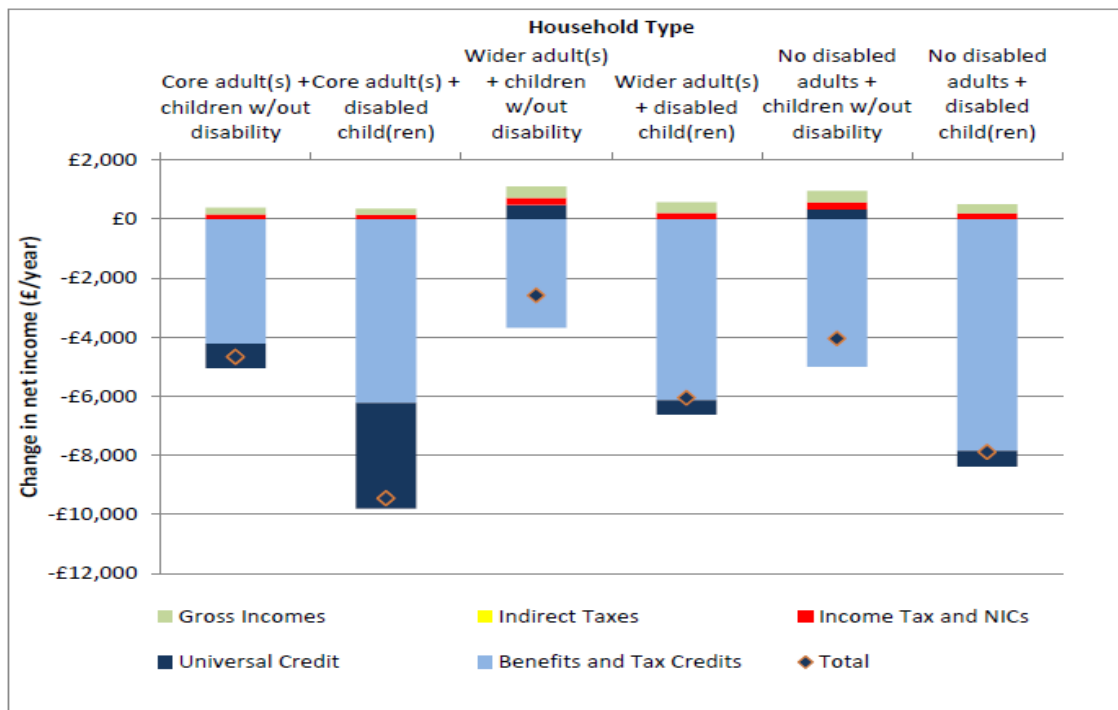
- Substantial losses in net income for disabled households (in particular for households with disabled adults and children at the same time, and/or a high disability ‘score’).
- Substantial losses in net income for lone-parent households. Given that 90% of lone parents with dependent children are women, the impact on women is therefore likely to be particularly severe.¹¹

3.4.2. These findings make a two-way analysis essential, to establish whether lone-parent households where the lone parent, and possibly one or more children, are disabled, face a double disadvantage.

3.4.3. Figure 5 (below) offers a breakdown by household disability for lone-parent households only.¹² Households with a lone parent in the ‘core’ disabled group and with one or more disabled children (the second column from the left) face particularly heavy losses, equalling 29.5% of net income.

3.4.4. Lone parents with one or more disabled children are losing almost three out of every ten pounds of their net income, as a result of the reforms to taxes and transfer payments since 2010. In cash terms their average losses are almost £10,000 per year. Average losses for lone parents who are not disabled, but who have at least one disabled child, are not much smaller, at over 24% of net income.

Figure 5. Cash impact of reforms to taxes and transfer payments by household disability status for lone-parent households, 2021–22 tax year: Great Britain.



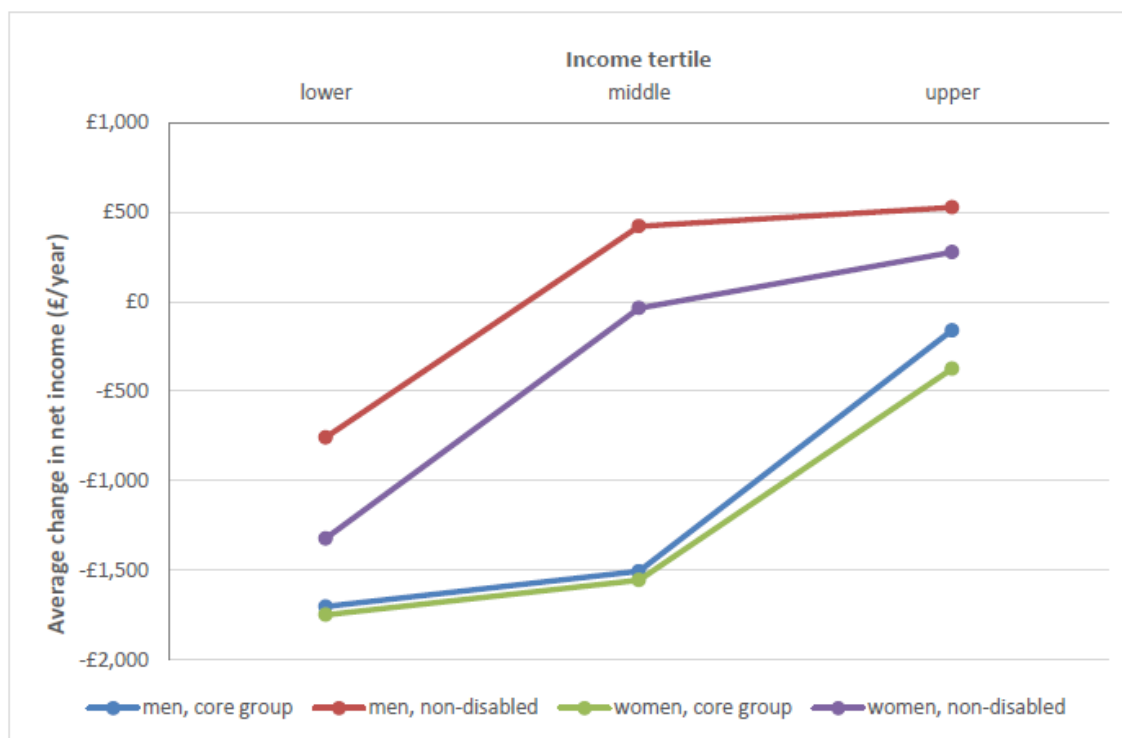
¹¹ Office of National Statistics (ONS) (2017) Families and households. London: ONS. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/familiesandhouseholds>

¹² For the purposes of this example, we are assuming that the statistic that 90% of lone parent households are headed by a woman also holds true for households with a lone parent who is in the ‘core’ disabled group and one or more disabled children.

Impact by gender, disability status and household income

- 3.4.5. The average cash impact of reforms to direct taxes and transfer payments for disabled men and women is fairly similar,¹³ particularly for those on low or middle incomes. Men and women in the bottom and middle household income tertile¹⁴ lose similar amounts, and men lose less than women on average in the upper tertile. For non-disabled adults, men have significantly better average outcomes from the direct tax and transfer payment reforms.
- 3.4.6. To a large extent, this difference in outcomes is because low-income disabled men and women both suffer considerable losses on average from cuts to transfer payments to disabled people, whereas for working-age non-disabled people, the main component of benefits and tax credit receipt is payments for children, which go mainly to mothers. This results in greater average losses from the reforms to transfer payments for non-disabled women compared to non-disabled men.

Figure 6: Cash impact of reforms to direct tax and transfer payments by gender, disability status and income tertile, 2021–2022 tax year: Great Britain.



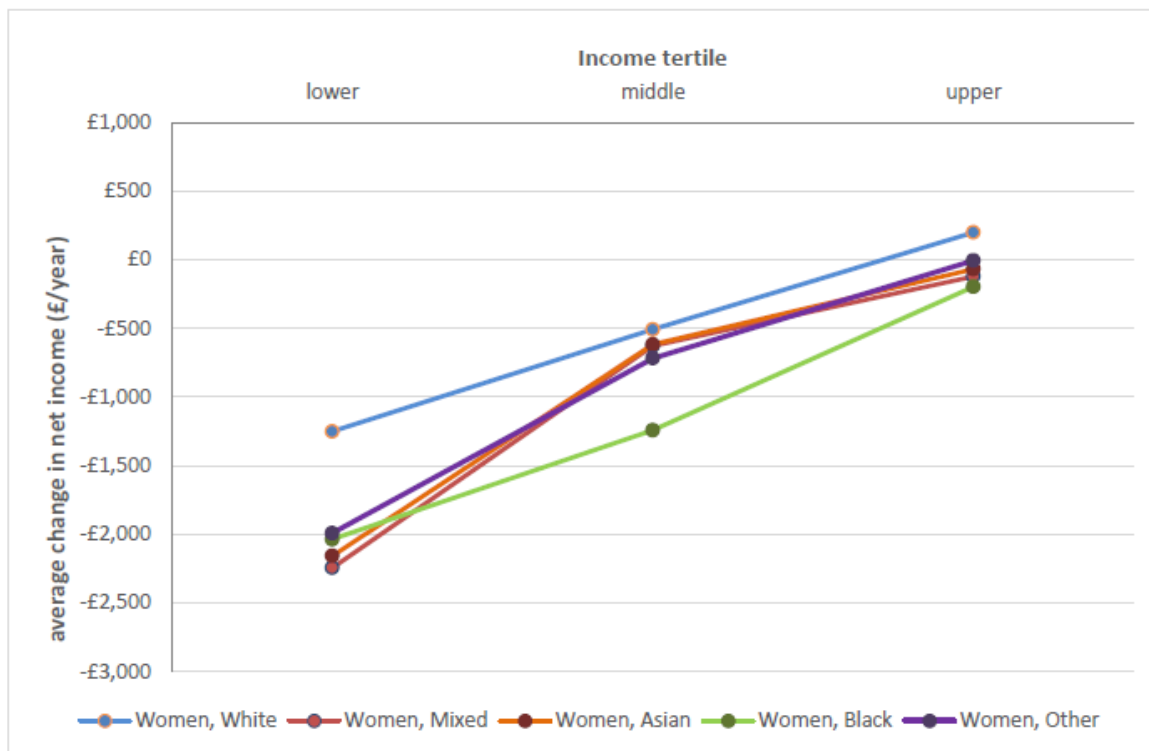
¹³ The FRS uses a nine-way classification of disability that enables a 'core' and a 'wider' group of disabled people to be identified. This statement relates to the 'core' disabled. According to the FRS, everyone who is disabled under this definition will be disabled under the Equality Act 2010 definition, but some people who are disabled under this Act's definition will be excluded. Those excluded could include people who have been diagnosed with cancer, HIV infection or multiple sclerosis and who are not currently experiencing difficulties with their day-to-day activities; people with progressive conditions, where the effect of the impairment does not yet impede their lives; people who were disabled in the past and are no longer limited in their daily lives; and people with a long-standing illness or disability who would experience substantial difficulties without medication or treatment.

¹⁴ Tertiles divide the income distribution into three equally sized segments, from poorest to richest. Tertiles are used rather than deciles or quintiles here because of the relatively small sample size of the FRS core disabled group of adults in the upper reaches of the income distribution.

3.5. Impact by gender, ethnicity and household income

- 3.5.1. Men fare better than women from the reforms in every ethnic group and across every point in the income distribution. White women experience smaller losses in the bottom and middle tertile¹⁵ than women in other ethnic groups and Black women fare worse than any other sub-group in the middle and top tertiles. However, women of Mixed and Other ethnicities are worse off as a result of the reforms than Black women in the lowest tertile. Overall, ethnic minority women suffer the biggest net negative impacts from the reforms.
- 3.5.2. Where intersectional analysis was conducted by gender, disability and ethnicity the CIA found that disabled women of Mixed ethnicity and Other ethnic groups were likely to lose most as a result of the reforms.

Figure 7. Cash impact of reforms to direct tax and transfer payments for women by ethnicity and income tertile, considering average change in net income (£ per year), 2021–22 tax year: Great Britain.



3.6. Impact of welfare reforms on the number of adults and children in households below an adequate standard of living.

- 3.6.1. The right to an adequate standard of living is a key consideration for evaluating the human rights implications of the tax and welfare reforms in Britain since 2010.
- 3.6.2. The CIA results forecast that child poverty will increase substantially by 2021–22 as a result of the tax and welfare reforms between 2010 and 2017, resulting in around 1.5 million extra children being in poverty (an increase of over 10 percentage points).
- 3.6.3. This reflects the fact that the cuts to benefits and tax credits, and the adverse impacts of Universal Credit, are felt disproportionately by households with children.

¹⁵ Tertiles are used for ethnicity due to the small sample size.

- 3.6.4. The child poverty rate for children in lone-parent households in Great Britain is forecast to increase from slightly over 37% to slightly over 62% as a result of the reforms – an increase of almost 25 percentage points. As noted above, given that the overwhelming majority of lone parents are women, the significant increase in child poverty for children in lone parent households is likely to have a particularly adverse impact on women.

4. Conclusions

- 4.1. Our analysis shows that the changes to taxes and transfer payments (benefits, tax credits and the introduction of Universal Credit) announced since 2010 are regressive, however these changes are measured. The largest impacts are felt by those with lower incomes. This is true even when increases in gross earnings from the minimum wage are taken into consideration.
- 4.2. The reforms will have a disproportionately negative impact on people sharing certain protected characteristics, including women, disabled people and certain ethnic minorities. There are particularly negative impacts on groups who experience multiple disadvantages, such as the poorest lone parents, in particular those with disabled children, and disabled women from particular ethnic minority groups.
- 4.3. The UK is a State Party to the International Covenant on Economic, Social and Cultural Rights (ICESCR), which includes the right to social security. The UN Committee on Economic, Social and Cultural Rights has observed that benefits must be ‘adequate in amount and duration’ to ensure an adequate standard of living; moreover, any reductions (driven, for example, by wider economic policy considerations) should be temporary, necessary and proportionate.¹⁶ The UK Government’s published impact assessments alone do not indicate that these obligations have been taken into account; nor do they indicate that the Government complied with the Public Sector Equality Duty by having due regard to the impact of reforms on groups sharing protected characteristics and on other vulnerable groups.¹⁷

5. Recommendations

5.1. Mitigating the negative impacts of reforms.

- 5.1.1. There is a clear need for the UK Government to consider how to mitigate these large negative impacts, particularly given the disproportionate impacts for some protected groups, and the lack of evidence that these impacts, and possible mitigations, have been considered by UK Treasury.¹⁸ We therefore recommend that, as a matter of urgency, the UK Government reviews the level of welfare benefits to ensure that they

¹⁶ Office of the High Commissioner for Human Rights (2016) Report on austerity measures and economic and social rights. Geneva: UN OHCHR. Available at: http://www.ohchr.org/Documents/Issues/Development/RightsCrisis/E-2013-82_en.pdf

¹⁷ S.149, Equality Act 2010. This section imposes a duty on specified public bodies to have due regard to three specified matters when exercising their functions:

- eliminating conduct that is prohibited by the Act;
- advancing equality of opportunity between people who share a protected characteristic and people who do not share it; and
- fostering good relations between people who share a protected characteristic and people who do not share it.

¹⁸ This is the UK Government’s Department of Finance.

provide an adequate standard of living for households who rely partially or wholly on transfer payments.¹⁹

5.2. Improving the transparency of decision-making.

- 5.2.1. In advance of the next Spending Review, the Treasury should publish a detailed explanation of the process by which it will ensure that the Spending Review process is fully compliant with the Equality Act 2010's Public Sector Equality Duty.
- 5.2.2. The Treasury should convene an independent advisory group, to advise on the equality impact of the next Spending Review.
- 5.2.3. All Budgets and Spending Reviews should be accompanied by an equality impact assessment (EIA). This should incorporate a CIA of the impact on protected groups, showing how distributional impacts vary across groups. In addition, the EIA should discuss and explain any major disparities in outcomes that adversely impact protected groups.
- 5.2.4. The Scottish and Welsh Governments should also publish EIAs of the key individual tax and social security measures that they plan to introduce.

5.3. Improving data for cumulative impact assessments

- 5.3.1. These recommendations are of direct relevance to the UK Government, but the Commission suggests that they have broader applicability.
- 5.3.2. Questionnaires designed to assess resources and costs, such as the Family Resources Survey (FRS) and the Living Costs Survey, should be revised to enable impact assessment of at least some of the welfare reforms which cannot currently be modelled due to data limitations. In particular, information about which benefit claimants have been sanctioned and why (and also about sanctions under Universal Credit) should be included in the FRS dataset.
- 5.3.3. Where sample size constraints are a barrier to accurate impact assessment, the UK Government should consider allocating more resources to data collection. This would increase the sample size of these datasets to high-enough levels for robust analysis.

¹⁹ A full list of specific reforms to the welfare benefit system is available at: <https://www.equalityhumanrights.com/en/publication-download/cumulative-impact-tax-and-welfare-reforms>. Page 186 - 187.