



HM TREASURY

Overview of the impact of Spending Review 2010 on equalities

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Introduction

1.1 The Government is committed to fairness and promoting social mobility. Throughout the Spending Review process the Treasury has looked closely at the impact that decisions may have on different groups in society.

1.2 Public authorities are legally obliged to pay due regard to the promotion of equality in carrying out their functions¹. These duties mean that all public bodies need to consider the impact of their decisions on men and women, people from ethnic minorities and people with disabilities when these decisions are made. This document sets out how the Treasury has done this.

The 2010 Spending Review

1.3 The Spending Review sets out how the Coalition Government will carry out Britain's unavoidable deficit reduction plan. This is an urgent priority to secure economic stability, at a time of continuing uncertainty in the global economy, and put Britain's public services and welfare system on a sustainable long term footing. The Coalition Government inherited one of the most challenging fiscal positions in the world. Last year, Britain's deficit was the largest in its peacetime history – the state borrowed one pound for every four it spent. The UK currently spends £43 billion on debt interest, which is more than it spends on schools in England. As international bodies such as the International Monetary Fund and Organisation for Economic Cooperation and Development have noted, reducing the deficit is a necessary precondition for sustained economic growth. Failure to take action now would put the recovery at risk and place an unfair burden on future generations.

1.4 . The Spending Review makes choices. Particular focus has been given to reducing welfare costs and wasteful spending. This has enabled the Coalition Government to prioritise the NHS, schools, early years provision and the capital investments that support long-term economic growth, setting the country on a new path towards long-term prosperity and fairness. As a result of these choices, departmental budgets other than health and overseas aid will be cut by an average of 19 per cent over four years, the same pace as planned by the previous government.

1.5 The consolidation will set debt on a sustainable downward path and will restore spending as a share of the economy to a level closer to its historical average, thereby addressing the structural imbalance in the public finances. Public spending as a percentage of Gross Domestic Product will return to the level seen in 2006-07 and in real terms it will return to around the level seen in 2008-09.

¹ These duties are set out in the Sex Discrimination Act 1975, the Race Relations Act 1976 and the Disability Discrimination Act 1995.

Role of the Treasury

1.6 In considering equalities impacts, the Treasury's approach is in line with that set out in the Treasury's Single Equality Scheme².

1.7 The Treasury's key responsibility at the Spending Review is to allocate resources across all Government departments. It is then up to departments to decide how best to manage and distribute this spending within their areas of responsibility. It would not be proportionate for the Treasury to duplicate the responsibilities of other departments by undertaking equalities impact assessments of policy decisions that lie outside its core responsibilities. All Government departments will further consider equalities impacts as appropriate and as they make decisions on how to pursue policy aims with the resources allocated to them.

1.8 However, the Treasury does have a role to play in considering the equalities impacts of the Spending Review as a whole. In setting departmental budgets, the Treasury has considered what the overall impact of these spending decisions will be, as far as this is known from the information currently available. The Treasury has a more direct involvement in some of the decisions made as part of the Spending Review, notably tax and areas of welfare and public service pensions. For tax and welfare measures, a screening exercise was undertaken to assess whether the change would have a particular impact on women or men, people of different ethnic origin or people with disabilities. The results of these screening exercises, and the ways in which these could be mitigated, were considered when policy decisions were taken. Full impact assessments will be considered and published by the relevant departments in due course, as the full details of these policies are worked out.

1.9 On public service pensions, an initial screening of the likely impact of an increase in employee contributions has taken place. The full details of this change are yet to be decided and full equality impact assessments, including any actions to mitigate the effects on protected groups, will be produced in due course for each public service pension scheme.

Approach

1.10 Detailed allocations have not yet been made by every department within the totals allocated at the Spending Review. In assessing likely equalities impacts, the Treasury has examined data on the extent to which public services are unevenly consumed between different groups. Where spending reductions are being made in specific areas of departmental policy, we have made a qualitative assessment of the effect this may have on specific groups.

1.11 The objective of the policy in question is also important in considering likely equalities impacts. Spending which directly promotes equality of opportunity, such as that on education, is more significant for future life chances than spending which funds other services, even if these are consumed unevenly across the population. Reductions in the spending of some departments may have larger effects on equality, both in the short and long term.

1.12 Information about the equality impacts of spending was commissioned from departments as part of the Spending Review process. It was made available to ministers at relevant points throughout the process to inform the decisions that were being made about spending levels and other policies. However, this analysis needs to be treated as indicative – it is not a categorical statement of the total impact of the Spending Review on women and men, people from different ethnic groups and people with disabilities.

1.13 There are two key reasons for this:

² Available at http://www.hm-treasury.gov.uk/about_equality.htm.

- Firstly this analysis focuses on the input of resources for particular areas and specific groups – it is not an assessment of the service they receive and the outcomes they experience as a result. Reducing Departmental spending will not necessarily mean increased inequalities if the same services can be provided more efficiently, or if resources are better targeted on the groups that are most in need of them.
- Secondly the decisions that departments make as a result of the spending review may change the way they allocate resources between different strands of their work. The likely impacts that we have identified here may be mitigated by these decisions.

1.14 Taking this into account, the Treasury has taken a qualitative approach to determining what these impacts might be. This allows these issues to be taken into account in a way that is not possible with quantitative analysis. More information on the impacts of the Spending Review will become available, as departments make decisions on how to use their resources. In allocating resources, all departments will take due account of equalities.

1.15 Outputs of several Government departments may be regarded as public goods – of equal benefit to everyone in society, such as defence. For these departments, it would not be meaningful to consider the equalities impacts of their resource allocations. This is also true for some major spending areas within departments, such as science. Therefore, not all departments have been included in the high-level qualitative assessment of the Spending Review’s impact on equalities. The following departments were included in the analysis:

- Department for Education;
- Department of Health;
- Department for Work and Pensions;
- Ministry of Justice;
- Department for Culture, Media and Sport;
- Department for Transport;
- Department for Business, Innovation and Skills;
- Department for Communities and Local Government; and
- Department for Environment, Food and Rural Affairs.

1.16 The qualitative assessment of the impact of the Spending Review has focused on the services provided by departments. It is likely that reductions in public spending will also lead to workforce reductions across the public sector. However, the decision of how to achieve the budget reductions necessary rests with individual public sector employers and therefore it is their responsibility to assess, and give due regard to, the impacts on equality of those decisions. It would not therefore be meaningful to assess the impact of these reductions at this stage, given that public sector employers have not yet determined their detailed workforce plans.

Next steps

1.17 This is the first time that the Government has produced an analysis of this type for the Spending Review.

1.18 The Government Equalities Office will provide support and guidance to other Government Departments as they make the assessments.

1.19 The Equality and Human Rights Commission (EHRC) also has a role to play in ensuring that

public authorities take account of equalities when making the decisions that will follow this Spending Review.

2

Equalities impacts - policy decisions

2.1 This chapter sets out the high level impact of the Spending Review on groups protected by equalities legislation, using the approach set out in Chapter 1.

2.2 It may not always be possible to mitigate the impacts within a single policy while delivering savings. However, savings in one area allow for higher spending elsewhere, potentially on the same groups of people. It is important therefore to consider the overall set of choices made in the Spending Review, rather than simply each individual decision, when considering mitigations.

2.3 In addition, it is not sufficient to consider purely static impacts of changes to benefits. The Government is reforming the welfare system itself. The existing system too often traps people in dependency – their family income affected only by centrally determined changes in welfare payments rather than their own efforts to earn a better wage and improve their position. Since 1996-97, this approach has led to spending on working age benefits and tax credits increasing by nearly 40 per cent in real terms, while 1.4 million people have remained on out of work benefits for nine or more of the last ten years³.

Gender

2.4 Women use some public services more than men, therefore changes to those services will have an impact on women. Decisions have been taken within the Spending Review which relatively protect most of these services, in particular:

- Health: working age women tend to have higher healthcare costs than working-age men, but the position is reversed for those over pension age;
- Social care: there are more women in old age than men and therefore women are more likely to need social care; and
- Early years and childcare: the principal beneficiaries of early years and childcare services are children. However, these services also play an important role in facilitating women's access to employment opportunities and may have a positive impact on women's quality of life.

2.5 In order to protect these areas of spending, savings have needed to be made in other areas of Government spending, including welfare. In order to understand the impact of changes in benefits and tax credits on men and women it is necessary to know how families share their income between themselves and their children (if any). It is not enough to simply know the gender of the claimant. It is therefore difficult to assess the impact on gender equality of changes to Child Benefit, which is paid to an individual claimant on behalf of the child, and not

³ Department for Work and Pensions, internal estimates

for the personal benefit of the claimant; as well as changes to tax credits which are paid on a household basis.

2.6 There is some evidence to suggest that families primarily do spend the Child Benefit on their children, findings from HMRC's Panel Survey with Child Benefit claimants shows that 66 per cent stated they spent some or all of their Child Benefit directly on their children, for an additional 33 per cent of claimants Child Benefit was distributed amongst the household to pay for general household expenditure. Only less than 1 per cent of claimants stated that they spent their Child Benefit solely on themselves or their partner.

2.7 Reforms to the Working Tax Credit will affect all in-work families on tax credits benefiting from these elements. This will affect both couple and single-person households. For claimants in couple households, it is difficult to determine the impact on women due to the lack of data on income pooling within the household.

2.8 Some benefits and elements of tax credits particularly affect single households, or are paid to more men or women. In the case of single households, assessing entitlement on a household basis is equivalent to assessing an individual's entitlement. Any changes to single households with children will affect women more than men because women make up the majority of lone parent households. This may be an issue for:

- The reduction in support through the childcare element of tax credits: this will particularly affect women in lone parent households. However, affected lone parent households will benefit from the above indexation increase to the child element of the Child Tax Credit that was announced in the June Budget, and the further increases announced in the Spending Review. In addition, the extension of 15 hours of free childcare to disadvantaged two year olds is likely to have a positive effect for lone parent households, because they make up a greater proportion of low income households with children.
- Changes to disability benefits: 58 per cent of current Incapacity Benefit claimants are male, therefore reforms to these benefits will affect more men than women. Other areas of spending, which have been relatively protected, are likely to be important to many within this group of men: in particular, health and social care expenditure.

Ethnic Minorities

2.9 Some services are used more by particular ethnic groups, including:

- Services targeted on people on low incomes: people from ethnic minorities are more likely than average to be in households on low incomes.
- Services in areas which people from ethnic minorities are more likely than average to live and therefore to use services provided within them, including London, Leicester, Birmingham, Bradford and Manchester⁴.

2.10 Decisions have been taken within the Spending Review which relatively protect many of these services. In particular:

- the extension of early years and care to all disadvantaged two year olds;
- continuing to fund Raising the Participation Age, which will benefit young people from ethnic minorities as they are less likely to be in education after 16 than at present; and

⁴ The following percentage of these cities' populations are of ethnic minority origin or heritage 32.5% of London, 42% of Leicester, 33.3% of Birmingham, 25.9% of Bradford and 22.4% of Manchester compared with 12% national average.

- High value capital investment in transport in London and the regions, including Crossrail, London Underground upgrades, Midland Metro and northern urban centres rail corridor improvements.

2.11 In order to protect these areas, savings have needed to be made in other areas of Government spending.

2.12 The introduction of a cap on household income from benefits will ensure that no family can receive more in benefits than median post-tax earnings for working families. The majority of those affected by the policy will have very large families, implying that households from cultural backgrounds with a high prevalence of large families will be affected. It is difficult to estimate a precise number given the reliance on survey data, which does not produce robust estimates for small sub groups of benefit claimants.

2.13 Black and minority ethnic groups make up a significant proportion (36 per cent) of couple families with one parent in part-time work and one parent not in work, this is greater than the proportion of the general population who are from an ethnic minority (12 per cent). Therefore the changes to the working hour eligibility rules for the Working Tax Credit for couples with children will have an impact on people from ethnic minorities.

2.14 However, many ethnic minority families with children will benefit from the additional investment in Child Tax Credits, which should mitigate these effects.

People with disabilities

2.15 People with disabilities use some public services more than people without a disability, in particular:

- Health: People with long-term health conditions account for around 70 per cent of the NHS budget. Many within this group will also have a disability;
- Social care: people with disabilities are more likely to be users of social care;
- Service targeted on people on low incomes: people with disabilities are more likely than average to be in households on low incomes; and
- The Disabled Facilities Grant.

2.16 Decisions have been taken within the Spending Review which relatively protect these services. Health spending has been protected in real terms. In social care, the Spending Review has provided additional funding needed to maintain current levels of care, which when combined with efficiency savings, will allow local authorities to ensure that better outcomes are delivered and that greater value for money is achieved. Decisions on funding for social care are, however, ultimately a matter for local government. The Disabled Facilities Grant has been prioritised within the capital allocation process.

2.17 Measures targeted on people on low incomes, in particular the extension of childcare to disadvantaged two year olds and the Pupil Premium will benefit young people with disabilities, who are over-represented in the target groups for these policies. The confirmed increase in funding for short breaks for disabled children will also help to improve the quality of life for children and young people with disabilities and their families.

2.18 In order to protect these areas, savings have needed to be made in other areas of Government spending. Some people with a disability will be affected by the time limit for contributory Employment and Support Allowance (ESA). However, this will be mitigated for the most severely disabled and those on low incomes as the Support Group in ESA and Income Related ESA will not be subject to the time limit.

2.19 The changes to the hours eligibility rules for the Working Tax Credit may also affect households that include someone with a disability. Couples will have to work 24 hours a week between them to qualify (rather than 16), bringing the policy more in line with lone parents who have to work for 16 hours themselves to qualify for the Working Tax Credit. However, couples where a disabled member works 16 hours will continue to qualify for Working Tax Credit, even if the household do not work 24 hours between them.

2.20 The extension of the Single Room Rate to people aged 25-35 may affect people with mobility difficulties or low level care needs. Some mitigating action has been taken to protect disabled people, those on middle or higher rate of the care component of Disability Living Allowance are exempt from the measure.

2.21 In recognition of the additional costs faced by disabled people, all Disability Living Allowance claimants will be exempted from the new cap on total household welfare payments.

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This document can be found in full on our website at:
hm-treasury.gov.uk

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