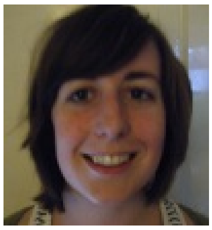
The government's economic policy ignores the gendered effects of its 'competitive' growth strategy

Blog Admin

The Equalities Impact Assessment (EIA) conducted for the 2011 Budget, while a welcome development given the lack of impact assessment in last year's Emergency Budget, is severely lacking in rigour and scope. ***Amy Watson****, co-ordinator of the Women's Budget Group (WBG), presents research from the WBG and the Fawcett Society, which focuses on the government's policy of reducing corporation tax and examines how this policy continues to disadvantage women. The research also considers the role that the coalition government could take in allocating resources and devising policies to actively pursue gender equality.*



In the UK today, economic inequality between women and men remains persistent and entrenched. In general, women earn less, own less and are more likely to live in poverty than men. This limits women's financial power and freedom, and hinders their full participation in public life, including in positions of power and influence.

When George Osborne set out the Budget 2011 in March, he stated that a key economic ambition for Britain would be to "create the most competitive tax system in the G20". As a result, a series of policies have been implemented in an attempt to promote economic growth and job creation via incentives for investment and enterprise. What the government has not done however, is adequately consider the impact on women of these policies and incentives. Whilst an Equalities Impact Assessment (EIA) was conducted for the 2011 Budget – a welcome development given the lack of impact assessment in last year's Emergency Budget – it is severely lacking in rigour and scope, and is framed by a misguided understanding of the purpose of EIAs.

The changes in corporation tax have gendered implications relating to the breakdown of the FTSE 100, medium and small companies, and business ownership. The coalition government has fundamentally misunderstood the way in which these components of the economy are gendered, and that this has not only led to an inadequate EIAs, but policies that will exacerbate gender inequality.

Each measure in the 2011 Budget has the potential to further the progress of equality, produce no change in existing levels of inequality, or further entrench inequality. But we find that the coalition government has not sincerely considered these options, and has relied on complacent and deliberately gender blind policies.

As such, while the impact of individual measures may seem negligible, what emerges from the budget as a whole is a cumulative failure to address the inequalities that exist between women and men and to mitigate against austerity measures that threaten to further widen inequality.

Corporation tax and the gender break down of FTSE 100

A key policy has been the reduction in the rate of corporation tax, from 28 per cent to 26 per cent, and by 2014 it will be 23 per cent. This reduction in corporation tax mainly benefits large and medium companies, as only a minority of small businesses pay corporation tax at the main rate. The immediate beneficiaries of these tax breaks will be the owners, shareholders and senior managers of corporations, as more profit will be available for distribution as dividends and bonuses.

It is concerning that in the *Overview of Tax Legislation and Rates* (p.A40), the government regards taxes on businesses to have no impact on equalities, citing businesses as corporate entities that do not have a sex or an ethnicity. Only taxes on individuals are considered to have an equalities impact, which in particular ignores gender and ethnicity differences in ownership of businesses and of shares. This ignores the fact that considerably fewer women than men hold shares, are senior managers, or owners of businesses.

For instance, the *Women on Boards* report (PDF) produced by the Department for Business, Innovation and Skills, found that in 2010 women made up only 12.5 per cent of corporate board members of the FTSE 100, up from 9.4 per cent in 2004. The *Sex and Power* report produced by the Equalities and Human Rights Commission estimates that at this rate of change, it will be over 70 years before we see gender balanced board rooms in the UK's largest 100 companies. The same report shows that women now occupy just 242 of the 2,742 board seats of FTSE 350 companies, and that across the FTSE 250 just 7.8 per cent of directorships are held by women – equating to 154 compared to 1,812 male directorships.

These gender inequalities will be further exacerbated by gender blind policies, and an unwillingness or inability to acknowledge this through concerted impact assessment.

Tax breaks, business ownership and gender

Additionally, there are major gender differences in business ownership, such that men are disproportionately likely to benefit from tax breaks that lead to increases in business profits. There are comparatively few solely women-owned businesses in the UK, as shown in Table 1. Most small to medium sized enterprises (SMEs) are owned by men, or led by a management team with a majority of men.

Table 1: Business leadership by gender: 2006/7 and 2007/8

Business Leadership	2006/7 %	2007/08 %
Majority-led by women	14	14
Equally-led	26	24
At least 50 per cent female leadership (majority-led by women and equally)	40	39
Women in a minority	7	8
Entirely male-led	52	53

Source: Annual Small Business Survey (ASBS) 2007/8, Matthew Williams & Marc Cowling, Institute for Employment Studies.

The *Annual Small Business Survey* (ASBS) also documents that women-led businesses tend to be smaller than other businesses – 90% of women-led SMEs were micro businesses, compared to 83% of those not led by women. Tax breaks do not help firms that are too small to pay tax, so have the potential to exacerbate the already pronounced gap in male and female new venture and business creation, as the *Report on Women and Entrepreneurship* from 2007 concludes.

The coalition government should be taking steps to proactively redress this gender imbalance, rather than embarking on policies which at best doing nothing to alleviate or even acknowledge inequality, and at worst amount to a regression in gender equality.

Tax breaks and confusion over gender impact

The government is introducing new tax breaks to support investment in such SMEs, and is expanding the Enterprise Investment Scheme (EIS) to give firms with up to 250 employees income tax relief of 30%. An assessment of the equalities impact of this measure is provided in Annex A of the *Overview of Tax Legislation and Rates*. It notes that:

"EIS and VCT investors tend to be male, located in the South of England and have higher overall income levels. The changes to the scheme are not likely to change that position. We have no data to suggest that there will be impacts on other groups. From the data available therefore do not think these changes will have a disproportionate impact."

This seems a very strange conclusion to draw; what the data clearly shows is that high income men in the South of England will disproportionately benefit from this tax break. The fact that this tax break perpetuates an unequal distribution of the tax reduction is a key aspect of its equalities impact. No evidence is provided on which businesses are likely to benefit if the tax break leads to more investment.

A further tax break is provided to encourage small and medium sized enterprises to invest in research and development. The equalities impact statement, from the above report, states:

"This change only affects companies involved in research and development and not individuals. It is therefore considered that these proposals have no significant impacts on age, race, disability, or gender equality."

This reflects a misunderstanding that runs throughout the government's assessment of changes in corporate taxes. Though the immediate impact is on businesses, there will be knock-on effects on individuals through impacts on employment and on incomes from ownership of businesses, including the ownership of shares. To conduct an adequate gender equality impact of measures to support small and medium enterprises, we need to know the gender distribution of employment by size of firm, and the gender distribution of business ownership. There is not much difference in the distribution of male and female employees by size of firm, as

Table 2 shows.

Table 2: Distribution of men and women by size of firm

	Men	**Women**	**All**
<=10	21%	21%	21%
between 10 and 250	54%	55%	54%
>=250	25%	24%	25%
All	100%	100%	100%
Male and female shares of employment by size of firm			
	Men	**Women**	**All**
<=10	51%	49%	100%
between 10 and 250	51%	49%	100%
>=250	52%	48%	100%
All	51%	49%	100%

Source: WBG using data from Quarterly Labour Force Surveys (April 2009 – March 2010)

These tax reduction measures also mean less revenue for the government, which could have been collected, spent on public services and sustained public sector employment, helping to support the market for the goods and services that businesses produce.

Sustaining a more equal and caring society

In the past there has been government support to enable more women to start up businesses, but expenditure cuts are starting to reduce this. The Women's Employment, Enterprise & Training Unit (WEETU), based in Norwich, received a 50 per cent cut to its Local Enterprise Growth Initiative. This cut threatens the survival of WEETU which was one of the first independent voluntary organisations offering support for women to take control of their economic lives with free support for business start ups and training in employment, IT, personal development and money management skills.

If small and medium enterprises are going to create more jobs, they need expanding markets. But the Office of Budget Responsibility forecasts lower consumer spending and lower business investment, as well as lower government expenditure. Some small and medium businesses will be able to find overseas customers, but for the majority, demand prospects are not encouraging.

Government must place more of an emphasis on ensuring that there is a thriving market for the products of small and medium enterprises; and to increase rather than reduce support for women to start small businesses. We call upon the government to ensure that corporations make a much bigger contribution to the costs of sustaining a more equal and caring society.

The full WBG budget 2011 analysis was prepared by several different contributors, all of whom are acknowledged online. Special thanks goes to Professor Diane Elson, Professor Susan Himmelweit and Dr Claire Annesley.

'The Impact on Women of Budget 2011' has been released in conjunction with the Fawcett Society, and is available as a PDF online.

'Budgeting for Gender Equality: is government economic policy fair to women?' is the title of a public discussion being held by the LSE Gender Institute and the Department of Sociology on Wednesday 11th May 2011 at the Sheikh Zayed Theatre at LSE. See the event page for more details.