



CONSULTATION RESPONSE: NATIONAL ASSEMBLY FOR WALES' FINANCE COMMITTEE'S INQUIRY INTO THE IMPACT OF VARIATIONS IN NATIONAL AND SUB-NATIONAL INCOME TAX

Deadline: **15th January 2020**

The email address for responses or queries is: seneddfinance@assembly.wales

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1. About the Women's Equality Network Wales:

- 1.1 **WEN Wales is a representative women's network¹ and human rights organisation working for a Wales where women and men have equal authority & opportunity to shape society and their own lives. Our charitable objectives are to promote equality and human rights with specific reference to women and gender equality in Wales.**
- 1.2 **WEN Wales, in collaboration with Women Connect First, Welsh Women's Aid and Chwarae Teg published '[Equality for Women and Girls in Wales: Our Manifesto](#)², which sets the agenda in Wales to achieve greater equality for women and girls.**
- 1.3 **In collaboration with Oxfam Cymru we also produced our '[Feminist Scorecard 2019: Tracking Welsh Government Action To Advance Women's Rights and Gender Equality](#)³. Collectively, we have a vision of a transformed Wales, free from gender discrimination where woman and men have equal authority and ability to shape society and their own lives. We want to ensure that Wales is the safest country in Europe to be a woman, where women and girls can flourish and actively participate in their communities. These two documents set us on the path to achieving this.**
- 1.4 **WEN Wales sits on the Budget Advisory Group for Equalities (BAGE) We believe that this group has the potential to play a vital role in ensuring that equalities have been properly considered within the Welsh Government's budgetary decisions, including questions around tax powers, but the group needs to be reviewed in order to achieve this fully.**

¹ Over 1,400 individual members and organisational members, including women's rights and allied organisations from across the third sector, academia, international and national NGOs.

² http://www.wenwales.org.uk/wp-content/uploads/LR_11509-WEN-Manifesto-20pp-A4-English.pdf

http://www.wenwales.org.uk/wp-content/uploads/LR_11509-WEN-Manifesto-20pp-A4-Welsh.pdf

³ <http://www.wenwales.org.uk/wp-content/uploads/Feminist-Scorecard-Report-2019-English-Final.pdf>
<http://www.wenwales.org.uk/wp-content/uploads/Feminist-Scorecard-Report-2019-Cymraeg-Final.pdf>

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2 Consultation Response:

“Gender budgeting is an approach to public policy making that puts gender analysis at the heart of budget processes, public finance, and economic policy. Gender budgeting has been described as ‘good budgeting’” [Tackling Inequality Through Gender Budgeting Evidence and Models](#)

Angela O’Hagan et. al.⁵

- 2.1 Tax systems and tax rules can have different impacts on women and men. So-called gender-neutral taxation – which appears to be the approach adopted by Welsh Government – can actually undermine women’s economic security. A deliberately progressive tax system can have a positive effect.⁶
- 2.2 New taxation powers to Wales mark a significant moment in devolution – this is an opportune moment for Welsh Government to develop tools for analysing the gender impact of taxation decisions and address shortfalls in the budget process. For example, Wales’ gender pay gap⁷ affects part-time working women the most⁸, therefore an increase in taxation could have a detrimental effect on women barely making ends meet now. Gender budgeting is an effective tool that shows how decisions affect people differently and would enable Welsh Government to allocate resources more fairly and efficiently and advance gender equality.
- 2.3 Welsh Government states in its Tax Policy Framework⁹ that it “will use the tax system to promote fairness and economic growth” and that Welsh taxes should “raise revenue to fund public services as fairly as possible.” This approach should be applied to all Welsh Government’s decisions about taxation and spending, not just its recently devolved powers to set some small new taxes and the limited Welsh income tax.
- 2.4 Impact assessments must be done to show how such a change would affect women, Black, Asian and Minority Ethnic (BAME) people and disabled people before this power is used. Any use must lead to a fairer, more equal and more prosperous Wales with a focus on both short and long-term improvements felt across the whole country and throughout Welsh society.

⁴ Stotsky, J. G. (2016). Gender Budgeting: Fiscal Context and Current Outcomes. IMF Working Paper WP/16/149. Washington, DC: International Monetary Fund. Retrieved from:

<https://www.imf.org/external/pubs/ft/wp/2016/wp16149.pdf>

⁵ <https://www.wcpp.org.uk/wp-content/uploads/2019/09/Tackling-Inequality-Through-Gender-Budgeting.pdf>

⁶ <http://www.wenwales.org.uk/wp-content/uploads/Feminist-Scorecard-Report-2019-English-Final.pdf>

<http://www.wenwales.org.uk/wp-content/uploads/Feminist-Scorecard-Report-2019-Cymraeg-Final.pdf>

⁷ ONS ASHE 2017 provisional results / Welsh Government Priority Sector Statistics 2017

⁸ Office for National Statistics, Annual survey of Hours and Earnings, 2017

⁹ <https://gov.wales/sites/default/files/publications/2018-09/employability-plan-progress-report-2018.pdf>

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2.5 Wales' new tax powers offer an opportunity for Welsh Government to develop the use of tools for analysing the gender impact of taxation decisions and address shortfalls in the budget process. Gender budgeting is an effective tool that shows how decisions affect people differently, thus helping governments allocate resources more fairly and efficiently and advance gender equality.

2.6 Gender budgeting analysis has been examined alongside equalities budgeting in [Phase 2 of the Gender Equality Review](#). In the Gender Equality Review paper '[Deeds Not Words](#)', Chwarae Teg recommend that "Welsh Government adopt an equalities mainstreaming approach. This will only be successful if an equalities perspective is also put at the heart of budget processes, economic and fiscal policy". WEN Wales endorses the following learning points from '[Deeds Not Words](#)' regarding the Welsh Government budget, which has been supported by international research¹⁰:

- **Leadership by the ministry of finance has consistently been identified as an essential element of the successful adoption of gender budgeting. This was echoed by Nordic experts who recommended that responsibility for gender budgeting sit with the Minister of Finance, with dedicated officials trained in gender budgeting integrated into the Ministry.**¹¹
- **Legal requirements for gender budgeting are important**
- **Gender budgeting goals should be aligned with national gender equality plans. Gender equality goals "should be visible and actively pursued across all areas of policy, including economic and fiscal policy; and not only focused on spending, which has been a more typical focus for gender budgeting, but also on taxes and tax policies."**¹²
- **Gender budgeting can be implemented successfully at the national state and/or local levels**
- **Capacity building is broadly needed but technical-level staff in many countries would benefit from additional training**

2.7 Phase One of the Gender Equality Review identified a disconnect between policy and budget setting processes.¹³ Phase Two of the Review also highlighted that "existing forums to support engagement with experts, such as the Budget Advisory Group for

¹⁰ O'Hagan, A., Christensen, E. L., Tilley, H. and Nesom, S. (2019) Tackling Inequalities through Gender Budgeting: Evidence and Models. Wales Centre for Public Policy

¹¹ Talyor-Collins, E. and Nesom, S. (2019) Gender Equality: Learning from Nordic Nations

¹² O'Hagan, A., Christensen, E. L., Tilley, H. and Nesom, S. (2019) Tackling Inequalities through Gender Budgeting: Evidence and Models. Wales Centre for Public Policy

¹³ Chwarae Teg, *Rapid Review of Gender Equality Phase One*, July 2018.

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Equalities (BAGE), are not functioning effectively. WEN Wales sits on BAGE and agrees with concerns raised in the review¹⁴ where Chwarae Teg found that “it’s difficult to determine the extent to which the input from BAGE has shaped the final Annual Budget proposals and there remain some concerns about how well it is delivering its aims”¹⁵. BAGE appears to play less of an advisory role than the equivalent group in Scotland – the Scottish Equality Budget Advisory Group (EBAG) which appears to have “a more clearly defined role and membership and is a more robust example of engagement with experts as part of the budget process.”¹⁶ The recommendation from the Gender Equality Review Phase Two for BAGE are:

2.7.1 BAGE should be reviewed to consider, as a minimum, the following questions:

- **Is there clarity of purpose for BAGE? Is this understood across Welsh Government and by members of the group?**
- **Is BAGE engaged with at right time and at the right level?**
- **Is there a need for better engagement with BAGE from departments, when they are impact assessing their indicative spending proposals? Should BAGE members be funded to ensure that they are able to support the budget process with evidence and analytical capacity¹⁷**

2.8 WEN Wales supports these recommendations and see BAGE as central ensuring that the impact of variations in national and sub-national income tax is considered in relation to equalities through the specialist expertise of the third sector.

2.9 The UK income tax system is broadly progressive, i.e. as people move into higher income groups they pay an increasing share of gross household income in income tax. The opposite is true for council tax, even after including council tax reductions: people on low incomes pay a higher proportion of their household disposable income in council tax than those who have higher incomes.¹⁸ As there are more women in lower income groups¹⁹ a more progressive council tax would benefit them.

2.10 Council Tax levels have risen faster in Wales than in Scotland or England over the past decade²⁰, increasing the burden on lower income households, though also easing cuts to local services. Welsh Government has provided local authorities with funding to

¹⁴ Chwarae Teg, https://chwaraeteg.com/wp-content/uploads/2019/09/English-Digital_Summary-GER.pdf.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Welsh Government, Welsh Tax Policy Report: Autumn 2017.

¹⁹ <http://blogs.cardiff.ac.uk/thinking-wales/2017/03/31/income-inequality-and-the-1-in-wales-an-analysis-of-taxpayer-data/>

²⁰ House of Commons Library: Social Indicator 2649.

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maintain the Council Tax Reduction Scheme²¹, which is likely to have benefitted women in poorer households.²² The discounts for carers may also benefit more women. Welsh Government has committed to making Council Tax fairer and can set policy. Gender budgeting, or gender-sensitive budgeting, allows governments to promote equality by considering a budget's differing impacts on women and men, as well as setting goals or targets for equality and allocating funds to support those goals.

2.11 An Equality Impact Assessment of Welsh budgets is carried out annually but anecdotal evidence suggests this takes place at the end of the budget process to show compliance rather than at an early stage to inform decisions. This approach acts as a barrier to effective cross-government working on gender equality. A more proactive approach would be to outline how all Welsh Government spending is being used to advance equality.

Recommendations – Welsh Government should:

- 1. Introduce gender budgeting to help determine spending;**
- 2. Develop tools for analysing the impact of the new Welsh income tax and other taxation decisions on women in Wales;**
- 3. Interrogate and improve the use of the Budgetary Advisory Group on Equality as outlined in Phase Two of the Gender Equality Review;**
- 4. Use its policy-making powers to introduce a progressive Council Tax system;**
- 5. Carry out an Equality Impact Assessment of Welsh budgets at an early stage of the budget process to inform decisions**

²¹ Welsh Government, Council Tax Reduction Scheme - Annual Report 2017-18.

²² The impacts of localised council tax support schemes, The Institute for Fiscal Studies, January 2019.

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