



## **Close the Gap briefing for Scottish Government Debate: Programme for Government - Cost of living**

**September 2022**

### **1. Introduction**

Close the Gap welcomes the focus on the cost of living crisis within the Programme for Government. The impact of rising prices has not been felt equally. As a result of women's economic inequality, women are being disproportionately impacted by the cost of living crisis. Women who were already struggling are now under enormous financial pressure. This is particularly true for specific groups of women who were already more likely to be living in poverty including single mothers, older women, disabled women and Black and racialised women. This underscores the importance of a gendered response to the crisis. Without action to protect women's financial security, a long-term consequence of the cost of living crisis will be deepening gender inequality.

To this end, we welcome many of the actions within the Programme for Government including the increase and extension of the Scottish Child Payment; freeze to Scotrail fares; increased minimum wage for the female-dominated care workforce; and renewed commitment to improving Scotland's school-age childcare offer. In addition to these commitments, there is a need for further action to protect women's incomes. This should involve a further increase in the funded childcare entitlement; a cap on bus fares; and commitments to increase wages for all care staff, including the early learning and childcare workforce. In addition, there is a need to ensure that gender mainstreaming approaches are adopted in the design and delivery of all policy commitments including those relating to green skills and fair work. As women's poverty is inextricably interlinked to child poverty, this action is critical to meeting Scotland's child poverty targets.

### **2. Why are women being disproportionately impacted by the cost of living crisis?**

There are a number of key reasons why women are being hardest hit by the crisis:

- Women are more likely to be in low-paid work and are already more likely to be experiencing poverty.
- Women's engagement with the labour market continues to be restricted by their caring responsibilities. This creates gendered barriers to women being able to increase their working hours and earnings.

- Women have lower levels of savings and wealth than men, and are more likely to be in debt. This lowers women’s financial resilience during periods of economic crisis.
- Women are more reliant on social security and have been disproportionately impacted by cuts to social security entitlements.
- Women are often “poverty managers” in the home and go without food and other necessities themselves in order to provide for their children. The cost of living crisis is likely to have a damaging effect on women’s physical health and wellbeing as they try to make household budgets stretch.

Women’s experiences of financial insecurity are directly linked to their experiences of the labour market

The gender pay gap is a key driver of women’s higher levels of poverty. Women are more likely to be in low-paid work, and account for **60% of workers in Scotland earning less than the real living wage**. Women are more likely than men to have caring responsibilities and therefore face the additional pressure of finding work that allows them to balance earning with caring. **Women consequently account for 75% of the part-time workforce**. This sees women further concentrated into low paid and insecure work, as most part-time work is found in the lowest paid jobs and sectors, often leading to women working below their skill level. Women face gendered barriers to increasing their working hours and earnings such as a lack of high-quality flexible working opportunities, including part-time work, and the prohibitive cost of childcare.

Women have lower levels of savings and wealth than men

Even before Covid-19, women were more likely to be in debt and this has worsened as a result of the pandemic. **Prior to the outbreak of Covid-19, analysis by the UK Women’s Budget Group found that women were more likely to be in debt with 61% of those getting into debt to purchase everyday necessities being women.**<sup>1</sup> Women’s low pay increases their risk of falling into problem debt, particularly in the context of the ongoing sharp increases in the cost of necessities such as food and energy.

Older women are already more likely than their male counterparts to be experiencing pensioner poverty. **Research by Age UK found that 1 in 5 female pensioners in 2021 were living in poverty** compared to 16% of male pensioners.<sup>2</sup> Moreover, 27% of single women pensioners compared to 23% of single men pensioners were living in poverty. The gender pay gap is a key contributor to the gender pension gap, leading to higher rates of pensioner poverty among women. Labour market data has highlighted rising economic inactivity among older workers with early retirement being a key contributor

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<sup>1</sup> WBG (2021) *Household debt, gender and Covid-19*

<sup>2</sup> Age UK (2021) *Pensioner Poverty: Making ends meet: why pensioner poverty is still an issue*

to this trend.<sup>3</sup> Older women are leaving the including changes to working practices in response to Covid-19; the fear of the virus and ill-health; and the lack of high-quality part-time and flexible work. Leaving the labour market earlier than planned could have far-reaching implications for older women's financial security.

### Women are more reliant on social security and have been disproportionately impacted by cuts to social security entitlements

**Women are twice as dependent on social security as men.** Social security should be an important anti-poverty measure for women, but this is not currently the case as the system is not designed to meet women's needs. Changes and cuts to the social security system, such as the benefit cap, have had a significant disproportionate impact on women over the last decade. These changes have reduced women's financial resilience, placing women at a greater risk of deeper and sustained poverty during periods of economic crisis. The five-week wait for universal credit claims also exacerbates women's financial insecurity, potentially forcing women to access other forms of finance including high-interest loans or to fall into council tax and rent arrears, fuel debt and social security debt.

### Women are often "poverty managers" in the home

Evidence shows that the division of domestic labour continues to shape the management of poverty at the household level. This means that the cost of living crisis is increasing women's stress and worsening their mental health as they try to make household budgets stretch. In fulfilling their role as "poverty managers", women will often shield their families from poverty by going without essentials themselves. This is particularly true for single parents, 90% of whom are women, who are already more likely to be experiencing poverty. Barriers that impact all women's participation in the labour market, including the lack of affordable childcare and lack of flexible working opportunities, are also particularly pertinent for single mothers. This further traps single mothers in poverty.

Recent analysis has also highlighted that inflationary price rises have tended to be higher on goods marketed at women. Women's formal shoes have on average gone up five times as much (75% increase) as men's (14% increase) and while women's blouses have risen by 2%, there was a 6% drop in men's shirts. This difference reflects the "pink tax" on women's consumer goods which means women have felt cost increases even more acutely.

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<sup>3</sup> Close the Gap (2022) *Close the Gap Response to the Covid-19 Recovery Committee Inquiry into the impact of the pandemic on the Scottish labour market*