



Close the Gap briefing for the Social Justice and Social Security Committee - Women's experience of low-income and debt

May 2022

1. Introduction

Close the Gap is Scotland's policy advocacy organisation working on women's labour market participation. We have been working with policymakers, employers and employees for over 20 years to influence and enable action that will address the causes of women's labour market inequality.

Close the Gap welcomes the opportunity to submit evidence to the Social Justice and Social Security Committee's inquiry into low income and debt. The Child Poverty Delivery Plan 2018-2022 highlighted "conclusive evidence that poverty and gender are inextricably linked."¹ Women are more likely to be in poverty than men; are more likely to experience in-work poverty; find it harder to escape poverty and are more likely to experience persistent poverty than men.

Women's experiences of poverty are directly tied to their experiences of the labour market. Women are concentrated in low-paid and undervalued work; are more likely to work part-time due to caring responsibilities; and face gendered barriers to increasing their working hours and earnings. Women's experiences of poverty, low-pay and social security puts them at greater risk of experiencing low-income and debt.

2. Women's experiences of debt

Women have lower levels of savings and wealth than men.² 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 and 61% of those getting into debt to purchase everyday necessities being women.³ Research by debt charity Step Change also shows that women consistently account for the majority of those seeking debt advice.⁴ These

¹ Scottish Government (2018) Every Child, Every Chance: Tackling Child Poverty Delivery Plan 2018-2022

² WBG (2018) Savings and Investments: Gender Issues

³ WBG (2021) Household debt, gender and Covid-19

⁴ Step Change (2021) *Statistics Yearbook*

trends have been worsened by pandemic⁵ and 60% of clients seeking debt advice from Step Change in 2020 were women.

Research published by Close the Gap and Engender in February 2021 found that women (24%) were more than twice as likely as men (10%) to be worried about how they will pay their rent or mortgage.⁶ This research also found that financial precarity during the pandemic was particularly pertinent for disabled women and Black and minority ethnic (BME) women.⁷ Wider evidence also shows that single parents, 90% of whom are women, were disproportionately impacted by the economic implications of the pandemic. One-third of single parents reported being in financial difficulty, and 11% in problem debt.⁸ Prior to the pandemic 84% of single parents, reported savings of less than £1,500.⁹

Women's pre-existing economic inequality means that the ongoing cost of living crisis is having a disproportionate impact on women. This is likely to exacerbate women's financial insecurity and contribute to rising debt among women on low incomes. As a result of the gender pay gap and women's concentration in low-paid work, women are less likely to have savings to rely on during times of economic crisis. Women also tend to be "poverty managers" in the home, with responsibilities for household resource management and budgeting. This increases the risk of women falling into debt during periods of economic crisis and also has implications for women's health and wellbeing as they will often shield their families from poverty by going without food, clothing or warmth themselves.

3. Social security doesn't meet women's needs

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 to the social security system, such as the benefit cap, have disproportionately impacted women, placing women at a greater risk of deeper and sustained poverty. 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.

4. Women's experiences of poverty are tied to their experiences of the labour market

Women's experiences of poverty are directly linked to their experiences of the labour market with the gender pay gap being a key factor in women's higher levels of poverty. In line with the multiple, intersecting inequalities experienced by different

⁵ Step Change (2021) *Statistics Yearbook* and WBG (2021) *Household debt, gender and Covid-19*

⁶ Close the Gap and Engender (2021) *Joint briefing on the impact of Covid-19 on women's wellbeing, mental health and financial security* available at <https://www.closesthegap.org.uk/content/resources/Close-the-Gap-and-Engender-Joint-briefing-on-the-impact-of-COVID-19-on-womens-wellbeing-mental-health-and-financial-security.pdf>

⁷ Close the Gap and Engender (2021) *Joint briefing on the impact of Covid-19 on women's wellbeing, mental health and financial security* available at <https://www.closesthegap.org.uk/content/resources/Close-the-Gap-and-Engender-Joint-briefing-on-the-impact-of-COVID-19-on-womens-wellbeing-mental-health-and-financial-security.pdf>

⁸ Step Change (2021) *Stormy Weather: Covid 19 and Debt*

⁹ ONS (2021) *Family Resources Survey: financial year 2019 to 2020*

groups of women, there is a particularly high risk of poverty among BME women, disabled women, single parents, and refugee and asylum-seeking women.

Women comprise the majority of low paid workers, accounting for 60% of workers earning less than the real Living Wage in Scotland. There is low coverage of the real Living Wage in female-dominated sectors including retail, care and hospitality. For example, four in ten of those working in retail and wholesale are paid less than the real Living Wage.¹⁰ Analysis from the STUC concluded that almost half (43%) of the Scottish social care workforce are being paid less than the real Living Wage, compared to less than a fifth (17%) for workers across the Scottish economy.¹¹ Improving rates of pay in these sectors is an important starting point in increasing women's earnings and tackling the undervaluation of "women's work". 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 including food and energy.

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. 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. In this context, women may be forced to take on debt in order to meet the cost of rising household bills.

5. Women's insecure work

Women's work in sectors such as retail, hospitality and care is increasingly precarious. The campaign for Living Hours has highlighted the importance of reliable working hours which provide for a stable income. A fifth of workers in the UK experience work insecurity, and more than half of these workers earn less than the real Living Wage.¹² Research by the Living Wage Foundation¹³ found that more than half (52%) of women in shift work are likely to receive less than a weeks' notice for working hours, shifts or work schedules. While equal numbers of men and women (26%) reported experiencing unexpected cancellations of shifts in the past 12 months, women were more likely than men to report receiving no payment when shifts were cancelled (29% compared to 20%).¹⁴ This presents particular challenges for women in planning childcare around irregular shift patterns and also gives rise to the so-called "insecurity premium" which refers to the extra costs workers have to cover as a result of being called into work, such as last-minute childcare or transport costs. The lack of reliable working hours creates issues around financial planning for women, forcing them into debt or into arrears. Indeed, the Living Wage foundation

¹⁰ Resolution Foundation (2020) *Risky Business: Economic impacts of the Coronavirus crisis on different groups of workers*

¹¹ Williams, Martin (2020) 'Half of Scotland's care workers paid less than Real Living Wage', *The Herald*, 2 May 2020, available at <https://www.heraldscotland.com/news/18421934.half-scotlands-care-workers-paid-less-real-living-wage/>

¹² Living Wage Foundation (2021) *The Insecurity Complex: Low-paid workers and the growth of insecure work*

¹³ Ibid.

¹⁴ Ibid.

find that one in three low-paid workers have to rely on credit and debt due to unreliable shift patterns.

6. Victim-survivors of men's violence against women

Violence against women (VAW) is a cause and consequence of gender inequality, and poverty makes women more vulnerable to forms of VAW. Perpetrators of domestic abuse use a range of tactics, including financial and economic abuse, to assert or maintain control over victim-survivors and restrict access to money and resources. The vast majority of women (89%) affected by domestic abuse report that financial abuse was central to their experience. Financial dependence and poverty are both primary risk factors that diminish women's resilience and can prevent women from leaving an abusive partner. This is a particular issue for women who have No Recourse to Public Funds (NRPF) as a result of their migration status.

Findings from the Women's Aid survivor voice survey in 2018 found that nearly half of women didn't have enough money to pay for basic essentials, like food and bills, while they were with their abusive partner.¹⁵ The survey also found that 43% of respondents were in debt as a result of their experiences of abuse.¹⁶ Coerced debt can also be an aspect of financial abuse. The organisation Surviving Economic Abuse report that 1 in 10 women had debts put in her name but was afraid to say no, and that rates of coerced debt is higher among those who have experienced other forms of domestic abuse.¹⁷ Evidence from the pandemic also suggests that perpetrators can increase their monitoring of the victim's spending and stop contributing to household costs in periods of financial struggle.¹⁸

¹⁵ Women's Aid (2019) *The Economics of Abuse* available at <https://www.womensaid.org.uk/wp-content/uploads/2019/03/Economics-of-Abuse-Report-Summary-2019.pdf>

¹⁶ Ibid.

¹⁷ SEA (2021) What is coerced debt? Available at <https://survivingeconomicabuse.org/i-need-help/debt/what-is-coerced-debt/>

¹⁸ SEA (2021) *The Cost of Covid-19: Economic abuse throughout the pandemic* available at <https://survivingeconomicabuse.org/about-us/projects-and-policy/the-cost-of-covid-19/>