

**The impact of reduced public services spending on
vulnerable groups - review of UK and international
evidence**

Professor Ronald McQuaid, Dr Valerie Egdell, Dr Emma Hollywood,
Employment Research Institute, Edinburgh Napier University

12 July 2010

**Employment Research Institute
Edinburgh Napier University
The Business School, Craiglockhart Campus
Edinburgh EH14 1DJ
e-mail: eri@napier.ac.uk
www.napier.ac.uk/eri**

Contents

Executive Summary	2
Introduction	5
Job Losses	7
Background.....	7
Job losses in past recessions.....	8
Gender and job losses in the current recession.....	9
Age.....	11
Ethnic minority groups	12
People with disabilities	13
LGBT.....	14
Religion or Belief.....	14
Access to Services	15
Tightening Eligibility Criteria in Health and Social Care	15
Increasing the role of informal care	16
Multiple equalities groups	17
Funding in the Third Sector	18
International experiences of deficit reduction programmes	19
Welfare and Tax Issues	21
Reductions to welfare benefits and Tax Credits.....	21
Pension provision	22
Conclusions	22
Appendix 1 – Research Methods	24
References	26

Executive Summary

Introduction

This evidence review was commissioned by the Scottish Government and undertaken by the Employment Research Institute, Edinburgh Napier University.

The overall aim is to review and summarise UK and international evidence on the impact of reduced spending on equalities groups: people with a disability; lesbian, gay, bisexual and transgender (LGBT); gender; ethnicity; religion; and age. Emphasis is given to evidence on what has happened in the past, although note is made of estimates of what might happen due to reduced spending in the future.

Specifically this report examines 3 potential effects of spending cuts:

- Job losses in the public sector
- Access to the types of public services that are funded by the Scottish Government (which may have impacts on service provision and on contractors in the private or third sectors)
- Welfare and tax issues that are reserved to the UK government (and hence are of less likely to be of interest to the Scottish Government).

As well as addressing cuts in the public sector this report also considers the effect on the Third sector. These organisations are sometimes heavily funded by the public sector and have increasingly been responsible for public service provision.

Job Losses

Many equalities groups are likely to be vulnerable to job losses in the 'current' UK recession. Although the resilience of the public sector has thought to have helped maintain employment levels during the last year or two, it is anticipated that cuts to jobs in the public sector will be made in the future, adversely affecting equalities

groups and the labour market as a whole. Due to the relatively high shares of various groups working in the public and Third sector (women, people with disabilities and members of ethnic minorities), it is likely that certain equalities groups may be more affected by public spending cuts than so far in the 2007 recession.

Access to Services

Reduction to the public service budget will potentially affect equalities groups in numerous ways. For example, tightening of eligibility criteria in health and social care may mean that only those with more acute needs will have access to services. As a result families and friends may be expected to provide more informal care in order to substitute for the cut in services, and these are likely to be disproportionately women. This highlights that cuts in one area can have a 'knock on' effect on other equalities groups. Additionally individuals can fall into multiple equalities groups, therefore exacerbating their vulnerability to cuts in public services. Evidence from the large budget cuts made in Canada in the 1990s indicates such adverse effects, although in the context of improvements in the economy in the longer term.

Third sector organisations who deliver public services may also find that their budgets are reduced. While they may have to reduce their workforce they could also see an increase in demand for services.

Welfare and Tax Issues

In the main, Welfare and Tax issues are reserved matters. Hence there is relatively limited influence on them by the Scottish Government. Ongoing reviews by the new Westminster Parliament may lead to fundamental changes which will affect many equalities groups and could result in greater demand for certain services (provided, for instance, by local or the Scottish governments). Changes to public sector pensions may also have differing effects on equalities groups.

Conclusions

This report highlights that equalities groups will be especially vulnerable to public spending cuts as they are well represented in the public sector workforce and are also significant users of public services. It draws attention to a series of issues:

- There is only limited concrete evidence on the impact of public spending cuts on equalities groups.
- Individuals can fall into multiple equalities groups, therefore exacerbating their vulnerability to cuts in public services. Additionally cuts in one area can impact on other equalities groups.
- The large variations within equalities groups should be explicitly considered as certain sub-groups may be much more affected than others (e.g. mothers compared to single women, or certain ethnic groups compared to others, or users of some specific services etc.).
- Certain individuals will be especially vulnerable to any cuts as both public sector employees and public service users.
- There is lack of official data regarding certain equalities groups and therefore the effects of public spending cuts may be less 'visible'. This highlights the need for better monitoring of public sector cuts on less well documented equality groups.
- The effects of public spending cuts will be felt by those working in and using services delivered by Third sector and some private sector organisations. The effects of reduced public spending will cross sectoral boundaries.

The impact of reduced public services spending on vulnerable groups - review of UK and international evidence

1. Introduction

This evidence review was commissioned by the Scottish Government and undertaken by the Employment Research Institute, Edinburgh Napier University. The overall aim of this piece of work is to review and summarise evidence on the impact of reduced spending on equalities groups.

This evidence review feeds into a programme of work being carried out by the equalities analytical team which will inform budgeting decisions across the Scottish Government in advance of the next spending review. In 2009 the *Draft Budget 2010/11: Equality Statement* set out, for the first time, Scottish Government actions to ensure that public money contributes to greater equality in Scotland.

“The Scottish Government believes that what we do and how we spend our money should be directed at improving the lives of all our communities. It is therefore important to make spending plans in the light of equality considerations, and to develop ways of showing more clearly the links between evidence, policy, spending and equalities outcomes” (Scottish Government, September 2009: 3).

The statement explains how the 2010-11 Budget is aligned to Scottish Government equalities objectives and as such that the planned spending review across the public sector will take into the account the needs of equalities groups.

This review presents a summary of UK and international evidence (written in English) on the impact of reduced public spending on equalities groups. This review does not consider socio-economic inequality. The review particularly focuses on, where possible, evidence regarding the following equalities groups:

- People with a disability

- Lesbian, Gay, Bisexual and Transgender (LGBT)
- Gender
- Ethnicity
- Religion
- Age

It must be remembered that individuals can fall into multiple equalities groups, therefore potentially exacerbating their vulnerability to cuts in public services. As such it is important to look at cross cutting issues such as age and disability in order to realise the full effects of public sector spending cuts. It should be noted that Transgender groups are included under LGBT (rather than separately or with gender) as most related research groups them in that way.

Emphasis is given to evidence on what has happened in the past, although note is made of estimates of what might happen due to reduced spending in the future.

Specifically this report examines 3 potential effects of spending cuts:

- Job losses in the public sector
- Access to the types of public services that are funded by the Scottish Government (which may have impacts on service provision and on contractors in the private or third sectors)
- Welfare and tax issues that are reserved to the UK government (and hence are of less likely to be of interest to the Scottish Government).

There have been a number of occasions where there have been significant budget public spending cuts internationally, e.g. Ireland (1981 and 2010), Canada (1993), Sweden, (1994), UK (1994) (OECD, 2010), but accessible concrete evidence available in English on the effects on equalities groups is limited.

The report is set out as follows:

- Section 2 considers the effect of job losses in the public sector as a result of spending cuts. Equalities groups tend to be especially vulnerable to these cuts as they are well represented in this sector.
- Section 3 looks at different ways in which access to public services has been reduced, for example through tightening eligibility criteria, and the effects this has had on service users from equalities groups and their families. As well as addressing cuts in the public sector this section also considers the effect on the Third sector. These organisations are sometimes heavily funded by the public sector and have increasingly been responsible for public service provision. They also have disproportionately large numbers of employees in the equalities groups.
- Section 4 only briefly considers welfare and tax issues as they are reserved matters and there is relatively limited influence on them by the Scottish Government.
- Section 5 offers conclusions on the evidence presented.
- The methods used are set out in Appendix 1.

2. Job Losses

Background

This section highlights that equalities groups are likely to be vulnerable to job losses following a major public spending cut. Although the resilience of the public sector has thought to have helped maintain employment levels during recent years (Oxford Economics, 2010) it is anticipated that cuts to jobs in the public sector will be made in the future, adversely affecting equalities groups and the labour market as a whole. As is highlighted in this section, due to the relatively high shares of various groups working in the public sector (women, people with disabilities and members of ethnic minorities, as shown below), it is likely that certain equalities groups may be more greatly affected by public spending cuts than they have so far been in the recession starting in 2007. Public sector cuts are also likely to affect the Third sector, as these

organisations are sometimes heavily funded by the public sector and have increasingly been responsible for public service provision.

Before considering the impact of spending cuts on equality groups it is worth noting that a number of significant changes have been implemented in recent years to improve the position of vulnerable groups in the labour market such as: equalities legislation; the Equalities Act; minimum wage; rights to request flexible working; active labour market policies; and welfare reform (e.g. working tax credits, including the childcare element). Therefore the impact of any future job losses on certain equalities groups may be cushioned in a way not done so in the past.

Job losses in past recessions

Evidence from past recessions has highlighted that equalities groups may be particularly vulnerable to any resulting job losses. Stafford and Duffy (2009) examined the impact of the last 3 economic recessions (the early 1970s, 1980s and 1990s) in the UK on PSA 8 (indicator 2) disadvantaged groups¹, ex-offenders and the self-employed. They found that disabled people, people from ethnic minorities and, since the 1980s, less skilled workers experience longer periods of unemployment. Some in-group variation was found and certain vulnerable groups may face multiple barriers. It should also be noted that many of these groups were already in a vulnerable position in the job market, with employment levels below that of the rest of population, and the effects of recessions have been to intensify their situation rather than create it.

Public sector cutbacks in the 1980s were not accompanied by significant declines in public sector employment. Since the 2007 recession began there have even been rises in public sector employment (TUC, 2010c). More generally evidence from previous recessions has shown that rises in unemployment lag behind the official start of the recession and continue to rise after its end (Vaitilingam, 2009). This means that unemployment in the UK may continue to rise from its current levels

¹ Disabled people, ethnic minorities, lone parents, people aged 50 and over, the 15% lowest qualified, and those living in the most deprived wards. Ex-offenders and the self employed are not formal equalities groups.

even though the recession has officially ended (even if there is not a 'double dip' recession). This is expected to be true in the current recession, especially as public spending cuts start to affect those working in the public sector. Looking forward there are various estimates of employment change and Ernst and Young (2010) predict public sector employment in Scotland to fall by 30,000 in the next 4 years.

It is forecast that this will have serious implications in Scotland because as much as 30% of Scotland's GDP growth in the last ten years coming from public sector output, compared to around 20% for the rest of the UK (Ernst and Young, 2010). No detailed plans for spending cuts in Scotland are currently available.

Gender and job losses in the current recession

To date certain equalities groups have not been as badly hit by the job cuts resulting from the recession (Equality and Human Rights Commission and Department of Work and Pensions, December 2009, Hogarth et al., 2009; Rake, 2009; McQuaid et al., 2010), although falls in employment for young people and men have so far, been particularly significant. For instance, since the second quarter of 2008 male employment fell by 3.6 percentage points and female employment by only 1.2 points (TUC, 2010b: 4). This is partly because it affected sectors where women are traditionally under represented as so far the main job losses have been in construction and manufacturing (Jenkins and Leaker, 2010). Similarly, the recession in the 1990s had a greater negative effect on men than on women in the UK (Equality and Human Rights Commission and Department of Work and Pensions, June 2009). Previous recessions show that large numbers of men fall into long term unemployment or inactivity, accounting for a significant number of the 'hidden unemployed' (i.e. people who are not officially counted as being unemployed as they have given up looking for work or are working less than they would like) (see Beatty et al., 2007).

It is possible that women may be disproportionately negatively affected by any cuts to public spending:

- In British Columbia, Canada, the increased privatisation and cuts to health care budgets has been linked to a decline of pay equity gains won by female hospital support workers between the 1960s and 2001 (Griffin et al., 2004).
- The extent of the impact of the recession on women may also be masked as more economically inactive women take up part time employment to boost any lost household income (Equality and Human Rights Commission and Department of Work and Pensions, December 2009).

Looking forward, the effect of the past and current recessions on women should not be underestimated. Research from Australia also draws attention to the point that although statistics from past recessions show that while men are more adversely affected than women, some female workers are more likely to enter the recession with pre-existing labour market disadvantage. Therefore the impact of the recession on women can be underestimated as they are more likely to enter the ranks of the 'hidden' unemployed or drop out of the labour market (Richardson, 2009: 28). Levels of employment amongst women in the current recession have not been adversely affected because of the continued rise in public sector employment in 2009 (TUC, 2010c). As this rise in public sector employment is not set to continue and during this current recession women could be increasingly affected due to changes in public spending. According to Annual Business Inquiry data, just under 40% of women in England, Scotland and Wales work in the public sector compared to 15% of men (TUC, 2010b: 8). There are similar trends across the EU as 78% of workers in health and social services, and over 60% of primary and secondary level teachers, are women (Oxfam and EWL, 2010: 8). In the UK the gendered nature of any future cuts will be geographically uneven. Wales, the north east, and Scotland have the highest proportion of women working in the public sector. Additionally the regions where male unemployment is highest are those where over 40% of women work in the public sector (TUC, 2010b: 8-9).

In terms of potential future impacts of public spending cuts:

- The TUC (2010b: 10) estimate that female public sector employees perform over £5 billion worth of unpaid overtime per annum². This would be exacerbated by any potential job losses.
- In the long term those women with children who lose their jobs may find it harder to re-enter the labour market as childcare responsibilities may limit the types of employment that are appropriate – job searches may be contingent on the availability of childcare, women may not be prepared to commute long distances and they may need opportunities for flexible working (TUC, 2009b: 8).
- A research paper examining the issues related to women’s employment in the economic downturn prepared for the Australian Human Rights Commission asserts the current Australian Government Federal economic stimulus packages are unlikely to positively affect women as they are targeted at industries that primarily employ men, for example, the construction industry. Government responses outside Australia have taken a similar approach (Barns et al., 2009: 19).

Age

One of the key features of the current recession is the differential impact across the age groups with younger people being much more affected than any other age group.

In the current recession the evidence points to a significant impact on the employment outcomes of younger age groups with significant increases in youth unemployment (DWP, 2009; Oxford Economics, 2010). For younger age groups long term unemployment can have a lasting impact on their working lives through reduced earnings and career progression and through increased stress, susceptibility to illness and depression(see Hammarström and Janlert, 2002; Gregg and Tominey, 2004, 2005; Bell and Blanchflower, 2009: 13-19). Future earnings may also be reduced by youth unemployment and this wage scar can remain with an individual until they are in their 40s (Gregg and Tominey, 2004).

² This is based on analysis by the TUC using data from the Annual Survey of Hours and Earnings 2009 which collects UK data on employee earnings by sex and full-time/part-time employment (Office of National Statistics, no date)

In addition to the impact of the recession cutbacks in public spending are likely to affect the prospects of young people. The Future Jobs Fund (the UK government scheme to prevent young people falling into long term unemployment by guaranteeing them a place in work or on a training scheme) is being cut back (HM Treasury, 24 May 2010; DWP, no date). In Great Britain a cumulative total of 8,660 people started the Future Jobs Fund from October 2009 to January 2010 (of which 5,510 were male; 5,920 were aged between 18 and 24 years; 1,050 were disabled; and 830 lived in Scotland) (DWP, 2010).

In previous recessions it was also older workers who experienced job losses with many employers using early retirement and redundancy to cutback in staff. In the current economic downturn, the fall in employment rates for those aged 50 to 64 has so far been smaller than that of all other age groups (Jenkins and Leaker, 2010). However, cutbacks in public sector employment may mean an increase in the number of unemployed older workers looking for work or becoming permanently economically inactive. In the UK between 1997 and 2006 the proportion of public sector workers who were aged over 50 years rose from 20% to 23% (Millard and Machin, 2007: 47). So public sector jobs reductions may disproportionately affect older workers, whom it is widely acknowledged may considerable face barriers in re-entering the labour market (Irving et al., 2005).

Ethnic minority groups

The TUC (2009a) note that ethnic minority groups may not have been as adversely affected by the current recession because of the concentration of ethnic minority groups in London and the South East, where the recession has not had such a significant impact (although it should be noted that employment levels tend to be lower among many ethnic minority groups). In the 4th quarter of 2007 and the 4th quarter of 2008 increases in ethnic minority employment were greatest in industries dominated by the public sector (such as social work and education). As a result of this increase the number of ethnic minority workers affected by job losses in the public sector could rise (TUC, 2009a: 10).

It should be remembered that broad analyses that compare employment of ethnic minority groups with that of the white population very often conceals wide variations within ethnic minority groups, with Chinese and Indian groups usually faring better than other groups (e.g. in terms of employment or education). Recent analysis carried out by Institute for Public Policy Research (IPPR, 2010) using data from the Labour Force Survey for the period Q1 2008 to Q3 2009 has shown that almost half of black people (48%) aged between 16-24 are unemployed; this compares to a rate of 20% for white young people in this age group.

People with disabilities

People with disabilities may have experienced significant improvements in terms of employment protection since the introduction of the Disability Discrimination Act, 2005. Although people with disabilities who are unemployed are more likely to be long term unemployed than others (34% compared to 20% for people who have no disabilities) (Begum, 2004). Hogarth et al. (2009: 75) state that there are a number of factors which make people with disabilities more vulnerable in an economic downturn:

- They tend to be concentrated in low skilled and low wage jobs which are vulnerable in a downturn.
- Disabled workers tend to be older (and as demonstrated previously older people have been significantly affected in previous recessions).
- Employers tend to regard disabled workers as being less productive (citing Hasluck (2008)).

Additionally people with disabilities have a significant employment presence in the public sector and any jobs cuts are likely to have an impact. Between 1998/1999 and 2002/2003 employment of people with disabilities in the public sector rose by nearly 20%, compared to 3% for people with no disabilities (Hirst et al., 2004).

When considering the UK statistics on employment the disabled as shown in the Labour Force Survey, it may be useful to distinguish between Disability

Discrimination Act registered people (DDA) , those who are DDA plus Work-limiting disabled only and those who are Work-limiting disabled only; as in 2007-9 it appears that, in Northern Ireland at least, DDA people have been affected less by falls in employment than those who are only Work-limiting disabled (McQuaid et al., 2010).

LGBT

There is very little labour market data on LGBT groups in the UK, although estimates published by the pressure group Stonewall (2007) suggest there are around 6%, or roughly 3.6 million people, of whom 1.7 million are in the UK workforce. The report, *An Anatomy of Economic Inequality in the UK*, analyses existing datasets to establish the extent and complexity inequality in the UK (Hills et al., 2010). Drawing on the Labour Force Survey (LFS) it demonstrates that those living in a same sex couple have higher qualification levels, higher rates of employment and higher earning than others. However, the report goes on to state that from current evidence there is no reason to expect the earnings or income for LGB groups to be much different from the population as a whole (possibly as the LFS asked questions on same sex couples but not on sexual orientation, hence it is difficult to determine if most LGB people employment and earnings etc. reflect those of the wider community, see Hills et al., 2010: 5).

The lack of official data means this equalities group may be less 'visible' to employers as employees, service users and customers and as such it may be difficult to gauge any impacts of public sector cuts. This suggests a need for better monitoring of public sector cuts on less well documented equalities groups.

Religion or Belief

Although there is no extensive evidence it has been shown that there is some difference in employment outcome by religious group. For example, when compared with Sikhs and Hindus, Muslims are more likely to be disadvantaged as they have lower rates of labour market participation, the highest male unemployment rate, larger families, higher proportions in social housing, the highest incidence of

overcrowding, and are more likely to live in deprived communities (Beckford et al., 2006). Further cuts in public spending may have an impact on certain religious groups who are already disadvantaged in the labour market. However, the lack of extensive data on the issue will make monitoring difficult.

3. Access to Services

The impact of a reduced budget on public services highlights the multiple issues they are likely to raise for equalities groups. This evidence draws attention to the effects that health and social care service cuts or reduction would have on older people, people with disabilities, LGBT groups and women in particular. This review did not identify evidence on the impact of a reduced budget on public services to ethnic minority and religious groups.

Tightening Eligibility Criteria in Health and Social Care

In the UK changes to eligibility criteria as a result of future public spending cuts could also reduce the support services available to older people. A study of the needs and access to services of people aged over 75 years living in Glasgow and Edinburgh found that the tightening of eligibility criteria for home care meant that only those “*at immediate risk*” were able to access services. This had implications for socially isolated individuals who might not be necessarily classified as at risk (MacDonald, 1999). Older people may also have to rely more heavily on informal care and pay for private care (Forder and Fernández, 2010: 8).

Changing eligibility criteria can affect the services that certain people with learning disabilities can access. The impacts of cuts to services on people with learning disabilities have been examined in a questionnaire by the Learning Disability Coalition (2008). The eligibility criteria had been raised and in some instance people found that they were “*too able’ for services*” (Learning Disability Coalition, 2008: 14).

Respondents outlined how day time activities, college courses, employment opportunities and transport had been cut. Service users now found:

- it difficult to access services;
- it difficult get adequate support; and
- they and their families felt isolated.

Forder and Fernández (2010) also consider the *potential* impacts of a 6.7% per annum real terms reduction in the total budget available for social care for older people in the 2-years after 2010/11. One way in which to achieve this cut is to tighten the eligibility criteria for service users. Although the numbers of older people in residential care would not be affected, those who are less needy and receiving care at home would be. As a result unmet need would nearly double in the reduced budget scenario (Forder and Fernández, 2010: 8). Further, the ageing of the population structure is likely to lead to increases in demand for such services in any case.

Increasing the role of informal care

Women will be affected both as public sector employees and as users of public services. Public spending cuts in the USA during the 1980s were seen to disproportionately impact on women as the primary users of public services and some contended this reflected insensitivity to the issues affecting women. However, it has been argued that this in fact indicated the lack of a clear stance on women's issues because there was no system in place to analyse the effects of spending cuts on women (Power, 1984: 36).

“Women are likely to suffer both as employees in public services, where they are strongly represented (e.g. health, childcare, education, public administration), and as clients of public services which are crucial for their participation in the labour market and their economic independence.”
(Oxfam and EWL, 2010: 24).

Women may be expected to provide more informal care in order to substitute the health and social care service cuts described above (Tutnjevic 2002; Barns et al., 2009). According to the 2001 UK Census women made up the majority of the 5.9 million informal carers in the country (3.4 million), although the role of male caregivers should not be underestimated (Office of National Statistics, 2004). Households in the EU who could previously afford to hire migrant women to manage care responsibilities (e.g. child care, care for older people and housework) may no longer be able to do so (Harcourt, 2010). This highlights that relatively more women than men could be affected both as paid/formal and unpaid/informal care providers.

Providing informal care may have an adverse outcome for women who have to combine work with caring responsibilities, for example by having to cut their hours at work and thus their incomes. Across the EU the number of individuals who are providing care and are forced to become economically inactive or work part time because of a decrease in formal care provision rose from 26.7% in 2006 to 29.8% in 2008 (Oxfam and EWL, 2010: 18). Such actions may have a long term impact on future incomes and pensions. The social and emotional costs to the carer have also been well documented with the adverse affects on health not only affecting the individual but also presenting costs to health services in treating the individual (Wanless et al., 2006: chapter 8).

Multiple equalities groups

International reports have highlighted the effect on LGBT groups and draws attention to the fact that individuals can fall into multiple equalities groups, therefore exacerbating their vulnerability to cuts in public services. For instance, Ramos (2010) examines the effects of potential budget and service cuts outlined by the Department of Human Services in the US state of Oregon on LGBT people and their children. The 2006-2008 American Community Survey is used to estimate the number of same-sex couples who use social services in Oregon. Proposed cuts could affect the LGBT community in Oregon in a series of ways, although, it is unclear if these rates are similar to different sex couples. The effects include:

- 10% of individuals in same-sex couples receive food stamps, which although are federally funded, indicate that a large number of people could be affected by cuts in other programmes for people on low incomes.
- 24% of same sex couples are raising children and cuts are predicted in benefits for 2-parent unemployed families and to education.
- Cuts are predicted in health and day care services which could affect the 6% of individuals in same-sex couples in Oregon who are elderly.

Funding in the Third Sector

It is anticipated that Third sector organisations will experience a loss of funding from national and local government, as this has been the trend in past UK recessions (Collier, 2009: 7). This has also been the case internationally and in the USA during the 1980s, where budgets cuts significantly reduced the income of the voluntary sector. The sector recouped some of this lost revenue through introducing fees. As a result there was increased competition from the for profit sector as they started to provide services traditionally delivered by the voluntary sector. In this context public support for the voluntary sector decreased as it faced a ‘crisis of legitimacy’ (Salamon, 1999). In relation to Third sector housing Koschinsky (1998: 118) argues that this marketisation reduced organisations’ abilities to prioritise “*standards of participation, neighborhood control, community building, and long-term affordability*”.

Research conducted by the Wales Council for Voluntary Action in 2009 to 2010³ highlights other effects experienced by the Third sector in Wales as a result of the recession. For example, over 30% of Third sector organisations were experiencing financial difficulties; larger local and regional organisations anticipated having to make job cuts; and organisations were experiencing an increase in demand for their services because of the increased support needs of the population as a result of the recession (WCVA, April 2009; WCVA, September 2009; WCVA, 2010).

Research with Third sector organisations on behalf of the Charity Commission also found that nearly a fifth of charities had seen a rise in demand for their services in

³ The research had 3 phases – 480 responses in phase 1; 650 in phase 2 and 750 in phase 3.

the last 12 months (Charity Commission, 2009). An Irish study of charitable fundraising in the recession also found that the threats that voluntary sector organisations felt they faced in the recession included this increased demand for services; as well as reduction in statutory, corporate and private funding and the need to downsize as a result (Prizeman and McGee, 2009).

The *potential* budget cuts in the UK could present opportunities for new and creative ways of working (Papasolomontos and Hand, 2009), including in some cases a greater role in direct funded service provision, but could also pose a threat to the sustainability of some organisations and have a knock on effect on the experiences of service users. Collier (2009:3) argues that medium sized Third sector organisations⁴ are possibly most vulnerable to the effects of the recession and public spending cuts because:

- Much of their income is derived from grants,
- They have employment responsibilities and
- They have few reserves.

Women could again be disproportionately affected by any resulting job losses. In 2005 69% of the work force in the voluntary sector was female (Clark, 2007). Similarly, other equalities groups may also be affected if they make up a relatively large share of employees in the Third sector, for instance in 2005 18% of the voluntary sector workforce had a disability (Clark, 2007).

International experiences of deficit reduction programmes

Canada's experience of public service cuts undertaken in the 1990s has been held up by the current UK government as a possible model for reducing debt. Canada was able to dramatically reduce its debt by making massive cuts in public spending. However, it has been highlighted elsewhere that this had a dramatic impact on public services in Canada such as increased hospital waiting lists; increased infection rates

⁴ Annual turn over of £25,000- £1million.

and increased class sizes (see TUC, 2010a; [Smale, 2010](#)). This section considers the impact of deficit reduction programmes in the provinces of Ontario and Alberta

Ontario

In 1996 community care for older people was reformed in Ontario through the introduction of a managed competition/market system as part of the 'Common Sense Revolution' deficit reduction programme. At the same time community care and hospital budgets were cut (Cloutier-Fisher and Joseph, 2000; Aronson, 2002; Randall and Williams, 2006). Lessons can be learned from this example:

- Using a large number (43) community care centres encouraged a greater diversity in the provision of services between areas, through changes in the local capacity to meet service demands and the greater variability in the use of informal carers such as family (Cloutier-Fisher and Joseph, 2000).
- Services users may be anxious and uncertain about the future of care provision (Cloutier-Fisher and Joseph, 2000; Aronson, 2002).
- Tightening of eligibility criteria may result in the prioritisation of older people with acute needs over those older people who have longer term care needs (Aronson, 2002).

Alberta

Through the 1994 budget in Alberta a 20% cut was made to public spending. Some departments received cuts of nearly 30%. The cuts to 'core' areas were less, but arguably were still substantial: social service spending was cut by 19.3%; healthcare by 18% and education by 12.4%. Eligibility criteria were tightened to reduce the number of people receiving social assistance and public sector employment was cut by 25% between 1993 and 1998 (Wilson, 2000: 104).

Drawing on findings from the 1995 Alberta Survey Hughes et al., (1996) looked at experiences of cuts to education, health care, and public sector employment. 61.6% percent of respondents had been affected by one or more of these cuts. Three in ten of the respondents had been affected by the cuts to the education budget.

Women, the over 65s and families were most affected by cuts to healthcare. Those who were divorced or separated, had a degree, worked in professional or managerial positions or low skill occupations, or belonged to a union or professional association were most affected by cuts to public sector employment. This included experiencing an increased workload, reduced income, loss of business, and job.. Also women, those under the age of 40 years, those who were married, those who had a university education, those with an above average household income, those who worked in professional or managerial positions, and those who were union or professional association members were most affected through increased costs and declining quality of education for example. This highlights the demographic unevenness of the effects of the job cuts, with women and older people more likely to report being adversely affected by cuts to the public spending budget in these 3 core areas.

4. Welfare and Tax Issues

In the main, Welfare and Tax issues are matters reserved to the Westminster Parliament. Hence there is relatively limited influence on them by the Scottish Government. Ongoing reviews, such as that led by Frank Field MP may lead to fundamental changes which will affect many equalities groups and could result in greater demand for certain services (provided, for instance, by local or the Scottish governments). Similarly the review of public pensions may have implications for certain equalities groups.

Reductions to welfare benefits and Working, Childcare and Pensioner Tax Credits

During the 1990s in Canada the number of individuals on benefits decreased as benefits declined, eligibility rules were tightened and economic recovery was achieved. Those leaving welfare did not always experience positive outcomes. Using tax data from the Longitudinal Administrative Databank it has been found that a third of ex-welfare recipients experienced a decline in income. Of the ex-welfare recipients, single men and women fared best with a rise in income. Divorced women

experienced a loss of income whereas married women's income increased. It is thought that those leaving welfare may have been forced to do so because of the changes to the eligibility criteria. Others however may have decided to take on very low paid work hoping that this would increase their ability to find better paid employment in the future (Frenette and Picot, 2003).

Pension provision

The Institute for Fiscal Studies has examined *potential* future pensioner poverty up to 2017-2018 under a series of tax and benefit policies by using respondents from the English Longitudinal Study of Ageing as the base population in a dynamic micro-simulation model. The model highlights that future pensioner poverty will be affected by tax and benefit reforms, as well as the level of private resources accessible to pensioners and the characteristics of the pensioner population. The impact of the proposed 2006 Pensions White Paper which called for changes to the basic state pension (such as restoring the earnings indexation and the accrual years required), the State Second Pension (freezing the maximum level of earnings accrual) and the pension credit (changes to the guarantee credit and cuts to the savings credit) was examined. It was found for example that the planned changes would raise the incomes of the poorest tenth of pensioners (income decile group 1), but would have a negative impact on those in the second and third lowest income deciles as they tend to be recipients of savings credits (Brewer et al., 2007: 61).

5. Conclusions

This review has presented a summary of available UK and international evidence on the impact of reduced public spending on equalities groups. There is only limited concrete evidence on the impact of public spending cuts on equalities groups. It has highlighted that equalities groups may be especially vulnerable to these cuts as they are well represented in the public sector workforce. However, the extent of the effects of any job cuts may be hidden because of lack of data on certain equalities groups.

In addition, in the past, equalities groups have been, and may be in the future, affected by cuts to public services and in some cases disproportionately so. For example older people and people with learning disabilities who have less acute needs may have services reduced or withdrawn because of tightened eligibility criteria. This could increase feelings of isolation and their families (and in practice predominantly women) may be expected to provide more informal care. This example highlights how cuts in one area can impact on other equalities groups.

Drawing on the evidence presented in this report the authors highlight that the needs of equalities groups should be considered in the planned public sector spending review:

- Individuals can fall into multiple equalities groups, therefore exacerbating their vulnerability to cuts in public services. Additionally cuts in one area can impact on other equalities groups.
- The large variations within equalities groups should be explicitly considered as certain sub-groups may be much more affected than others (e.g. mothers compared to single women, or certain ethnic groups compared to others, or users of some specific services etc.).
- Certain individuals will be especially vulnerable to any cuts as both public sector employees and public service users.
- There is lack of official data regarding certain equalities groups and therefore the effects of public spending cuts may be less 'visible'. This highlights the need for better monitoring of public sector cuts on less well documented equality groups.
- The effects of public spending cuts will be felt by those working in and using services delivered by Third sector and some private sector organisations. The effects of reduced public spending will cross sectoral boundaries.

Appendix 1 – Research Methods

The key tasks which the evidence review had to achieve, within the limited time available, were to:

1. To present a summary of UK and international evidence on the impact of reduced public spending on vulnerable groups;
2. To present examples from the evidence of where consideration of equalities issues has been taken into account in the budgeting process with a positive outcome;
3. To present examples of where consideration of equalities issues has not been taken into account in the budgeting process, and the subsequent impact on vulnerable groups;
4. Although there may be very limited evidence for some of these groups, the review should focus on the following groups and present evidence for each group, where possible:

- Disability
- Lesbian, gay and bisexual
- Gender
- Transgender
- Ethnicity
- Religion
- Age

The evidence review was conducted in June 2010, and included papers and reports that were relevant to the Scottish, UK and international context and included policy, evaluation and academic work:

- Literature searches were conducted using search engines (such as Google and Google Scholar) using key terms such as public spending cuts, service withdrawal, equalities issues, equalities groups, vulnerable groups and budgeting.

- Government websites were searched using the key terms above.
- Literature already known to the authors was reviewed.
- The websites and reports produced by organisations known to the authors being concerned with equalities issues and public spending were reviewed.
- The relevant references from the literature identified were reviewed.

It is important to note that while the research chosen was credible, it was not possible in the time available to rigorously determine the relative quality of the different reports. Where evidence is cited from groups that may have particular perspective, for example lobby groups, the data they cite are generally based on credible sources.

References

Aronson, J (2002). Elderly people's accounts of home care rationing: missing voices in long-term care policy debates. *Ageing and Society*, 22: 399-41

Barns, A, Jefferson, T, and Preston, A (2009). *Women's employment in the context of the economic downturn* (Women in Social and Economic Research for the Australian Human Rights Commission)

Beatty, C, Fothergill, S, Gore, T and Powell, R (2007). *The Real Level of Unemployment 2007*. (Sheffield: CRESR)

Beckford, JA, Gale, R, Owen, D, Peach, C and Weller, P (2006) *Review of the Evidence Base on Faith Communities*. (London: Communities and Local Government)

Begum, N (2004). *Characteristics of the short-term and long-term unemployed*. Labour Market Trends, April 2004, pp. 139-144

Bell, D and Blanchflower, D (2009). *Youth unemployment: déjà vu?* (Dartmouth College Working Paper)

Brewer, M, Browne, J, Emmerson, C, Goodman, A, Muriel, A and Tetlow, G (2007). *Pensioner poverty over the next decade: what role for tax and benefit reform?* (London: Institute for Fiscal Studies)

Charity Commission (2009). *Charities and the Economic Downturn*. (London: Charity Commission)

Clark, J (2007). *Voluntary Sector Workforce Almanac 2007*. (London: NCVO)

Cloutier-Fisher D and Joseph AE (2000). Long-term care restructuring in rural Ontario: retrieving community service user and provider narratives. *Social Science and Medicine*, 50 (7-8):1037-45

Collier, B (2009). *The Recession Yet to Come. Planning for Resilience in the Voluntary and Community Sector in Westminster*. (London: Voluntary Action Westminster)

Day, K (2009). *Communities in recession. The reality in four neighbourhoods* (York: Joseph Rowntree Foundation)

DWP (2009). *Monitoring the impacts of the recession on various demographic groups*, (Department of Work and Pensions)

DWP (2010). *Young Person's Guarantee Official Statistics, 26 May 2010* (DWP, BIS, Scottish Government and Welsh Assembly Government)

DWP (no date). *Guide to the Future Jobs Fund* <http://research.dwp.gov.uk/campaigns/futurejobsfund/pdf/fjf-guide.pdf> - Accessed 09 July 2010

Equality and Human Rights Commission and Department of Work and Pensions (June 2009). *Monitoring the impact of the recession on various demographic groups*. (Equality and Human Rights Commission and Department of Work and Pension)

Equality and Human Rights Commission and Department of Work and Pension (December 2009). *Monitoring update on the impact of the recession on various demographic groups* (Equality and Human Rights Commission and Department of Work and Pension)

Ernst and Young (2010). *Scottish ITEM Club Economic Prospects 2010*. (Ernst and Young)

Forder, J and Fernández, J-L (2010). *The impact of a tightening fiscal situation on social care for older people* (PSSRU and Age UK)

Frenette, M and Picot, G (2003). *Life After Welfare: The Economic Well Being of Welfare Leavers in Canada during the 1990s* (Statistics Canada Research Paper)

Gregg, P and Tominey, E (2004). *The Wage Scar from Youth Unemployment*. (CMPO Working Paper Series No. 04/097, University of Bristol)

Griffin Cohen, M and Cohen, M (2004). *A Return to Wage Discrimination: Pay Equity Losses through the Privatization of Health Care*. (Canadian Centre for Policy Alternatives)

Hammarström, A and Janlert, U (2002). Early unemployment can contribute to adult health problems: results from a longitudinal study of school leavers. *Journal of Epidemiology & Community Health*, 56: 624–630

Hasluck, C (2008) *The Costs and Benefits to Employers of Recruiting and Retaining Disabled Workers*, in Needles, K. and Schmitz, R. (eds), *Economic and social costs and benefits to employers of retaining, recruiting and employing disabled people and/or people with health conditions or an injury: A review of the evidence*. Department for Work and Pensions Research Report No. 400. London: DWP.

Harcourt, W (2010). *The Impact of the Crisis on Women in West Europe*. (Association for Women's Rights in Development). <http://www.awid.org/eng/Issues-and-Analysis/Library/The-Impact-of-the-Crisis-on-Women-in-West-Europe2> - Accessed 21 June 2010

Hills, J, Brewer, M, Jenkins, S, Lister, R; Lupton, R, Machin, S, Mills, C, Modood, T, Rees, T and Ridell, S (2010). *An anatomy of economic inequality in the UK*. (London: Government Equalities Office)

Hirst, M, Thornton, P, Dearey, M and Maynard Campbell, S (2004). *The Employment of Disabled People in the Public Sector: A Review of Data and Literature*. (The Disability Rights Commission)

HM Treasury (2010). *The Spending Review Framework*. (London: HM Treasury)

HM Treasury (24 May 2010). *Government announces £6.2bn of savings in 2010-11 Action to cut Whitehall waste and protect schools spending*. Press Notice 04/10. http://www.hm-treasury.gov.uk/d/press_04_10.pdf - Accessed 09 July 2010

Hogarth, T, Owen, D, Gambin, L, Hasluck, C, Lyonette, C and Casey, B (2009). *The equality impacts of the current recession* (Equality and Human Rights Commission Research report 47)

Hughes, KD, Lowe, GS and McKinnon, AL (1996). Public Attitudes toward Budget Cuts in Alberta: Biting the Bullet or Feeling the Pain? *Canadian Public Policy*, 22 (3): 268-284

IPPR (2010). *Recession leaves almost half young black people unemployed, finds ippr*. <http://www.ippr.org.uk/pressreleases/?id=3846> - Accessed 09 July 2010

Irving, P, Steels, J and Hall, N (2005). *Factors affecting the labour market participation of older workers: qualitative research*. Research Report No 281 (Department for Work and Pensions)

Jenkins, J and Leaker, D (2010). The labour market across the UK in the current recession. *Economic and Labour Market Review*, 4 (1): 38-48

Koschinsky, J (1998). Challenging the Third sector Housing Approach: The Impact of Federal Policies (1980-1996). *Journal of Urban Affairs*, 20 (2): 117-135

Learning Disability Coalition (2008). *Tell it like it is: What the crisis in social care really means for people with a learning disability* (Learning Disability Coalition)

Lightman, E and Mitchell, A (2005). One Year On: Tracking the Experiences of Current and Former Welfare Recipients in Toronto. *Journal of Poverty*, 9 (4): 5-25

MacDonald, C (1999). *Support at Home: Views of Older People about their Needs and Access to Services - Research Findings*. (Edinburgh: Scottish Executive)

McQuaid, R, Hollywood, E and Canduela, J (2010). *Employment inequalities in an economic downturn*. (Belfast: The Equality Commission Northern Ireland) (forthcoming)

Millard, B and Machin, A (2007). Characteristics of Public Sector Workers. *Economic and Labour Market Review*, 1 (5): 46-55

Northern Ireland Statistics and Research Agency (2010). *Equality Statistics for the Northern Ireland Civil Service*. (Northern Ireland Statistics and Research Agency)

Office of National Statistics (2004). *Informal carers who live in households: by age and sex, 2001*. (London: ONS)
<http://www.statistics.gov.uk/STATBASE/ssdataset.asp?vlnk=7396&More=Y> –
Accessed 16 June 2010

Office of National Statistics (no date). *Annual Survey of Hours and Earnings (ASHE) - 2009 Results*. <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15313> –
Accessed 09 July 2010

OECD (2010) *OECD Economic Outlook, Fiscal Consolidation: Lessons from Past Experience*. <http://www.oecd.org/dataoecd/21/33/38628499.pdf> Accessed 24 June 2010

Oxfam and EWL (2010). *Women's poverty and social exclusion in the European Union at a time of recession An Invisible Crisis?* (Oxfam International and the European Women's Lobby)

Oxford Economics (2010). Why has unemployment not risen more in the recession. *Economic Outlook*, 34:5-12.

Papasolomontos, A and Hand, K (2009). *Public Funding Cuts in the Third sector: Scale and Implications* (London: Charity Finance Directors' Group)

Power, M (1984). *Falling through the "Safety Net": Women, Economic Crisis, and Reaganomics*. *Feminist Studies*, 10 (1): 31-58

Prizeman, G and McGee, S (2009), *Charitable Fundraising in an Economic Downturn. The first annual report on income and fundraising activity in Irish charities*. (Irish Charities Tax Research Ltd, the Ireland Funds and the Centre for Nonprofit Management)

Philip, L, Gilbert, A, Mauthner, N and Phimister, E (2003). *Scoping Study of Older People in Rural Scotland* (Scottish Executive: Edinburgh)

Rake, K (2009). *Are women bearing the burden of the recession?* (London: Fawcett Society)

Ramos, C (January 2010). *The Effect of Oregon's Potential Budget Cuts on Lesbian, Gay, Bisexual, and Transgender People and Their Children* (The Williams Institute)
<http://escholarship.org/uc/item/74q53835> - Accessed 24 June 2010

Randall, GE and Williams, AP (2006). *Exploring limits to market-based reform: Managed competition and rehabilitation home care services in Ontario*. *Social Science and Medicine*, 62 (7): 1594-1604

Richardson, D (2009). *The Impact of the Recession on Women*. (Security4Women)

Salamon, LM (1999). The Nonprofit Sector at a Crossroads: The Case of America. *International Journal of Voluntary and Nonprofit Organizations*, 10 (1): 5-23

Scottish Government (September 2009). *Draft Budget 2010/11: Equality Statement*. (Edinburgh: Scottish Government)

Smale, W (07 June 2010). *What can the UK learn from Canada's budget cuts?* BBC News Online. <http://news.bbc.co.uk/1/hi/business/10254055.stm> - Accessed 09 July 2010

Stafford, B and Duffy, D (2009). *Review of evidence on the impact of economic downturn on disadvantaged groups* (London: Department of Work and Pensions)

Stonewall (2007). *Sexual orientation employer handbook*. (London: Stonewall)

TUC (2009a) *Black Workers and the Recession* (London: TUC Recession Report)

TUC (2009b) *Women and Recession. How will this recession affect women at work?* (London: Trades Union Council)

TUC (2010a). *All pain, no gain: the case against cuts*. (TUC)

TUC (2010b). *Women and the Recession - One Year On*. (TUC)

TUC (2010c). *Recession Report January 2010*. (TUC)

Tutnjevic, T (2002). *Gender and financial/economic downturns. Working Paper 9* (Geneva: International Labour Office)

Vaitilingam, R (2009) *Recession Britain. Findings from Economic and Social Research* (Economic and Social Research Council)

Wanless, D; Forder, J; Fernandez, J-L; Poole, T; Beesley, L; Henwood, M and Moscone, F (2006). *Securing Good Care for Older People*. (London: King's Fund)

WCVA (2010). *Third sector recession survey, Jan 2010 Interim Results*. (Wales Council for Voluntary Action) – Available at: http://www.wcva.org.uk/policy/dsp_research_project.cfm?0=0&display_sitetextid=184&sub=1 - Accessed 18 June 2010

WCVA (April 2009). *Third sector recession survey, February 2009 Results*. (Wales Council for Voluntary Action) – Available at: http://www.wcva.org.uk/policy/dsp_research_project.cfm?0=0&display_sitetextid=184&sub=1 - Accessed 18 June 2010

WCVA (September 2009). *Third sector recession survey, July 2009 Results*. (Wales Council for Voluntary Action) – Available at: http://www.wcva.org.uk/policy/dsp_research_project.cfm?0=0&display_sitetextid=184&sub=1 - Accessed 18 June 2010

Wilson P (2000). Deficit Reduction as Causal Story: Strategic Politics and Welfare State Retrenchment. *The Social Science Journal*, 37 (1): 97-112