



Fiscal Policies for Gender Equality

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ABSTRACT

Preventing economic distortions and providing for gender equality should be a main goal that could be achieved not only by promoting labor laws and ensuring welfare benefits, but also with the design of a tax-benefits system that could address those issues.

A gender-sensitive tax-benefits system would become a permanent safeguard policy for gender issues, promoting gender inclusion

Keywords: gender equality, tax-benefits system, fiscal policies

SARI PATI

Artikel ini membahas isu kesetaraan gender, terutama dalam upaya mencegah distorsi ekonomi, melalui berbagai instrumen, khususnya sistem manfaat pajak. Promosi undang-undang ketenagakerjaan dan pemastian tunjangan kesejahteraan saja tidak cukup untuk mendukung kesetaraan gender. Rancangan sistem tunjangan pajak juga diperlukan untuk mengatasi masalah ini. Melalui sistem tunjangan pajak yang peka gender akan terbentuk kebijakan perlindungan dan inklusi gender yang permanen.

Kata Kunci: kesetaraan gender, sistem tunjangan pajak, kebijakan fiskal

CHALLENGE

As part of any infrastructure development project, there is a need to ensure that the people and the environment are protected from potential adverse impact. The safeguard policies are a mechanism to address environmental and social issues in a project design, implementation and operation.

Those safeguard policies should include provisions on gender issues, as Gender Equality is not only a fundamental human right, but a necessary foundation for the future. Besides, failing to achieve it costs us up to 16% of world income every year (Ferrant et. al., 2016).

In the specific context of government revenue collection, gender balance is often neglected as a policy rationale. Even if tax provisions do not explicitly disadvantage women to men, they do not correct gender differences, and they do not address the implications of Covid-19 in the increased women's unpaid work burden as a result of the closure of schools and childcare facilities (Ferrant, 2014). *"Ipsos data from January 2021 shows that a longer "double-shift" of paid and unpaid work in a context of school closures and limited availability of care services have contributed to an overall increase of stress, anxiety around job insecurity and difficulty in maintaining work-life balance among women with children"* (WEF, 2021).

Preliminary evidence from the World Economic Forum's Global Gender Gap Report 2021 suggests that the health emergency and the related economic downturn have impacted women more severely than men, partially reopening gaps that had already been closed. In just two (2) years' time, the global gender gap has increased by a full generation, as women will have to wait for gender parity more than 135.6 years, which is more than the 99.5 years waiting expected before Covid-19's pandemic. (WEF, 2021).

As laws in many countries are being reformed to advance gender equality, many challenges remain. Women are less likely to work full-time than men, and are less likely to progress in their careers. Further, there is a substantial gender wage gap, which evolves into an immense gender pension's gap.

We can find examples of this gender-bias clause in many tax systems. For instance, the US even named *marriage penalty* or *marriage tax*, the unwanted situation when the combined tax liability of a married couple gets higher than their combined tax burden if they had remained single. It is not just unwanted, it is also unfair and violates neutrality. Even if there is no evidence to support their effect on whether a couple will marry, it may affect how much each spouse works (Congressional Budget Office, 1997). Studies have found that *"the individual income tax is typically not marriage-neutral, and ... suggest(s) that, since the early 1970s, the average family has incurred a marriage tax that has generally tended to rise over time"* (Alm and Whittington, 1996). Even the US Treasury measured it and detected many factors that affect it (US Treasury, 2015).

And still, it is not just a US issue. As a consequence of the highly progressive nature of income tax rates in Switzerland, people are usually suggested to get professional tax advice before getting married.

PROPOSAL

The social and cultural norms that broadly cast men's roles as decision-makers and women's roles as caregivers, play a significant part in terms of the type of paid work into which women are channeled, and how that work is valued and remunerated. When women enter the formal labor market, their role as workers is often seen as subsidiary or supplementary to their principle role as "homemakers", so it impacts how women

are paid, and in their career progression (King, 2017).

However, those social and cultural norms are not the only variable that influence on gender inequality.

There are some other underlying reasons to gender inequality that could be addressed, such as:

1. Divided labor market. Gender concentration on different job areas.
Women are overrepresented in low paid, insecure and (even) unsafe jobs within global supply chains, agriculture, textile and garment industries
2. Majority of men in senior roles
As senior jobs, theoretically, require long hours and constant availability, women are less likely not only to apply to those jobs, but also to be hired for them. Many employers would not even consider the possibility of hiring a woman for a job expected to grow in time (also known as *myopic expectations*). This affects not only mothers, but also women without children,
3. “Motherhood penalty” and caring responsibilities
As males are often seen as the “breadwinner” and women become mothers, women bear most of the family responsibilities and sacrifice in their paid work, accepting part-time or more flexible (and underpaid) jobs.
4. Private-sector estimation on costs of caring responsibilities
In countries where there is a mandatory employment-protected paid maternity leave in force, and it is more extended than the paternity leave (as it usually is), employers call upon the impact of that eventual paid leave in order to differentiate men and women applicants.

As anybody can see, some of these reasons are in fact the cause of others: the “motherhood

penalty” and private-sector estimation on costs of caring responsibilities, push women to work in part-time jobs and different job areas, and close their access to senior jobs.

Even if there is no outright discrimination, we are in a vicious circle regarding closing the gender pay gap.

Progress in closing the gap has stalled in recent years, mainly because of Covid-19 pandemic. Nevertheless, we must acknowledge that the pandemic’s effect is not limited to the quarantine period: *“through the combined effect of accelerated automation, the growing “double shift”, and other labor market dynamics such as occupational segregation, the pandemic is likely to have a scarring effect on future economic opportunities for women, risking inferior reemployment prospects and a persistent drop in income.”* (WEF, 2021)

In order to close the gap, we must take action. A non-discrimination clause will not be enough. Gender-positive recovery policies and practices are required in order to correct the actual discrimination in place. These may include:

1. In order to tackle the “motherhood penalty” and estimated costs of caring responsibilities:
 - 1.1. World Economic Forum Global Gender Gap Report suggests further investments into the care sector and into equitable access to care leave for men and women (WEF, 2021).

In case the access to early childhood education and childcare cannot be secured in public facilities, a special deduction should be conceded to the working mother in their personal income tax returns.

It could even be argued that any payments due to taking care of children

(for working mothers), should simply be deducted, as there are expenses needed in order to earn taxable income.

- 1.2. Globally, women can take on average just over three (3) months of leave (paid or unpaid) while men/fathers can take on average three (3) days. Among the top 20% of economies by gender parity in care leave, women can take more than eight (8) months and men more than three (3) months of care leave (WES, 2021, data from World Bank's Women, Business and the Law Database, 2021).

Recently, WHO urged quality care for women and newborns in the critical first six (6) weeks after childbirth (WHO, 2022). It is, the period when most maternal and infant deaths occur that needed care calls for a mandatory employment-protected paid maternity and paternity leaves of at least two (2) months.

Nevertheless, G20 should recommend a general nine (9) month-leave from childbirth in order to attend what we know as *exogestation*, the period when newborns, completely immature for living outside of the uterus, require permanent and free-demand breastfeeding, and skin-on-skin contact with their parents.

Implementing a mandatory employment-protected paid maternity and paternity leaves, which lasts just as long for both working mothers and fathers, could help to bring both parents to equal cost numbers when looked up by their future employers.

2. In order to tackle the divided labor market and majority of men in senior positions,

incentives should be provided to employers who:

- 2.1. Enforce flexible work entitlements, part-time work and alternative work arrangements that support diverse workforces, among both men and women. This could help men to take home responsibilities, and equal women who are pushed to take those flexible and part-time work arrangements.
- 2.2. Advance more women into management and leadership.

However, as previously stated, there will still be some other social and cultural norms that cannot be addressed with specific measures. We also propose some other measures to be considered in order to reduce even more gender pay gap and get out of this vicious circle.

It is recently been suggested that explicit gender differentiation in taxation or *gender-based taxation* can mitigate the adverse effects of market failure that, implicitly or explicitly, discriminate against women (Coelho et. al., 2022).

3. Regarding personal income tax,
 - 3.1. Countries with family-based taxation (also known as *joint filing*), and most countries that provide for a reduction in dependent spouse credit, ensure that the returning to activity of women after motherhood do not imply a bigger tax burden than the one due if they decide to stay at home.
 - 3.2. Allow women special deductions or particular payments to ease the access to the care and feeding of babies and themselves as women, such as
 - 3.2.1. Breast-feeding leave,
 - 3.2.2. Breast-pumps, baby formula and diapers allowances, and

3.2.3. Women products allowances.

If we consider that nowadays WHO promotes children to be exclusively breastfed for the first six (6) months of life (WHO, 2022), when their feeding should be on a free-demand basis, and at intervals of not more than two (2) hours, it's clear that a short maternity leave is not enough.

Yet, if we add that the same WHO also promotes continuing breastfeeding for up to two (2) years and beyond, and also eating safe and adequate complementary foods that must be introduced gradually, we can see that even an early back-to-work maternal reinstatement should consider the possibility of keeping up the provision of breastmilk, which can be accomplished by using breast-pumps and baby formula.

In baby care, the use of diapers is a necessity that can affect the family's economy, and it is also essential for the independence of working mothers. The same goes with that women products are recognized as a necessity for women to work and study. Their availability will improve women's access to the labor market.

3.3. Women should be allowed a special deduction and be taxed on a reduced rate, in order to compensate, at least partially, the gender pay gap.

Besides, if women face lower marginal tax rates than men, they will have stronger incentives to work and invest in skills, and they will likely be supported or encouraged to do so by their family members (Coelho et. al., 2022).

Even if it may look far-fetched, it is not really so. In Argentina, our Supreme Court ruled in a retiree income tax case, that all vulnerable groups are entitled to have a special treatment in taxes in order to confront the differential costs of living, and until the legal bodies accept that special treatment, they should be considered exempt. And despite this ruling applies only in the particular case in our legal system, its importance lies in the fact that our Constitution considers women and children also vulnerable groups, and it shows what a particular ruling to them could be.

Some worries had been raised against lower marginal tax rates for women, as it would be quite difficult to incorporate easy-to-apply law provisions for homosexual couples and non-binary genders, and then this differentiation may be perceived unfair: yet, we must work on them in order to reduce inequality as a whole.

4. Consumption taxes.

Reduced rates on breast-pumps, baby formula, diapers and women products, could be introduced if they are already imposed at a standard rate, and when governments are capable of following up the consequent and expected reduction of prices.

Finally, it should be considered that long-term impacts of gender pay gap include immense pension's gap in their retirements; therefore, if we don't tackle it today, the discrimination perpetuates itself.

A gender-sensitive tax-benefits system would not only have an immediate effect to the after pandemic's economic inequalities, but would as well become a permanent safeguard policy

for gender issues, promoting gender inclusion and minimizing any other potential negative impacts.

“Greater female labour supply would add impetus to economic growth: a full convergence in the participation rate between men and women over 20 years could boost the GDP per capita growth rate ... On average, among OECD countries full convergence is projected to ... an equivalent increase in GDP of 12.0% by 2030.”(ILO et. al., 2014)

“G20 countries have much to gain from increased female labour force participation in terms of economic growth and increased welfare ... To optimize the labour productivity potential of increased female employment, women should be

fully integrated in the labour force, not subjected to discriminatory gender wage gaps and not involuntarily confined to part-time employment and to the most low-paid, low productivity and vulnerable jobs” (ILO et. al., 2014, page 3).

These words from 2014 still remain, as do the issues not properly addressed by the G20 yet. The G20 should lead the way to achieve gender equality.

“There are plenty of options for well-justified policy reforms that would contribute to gender equality. Tax policy may not always be the first-best tool to address each source of gender inequality, (yet) ... it is imperative that gender impact analysis be incorporated in optimal policy design” (Coelho et. al., 2022).

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