Gender and Tax-Benefit Policy

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ESRI

The gender impact of Irish budgetary policy

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Introduction

- Although tax-benefit systems do not differentiate by gender, there are gender implications of tax-benefit policy due to
- Divisions of work/caring and the gender wage gap have implications for
  - pre-tax earnings
  - tax liabilities
  - qualification for contributory/non-contributory welfare
  - Welfare payment rates

Introduction

- Gender budgeting becoming more common
  - Half of OECD countries
- Gender budgeting can take many forms
  - Gender informed resource allocation
  - Gender-assessed budgets
  - Needs-based gender budgeting
- Usually incremental categories

Introduction

- This research carries out the first “gender assessed budget” exercise for Ireland
  - Direct taxes and welfare
  - Period of 2008-2018 examined, split into austerity (08-12) and recovery (13-18) budgets
- Embeds this capacity into SWITCH, the ESRI’s tax-benefit model
  - Used by Irish Departments of Finance, Public Expenditure and Reform, Employment Affairs and Social Protection, Health, Children and Youth Affairs

Framework

Framework I

- Most distributional analyses are carried out at the household level – full pooling of income between household members
- Gender impact assessment (GIA) requires a departure from this
- Tax-unit level analysis: assume that tax-unit income is
  - Split equally between partners
  - Assigned to the physical recipient
- "True" gender impact lies somewhere between these bounds
  - closer to the former (Watson et al, 2013) but the latter also informs about bargaining power/consumption

Framework II

- We use SWITCH, the ESRI's tax-benefit model, linked to pooled 2013/14 SILC data, reweighted to be representative of the 2018 population in terms of demographics, income and welfare.
- SWITCH takes individual level information on demographics, labour market status, etc from SILC and simulates disposable income after taxes and transfers.
  a) Using (earnings-)indexed 2008 policy rules
  b) Using 2018 policy rules
  c) Using indexed 2008 welfare rules and 2018 tax rules (to isolate the effects of tax and welfare policy)

Framework IV

- Income changes should not be interpreted as *actual* changes for the period in question
  - Such a framework would have difficultly separating the policy effect from all other changes e.g. market income shocks, changes in labour supply and demand
- Rather, we cleanly identify the effect of moving from one set of polices to another for the same population.

Main policy changes 2008-2018

- Income tax
  - standard rate of income tax =
  - higher rate of tax ↓
  - threshold for higher rate of tax ↓
  - tax credits ↓
- Social insurance contributions ↑
- Welfare payments ↓ in austerity period and ↑ in recovery period but failed to keep pace with inflation

LABOUR MARKET AND INCOME STATISTICS (EXCLUDING OBSERVATIONS WITH A ZERO VALUE FOR THE INCOME CATEGORY)

	All		Male		Female	
	Mean	***N***	**Mean**	***N***	**Mean**	***N***
Hourly wage	20.4	5,844	20.7	2,795	20.1	3,049
Weekly work hours	35	5,844	38	2,795	32	3,049
Weekly market income	683	8,431	774	4,462	575	3,969
Weekly tax, social security and other deductions	163	10,507	206	5,243	116	5,264
Weekly Child Benefit	63	2,881	65	46	62	2,835
Weekly other social welfare	149	9,486	153	4,528	144	4,958
Weekly disposable income	538	14,065	632	6,741	444	7,324

Source: *Authors' calculations using 2018 SWITCH policies linked to pooled SILC data from 2013 and 2014, reweighted to represent the 2018 population.*

Note: *Grey-shaded results indicate a small sample size (30–50 observations). N indicates the number of observations in each category in the pooled dataset.*

Results

Results - singles

Table 1: Percentage change in single-adult tax unit's disposable income as a result of 2018 policies relative to 2008 policies by tax unit type and policy type

Tax unit type	Average % change			% of all tax units
	Taxes	Welfare	Total	
Singles without children	-5.4	-1.0	**-6.4**	35.8
Of which male	-5.1	-1.0	**-6.1**	18.8
Of which female	-5.7	-1.0	**-6.7**	16.9
Lone parents	-4.9	-5.7	**-10.6**	6.8
Of which male	-4.8	-3.6	**-8.3**	0.4
Of which female	-5.0	-6.1	**-11.1**	6.4
Single retired Tax Units	-4.4	-0.5	**-4.9**	13.9
Of which male	-5.0	-0.4	**-5.5**	5.1
Of which female	-3.9	-0.5	**-4.4**	8.8

Source: own calculations using SWITCH, based on pooled SILC data from 2013 and 2014,reweighted to represent the 2018 population.

Notes: These estimations were obtained by comparing the distributions of disposable income at the tax unit level under the 2008 system(indexed to earnings growth between 2008-2018) and the 2018 system

Results - couples

Table 1: Percentage change in disposable income as a result of 2018 policies relative to 2008 policies by policy type and couple type

	Retired couples	Other couples	All couples
Couple: full income sharing	**-4.7**	**-9.1**	**-8.1**
Of which tax	-4.4	-6.3	-5.9
Of which welfare	-0.2	-2.7	-2.2
Women: no income sharing	**-4.8**	**-13**	**-11.6**
Of which tax	-4.2	-6.1	-5.8
Of which welfare	-0.6	-6.9	-5.8
Men: no income sharing	**-4.6**	**-6.8**	**-6.3**
Of which tax	-4.5	-6.4	-6
Of which welfare	-0.1	-0.4	-0.3

Source: own calculations using SWITCH, based on pooled SILC data from 2013 and 2014, reweighted to represent the 2018 population.

Notes: these figures were obtained by comparing the distributions of disposable income at the tax unit level under the 2008 system (indexed to earnings growth between 2008 -2018), the 2018 system and a system with 2018 tax rules and 2008 (indexed) welfare rules. 'Retired couples' refer to couples where at least one is aged 65 or over.

Results - couples with/without children

	Without children			With children		
	Retired couples	Other couples	All couples	Retired couples	Other couples	All couples
Full income sharing assumption	-4.68	-7.56	-6.34		-9.95	-9.94
Of which tax	*-4.45*	*-6.83*	*-5.82*		*-6.76*	*-5.78*
Of which welfare	*-0.24*	*-0.79*	*-0.55*		*-3.97*	*-3.95*
No income sharing: women	-4.78	-8.09	-6.81		-15.52	-15.47
Of which tax	*-4.45*	*-6.83*	*-5.82*		*-6.27*	*-6.26*
Of which welfare	*-0.64*	*-1.2*	*-0.99*		*-10.15*	*-10.1*
No income sharing: men	-4.64	-7.3	-6.13		-6.55	-6.54
Of which tax	*-4.17*	*-6.97*	*-5.89*		*-6.25*	*-6.24*
Of which welfare	*-0.09*	*-0.59*	*-0.37*		*-0.29*	*-0.28*

Results – by economic activity

Table 1: Percentage change in individual disposable income as a result of 2018 policies relative to 2008 policies by policy type, labour force status and gender

	At work	Unemployed/ not in paid workforce	Retired/aged 65 or over	All
Women	**-9**	**-20.4**	**-4.6**	**-9.2**
Of which tax	-6.2	-2.6	-4	-5.5
Of which welfare	-2.8	-17.9	-0.5	-3.8
Men	**-6.4**	**-10.6**	**-5**	**-6.2**
Of which tax	-6.2	-2	-4.7	-5.6
Of which welfare	-0.2	-8.6	-0.3	-0.6

Source: own calculations using SWITCH, based on pooled SILC data from 2013 and 2014, reweighte to represent the 2018 population.

Notes: these figures were obtained by comparing the distributions of disposable income at the tax unit level under the 2008 system (indexed to earnings growth between 2008-2018), the 2018 system and a system with 2018 tax rules and 2008 (indexed) welfare rules.

Results – austerity vs. recovery budgets

Table 1: Percentage change in individual disposable income as a result of 2008-2012 policies and 2013-2018 policies by labour force status and gender

	Women			Men		
Labour force status	**08-12**	**13-18**	**08-l8**	**08-12**	**13-18**	**08-18**
At work	-8.8	-0.2	**-9.0**	-7.4	1.0	**-6.4**
Unemployed/not in paid workforce	-14.2	-6.2	**-20.4**	-6.2	-4.4	**-10.6**
Retired/aged 65 or over	-2.9	-1.6	**-4.6**	-4.4	-0.6	**-5.0**
All	-8.3	-1.0	**-9.2**	-6.6	0.4	**-6.2**

Source: own calculations using SWITCH, based on pooled SILC data from 2013 and 2014, reweighte to represent the 2018 population.

Notes: these figures were obtained by comparing the distributions of disposable income at the tax unit level under the 2008 system (indexed to earnings growth between 2008 -2018), the 2018 system and a system with 2018 tax rules and 2008 (indexed) welfare rules.

Conclusion

- Budgetary policy reduced the income of women more than men between 2008-2018 in Ireland
- Differential impacts of budgetary policy by gender due to the interaction of policy changes with economic activity and presence of children
- No major gender differences in the impact of budgetary policy for childless singles in Ireland or couples without children

Conclusion

- (Female) lone parents lost out by more than other singles
  - Welfare reductions
- Most income losses and most of the gender differences in income losses occurred during the austerity period.
  - Recovery budgets have been more “gender neutral”
- GIA tool to be used by government departments (and us) in pre-/post-budget analysis

The effect of tax-benefit systems on gender income gaps in Europe

K. Doorley, C. Keane

Introduction

- Still an unexplained gender wage gap despite some convergence in wages of men and women (Blau & Kahn, 2017; Redmond & McGuinness, 2017)
- Gender differences in labour force participation and hours of work sizable (Olivetti & Petrongolo, 2008).
- The combined effect of the gender wage gap and gender work gap is a gender gap in labour income which varies across countries.
  - implications for equality and poverty both during working life and into retirement.

Introduction

- Policy interventions have been shown to help close the gender pay gap
  - equal pay legislation, collective bargaining and minimum wages (Blau and Kahn, 2003; Polachek & Xiang, 2015; Bargain et al, 2018)
- Equally, policy can tackle the gender work gap
  - individual taxation, childcare subsidies (Bick & Fuchs-Schündeln, 2017; Brewer et al, 2016)
- But, given the gender gap in income, tax-benefit policy can also re-distribute between men and women
  - tax-benefit polices usually progressive so that women pay less tax and benefit more from the welfare system

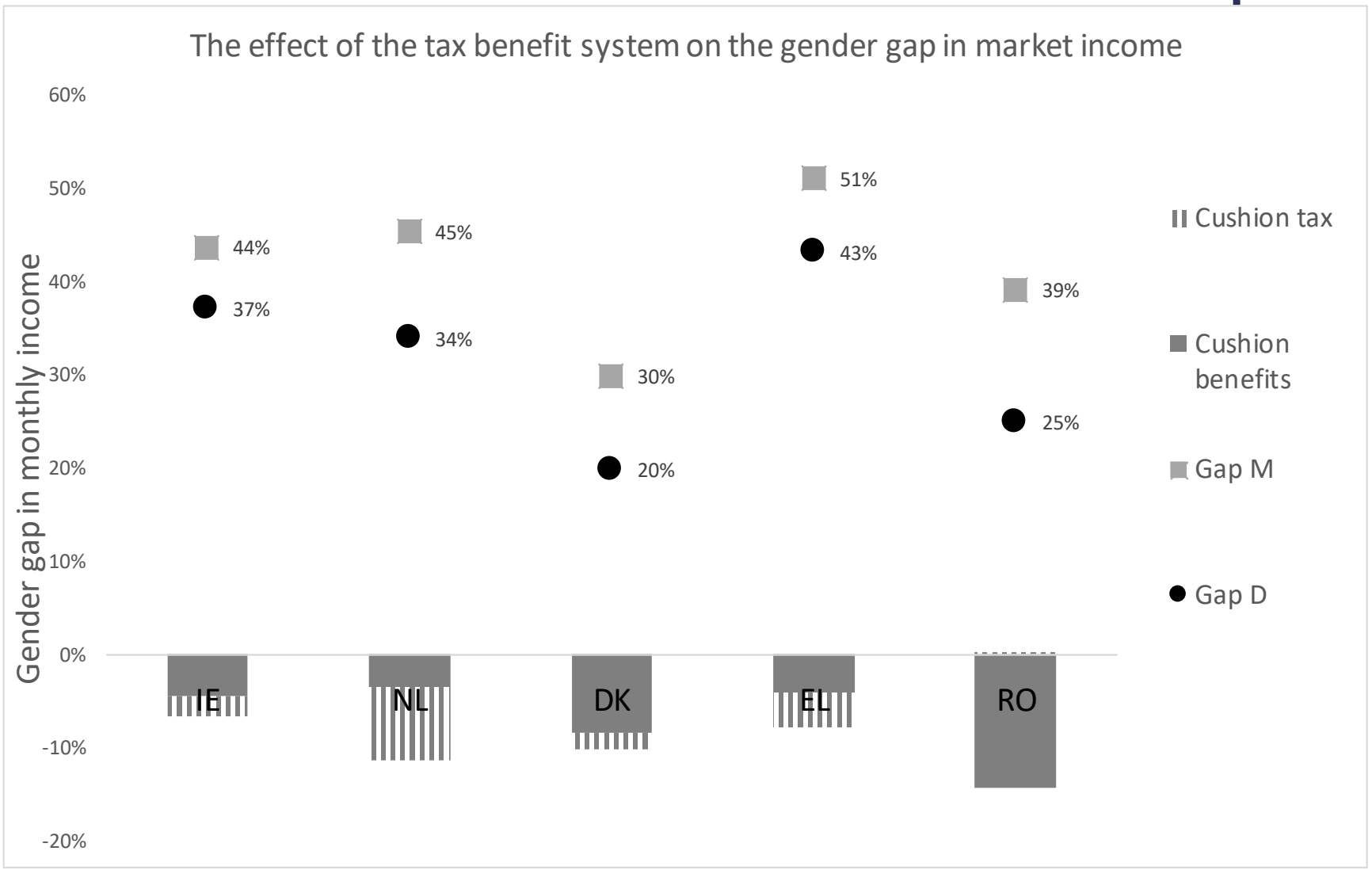
This paper

- Estimate the gender income gap for a cross-section of European countries using EUROMOD
- Develop a decomposition method to separate the gender income gap into the contributions of
  - Gender gaps in market income (wages vs. work)
  - The cushioning effect of policy (taxes vs. welfare)

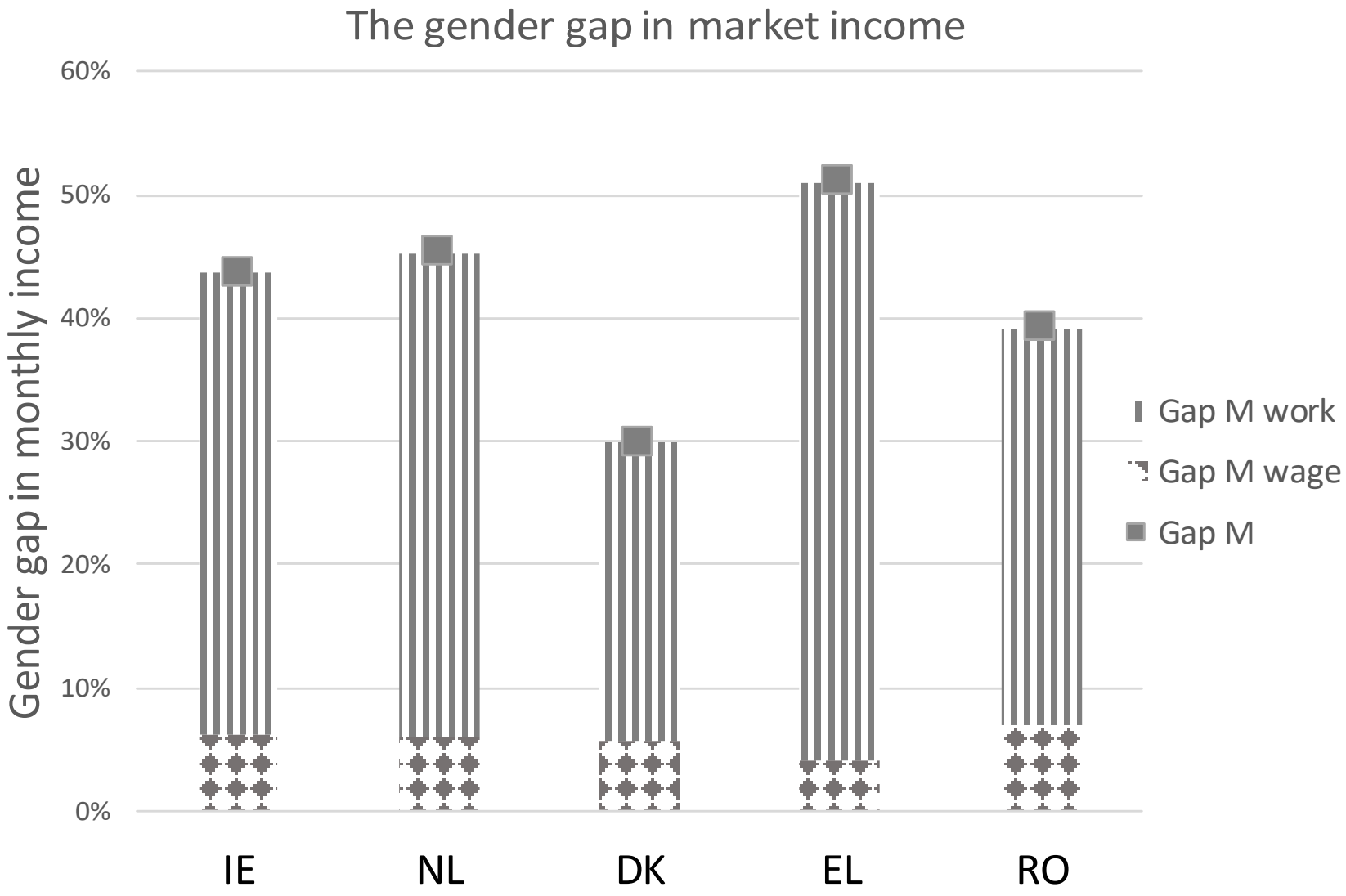
Analysis

- Country selection: IE, NL, DK,EL, RO
  - One from each of the common European groupings: Continental, Eastern, Southern, Nordic, Anglo-Saxon
  - Largely individualised tax-benefit systems
- EUROMOD used to simulate actual and counterfactual income distributions

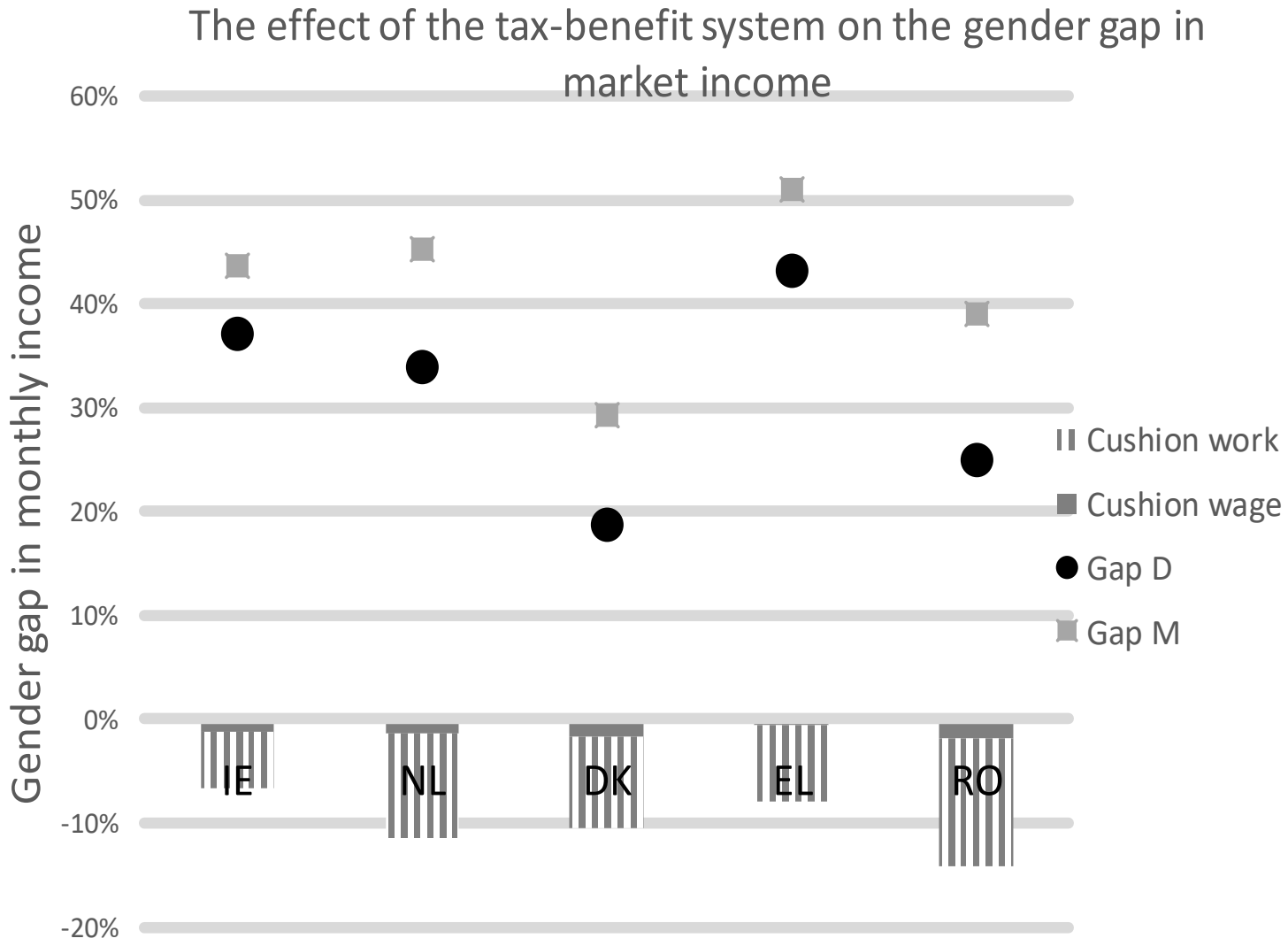
Preliminary Results



Preliminary Results



Preliminary Results



Preliminary conclusions

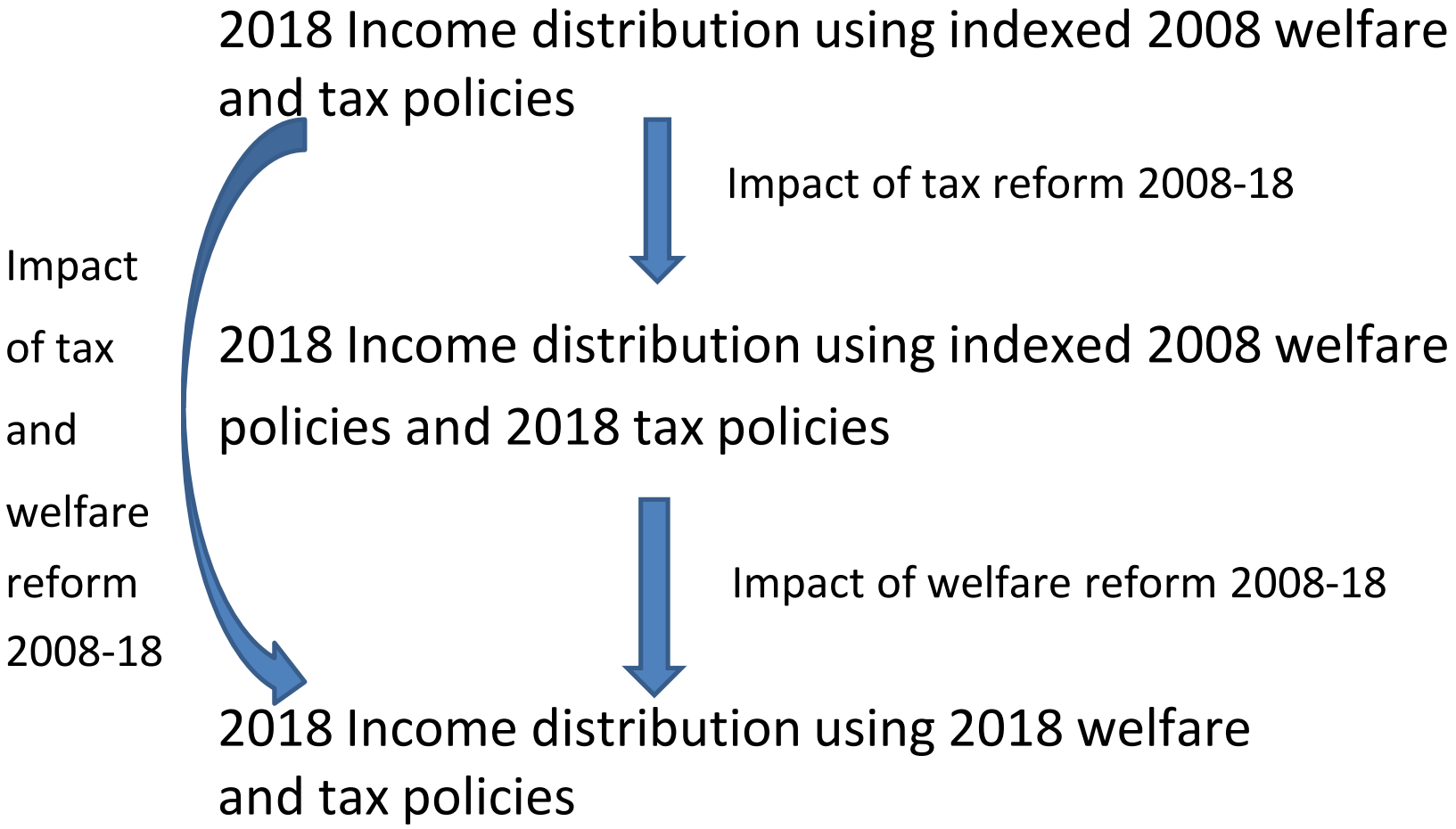
- Gender income gap primarily caused by the gender work gap.
- Tax-benefit systems cushion gender income gaps with variation across countries
  - Less in IE, EL, more in NL, RO, DK
  - Benefits system in IE, RO, DK. Tax in NL. Mix in EL.

Conclusions

- Should tax-benefit systems cushion gender income gaps?
  - Reduces the over-representation of women among the poor
  - Compensates for poor childcare options
  - Primarily cushioning gender work gap – little disincentive for firms to pay equal wages
  - Provides disincentive for secondary earners (women) to work – exacerbates the gender income gap at source

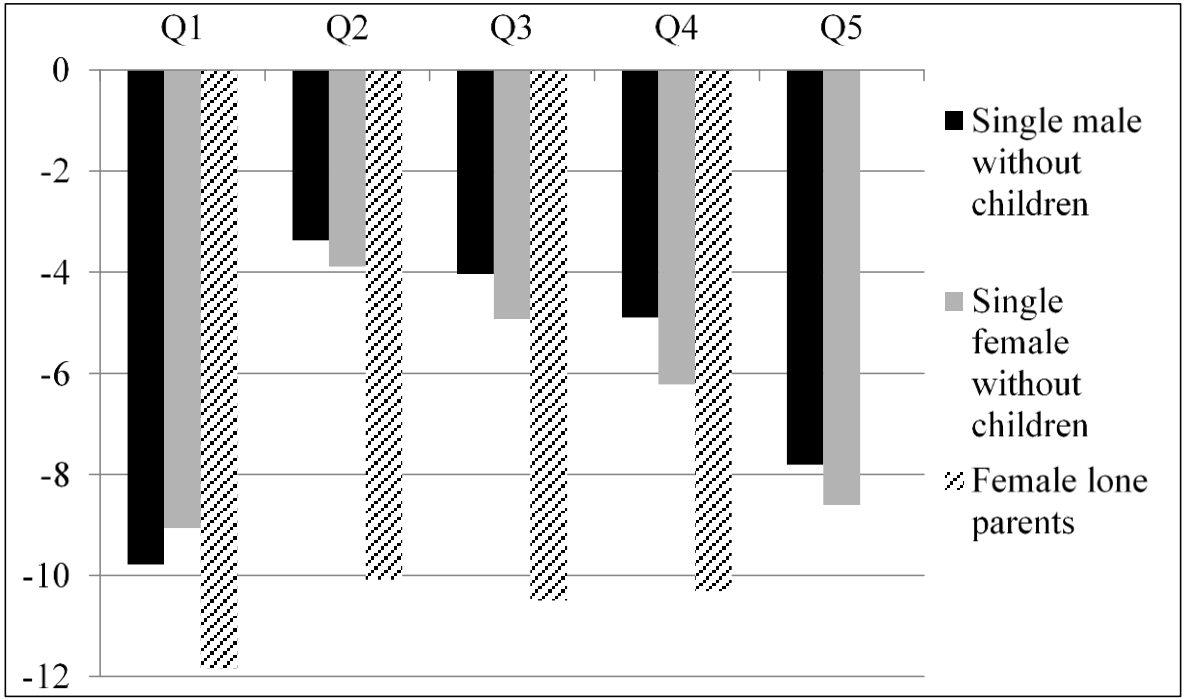
Thanks!
Questions?

Framework V


2018 Income distribution using indexed 2008 welfare and tax policies
Impact of tax reform 2008-18
Impact of tax and welfare reform 2008-18
2018 Income distribution using indexed 2008 welfare policies and 2018 tax policies
Impact of welfare reform 2008-18
2018 Income distribution using 2018 welfare and tax policies

Results - singles

Figure 1: Percentage change in single-adult tax units' disposable income as a result of 2018 policies relative to 2008 policies by tax unit type and tax unit income quintile

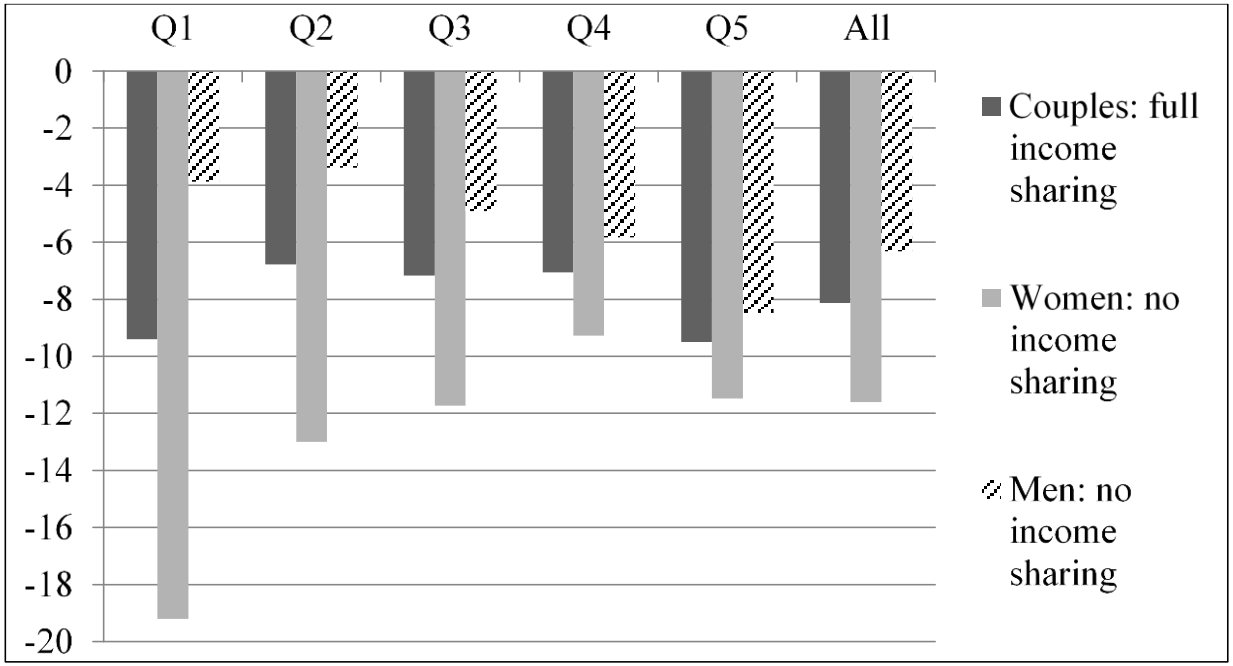


Source: own calculations using SWITCH, based on pooled SILC data from 2013 and 2014,reweighted to represent the 2018 population.

Notes: these estimates were obtained by comparing the distributions of disposable income at the tax unit level under the 2008 system(indexed to earnings growth between 2008-2018) and the 2018 system The quintiles relate to equivalised disposable income at the tax unit level.

Results - couples

Figure 1: Percentage change in disposable income as a result of 2018 policies relative to 2008 policies by tax unit income quintile and gender under different income sharing assumptions



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Notes: these estimates were obtained by comparing the distributions of disposable income at the tax unit level under the 2008 system(indexed to earnings growth between 2008-2018) and the 2018 system The quintiles relate to equivalised disposable income at the tax unit level.