

# WIFO

TEL. (+43 1) 798 26 01-0

FAX (+43 1) 798 93 86



ÖSTERREICHISCHES INSTITUT FÜR WIRTSCHAFTSFORSCHUNG  
AUSTRIAN INSTITUTE OF ECONOMIC RESEARCH

WIEN 3, ARSENAL, OBJEKT 20 • A-1103 WIEN, POSTFACH 91  
P.O. BOX 91, A-1103 VIENNA – AUSTRIA • <http://www.wifo.ac.at>

## **Tax and Budget Policies to End Inequality**

**GATJ-EADI Conference**

**“Tax Justice to Promote Social Justice”**

**Vienna, February 24, 2015**

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**Margit Schratzenstaller**

- **Gender impact of taxation – issues and results**
- **Gender Responsive Budgeting in Austria**

**Stylized facts regarding economically relevant gender differences which should be taken into account by a gender-sensitive analysis and design of taxes/tax system:**

- **Gender differences regarding paid work (including formal and informal work), wages, horizontal/vertical segregation**
- **Women's share of unpaid work is done by women**
- **Gender differences in disposable income and consumption expenditures**
- **Gender differences in wealth**

## Gender equality goals relevant for taxation

- Increasing female employment rates
- Improving earning opportunities of women
- Improving reconciliation of work and family life for men and women
- More equal distribution of paid and unpaid work between men and women
- Considering and reducing, respectively, the unequal primary distribution of income and wealth between men and women through the tax system
- Equal access to specific tax measures and instruments

## Relevant gender specific effects of taxation

- **Effects on employment incentives / paid employment of women and distribution of paid work between men and women**
- **Influence on distribution of unpaid work between men and women**
- **Gender differentiated distributional effects (incidence) of various taxes/tax categories (direkt taxes, indirect taxes, social security contributions) and specific tax instruments (e.g. tax allowances or tax credits)**

## International empirical results

- The empirical relationship between taxation and individual labor supply has been explored extensively
- There are also some results on the gender-differentiated distributional effects of the taxation of labor incomes and consumption taxes
- Underresearched:
  - Taxation of wealth and capital income (incidence)
  - Gender differentiated behavioral effects of „sin taxes“

## Distributional effects of taxes

- Directly and indirectly regressive taxes (consumption taxes, social security contributions) impose a higher burden on women
- Progressive taxes impose a higher burden on men
- The degressive effect of tax allowances granted within the personal income tax is favorable for men, while tax credits are favorable for women (due to their on average lower taxable incomes and tax liabilities)
- Taxes on wealth and capital incomes impose a higher burden on men (exception: inheritances?)
- Men profit over-proportionately from the trend towards the dualisation of income taxes
- Due to the different structure of consumption, tax reliefs and the structure of specific excise taxes exert gender-differentiated distributional effects

## Taxes and employment incentives / employment of men and women

### Relevant elements within the direct taxation of earnings:

- Average tax burden – participation decision
- Marginal tax burden – decision about number of hours worked
- System of personal income taxation in household context (individual vs. joint taxation)
- Tax implications of unequal intra-household of paid work (tax relief for single/principal earners, for certain working time arrangements – i.e. over-time or marginal employment, non-contributory co-insurance of non-active spouses, ...)
- Tax relief for child care expenses



## Taxes and employment incentives / employment of men and women

### Main results of econometric analyses:

- **(Tax) elasticity of the number of hours worked**
  - Compared to men, elasticities for women determined in empirical studies display a much broader range
  - Average and median elasticities of labor supply significantly higher for women
  - Family status and existence of children exert a strong influence on female labor supply
  - Elasticity of labor supply relatively high in Sweden, relatively low in UK and US
- **(Tax) elasticity of the participation decision**
  - Participation decision of married women very sensitive
  - Particularly high sensitivity in lower income groups/for low-skilled (also for men)
  - Non-labour incomes (partner income or transfers) exert considerable dampening effects particularly on labor supply of mothers

## Taxes and employment incentives / employment of men and women

### Main results of microsimulation studies:

- Joint taxation dampens participation rate of women in partnerships
- Individual taxation increases labor supply (participation, number of hours worked) of women in partnerships and reduces (under the assumption of joint maximization of a household utility function) labor supply of men in partnerships (however, to a smaller extent compared to effects for women)

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## Taxes and unpaid work

- **Relevant elements of tax systems:**
  - System of household taxation
  - Treatment of unpaid work in social security systems (e.g. non-contributory co-insurance of non-active partners)
  - Consumption taxation (influences decision between home production and buying of goods and services on the market)
- **No empirical studies of the influence of taxes on overall volume, gender-differentiated supply and distribution of unpaid work**

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## Background and general policy context

- **Considerable and persistent gender gaps at all levels (gender pay gap, women in the boardroom, paid and unpaid work ...)**
- **Sizeable public sector inefficiencies can be assumed at all levels of government**
- **At the same time, insufficient funds for child care, schools, long-term care, universities, public transport**

## Goals and target groups

- **Increase effectiveness and efficiency of budget policy**
- **Increase transparency and accountability**
- **Raise gender awareness**
- **Target groups**
  - interested public (voters and tax payers)
  - members of National Parliament
  - federal government
  - federal administration

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## Legal provisions (1)

- **Federal Constitution**
- **Federal Budget law**
- **Directive for gender impact assessment of all new laws, projects, directives within regulatory impact assessment**

## Legal provisions (2)

- **Art. 13 of the Austrian Federal Constitution requires: “Federation, States and Communes are to strive for the effective equality of women and men in their budget management.”**
- **According to the Austrian Federal Constitution the Austrian Federation has to apply Gender Budgeting as an integral element of Performance Budgeting: Art. 51 of the Austrian Federal Constitution states: „In the budget management of the Federation the fundamental principles of impact orientation, especially considering the objectives of the effective equality of men and women, [...] are to be observed.“**
- **Art. 51 (9): “The particularities [...] are to be fixed by Federal Laws [...] in accord with the provisions of Para. 8. To be regularised in these are especially: measures for an impact orientated administration, especially also under consideration of the objective of the effective equality of men and women.“**

## Institutional arrangements and procedures of implementation (1)

**GRB is resting on two pillars:**

- **GRB in the budgeting process**
- **GRB within regulatory impact assessment**



## Institutional arrangements and procedures of implementation (2)

### ■ GRB in the budgeting process

- GRB is an integral element of performance oriented budgeting introduced in 2013 at the federal level
- obligation to formulate one gender equality objective for each ministry/budget chapter (as one of a maximum of 5 objectives within performance budgeting)
- obligation to formulate one concrete measure to achieve equality objective
- development of appropriate indicators

## Institutional arrangements and procedures of implementation (3)

- **GIA within regulatory impact assessment**
  - reformulation of gender dimension within regulatory impact assessment – aiming at assessment of „effective“ impact of new laws, regulations, directives, and other larger projects
  - assessment of gender impact broken down in six areas/dimensions (payments to natural or legal persons; education, employment and income; unpaid work; public revenues; decision-making processes and decision-making bodies; and health)

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**At current stage of implementation only some observations possible, no overall assessment**

- **Within the regular budget process:**  
defined gender equality objectives and measures address important policy areas (e.g. gender pay gap, reconciliation of work and family life, education and professional careers, or representation of women in the boardroom)
- **Within regulatory impact assessment**
  - great majority of new laws comply with the obligation to conduct a regulatory impact analysis
  - very small share of regulatory impact assessments addresses effective equality (below materiality thresholds)  
important policy areas (e.g. gender pay gap, reconciliation of work and family life, education and professional careers, or representation of women in the boardroom)
  - no regulatory impact analysis and GIA in an overall view for big projects and programmes (e.g. consolidation packages)

## Strengths

- **Strong legal basis and broad political consensus**
- **GRB as integral element of a major budget reform**
- **Comprehensive approach of GRB**

## Problems (1)

- No coordination of GRB and GIA
- Insufficient coordination between ministries
- Insufficient coordination with relevant strategies at national level (e.g. NAP for gender equality)
- Not embedded into macroeconomic and institutional framework and context related to budgetary procedures (e.g. Fiscal Council)
- GRB not considered in the European budget procedures (e.g. budgetary draft plan due mid-October)
- Gender and data expertise in public administration
- Focus on women
- No binding quality standards
- Data situation

## Problems (2)

- **No overarching gender equality strategy and explicit overarching gender equality objectives**
- **No explicit coordination with gender mainstreaming**
- **Very limited participation of stakeholders**
- **No coordination with subnational levels of government**

**Margit Schratzenstaller**

**Austrian Institute of Economic Research ([www.wifo.at](http://www.wifo.at))**

**[Margit.schatzenstaller@wifo.ac.at](mailto:Margit.schatzenstaller@wifo.ac.at)**

Senior Researcher at WIFO (Public Finances)

Deputy co-ordinator of the EU FP7 Project „WWWforEurope“  
([www.foreurope.eu](http://www.foreurope.eu))

Partner in the EU FP8 Project „FairTax“  
(coordinated by Asa Gunnarsson, Umea University)