In Tax, Gender Blind is not Gender Neutral: why tax policy responses to COVID-19 must consider women

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Women are at the core of the fight against the COVID-19 crisis: they make up the vast majority of healthcare workers and shoulder much of the childcare and home schooling burden during lockdowns. And while tax policy measures play a crucial role in supporting individuals and businesses as we navigate this crisis, the gender impact of taxation is often overlooked – with serious consequences for gender equality.

Gender equality is a fundamental human right, as laid out in the UN's Sustainable Development Goal #5, and failing to achieve it costs us up to 16% of world income every year. Yet, in the context of government revenue collection, gender balance is often neglected as a policy rationale. Could it be that there simply is no need to assess the interaction of tax and gender, or have gender imbalances in tax systems so far been overlooked? And what does this mean for policy-makers in the face of Covid-19?

Gender blind or gender neutral?

The good news first: tax provisions that explicitly disadvantage women relative to men are rare, although they used to be more common. Historically, married men in the Netherlands for example, were granted a higher income tax-free allowance than married women (until 1984). Meanwhile, on the

Island of Jersey, married women will continue to need their husbands' permission to talk to tax authorities and to file taxes under their own name until a new law comes into force in 2021.

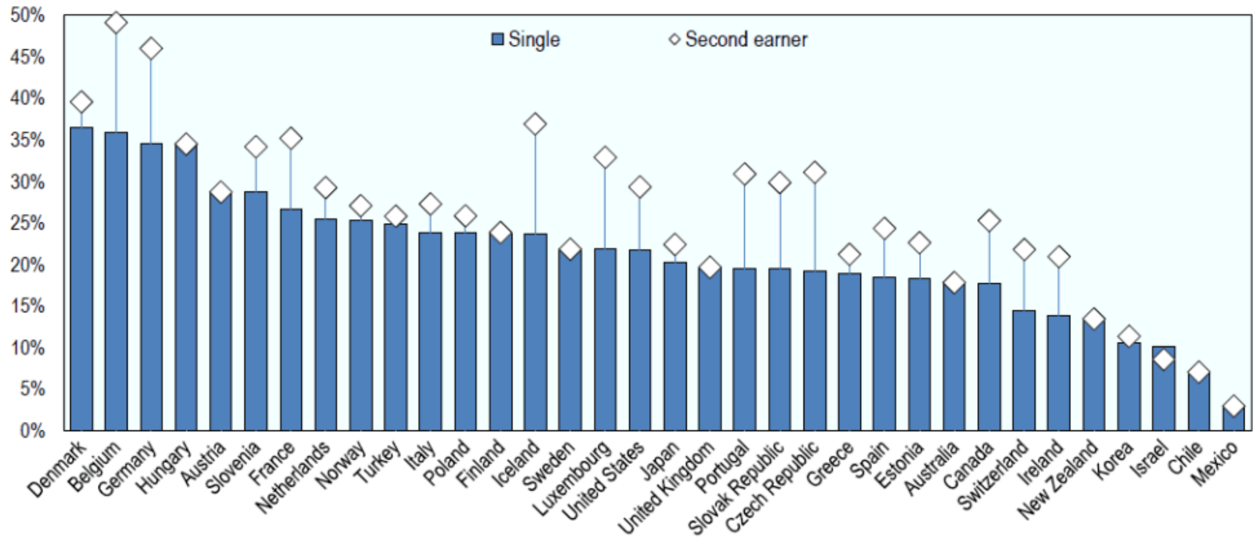
While examples of explicit bias are rare, this does not mean that our tax systems do not affect men and women differently. Tax systems that are gender-blind on paper can, in practice, exhibit a hidden, implicit bias and may even exacerbate gender inequalities, particularly in times of crises. **As long as men and women face different socioeconomic realities, tax systems will affect them in different ways.** Therefore, it is necessary to go beyond a cursory analysis of the tax law and to understand how it interacts with the different socioeconomic realities of men and women – such as persisting gender gaps in income levels, labour-force participation, consumption, entrepreneurship and wealth.

The hidden impacts of taxation are most visible in personal income taxation. Although men and women are typically taxed under the same rules, their different income levels and labour force participation characteristics mean that the impact of the tax system can be far from neutral.

In more than two-thirds of OECD countries, **second-earners face a disproportionately high tax burden when entering the workforce**. Compared to a single worker at the same level of income, second earners face higher average tax rates, meaning that, due to family-based taxation and reductions in dependent spouse credits, their household income increases less for every dollar earned. In the nine OECD countries with family-based taxation, the net personal average tax rate of second earners is 40%, meaning that they take home only 60% of their gross wage – seven percentage points less than a single individual at the same wage level.

This – alongside various other factors that influence the decision of individuals to enter (or re-enter) the workforce, such as educational level or the availability of childcare – reduces the incentives for second earners to work. And **given that a large majority of second earners are female, it is mostly women that face this disincentive**.

Figure 1. Second Earners Face Higher Net Personal Average Tax Rates than Single Earners



Note: Net Personal Average Tax Rates, 2014. Single & second earner at 67% of the average wage (primary earner at the average wage), no children.
Source: OECD calculations based on OECD *Taxing Wages* (2016), *Special Feature: Measuring the Tax Wedge on Second Earners.*

Add consumption taxes to the picture and this disincentive is exacerbated. Consumption taxes on services such as cleaning and childcare make it more attractive to produce these services at home rather than buying them on the market, especially for low-income households. This further decreases the (predominantly female) second-earner labour supply. Consumption taxes can also directly affect the distribution of income between men and women due to gendered differences in consumption patterns, but these are harder to infer.

COVID-19 amplifies these dynamics by increasing women's unpaid work burdens and by destabilizing the labour market. Widespread closure of schools and childcare facilities and other confinement measures will increase the time that parents have to spend on childcare and home schooling as well as on routine housework such as shopping, cooking and cleaning – much of which is likely to fall on women. Fulfilling these demands will be difficult for many parents, especially for dual-earner households, which increases the risk of second-earner women to leave the workforce.

In addition, men and women typically exhibit differences in employment patterns: in OECD countries, men are overrepresented among the self-employed, while female employees are, on average, almost three times more likely to work part-time. These **non-standard workers are among the most vulnerable during the current crisis**, facing higher risks of job or income loss, and often fall outside of standard safety nets. This makes fair taxation of different employment forms as well as increased access to out-of-work benefits for non-standard workers – which some countries have temporarily introduced in response to the current crisis – a key dimension of gender balance.

In developing countries, the challenge is magnified by large degrees of informality and limited fiscal space. With the majority of female workers in informal employment, lockdown measures and the resulting economic hardship pose an acute threat to women's livelihoods, and a focus on officially labeled taxes does not fully capture the complex linkages between gender and taxation. User fees and informal taxes, often used to finance basic goods such as education, healthcare and water, can impose a significant financial burden on households and can discourage low-income individuals from accessing healthcare, which is particularly problematic in the midst of a pandemic.

During the Ebola epidemic in West Africa, donor money shifted to the most urgent humanitarian and public health needs and away from financing local public goods and services, such as schools, teachers and water wells. A similar shift in donor money during the current crisis would increase the financial burden on individuals and communities in funding these goods and services, which is likely to reinforce unequal societal practices: if schooling is too costly, girls are the first to stay home, particularly during times of extreme economic hardship.

“This is not the last pandemic we’re going to have”, said Ngozi Okonjo-Iweala, who previously served as Nigeria’s minister for both finance and foreign affairs and is one of the governing board members of the OECD-UNDP TIWB programme. “We had better make sure that those at the bottom of the ladder are not pushed further back. That inequality is not exacerbated”, she added in a recent interview with TIMES.

How can governments address gender differences in their tax systems?

Government spending programmes and tax policy measures play a central role in supporting individuals and businesses as we navigate and exit this crisis. However, as the Finnish Prime Minister Sanna Marin said at the World Economic Forum in Davos earlier this year, gender equality “just doesn’t happen by itself”.

To ensure that the tax system does not inadvertently reinforce gender biases in society, **governments need to include the impact of taxes on gender as a key policy dimension in their tax policy responses to COVID-19**. Improving data on the impact of COVID-19 on women as well as on previously unexplored dimensions such as intra-household dynamics, asset ownership and corporate participation will be crucial to understand these impacts.

To address the complex interactions of tax and gender, governments will need to consider options to redesign key taxes to avoid exacerbating existing gender differences, or use tax or other instruments to compensate for differences in income levels as part of their long-term response to the crisis. When it comes to tax and gender, let’s #BuildBackBetter!

For more information, please see:

Milanez, A. and B. Bratta (2019), *Taxation and the future of work: How tax systems influence choice of employment form*, OECD Taxation Working Papers, No. 41, OECD Publishing, Paris.

OECD (2020a), *Emergency tax policy responses to the Covid-19 pandemic*, Updated 20 March, OECD, Paris.

OECD (2020b), *Tax and Fiscal Policy in Response to the Coronavirus Crisis: Strengthening Confidence and Resilience*, OECD, Paris.

OECD (2020c), *Women at the core of the fight against COVID-19 crisis*, OECD, Paris.

Saint-Amans, P. (2020), *Tax in the time of COVID-19*, 23 March 2020 on The Forum Network