POLICY BRIEF

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Fiscal Policies for Gender Equality

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Solidarity for the Achievement of the SDGs

Abstract

Gender equality is not only a fundamental human right, but a necessary foundation for the future. Failing to achieve gender equality costs us up to 16% of world income every year.

As laws in many countries are being reformed to advance gender equality, many challenges remain due to implicit bias in law, unchanged social norms and, especially, since the Covid-19 pandemic which exacerbated all existing inequalities.

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

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 over men, they do not correct gender differences nor prevent the subsequent economic distortions.

A gender-sensitive tax-benefits system could become a permanent safeguard policy for gender issues, promoting gender equality as proposed by the G20 2023 Action Plan on Accelerating Progress on the sustainable development goals (SDGs).

We propose a gender-neutral tax design that could include:

- An income tax special deduction in case access to early childhood education and childcare cannot be secured in public facilities.
- Taxing women on a reduced rate, considering the gender pay gap.
- Providing incentives to employers who enforce flexible work entitlements and part-time work, among both men and women.
- Mandatory employment-protected paid maternity and paternity leave.
- Tax incentives to ease access to the care and feeding of babies, and women products.

Diagnosis

The social and cultural norms that broadly cast men's roles as decision makers and women's roles as carers play a significant part in terms of the type of paid work into which women are channelled, and how that work is valued and remunerated. When women enter the formal labour market, their role as workers is often seen as subsidiary or supplementary to their principle role as "homemakers", so it has an impact on how women are paid and their career progression.[1]

But those social and cultural norms are not the only variables that influence gender inequality. There are other underlying reasons to gender inequality that could be addressed:

1) Divided Labour Market: Gender Concentration in 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 to apply for such positions, but also to be hired for them. Many employers would not even consider the possibility of hiring a woman for a job that is expected to grow in time (myopic expectations). This affects not only mothers, but also women who do not have any children, just because they are considered likely to have children at some time.

[1] King Chidi: "Take five: At the current rate of progress, no equal pay until 2069" (https://www.unwomen.org/en/news/stories/2017/2/take-five-chidi-king-equal-pay), 2017.

Furthermore, women usually fall behind in career advancement when they do return to work after taking a career-break to raise children or care for the family.[2]

3) 'Motherhood Penalty' and Caring Responsibilities

As men are often seen as the 'breadwinners', when women become mothers, they bear most of the family responsibilities and often sacrifice paid work, accepting part-time or more flexible (and underpaid) jobs.[3]

4) Private Sector Estimation on Costs of Caring Responsibilities

In countries where there is mandatory employment-protected paid maternity leave in force, and it is more extended than paternity leave (as it usually is), employers call upon the impact of that eventual paid leave in order to differentiate between male and female applicants.

As can be noted, some of these reasons are in fact the cause of others: the 'motherhood penalty'[4] and the private sector estimation of the costs of caring responsibilities, push women to work in part-time jobs and different job areas, closing their access to senior-level jobs.

Women are less likely to work full-time than men, and are less likely to progress in their careers. Further, the substantial gender wage gap evolves into an immense gender pensions gap.

[2] ILO: "Understanding the gender pay gap" (https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_dialogue/@act_emp/documents/publication/wcms_735949.pdf).

[3] The 2025 report on gender equality in the EU recently stated that these gender gaps are even wider for people with children – reflecting the disproportionate impact of parenthood on women's careers (https://commission.europa.eu/document/download/055fdbab-5786-425e-a072-652bf53d8fe4_en?filename=Gender%20Equality%20Report.pdf).

[4] Moreover, while women experience 'motherhood penalties', fathers experience wage premiums. In most G20 economies, mothers tend to earn less than women without children. The penalty can be as high as 10% in Argentina and China, and goes up to 30% in Turkey. Conversely, men with children tend to earn higher than men without children (https://t20ind.org/research/leveraging-care-economy-investments-to-unlock-economic- development/).

The UN Development Programme (UNDP) has already recognised that 'prevailing tax policies and tax systems have explicit and implicit biases.[5] Fiscal policies and tax systems may harbour gender biases, with certain taxes and benefits discouraging women's involvement in paid and formal labour, exemplified by joint family income tax declarations and transfer conditionalities in some countries'.[6]

So, 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 the COVID-19 pandemic, but this is not limited to the quarantine period: through the combined effect of accelerated automation, the growing 'double shift', and other labour market dynamics such as occupational segregation, the pandemic is likely to have a scarring effect on future economic opportunities for women, risking inferior re-employment prospects and a persistent drop in income.[7]

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 re-opening gaps that had already been closed. In just two years, the global gender gap increased by a full generation more than expected before the COVID-19 pandemic.

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[5] UNDP, Tax for SDGs Initiative, Annual Report 2022 (https://www.taxforsdgs.org/annual-reports/taxforsdgannualreport2022).
[6] UNDP, Tax for SDGs Initiative, Annual Report 2023 (https://www.taxforsdgs.org/annual-reports/2023-annual-report).
[7] World Economic Forum: "Global Gender Gap Report 2021" (https://www.weforum.org/reports/global-gender-gap-report-2021/digest), 2021.

Whereas in the 2024 edition, the lack of meaningful, widespread change since the last edition effectively slowed down the rate of progress to attain parity, it would take 134 years to reach full parity – roughly five generations beyond the 2030 SDG target.[8]

Recommendations

2030 is just five years away, so we really need to accelerate our pace: we must take action now. 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 policies and practices could consider the following:

- In order to tackle the "motherhood penalty" and costs of caring responsibilities, G20 countries should be making further investments into the care sector.
- Implementing a mandatory employment-protected paid maternity and paternity leave,[9] which lasts as long for both working mothers and fathers,[10] could help to bring both parents to equal cost numbers when looked at by their future employers.

[8] World Economic Forum, "Global Gender Gap Report 2024", (https://www.weforum.org/publications/global-gender-gap-report-2024/) page 5.

[9] See: "WHO urges quality care for women and newborns in critical first weeks after childbirth" https://www.who.int/news/item/30-03-2022-who-urges-quality-care-for-women-and-newborns-in-critical-first- weeks-after-childbirth, 2022. That needed care calls for mandatory employment-protected paid maternity and paternity leave of at least two months. Going further, the G20 could recommend a general nine months leave from childbirth, in order to attend to newborns during a period when they are completely immature, require permanent and free-demand breastfeeding and skin-to-skin contact with their parents.

[10] Globally, women can take an average of just over three months of leave (paid or unpaid) and fathers an average of three days. Among the top 20% of economies by gender parity in care leave, women can take more than eight months and men more than three months of care leave. (Data from World Bank's Women, Business and the Law

- In order to tackle the divided labour market and majority of men in senior positions, incentives should be provided to employers who:
  - 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.
  - Advance more women into management and leadership.
- Enforcing gender pay gap reporting and equal pay auditing requirements for private sector firms. Pay transparency measures for equal pay should give us accurate information as a first step to raising awareness and motivating (or enforcing) changes.[11]

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

It has 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.[12]

Personal Income Tax

- In countries with family-based taxation (also known as 'joint filing'), and in most countries that provide for a reduction in dependent spouse credit,

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Database, 2021, cited on WEF "Global Gender Gap Report 2021"). WEF's Report also follows the gender gap impact of investments in the care sector and increasing care leave.

[11] As OECD "Reporting Gender Pay Gaps in OECD Countries" show (https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/06/reporting-gender-pay-gaps-in-oecd-countries_82110f1a/ea13aa68-en.pdf).

[12] Coelho Maria, Davis Aieshwarya, Klemm Alexander and Osorio Buitron Carolina (IMF): "Gendered taxes: the interaction of tax policy with gender equality" (https://www.imf.org/-/media/Files/Publications/WP/2022/English/wpiea2022026-print-pdf.ashx), 2022.

It should be ensured that the returning to activity of women after motherhood does not imply a bigger tax burden than the one due if they decided to stay at home.

- In the event that access to early childhood education and childcare cannot be secured in public facilities, a special deduction or tax credit should be conceded to the working mother in their personal income tax returns. Furthermore, it could even be argued that any payments due to taking care of children whose mothers work should simply be deducted, as these are expenses needed in order to earn taxable income.
- Allow women special deductions, tax credits or particular payments to ease access to the care and feeding of babies and themselves as women, such as:
  - breastfeeding leave,[13]
  - breast-pumps, baby formula[14] and diaper allowances,[15] and
  - female product allowances.
- Women should be allowed a special deduction and be taxed on a reduced rate, in order to compensate, at least partially, for the gender pay gap.[16]

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.[17]

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[13] If we consider that the WHO promotes breastfeeding for the first six months of life, when feeding should be on a free-demand basis, at intervals of not more than two hours until they control hunger indicators, it's clear that short maternity leave is not enough.

[14] If we add that the same WHO also promotes continuing breastfeeding for two years and beyond, in this case also eating safe and adequate complementary foods that must be introduced gradually, we can see then 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.

[15] In baby care, the use of diapers is a necessity that can affect the family's economy, but it is essential for the independence of working mothers; in the same way that women's products are recognised as a necessity for women to work and study. Their availability will improve women's access to the labour market.

[16] Even if it may look far-fetched, it's not really so. In Argentina, our Supreme Court ruled in a retiree income tax case that all vulnerable groups are entitled to have special treatment in taxes in order to confront the differential costs of living. Its importance lies in the fact that our Constitution considers not only older people but also women and children as vulnerable groups.

[17] Op. Cit. 12.

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

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.

Wealth Taxes

Introducing a coordinated minimum effective taxation standard for ultra-high-net-worth individuals[18] (a 'global minimum wealth tax', similar to the Global Anti-Base Erosion (GloBE) rules developed for income tax purposes by OECD and G20[19]) would impact gender distribution, since wealth is highly concentrated at the top of the income distribution, where men are overrepresented.[20]

Finally, it should be considered that long-term impacts of the gender pay gap include immense pension gaps in retirement. So, if we don't tackle it today, the discrimination perpetuates itself.

[18] UN DESA: Net Wealth Taxes: How they can help fight inequality and fund sustainable development (https://desapublications.un.org/policy-briefs/un-desa-policy-brief-no-168-net-wealth-taxes-how-they-can-help-fight-inequality-and), December-2024. See also OECD: Taxation and Inequality. (https://www.oecd.org/en/publications/taxation-and-inequality_8dbf9a62-en.html), July-2024

[19] von Haldenwang Christian, Faccio Tommasso, Hentze Tobías, Mosquera Valderrama Irma Johanna, Redonda Agustín, Rigoni Gabriela, Schwab Jakob, Vos Rob: Tax Competition. Policy Brief for Task Force Trade, Investment and Tax Cooperation, T20 Argentina 2018. (https://t20argentina.org/publicacion/tax-competition/).

[20] Fernández Erlauer Micaela, Yyer Sandhya S., Berg Sofias, Larios Campos Andrea, Eliosoff María Julia, Olivera Margarita: Expanding Fiscal Space towards Gender Equity: The Role of Tax Policy in Securing SDG 5. Policy Brief for Task Force 01, T20 Brazil 2024. (https://www.t20brasil.org/media/documentos/arquivos/TF01_ST05___Expanding_Fiscal_Sp66e8786a5eee3.pdf).

'G20 countries have much to gain from increased female labour force participation in terms of economic growth and increased welfare … To optimise 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.'[21]

'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.'[22]

[21] ILO, IMF, OECD, WBG: Achieving stronger growth by promoting a more gender balanced economy (https://www.oecd.org/g20/topics/employment-education-and-social-policies/ILO-IMF-OECD-WBG-Achieving-stronger-growth-by-promoting-a-more-gender-balanced-economy-G20.pdf), September-2014, page 3.
[22] Op. Cit. 12

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