GENDER EQUALITY REQUIRES MORE TAX REVENUE

feature

Diane Elson

Governments respond to the stress on budgets caused by financial crisis by cutting expenditure rather than by increasing revenues. This approach hits women disproportionately hard, while leaving those who caused the crisis to enjoy their enhanced social power. Higher rates of taxation on the rich and an end to tax avoidance and evasion are at the heart of the struggle for gender justice.

A government's capacity to reduce gender inequality is determined in large part by the amount of revenue it raises in tax, and how tax payments are distributed. A high level of tax revenue, if raised progressively and spent wisely, enables governments to fund the services, social security and infrastructure that make it easier for women to undertake paid work and to provide jobs for women in the public sector that are often of better quality than those in the private sector.

However, the capacity of governments to raise tax revenue has been reduced by neoliberal economic policies. At the same time the insecurities of liberalized markets call for more spending on social security, resulting in a 'fiscal squeeze'. Trade liberalization has cut import duties and export taxes, key sources of revenue in many poor countries. Competition to attract multinational corporations and their highly paid executives has led to cuts in corporation and capital gains taxes, tax holidays and other exemptions. Cross border cooperation on taxation of corporations has not kept pace with globalization, so that tax avoidance schemes have proliferated, and the political clout of wealthy people enables them to engage in tax evasion with little fear of prosecution. Governments have turned to indirect taxes like VAT to raise revenue, but such taxes fall most heavily on poor households, especially where they are reliant on women's incomes.

With revenue reduced by neo-liberal policies and budget deficits and public debt rising, international financial organizations and international investors have put pressure on governments to cut back on expenditure. This pressure has intensified in the wake of financial crises – such as in Latin America in the early 1980s, Asia in the late 1990s, and Europe in the period since 2008. Research has shown that women have been disproportionately affected by such cutbacks and have had to provide a safety net of last resort for their families and communities at the expense of their own well-being (Elson 2013).

The budget deficit reduction policies of many European governments since 2008 have hit women particularly hard because they have put much more emphasis on cutting expenditure than on efforts to raise more revenue, and the main instrument used to raise more revenue has been the regressive VAT.

A report on Spain (Center for Economic and Social Rights 2015) documents how the budget for social security benefits for children and families has been cut by 91% since 2008, while the budget set aside for services related to gender-based violence has been cut to 77% of the 2009 figure and many women's shelters have closed. There have been cuts to public sector pay, restrictions to health care entitlements, and the privatization of public services. In 2014, women were more likely to be unemployed than men, and for longer terms compared to men. Deep cuts to essential care services, labour reforms that make it easier for employers to change working hours; and the austerity-induced postponement of parental leave make it more likely that women who are not the primary breadwinners will drop out of the labour market.

The Spanish government's principal tool to boost revenue since 2010 has been a series of increases to VAT. A major fiscal reform in 2014 may well lighten the tax contributions of high income-earners. Large companies meanwhile continue to benefit from generous tax incentives and privileges. While small and medium enterprises paid close to 16% effective income tax, large businesses effectively paid just 5.3% in income tax in 2012 (against the 30% nominal rate that year). Large companies used tax breaks to

> *"If the government of Spain made more efforts to raise tax revenue from those than can best afford to pay, it could avoid introducing cuts that undermine gender equality."*

avoid paying 19 billion Euros in 2012 – three times the budget for social security benefits for families and children in 2015. Thirty-three of the thirty-five companies which make up Spain's benchmark stock market index have direct subsidiaries in tax havens, The Center for Economic and Social Rights concludes that 'Rather than introducing tax amnesties for those committing tax abuse, as Spain has done, the government should make a clear commitment to eradicate illegal tax evasion and significantly reduce tax avoidance, particularly that committed by large corporations and wealthy individuals, which reportedly account for 72% of tax evasion in Spain'. If the government of Spain made more efforts to raise tax revenue from those than can best afford to pay, it could avoid introducing cuts that undermine gender equality.

In the UK, the situation is comparable, as documented by the UK Women's Budget Group in successive reports on government budgets since 2008 (see www.wbg.org.uk). The deficit reduction strategy introduced by the Coalition government in 2010 has placed overwhelming emphasis on cutting expenditure rather than raising tax revenue, and the main revenue raising measure was an increase in VAT. Analysis by parliamentary researchers released in Autumn 2014 shows that £22bn of the £26bn 'savings' that the UK government has made since June 2010 through cuts to spending on social security and changes to direct taxes have come from women – 85% of the total, with only 15% coming from men. Taking into account changes to indirect taxes and cuts to public services as well as changes in direct taxes and cuts to social security, the UK Women's Budget Group found that women who were not part of a couple were particularly hard hit (WBG 2013). The percentage losses in total income in cash, and in kind (from public services), were estimated as follows. Among families with children, single mothers lose the most: 15.6%, compared to single fathers who lose 11.7% and couples with children who lose 9.7%. Among working age families with no children, single women lose 10.9%, single men lose 9.0% and couples lose 4.1%. Among pensioners, single women pensioners lose most: 12.5%, compared to single male pensioners who lose 9.5% and couple pensioners, who lose 8.6%.

While introducing cuts to spending on public services and social security, the government has brought in several measures that reduced taxes (WBG 2014). The income threshold for payment of income tax was raised, a measure that will cost £12bn a year – the majority of which will go to men and those on higher incomes. The WBG estimates that at least 21 million workers aged 16 and above will not benefit at all, of whom 63% are women. Income tax was also modified by the introduction of a transferable tax allowance, compromising the principle of independent taxation, for which women had fought hard, and which was introduced with all party support in 1990. Before this, a married women's income was treated as belonging to her husband for tax purposes. 84% of the beneficiaries of this allowance were estimated to be men. Duty on beer was cut and duty on fuel was frozen, benefiting men more than women, because women tend to buy less beer and fuel than men. The UK Women's Budget Group is calling for a different economic strategy: Plan F, prioritizing investment in care services and social housing, a reversal of cuts to social security and much more emphasis on raising tax revenue from corporations and better-off people, both through raising tax rates and through a real crackdown on tax avoidance and evasion. (WBG 2013).

"Governments have turned to indirect taxes like VAT to raise revenue, but such taxes fall most heavily on poor households, especially where they are reliant on women's incomes."

Diane Elson is Emeritus Professor, Department of Sociology, University of Essex and Chair of the UK Women's Budget Group [http://wbg.org.uk]

References

Center for Economic and Social Rights (2015) Fact Sheet No. 14. Spain. http://www.cesr.org/downloads/FACTSHEET_Spain_2015_web.pdf

Elson, D (2013) 'Economic Crises from the 1980s to the 2010s. A Gender Analysis' in G.Waylen and S.Rai (eds) New Frontiers in Feminist Political Economy, Routledge. Abingdon, 2013.

Women's Budget Group (2013) To ensure economic recovery for women, we need Plan F. http://wbg.org.uk/wp-content/uploads/2013/10/WBG-briefing_Sept-2013_final.pdf

Women's Budget Group (2014), Giveaways to men, paid for by women http://wbg.org.uk/wp-content/uploads/2014/03/Budget-Briefing-2014.pdf