



Intrahousehold inequality and gender impacts of taxes and benefits: UK vs other European countries

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Motivation

- The UK has taken action to reduce the gender wage gap (19.9% in 2019), but tax-benefit (T-B) system plays an important role in shaping the final income resources available to individuals.
- In theory T-B rules are gender neutral. In practice T-B policies can affect women and men differently.
- Disposable income is conventionally measured at the household level, assuming full income pooling and equal sharing.
 - Questionable assumptions!
 - Impractical- cannot study income inequality within couples
- This results in a substantial bias in assessing gender inequality and the impacts of T-B policies on men and women.

What we do

- We document the gender inequality in earnings and disposable income in the UK and other European welfare states (BE, CZ, DE, ES, FI, FR, RO).
- We examine the extent to which various T-B policies contribute to/mitigate gender inequality in disposable incomes
- We propose a methodology for measuring income at the individual level for coupled men and women, using microsimulation techniques:
 - We use microsimulation T-B models UKMOD and EUROMOD (<https://www.microsimulation.ac.uk/ukmod/>)
 - FRS and EU-SILC data

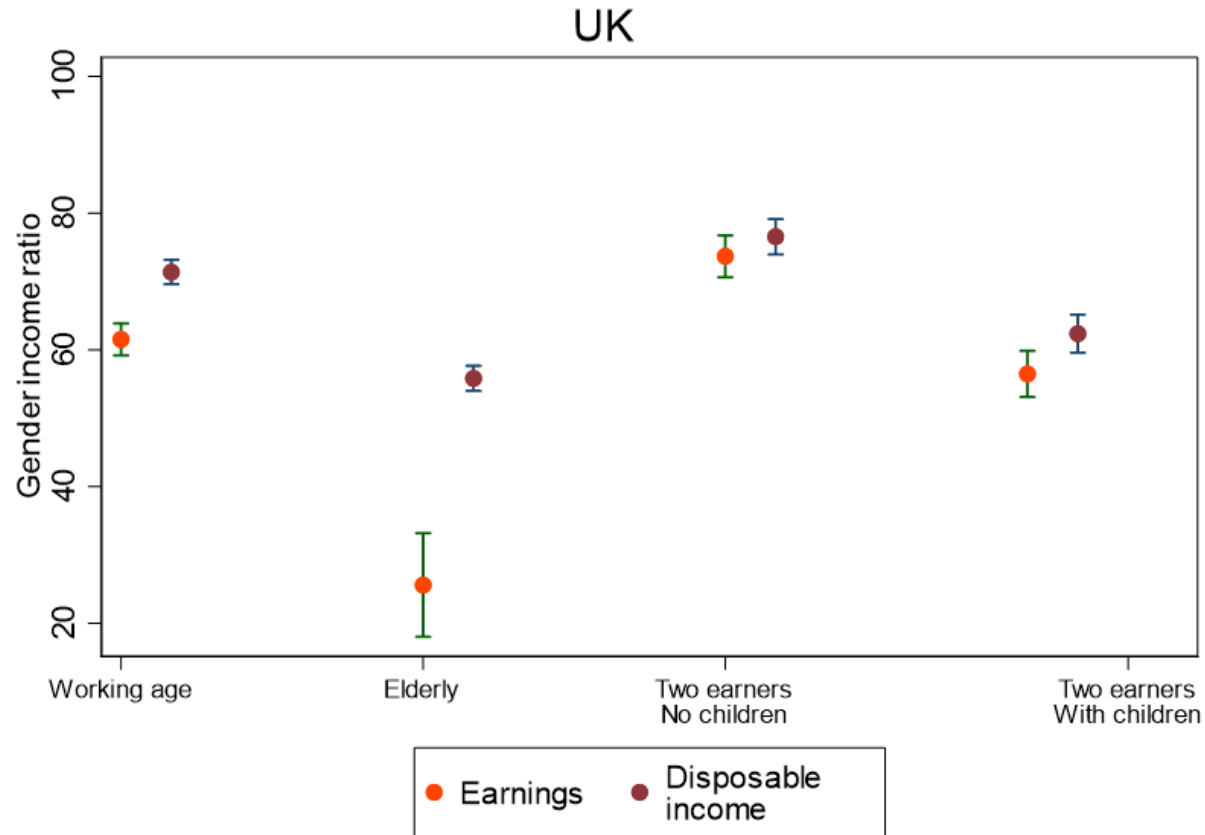
What does individual income measure?

- We use 'minimum income pooling' assumption
 - Consistent with non-unitary models of household decision making
- Households do pool their incomes (but to varying degree)
- Individual income does not measure consumption
- Indicator of an individual's relative economic independence and bargaining power
 - Multiple studies showing that women's consumption and deprivation is correlated with their share of income
- Important indicator for gender equality

How we measure individual income

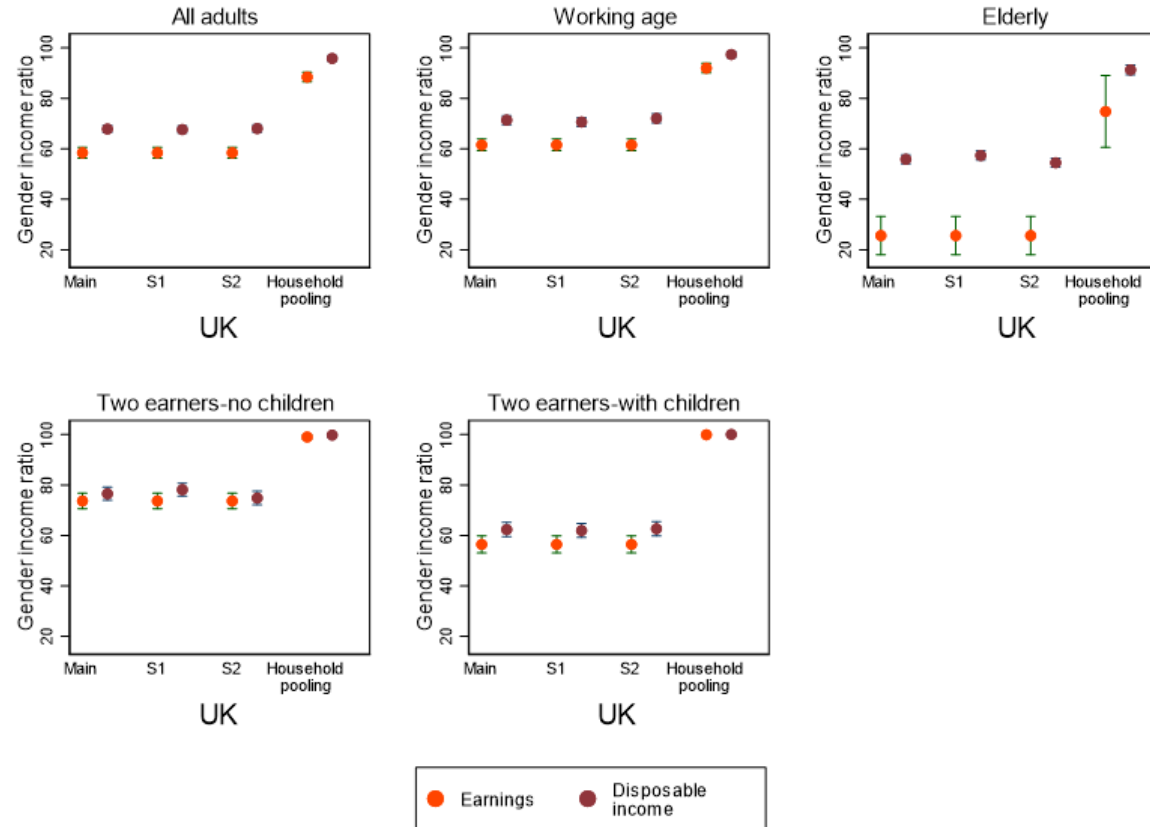
- We attribute all individual sources of income (earnings, pensions, benefits received in an individual capacity) to the individual receiving them
- We attribute social insurance contributions and individual taxes to the liable individual
- We split joint personal income taxes in proportion to taxable income
- We split common sources of income (family benefits, housing benefits, social assistance) equally among all adults in the entitled unit (may be smaller than the household).
 - We sensitivity test this assumption!
- We apply a special equivalence scale based on the 'modified OECD' scale adjusted to assign children's weights to their parents

Gender earnings and income ratios (1/2)



Notes: Gender earnings (income) ratios = ratios of average female to average male earnings (incomes), percent.

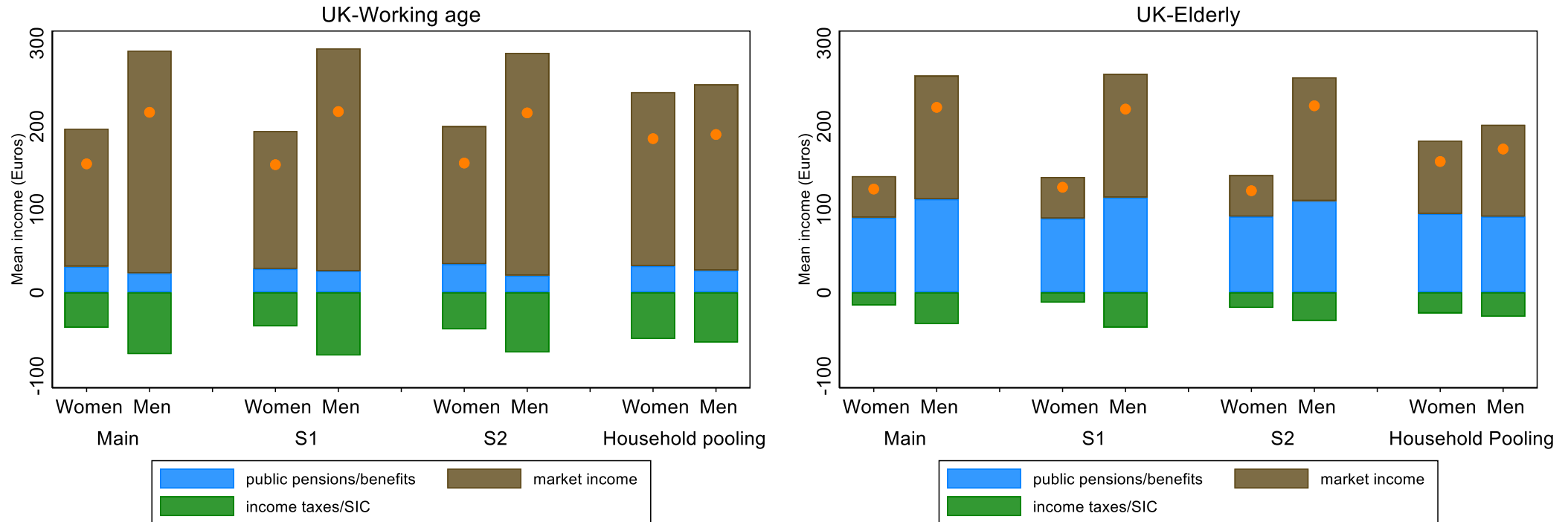
Gender earnings and income ratios (2/2)



Notes: Gender earnings (income) ratios = ratios of average female to average male earnings (incomes), percent.

Main=equal split of household benefits; **S1**=all household benefits attached to the primary earner; **S2**=all household benefits are attached to the second earner; **Household pooling**=equalised household income scenario

Decomposition of disposable income (1/2)

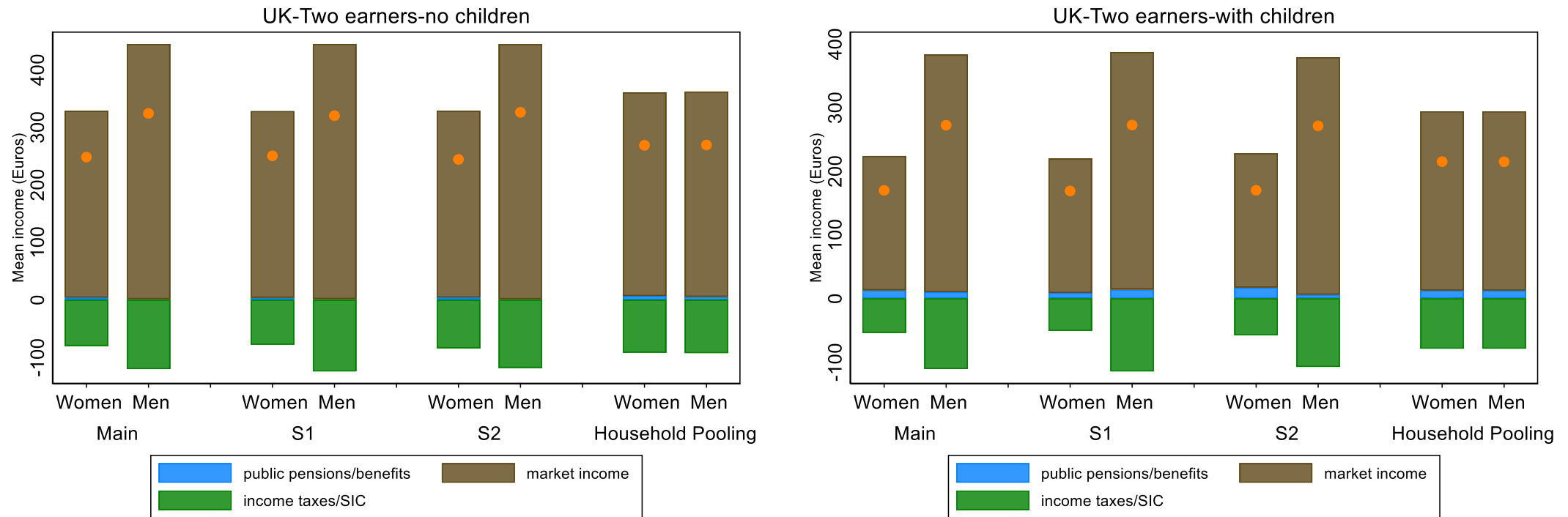


Notes: Incomes are shown as percent of median equivalised disposable income; private pensions are included in market income

Main=equal split of household benefits; **S1**=all household benefits attached to the primary earner; **S2**=all household benefits are attached to the second earner; **Household pooling**=equivalised household income scenario

W=women, **M**=men.

Decomposition of disposable income (2/2)

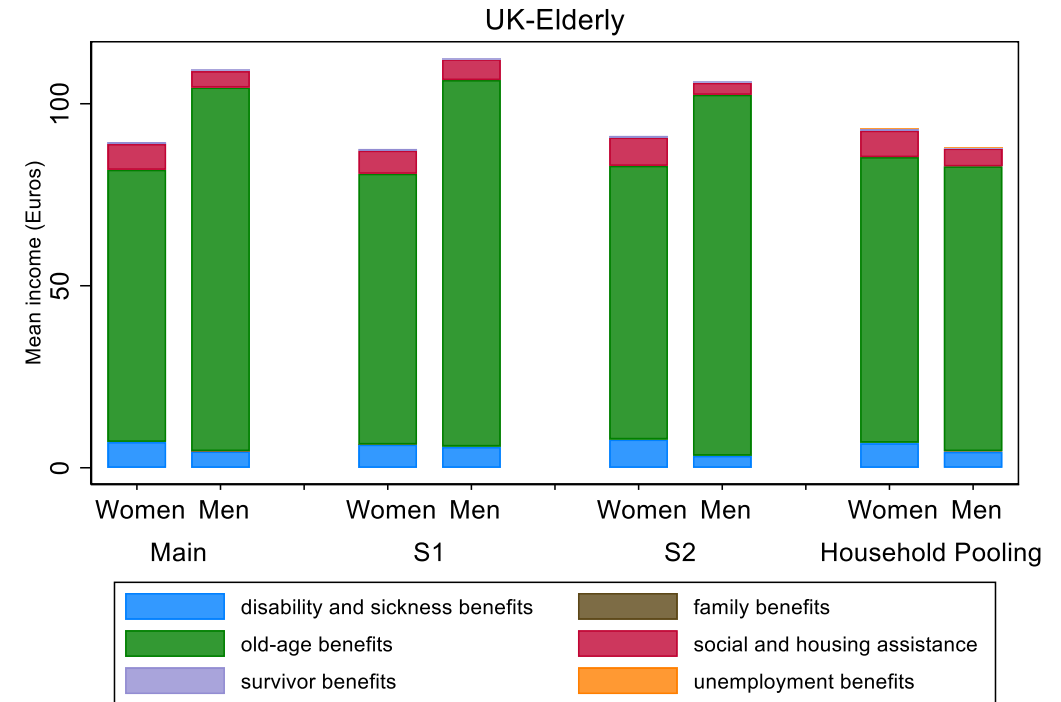
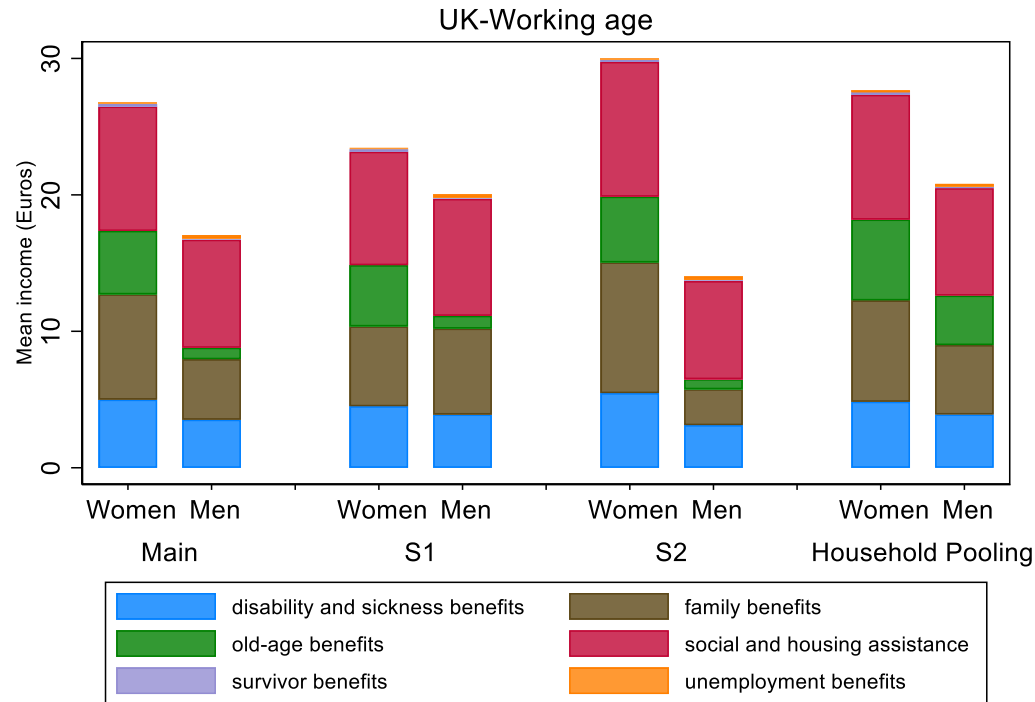


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Decomposition of benefit income (1/2)

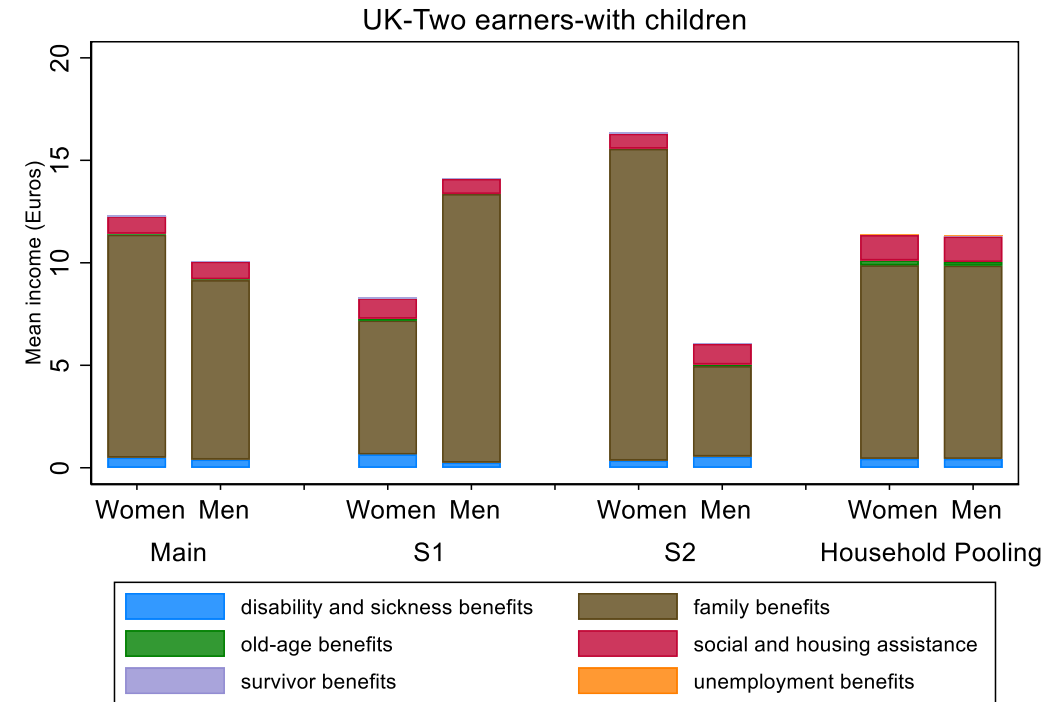
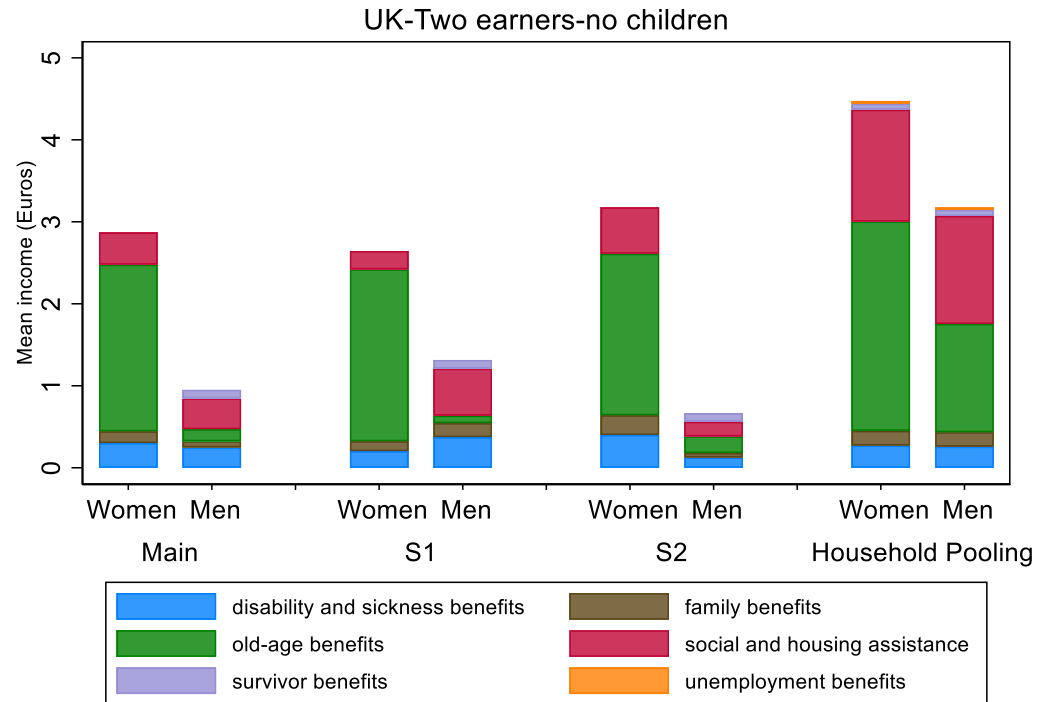


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Decomposition of benefit income (2/2)



Notes: Incomes are shown as percent of median equivalised disposable income; private pensions are included in market income

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Conclusions

- T-B system reduces the gender income gap
- Taxes – larger equalizing effects for the working age individuals and consistent across groups
- The effects of benefits are strong among certain groups (e.g. family benefits)
- Main exception: pension income is highly skewed towards men (but less so in the UK)
- Gender income inequality is driven by the gender gap in earnings
- T-B system cannot make up for high gender earnings gaps

Working Paper:

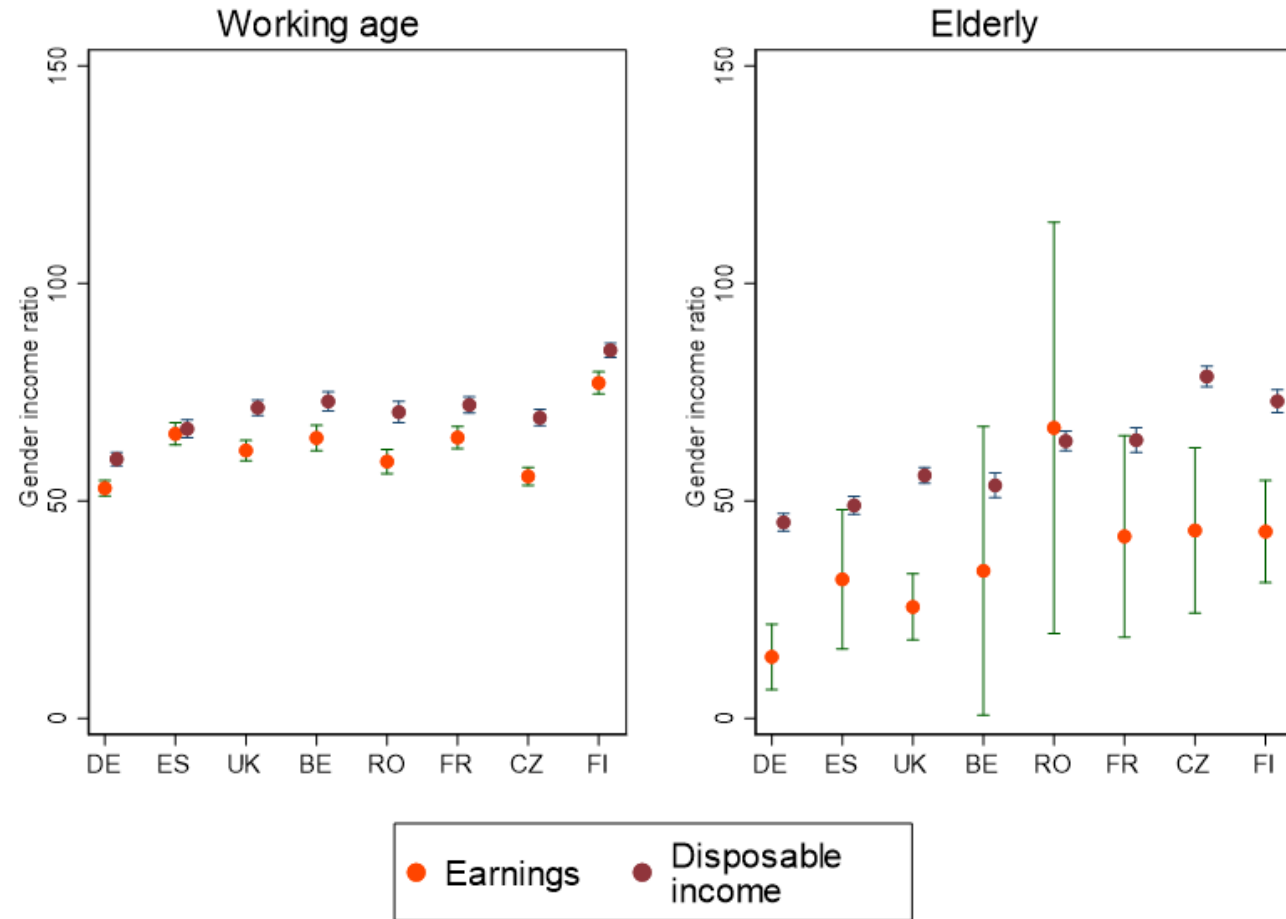
<https://www.iser.essex.ac.uk/research/publications/working-papers/euromod/em9-20.pdf>

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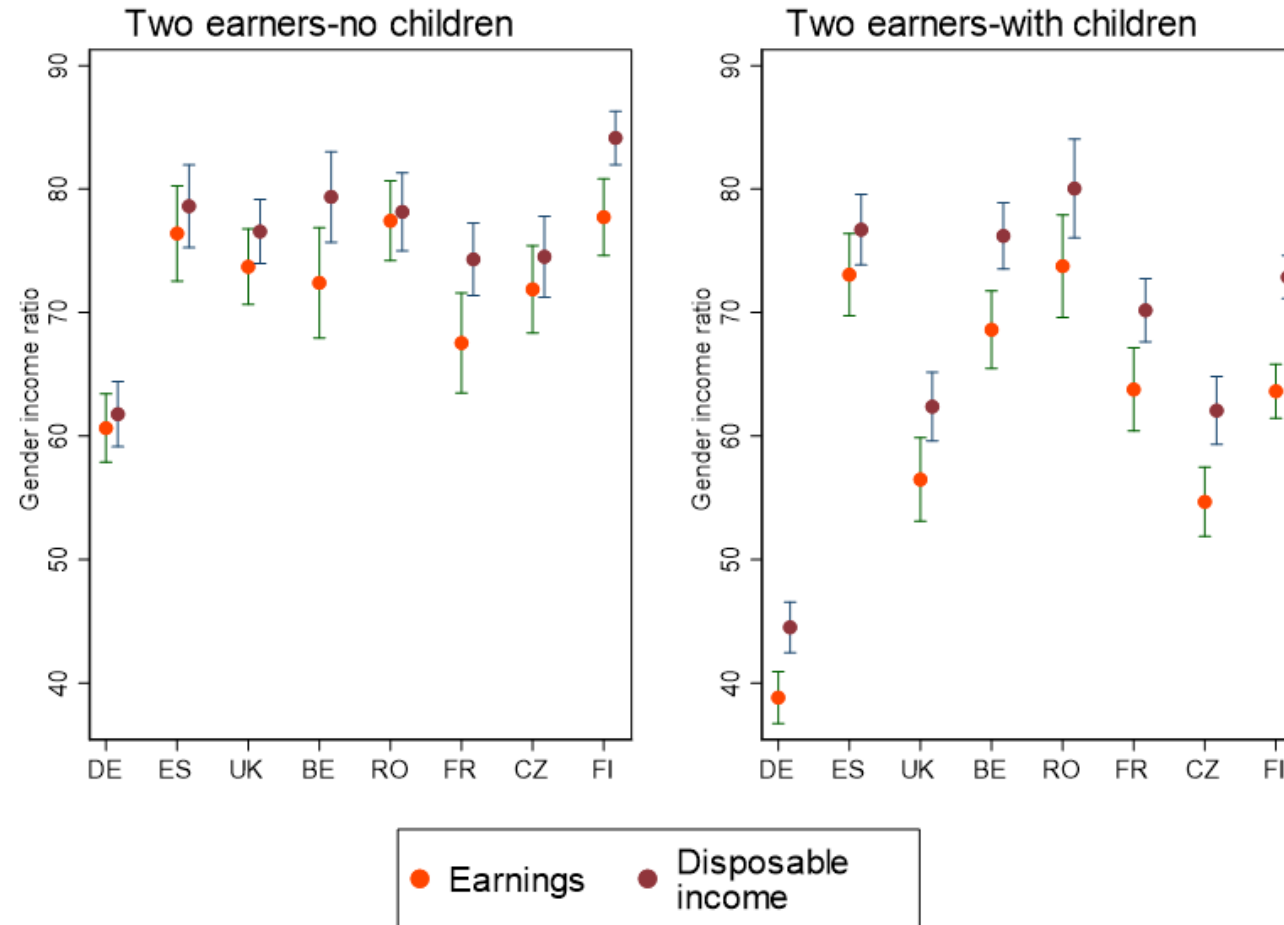
ADDITIONAL SLIDES

Gender earnings and income ratios, all countries (1/2)



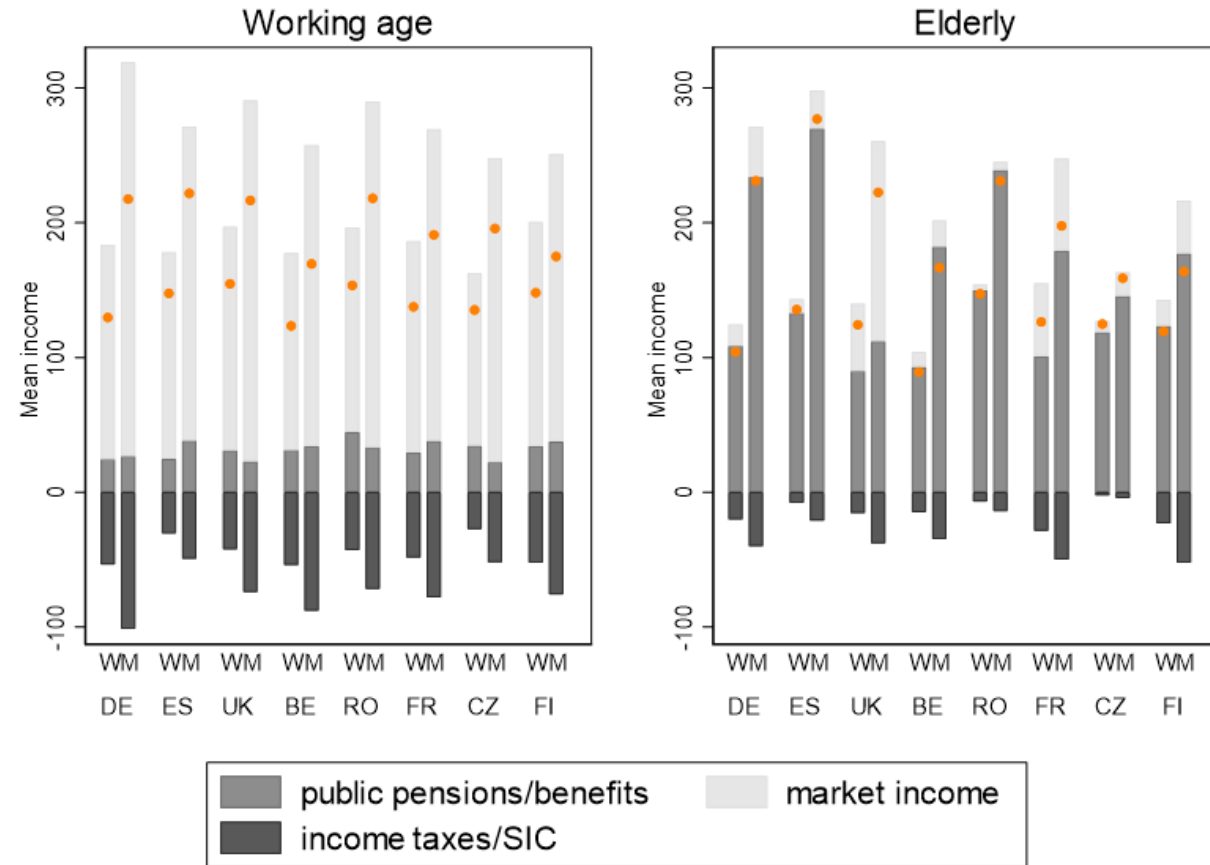
Notes: Incomes are shown as percent of median equivalised disposable income; **W**=women, **M**=men. Countries are ordered in ascending order of their gender income ratios for the total population.

Gender earnings and income ratios, all countries (2/2)



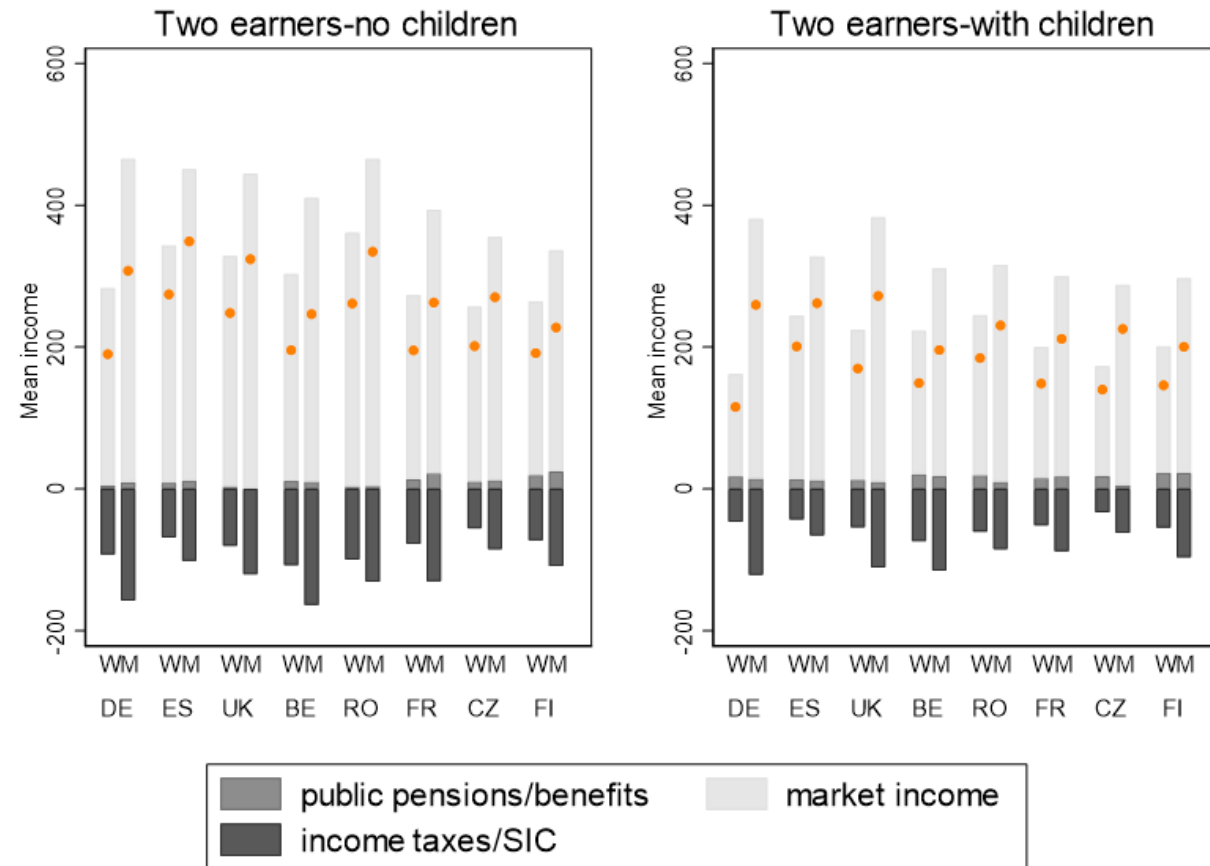
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Decomposition of disposable income, all countries (1/2)



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Decomposition of disposable income, all countries (2/2)



Notes: Incomes are shown as percent of median equivalised disposable income; **W**=women, **M**=men. Countries are ordered in ascending order of their gender income ratios for the total population.