



# The EU Mutual Learning Programme in Gender Equality

The impact of various  
tax systems on  
gender equality  
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Comments Paper - France



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# The impact of the tax systems on gender equality in France

Nicole Kerschen  
Senior Researcher CNRS  
ISP UMR N° 7220

## 1. Description of the main elements of the French taxation system

French income taxation was introduced in 1916 by Law of 3 July 1914.

After the Second World War (1945), the fiscal system named '*quotient familial*' became part of a new policy aimed to promote marriage and to increase the birth rate. At that time, demography was at stake.

This fiscal system is still in place today, which means that France has still a family-based income taxation. Spouses' incomes are jointly taxed. The taxation system is a progressive one, which means that tax rates increase gradually when the income of the household is growing (from 0 to 45%). A major reform will be introduced in 2019, namely 'taxation at source'.

### 1.1. The system of the '*quotient familial*'

The '*quotient familial*' depends on the situation of the household and on the number of economically dependent persons residing together. Incomes of the spouses are added up and then divided according to the '*quotient familial*' (see below).

#### 1.1.1. Present situation

In 2017, regarding income of 2016, married people and people, who concluded a '*Pacte civil de solidarité*' (PACS), which offers legal recognition to adult cohabitating couples, are considered as 2 units. Couples with children or dependent persons<sup>1</sup> in their household are worth 2.5 units for one child; 3 units for two children; 4 units for three children. From the third child on, each child is worth 1 unit.

A single or a divorced person is considered as 1 unit. When he/she lives with a child or a dependent person, they are considered as 2 units; with two children as 2.5 units; with three children as 3.5 units and so on. But in case of common-law marriage, the first and the second child will only be worth 0.50 unit.

A widow or widower is considered as 1 unit, but a widow or widower with a child is worth 2.5 units; with two children 3 units and so on, each additional child being worth 1 unit.

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<sup>1</sup> Dependent persons are minor children, major children if they are under the age of 21 or 25 if they are students, handicapped persons etc.

The calculation of the income tax is based on 4 different steps. Step 1: all the resources of the household form together the *net taxable income*. For employees and pensioners, a reduction of 10% is applied. Step 2: the *net taxable income* is divided by the number of units, which make up the '*quotient familial*' (for example for a couple with children: 1 unit per adult, 0.5 unit for the first and the second child, 1 unit for the third child and the following children). Step 3: tax rate is applied to each tax bracket. From 0 to 9,710 EU, tax rate is 0; from 9,710 to 26,818 EU, tax rate is 14%; from 26,818 to 71,898 EU, tax rate is 30%; from 71,898 to 152,260 EU, tax rate is 41% and beyond 152,260 EU, tax rate is 45%. Step 4: taxes per bracket are added up and multiplied by the number of the units of the '*quotient familial*'.

### 1.1.2. Introduction of an upper limit

Since 2014, there is a capping of the '*quotient familial*', which limits the tax deduction due to the number of units of dependent persons, which means minor children, major children if they are under the age of 21 or 25 if they are students, handicapped persons. In 2017, regarding income of 2016, the cap is 1,510 EU for each 0.50 unit.

## 1.2. Taxation at source

There is a current project to introduce taxation at source from the 1<sup>st</sup> of January 2019 on. Married couples and people, who concluded a '*Pacte civil de solidarité*' (PACS), will have the opportunity to choose an individualised taxation rate. This new measure will take into account the potential disparities of the income between both spouses. In this case, there will not be a unique taxation rate for both spouses. The tax rate for each spouse will be calculated by the tax authorities according to the respective income of each spouse.

Individualised tax rate does not mean individual-based taxation. The total amount of the income taxation will be the same, but the sharing of the income tax between the spouses will be individualised.

## 2. The debate on individualisation of income taxation: economists' arguments for and against it.

In 2011, three economists – Camille Landais, Thomas Piketty and Emmanuel Saez - published a book '*In favour of a fiscal revolution*'<sup>2</sup>, in which they promoted individual income taxation and taxation at source. They condemned the '*quotient conjugal*', which they distinguished from the '*quotient familial*'. The '*quotient conjugal*' is the fact that spouses are jointly taxed. It is denounced as an archaic vision of the family, in which the income of women is considered as an extra income. These authors defended individualisation of taxes as a modern vision of taxation promoting gender equality inside the family and on the labour market. They thought that individual income taxation would encourage more married women and women, who concluded a PACS, to enter the labour market.

This 'fiscal revolution' was heavily criticised.

<sup>2</sup> Landais, Camille ; Piketty, Thomas ; Saez, Emmanuel, Pour une Révolution fiscale. Paris, Seuil, 2011.

## 2.1. Arguments against individualisation of taxation

Several strong arguments were used in favour of a compulsory joint taxation system. Some were more ideological than others.

A conservative and ideological tendency<sup>3</sup> inscribes the French family-based taxation system within family policy. The '*quotient familial*' is one element of the family policy; other elements are differentiated family benefits and especially care facilities for young children. Family policy makes it possible for women to conciliate high employment rate with high fertility rate. Therefore, family policy is considered at the heart of the 'success story of the French social model'.

But this tendency promotes also more ideological ideas like 'children need a stable family situation'.

Moreover, it opposes a reform introducing individual-based taxation by supporting the following opinion: 'in a joint taxation system (the French current model) a couple might decide not to marry or to conclude a PACS and, as a consequence, to remain under separate taxation. The current system guarantees free choice. Quite the opposite, individualisation would deny the right to couples to be under a specific solidarity system and under a fiscal system in line with their life choice'. According to the authors of this tendency, up to now, there has been no political will to change the French social model. The assimilation of the PACS to marriage confirmed the current model.

A less ideological tendency<sup>4</sup> takes place in a more socio-economic debate. It states that individualisation could boost the debate on the incidence of the tax system on gender inequalities and the incitement of women's labour force participation. What would be the impact of the individualisation of taxes on the behaviour of the female labour force? And what would be, as a consequence, the impact on the level of public resources?

This tendency also inscribes the income-taxation debate in the perspective of the modernisation of the Welfare State, which tends to abolish all derived social rights and to attach social rights to the individual in a life-long approach (from the cradle to the tomb). Three main arguments, developed by the European Commission since the end of the 1990s, are put forward: dependency between the spouses means insecurity; derived rights may dissuade women from participating in the labour market; rights without contributions are social inequality factors.

First of all, these authors defend the idea that the French taxation system is historically based on the socio-economic unit in which economic resources of the members of the unit are put together. They deny the idea that it is based on activity/activities which create the income of each member of the household. Therefore, individualisation of income taxation would indeed be a revolution.

Above all, they defend the idea that individualisation of taxation is not a driving force to promote female employment rate. They state that it is proved, in France that 'a

<sup>3</sup> Sterdyniak, Henri. Le système fiscal français doit rester familial. *Travail, genre et sociétés* N°27, avril 2012, p. 149.

<sup>4</sup> Monnier, Jean-Marie. Pour la réforme sans l'individualisation. *Travail, genre et sociétés* N°27, avril 2012, p. 157.

compulsory strict joint taxation system' goes hand in hand with a high female employment rate and a high fertility rate.

Regarding the gap between men's employment rate and women's employment rate, France is among the front runners in the European Union: 66.5% of women are employed and 73.6% of men. The gap is 7.1 points, which means that it is below the average of the European Union (11.6 points)<sup>5</sup>. Regarding part-time work, it represents 18.9% of employment, which means compared to Sweden (26.1%) that it is lower<sup>6</sup>. Regarding the fertility rate, France has the highest score in the European Union, which means 1.93 per woman (2016).

For these authors, it is obvious that there is no need to individualise income taxation.

## 2.2. Answers by the economists in favour of individualisation<sup>7</sup>

The authors of the book 'In favour of a fiscal revolution' noticed first that individualisation of taxation keeps on provoking a venomous debate, while family-based aspects are relatively minor in the French income taxation system. For instance, the '*contribution sociale généralisée*' is an individual income-based tax deducted at source and social security contributions levied on wages are individualised.

They propose to distinguish the '*quotient conjugal*' from the '*quotient familial*', which means to consider separately joint taxation of a married couple and couples, who concluded a PACS, from the presence of children or dependent persons in the household. They propose not to challenge the '*quotient familial*', which guarantees horizontal solidarity between women with children and women without children. Which is at stake is the '*quotient conjugal*', because the current system is strongly taxing the income of the second contributor inside the household. For these authors, 'the second contributor is the most sensitive to the impact of the taxation rate when he/she takes the decision regarding employment'.

They also consider that the current system starts from the principle that a couple has to work as a unique entity, which puts together the income of its members. But research studies prove that 'this idea does not correspond to reality, that family is a place of bargaining'. Therefore, they favour a taxation system, which is neutral to diverse forms of life and bargaining power inside the household. Regarding the question of couples with only one wage-earner, they propose to put into place either a tax relief or a tax credit taking into account the economically dependent spouse.

<sup>5</sup> EUROSTAT, Europe 2020 employment indicators. Employment rate of people aged 20 to 64 in the European Union close to 70 in 2015. N°80/2016, 26 April 2016.

<sup>6</sup> EUROSTAT, Labour Force Survey 2014. Almost 10 Mi part-time workers in the EU would have preferred to work more. N°75/2015, 27 April 2015.

<sup>7</sup> Réponse de Camille Landais, Thomas Piketty et Emmanuel Saez. *Travail, genre et sociétés* N°27, avril 2012, p. 177.

### 3. Public reports on equality between women and men: women and taxation.

Since 2013, reports on the rights of women from the French Parliament and advises from the High Council on Equality between Women and Men addressed taxation.

In its advice regarding the bill on equality between women and men (2013), the High Council on Equality between Women and Men proposed in recommendation N°7 to examine the possibility to individualise income taxation and a *minima* to cap the '*quotient conjugal*'<sup>8</sup>.

In the following months, the *Delegation of the rights of the women and for the promotion of equal opportunities between women and men of the Parliament* met with economists and NGOs specialised either in family matters or in promoting women's rights in order to assess the impact of the taxation system on women. In its information report on women and the taxation system (April 2014), it took also into account the taxation systems of six European countries (Germany, Belgium, Denmark, Spain, the Netherlands and UK) regarding couples. The central question was the following: What is the impact of the '*quotient conjugal*' on women's employment? The emergence of a more critical gender approach was also at stake. One of the results of the assessment was that the '*quotient conjugal*' profits especially to households with a high income, with one wage earner and without children.

In its report, the Delegation presented several recommendations. First of all, it recommended to remove ultimately the '*quotient conjugal*' and to individualise income taxation. It used arguments linked to the economy of France like the rising of the employment rate of women and, correlatively, a potential growth's rising (+ 9.4% of the GDP between 2010 and 2030). Other arguments were linked to citizenship: women must have a personal relationship with the State and the fiscal Administration; they must be autonomous persons and be fully functioning citizens. But, as a first step, the Delegation recommended to grant an option to all married couples and all couples living under a PACS either to be taxed together or to be taxed separately. In order to allow them to make free choice, the fiscal Administration would have to inform them and to submit them a simulation of both situations. This option would have to be completed by the capping of the fiscal advantage granted by the '*quotient conjugal*' for the highest incomes<sup>9</sup>.

These recommendations have not been followed by reforms, because the Delegation came back to this subject three years later. In its information report on the measures adopted during the parliamentary term 2012-2017 regarding equality between women and men and their implementation (February 2017), it stated that taxation has a role to play in the promotion of equality between women and men in the labour market. It welcomed the bill on taxation at source, which it considered as a step forward. But it also stated that the '*quotient conjugal*' had to be removed by using arguments like 'the '*quotient conjugal*' is disincentive; it discourages women to

<sup>8</sup> Haut Conseil à l'égalité femmes/hommes, Avis N° 2013 – 0912-HCE-007, septembre 2013.

<sup>9</sup> Assemblée Nationale. Rapport d'information N°1875 fait au nom de la délégation aux droits des femmes et à l'égalité des chances entre les hommes et les femmes sur la question des femmes et du système fiscal, 10 avril 2014.



enter the labour market; it is an obstacle to equality between women and men'. As a consequence, it concluded that the taxation reform remained necessary<sup>10</sup>.

## 4. Conclusions

First of all, like in the Nordic countries, individualisation of income taxation has to be part of a larger package, aiming to further gender equality, which has to include individualisation of social rights. Transformation of the prevailing gender order and family model and promotion of a more universal Welfare State are at stake.

Sweden offers an interesting social model, where women and men have equal rights to employment and equal responsibilities for home and children. This model could be a basis for new debates in France. The defence of family values and the denial of a link between family-based taxation and social security systems, on the one hand, and women's employment status, on the other hand, have been prevailing in France until 2013<sup>11</sup>.

Secondly, some ideas regarding women's employment and duties within the family have to be reconsidered.

On the one hand, employment isn't equally shared between the generations. The employment rate for young people and older workers is low. Women's employment rate rose rapidly from the 1960s to mid-1990s due to the increase of the education level of women and to the decrease in the birth rate of the children. It slowed down twice: in the mid-1990s, when a special allowance for the education of the children was introduced for mothers with two children, and between 2008 and 2013, when the economic crisis hit France. In both cases, part of women's labour force withdrew from the labour market.

On the other hand, unemployment rates remained high during this period. Data show a different evolution for women and men. In 1975, women's unemployment rate was twice men's unemployment rate (4.5 to 2.3), while, since 2012, women's unemployment rate is lower than men's unemployment rate (9.6 to 10.3 in 2015)<sup>12</sup>.

Part-time female work is widespread in France: 74% of part-time workers are women and 32.1% of them consider that they are underemployed<sup>13</sup>. 29% of women with one child work part-time, whereas 44% of women with three children work part-time<sup>14</sup>.

<sup>10</sup> Assemblée Nationale, Rapport d'information N° 4525 fait au nom de la délégation aux droits des femmes et à l'égalité des chances entre les hommes et les femmes sur le bilan des mesures adoptées au cours de cette législature en matière d'égalité femmes-hommes et leur mise en œuvre, 21 février 2017, p. 167.

<sup>11</sup> Zaidman, Catherine. L'individualisation des droits réduirait-elle les inégalités hommes/femmes ? *Droit social* 1998 ; Brocas, Anne-Marie. L'individualisation des droits sociaux. *Recherches et prévisions* 1999, Vol. 55 N°1 ; Kerschen, Nicole. Vers une individualisation des droits sociaux : approche européenne et modèles nationaux. *Droit social* 2003 N°2 ; Sterdyniak, Henri. Contre l'individualisation des droits sociaux. *Revue de l'OFCE* 2004/3, N°90.

<sup>12</sup> Femmes et hommes sur le marché du travail. Les disparités se réduisent mais les emplois occupés restent très différents. DARES, Analyses mars 2015 N°017.

<sup>13</sup> EUROSTAT, Labour Force Survey 2014. Almost 10 Mi part-time workers in the EU would have preferred to work more. N°75/2015, 27 April 2015.

<sup>14</sup> Marc, Céline; Zajdela, Hélène. Emploi des mères et politique familiale: doit-on s'inspirer du modèle suédois? Centre d'études de l'emploi, Document de travail N°45, 09/2005.



Regarding pay gap between men and women, women's wages are on average 18.5% lower than men's wages. Pay gap widens from the lowest level to the highest one: from 7.4% to 34.1%. It is especially obvious among white collar workers and workers with the highest levels of wages<sup>15</sup>. Moreover, female employment is concentrated in areas of activity where wages are low, like public administrations, education, health and social services. The pension gap between men and women is 48%, when we exclude derived pension rights and rights linked to maternity and care<sup>16</sup>.

Fundamental changes towards a more equal labour market have to be implemented.

While care facilities for young children are well developed in France (crèches, day-care centres, home childcare etc.), there is still more or less consensus on the fact that care for young children is a prerogative of mothers. Therefore, there is an ongoing discussion regarding unequal sharing of parental and domestic tasks within the couple<sup>17</sup>.

In my opinion, it would be necessary to challenge the '*quotient familial*' and not only the '*quotient conjugal*', as research results show that the birth of the third child goes often together with the withdrawal of the labour market by the mother, and as a consequence, with career path discontinuities. All children should be worth 0.50 tax unit or 1 tax unit, irrelevant if there are two or four children present in the household. *In fine*, the '*quotient familial*' should be replaced by a uniform universal benefit for each child, which would be neutral in terms of family policy.

Finally, there seems to be nowadays a consensus to make progressively changes in the fiscal system. For the promoters of a fiscal revolution, individualisation of income taxation seems to be 'the priority'. Taxation at source, without necessarily individualisation of income taxes, is on the political agenda and will enter into force on 1 January 2019. It seems to me that this is an opportunity not to be missed to have a larger public debate on individualisation of income taxation (and not only under the aspect of individualisation of tax rate). Last but not least, in order to compensate one earner families of the perspective of adverse effect, a 'housewife deduction' could be introduced and abolished later.

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<sup>15</sup> INSEE, Salaires dans le secteur privé. En 2014, le salaire net moyen augmente de 0.5% en Euros constants. INSEE Première N°1617 Septembre 2016.

<sup>16</sup> Bonnet, Carole. Hourriez, Jean-Michel. INSEE. Regards sur les inégalités entre hommes et femmes au moment de la retraite en France. INSEE. Dossier. Regard sur la parité. Ed. 2012.

<sup>17</sup> Périvier, Hélène. Emploi des mères et garde des jeunes enfants en Europe. *Revue de l'OFCE* N°90, 2004/3.