

Fiscal system and female employment in France

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Introduction:

In France, the fiscal system is complex and rarely examined from a gender perspective. As we shall see, there are “feminist” debates on the individualisation of rights and on the importance of separate taxation in order to encourage women to work, but they are not – or hardly – echoed in public debate and are often the subject of legal and sociological studies, but less so of economic and fiscal ones (on the contrary, French fiscal experts generally defend the existing system, namely indirect gains for married and PACS¹ couples (quotient conjugal) and family tax allowances (quotient familial, for adults and dependent children), as well as deductions (prélèvements)...).

One of the French features is precisely mixing tax and family policies via the family tax allowances, thus making the debate more complicated: although separate taxation can obviously promote the “second pay”, the principle of family tax allowances makes it possible to “protect big families” (more than two children) who are poor (half of French households do not pay income tax, notably thanks to the family tax allowances). But what is the situation of mothers in this case? They are not encouraged tax-wisely to work when they have many children – on the contrary, they are more often than not economically inactive.

In France, the system is individualised or not, depending on the nature of measures (unemployment benefit, pensions, minimum social benefits, tax, family benefits, etc.). Moreover, it seems coherent to maintain a differentiated position depending on the nature of the allowance or tax, because their impact on women's employment varies. Thus, we will see that maintaining reference to one's family for certain social rights protects those women whose situation is very fragile.

In recent years there has been much discussion about the socio-fiscal system. The aim is to make work more attractive and discourage certain individuals from remaining economically inactive via RMI (Revenu minimum d'insertion - Minimum Integration Income) and API (Allocation de parent isolé - Lone Parent's Allowance²). RSA (Revenu de solidarité active - Active Solidarity Income), which is a new measure applicable since spring 2009, is due to meet this expectation. However, we specified “certain individuals”, because the question of integrating these beneficiaries in employment is posed, but no one (or hardly anyone) challenges the disincentive for mothers to work as a result of CLCA (Complément de libre choix d'activité - Supplement for Freedom of Choice Concerning Economic Activity) (ex-APE, Allocation parentale d'éducation – Parental Childcare Allowance).

Fundamentally, the issue is not only economic and financial. If the aim is gender equality at work and outside work, then maintaining a situation where one protects “economically inactive mothers” is perverse from a fiscal point of view, as it keeps women locked in a vicious circle. Only access to the labour market in good conditions (which is not self-evident) would enable them to get out of this situation. Jobs guarantee financial independence and would enable such women to leave behind them the poverty and economic inactivity traps, which we will describe. But it is also necessary for the jobs to be of good quality and for the issue of childcare to be tackled, which is often not the case.

¹ PACS: Pacte civil de solidarité (Civil Solidarity Pact) is a civil contract by which two people, who - whether of the same sex or not – live in the same accommodation and organise their life together.

² In previous reports, we used the following translation: Single Parent's Allowance

Chapter 1. The national taxation system and its main ‘gender effects’

1.1. The system of taxation in France³ :

A. The French tax system concerns income tax, which is collected by the State, and local taxes (namely housing tax (taxe d’habitation) for tenants and/or additional property tax (impôts fonciers) for owners), which are collected by local authorities. Local taxes vary greatly from one local authority to another and are not examined in this report.

France is the only OECD country not to deduct income tax directly from pay, but the following year (in three payments over the year or ten monthly payments). Married/PACS couples are taxed jointly. Different tax allowances and tax credits exist (social contributions and part of the CSG⁴; occupational expenses (the actual amount or 10% of pay)). Moreover, **family tax allowances** play an important role – they take into account the marital and family situation of each person: net taxable income (of the lone person or couple) is divided into a certain number of tax units (parts): two units for married/PACS couples; one for a lone person; an additional half-unit for each dependent child, as well as a second additional unit for the 3rd and subsequent dependent children, as well as for all children of lone parents.

Limits have been put on these family tax allowances in order to reduce their inegalitarian (advantageous) impact on big families (more than two children) with high income – the tax advantage is limited to €2,198 per half-unit (apart from the two units for a couple and one for a lone person), except for the two first half-units awarded for the first child of a lone parent (in which case, the gain is limited to €3,803).

Tax reductions exist for childcare expenses - 50% of actual expenses paid (after allowances and employer contributions) with an upper limit of €2,300 per child (i.e. a maximum tax reduction of €1,150 per child). Likewise, there is a tax reduction for domestic jobs (concerning childcare, housework, care for older people, and so forth). It is 50% of expenses and was limited to €7,400 (i.e. a maximum tax reduction of €3,700) until 2002, the upper limit is now €10,000 (i.e. a maximum tax reduction of €5,000). For the registered disabled, the ceiling is €20,000 (i.e. a maximum tax reduction of €10,000).

Since the 2007 Borloo plan, this tax reduction can also be in the form of a tax credit for the many households which do not pay taxes (i.e. 50% of households) – the previously indicated sums are thus awarded to the household a year after expenditure in the form of tax credit.

Taxable income is gross income less the allowances referred to above (and net of social contributions, but including 2.4% CSG and 0.5% CRDS⁵).

³ Changes introduced since 2007 have been incorporated in the text in italics in boxes.

⁴ CSG: Contribution sociale généralisée (Universal Social Security Contribution) exists since 1991. It is a tax that is directly deducted from pay and amounts to 7.5% of 97% of gross pay (of which 5.1% is deductible from taxable income).

⁵ CRDS: Contribution au remboursement de la dette sociale (Social Security Debt Reimbursement Contribution) was introduced in 1997. Its rate is 0.5% of 97% of gross pay and is totally part of taxable income.

Table 1: Tax brackets in 2009⁶

	Fraction of taxable income for one tax unit used to calculate family tax allowances	Rate (%)
1 st bracket	Less than €5,852	0
2 nd bracket	From €5,852 to €11,673	5.5
3 rd bracket	From €1,673 to €25,926	14
4 th bracket	From €25,926 to €69,505	30
5 th bracket	Above €69,505	40

The 2007 tax reform concerned 2 points: reduction from 7 to 5 tax brackets and incorporation in the brackets of a reduction of 20% for employees and self-employed who are members of approved management centres – this also goes for pensioners. Income tax brackets were simplified starting with pay earned in 2006. According to the Minister of the Economy and Finance, no tax payer has lost out because of the changes to the tax rates and brackets. The other major measure was the creation of a “tax shield” (bouclier fiscal) for those paying very high taxes. All of their direct taxes (not only on income, but also on assets/fortune and local and property taxes) must no longer exceed 50% of income. From 2009 income (payable in 2010) onwards, upper limits will be put on tax loopholes that make it possible to pay less tax.

Following the economic and social crisis that we have been experiencing since the end of 2008 (and major social mobilisation in January 2009), the government has launched new social measures. There was talk of abolishing the second tax bracket. In the end – without changing the system – the two remaining tax payments (of the three normally paid) for income received in 2008 will be cancelled for households in the second tax bracket (i.e. for taxable income between €5,852 and €11,673 per unit used to calculate family tax allowances). A tax credit measure will also be introduced in order to avoid any threshold impact for households whose income is slightly above the limits of the second tax bracket.

B. Unemployment benefits have been reformed many times. The principle is to provide replacement income for people who have lost their job. There are 5 criteria:

- Not to have resigned or else to have fulfilled an obligation to seek employment during 4 months after resignation;
- Sign on at the ASSEDIC (now called Pôle Emploi);
- Actively seek employment;
- Physically apt for work;
- Under 60 unless one does not have the 160 quarterly contributions entitling one to a full pension;
- Resident in France or a French overseas department.

Until 2009 (OECD report): employees who were involuntarily deprived of employment had to have contributed at least 6 months in the previous 22 months (since 2003). The ARE (Allocation d’aide au retour à l’emploi – Return to Employment Allowance) corresponds to a certain percentage of the SJR (Salaire journalier de référence - daily pay of reference).

The calculation of the benefit is very complicated. It is linked to the pay of reference and, generally speaking, for most jobseekers amounts to 57.4% of gross SJR. But, the OECD report explains that one can in fact identify different stages and brackets (as follows).

⁶ These brackets were adjusted in 2008 (data provided by ourselves)

Table 2: Amount of unemployment benefit

Monthly gross pay	Gross benefit
Under €1,040.40	75% of gross pay
Between €1,040.40 and €1,139.85	€26.01 per day (1 st July 2004)
Between €1,139.85 and €1,881.18	40.4% of the SJR +€10.66 (1 st July 2004)
Between €1,881.18 and €11,092	57.4% of the SJR

Source: OCDE 2007

Moreover, the duration of benefits varies depending on the length of time spent in employment and the benefit is not available to young people who are jobseekers for the first time.

- *At the end of 2008, a new intersectoral agreement was signed (only by one trade union confederation, the CFDT), but is due to be taken on board by the government, even though it was signed by a minority of unions. It simplifies the system: the duration of benefits will be the same as the length of time during which contributions were paid (up to a maximum of 24 months, except for older people for whom the maximum duration will be 36 months). This should make it possible to extend (by about a month) the duration of benefits for a million job seekers. Moreover, the minimum length of service is now 4 months during the previous 28 months instead of 6 of the previous 22 months – this should open rights to 150,000 new jobseekers (i.e. only 10% of job seekers without benefits, of whom there are 1.5 million). A criticism is that this right is available only once – if jobseekers lose their job a second time, it reverts to the original system of 6 months. In order to pay for these changes, 400,000 new unemployed will have lower benefits.*
- *In its February 2009 social announcements, the government envisages cover for first-time jobseekers who do not have the right to minimum social benefits or unemployment benefit, namely a flat-rate sum of €500 will be awarded for 12 months from April or May 2009 for jobseekers who have worked for between 2 and 4 months.*

D. Social assistance: RMI – the allowance called Minimum Integration Income was created in 1989. It is means-tested and awarded to jobseekers all of whose benefits (including the solidarity scheme) have come to an end. It is also awarded to people who are excluded from the labour market and who are finding it difficult to access it and/or have health problems. The aim is to enable them to reintegrate the labour market. Only **people over 25** are entitled to it (unless they have a dependent child). It is a differential allowance, i.e. the size of the allowance is equal to the difference between any income received (family benefits, income from part-time economic activity and housing benefit) and the monthly maximum RMI allowance. **This allowance is dependent on one's family situation:** it varies according to the income and family situation of the household to which the individual belongs.

Table 3: RMI scales (1 January 2009)

Family situation	2009 Rate (Euros)	Incl. Housing payment (Euros)
lone person	454,63	54,56
lone person + 1 child	681,95	109,11
lone person + 2 children	818,33	135,03
lone person + 3 children	1000,18	135,03
lone person + 4 children	1182,03	135,03
Per additional child	181,85	
Couple	681,95	109,11
Couple + 1 child	818,33	135,03
Couple + 2 children	954,72	135,03
Couple + 3 children	1136,57	135,03
Couple + 4 children	1318,42	135,03
Per additional person	181,85	

In 2009, the RMI is going to be incorporated in the RSA (see below)

E. Family benefits

- **Family allowances:** their size depends on the number of children and their age – there is no benefit for the first child, nor for children who have had their 20th birthday. On 31/12/08, it is €124.54 per month for 2 children; €282,70 per month for 3 children; €443,60 per month for 4 children and €159,57 per month for each additional child. An extra €60,16 per month is paid for children over 14 (if they were born after 1997), except if there are only 2 dependent children (the oldest does not benefit from it). **This allowance is not means-tested** - it is available for all households regardless of their financial situation.

There are also other family benefits included in the PAJE (Prestation d'accueil du jeune enfant - Integrated Childcare Allowance):

- **Birth bonus** (€800) and means-tested **basic allowance** (€160), which is awarded until the child's third birthday. The income ceiling was raised, thus enabling 15% more families to receive it. The typical profile of those receiving it is dual-earning couples with income close to average pay.

- **Supplement for freedom of choice concerning economic activity (CLCA)** is available for the first child for the “parent”, who stops working for 6 months, or for the second child with the same conditions as for the previously existing APE (during a period of 3 years) (an allowance of €552,38 in 2009; €419,83 for part-time economic activity equal to or less than half-time; and €317,48 for half-time and 80% time).

- **New optional supplement for freedom of choice concerning economic activity:** for a year and for a bigger allowance (€750) for a third child (in 2005).

- **Help with childcare - Childcare supplement (CMG: Complément mode de garde):** for up to the age of 6 years for the low and average paid (2 SMICs), the cost of care in a crèche, by a childminder or own-home care is reduced.

- Financial help exists in the form of **tax credits and reductions** for recruiting family assistants (see point A of the fiscal system).

F. Social Security contributions

Employee social security contributions are generally calculated on the basis of a monthly upper limit: in 2009 it is €2,859 per month (€34,308 per annum). The rates vary depending on the type of coverage: pensions – 6.65% of pay up to the upper limit; widow(er)'s pension: 0.10% of total pay; sickness and maternity: 0.75% of total pay; unemployment: 2.4% of pay up to 4 times the upper limit. Overall, the rate of employee social security contributions varies as a percentage of gross pay from 20.9% for the low paid and goes down slightly to 20.79% for those on 208% of the SMIC (Math, Meilland, Simula, 2006).

G. Housing benefits

There are three kinds of housing benefits: APL (Aide personnalisée au logement – Personalised Housing Aid), family housing allowance and social housing allowances. These benefits are means-tested and also depend on where one lives, the amount of rent paid and one's family situation. They are thus calculated for each applicant and ceilings vary in line with these parameters.

H. In work benefit : PPE: (Prime pour l'emploi -Employment Tax Credit) was introduced in 2001. It aims at helping the economically active who are on low pay via a tax credit (or reduction), in order to encourage them to stay in, or increase, their economic activity. In 2006, it concerned those with annual income net of social contributions from economic activity between €2,695 and €26,231. The credit is calculated using several stages: firstly, a sum is calculated for each person in line with their own income; then the income of other members of the household is added. The sum may then be increased (for dependent children or if only one parent is economically active). The credit is only awarded if the family's fiscal income of reference does not exceed the following upper limits (in 2009): €16,251 for a lone person, €24,96 for a lone parent family with 2 children, €32,498 for a (married or PACS) couple without children and €40,945 for a couple with 2 children. PPE was considered to be too low and was increased in 2007 – the maximum amount is now €948 (compared with €714 in 2006).

PPE is thus based on individuals' income, but partly takes account of their family situation.

I. Others relevant components

Lone parent benefits

API is awarded to lone parents (lone pregnant women; lone parents bringing up at least one child under 3 and awarded until the child's 3rd birthday; separated and divorced parents bringing up children whatever their age receive it for one year).

The guaranteed upper limit in 2009 is €583,80 for alone pregnant woman and €778,40 for a person with a dependent child plus €194,60 per additional child. API is the difference between this guaranteed upper limit and the resources of the person concerned (family and housing benefits, etc.).

As far as RMI and API are concerned, a new incentive measure was introduced in 2006, which makes it possible to combine these minimum benefits with pay if one takes employment for a period of 12 months (full combination for the first 3 months, and then on a digressive basis). We will not go into more detail on this, as in 2009, RMI and API will be incorporated in RSA.

RSA: transformation of RMI and API in 2009

*RSA (Revenu de solidarité active - Active Solidarity Income), which has already been introduced experimentally in some regions, **will be generalised in July 2009**. It is an allowance that aims both at replacing existing minimum social benefits (such as the RMI and API) and at supplementing measures for encouraging return to employment (such as the PRE: Prime de retour à l'emploi - Bonus for Returning to Employment, and PPE). RSA is minimum income for people who do not work and additional income for those who work. It is thus a 'mixed' instrument, which puts an end to divisions between measures and gets rid of gaps in them.*

A person, who has no income from work, will continue to receive the equivalent of RMI. This is full-rate RSA, because there is no other income. People with low income from work – whether they had RMI before or not – will also benefit from RSA, as an addition to their income, which is on a sliding scale and gets smaller as their income from work increases. The amount that is given via RSA is calculated to represent up to 60% to 70% of additional income (i.e. up to a total of 1.04 times gross SMIC, which is currently €1,374).

*For example, if a person earns €500 (part-time work paid at the level of the hourly SMIC), then RSA guarantees an income of about €800 (i.e. 70% of the €500 on top of the minimum safety net (€450)). If this person does not receive any other allowance (except for housing allowance), the amount of RSA provided will be €300 per month. If s/he receives other allowances (such as family allowances and so forth), the amount of RSA will be the difference between €300 and the amount of the allowances. **In order to be fair, the amount of RSA given, takes into account the family situation and all the income of the family.***

Grid A The national tax-benefit system, 2007/2008

FRANCE	Description based on OECD-EU country file	Main changes in 2008 (if no change, leave blank)
Income Tax [Tax credits]	The French tax system is the only one to be applied after being paid (and not at source). It is based on a joint household declaration and is part of family policy via a system of family tax allowances – it is a progressive system (high income brackets are taxed more, while 50% of households, who are the poorest, do not pay income tax (apart from CSG)). Families contribute to horizontal redistribution (between lone people and families) but play a more negative role vertically (rich big families – with more than two children – benefit from the family tax allowances, to which an upper limit has however been introduced).	Various measures are in the course of being adopted: a “tax shield” for those with highest incomes and property/assets (50% maximum taxation); and a reduction of tax on 2008 income has just been adopted for incomes that are low but taxable.
Unemployment Benefits	Unemployment benefits have undergone many reforms. The most recent, which has just been adopted (without trade union unanimity), provides for opening the right to unemployment benefit after 4 months of economic activity during the previous 28 months (instead of 6 months during the previous 22 months); duration of benefits is au pro rata of the duration of economic activity (up to a maximum of 24 months).	New measures concerning insecure jobseekers (who have only worked a little) are envisaged (€ 500 per month for 2 to 4 months economic activity, ongoing discussions on benefit for first-time jobseekers. But implementation of the principle of “reasonable job offer” (gradual loss of benefits if refusal to take jobs).
Social Assistance	RMI enables people who have exhausted their rights or who are excluded from the labour market to “survive” with allowances linked to their family situation - €450 for a lone person, €681 for a couple; €818 for a lone parent with 2 children; €954 for a couple with 2 children. There is an incentive system aimed at encouraging people to return to economic activity by enabling them to combine RMI and pay during a period of time.	RMI is going to be merged in RSA this year (see last point) in order to encourage return to employment.
Family Benefits - Working Family Tax credits	Family allowances are not means-tested. Nothing for one child, €124 for 2 children and about €160 per additional child. Other measures for children exist, namely a means-tested birth bonus, help with childcare and, above all, CLCA of about €550 for looking after two children involving a break in economic activity for 3 years.	Reform of CLCA has been announced (reduced duration without compensation).
Social security contributions	Employee social security contributions a about 20% up to the Social Security upper limit of (€2,859)	

Housing benefits	Housing benefits are means-tested and vary according to rent, income and family situation.	
In Work Benefits	PPE aims at encouraging the low paid to work rather than remain economically inactive via a tax credit (maximum of about €990). Its size depends on individuals' pay, but also takes into account the family situation.	
<i>Other relevant components</i>	API makes it possible for lone parents (mainly women) to have income during 1 or 3 years. The maximum amount is €778 for one child (and €194 for each additional child). An incentive system aims at making return to economic activity easier with the possibility of combining API and new pay.	API is merged in RSA. RSA is minimum income for people who do not work and additional income for those who work. It is thus a 'mixed' instrument, which puts an end to divisions between measures and gets rid of gaps in them.

IT **Income Tax - Tax credits**
UB **Unemployment Insurance**
SA **Income Support**
FB **Family Benefits + Working Family Tax credits**

SC **Social security contributions**
HB **Rent assistance**
IW **In Work Benefits**

1.2 Gender effects/biases

1.2.1 the income tax systems (including tax credits)

Joint taxation of couples in France has often led to debate, research and even proposals with a view to replacing it by separate taxation of each partner. This idea of individualising taxes is part of a broader debate on individualising social rights. Paradoxically – and as far as we are aware – this approach is supported more by legal experts, sociologists and feminists, but few economists and tax experts. The initial idea is simple and involves a limpid economic calculation: when pay is pooled, taxation is generally higher for the “second pay”; there is a higher marginal tax rate, which is a disincentive for women's work (secondary pay). However, this is not totally proven by econometrics and simulations (see below).

Firstly, the debate is not always about women's employment, but rather about the interest in “getting married or signing PACS = joint taxation” versus “not getting married (i.e. living together as common law husband and wife) = separate taxation”. Women's work is only studied marginally, as a possible result. These studies do not seem to take into account the fact that women's work is jeopardised; they approach the issue only from the point of view of the economic interest of marriage for dual-earning couples. This is the case of Colin (2006) and Amar, Guerin, 2007. But Echevin (2003) made the link between the tax interest of marriage/PACS and the supply of married/PACS women's work. According to Amar, Guérin (2007)⁷, the French system of “quotient conjugal” generally benefits married/PACS couples – the gain related to joint taxation is greater when the pay gap within the couple is bigger. It should be noted that only tax calculations exclude common law husbands and wives from joint calculations. All minimum social benefits take into account the family situation and the fact of living together – whether married, with PACS or as common law partners - is the crucial one (what remains to be done is to identify “true” lone people from “false” ones). When comparing joint and separate taxation, one observes the complexity of the results obtained.

The impact of joint taxation on couples without children

The gain for married/PACS couples is a result of the tax system, which awards 2 tax units to couples (and only one to lone people), whereas it is well-known that couples share expenses (regarding housing and so forth) and make economies of scale. Lone people should count for 1.33 (unit of consumption used by Insee and the OECD). Thus, if members of a couple earn as much (and both work), they would each pay the same tax as a lone person (whereas their standard of living is higher). “However, **a couple without children - one of whom is economically inactive and the other declares annual pay of €25,000 (2.2 SMIC) - pays €800 tax if they are married/PACS and €2,418 if they are common law husband and wife**” (Amar et ali, 2007). The couple's gain is greater, the bigger the income gap within the couple. **In other words, a couple, which is composed of a woman who is totally “idle” and married to a CEO, gains significantly.**

- But this impact is limited by certain measures: **a tax reduction (décote)** applies to those who should pay under €786 of tax. It applies to the total tax of the household (not per tax unit) - family tax allowances are thus reduced for the low paid – common law couples (with separate taxation) benefit from two “décotes” if they earn little. If we go back to the previous example - namely couples with an annual income of €25,000, (supposing, this time, that each partner earns €12,500) – without the “décote”, all couples pay €800 tax, i.e. €400 each (whether married or not). With the “décote”, separate taxation reduces the tax of each person to €207 (i.e. €414 for the common law couple) instead of €800 in cases of joint taxation (there is no “décote” because the couple's taxation exceeds €786).

In other words, joint taxation benefits couples with big income gaps (especially when “one” partner earns double the other and in cases of single-earning couples); this taxation is neutral for couples earning the same amount (and much); it disadvantages, and then becomes negative, for

⁷ This study uses the tax model of microsimulation used by Dress and Insee (survey of tax revenue).

couples, who earn less: annual income of €10,000 (1SMIC) to €15,000 for the former and from €10,000 to €30,000 for the latter.

Likewise, we will see below that PPE reinforces this phenomenon and makes joint taxation less beneficial for the poorest people.

The impact of joint taxation on couples with children

The presence of children makes the situation even more complex. Separate taxation of common law husbands and wives enables them to distribute the ½ tax units per child between them (in whichever way is most advantageous tax-wise to each of them) when making their tax returns. This is not the case for joint taxation. The penalty of marriage/PACS (joint tax declaration) increases with children. The only case referred to by the authors where a married/PACS couple with 2 children benefits is the zone where one partner declares less than €10,000 and the other declares more than €15,000.

What is the reality of this simulation?

In order to understand the impact of the above data, it is necessary to know what is the real distribution of couples in relation to their income. In fact, we know that endogamy is great and therefore one can question whether cases of high pay gaps within couples are significant. There are few studies of the distribution of pay within couples. It is estimated that in 75% of dual-earning couples (and in 70% of dual-earning couples where both partners work full-time), men earn more than women. Men's income is higher in 86% of cases where women work part-time or are economically inactive (taking into account all sources of income, including transfers). It should be recalled that 23% of couples are single-earning ones, 56% of couples are dual-earning and 24% are retired. Finally, in 51% of couples, men earn at least twice as much as women.

In conclusion, for more than half of all couples, joint taxation is advantageous (and even more so, the higher their income); for 24% of couples taxation is identical in both cases (especially for poor households in the first fifth who do not pay tax). Finally, about 23% of couples lose out because of joint taxation (especially those on modest incomes).

For 30% of couples with children, separate taxation is more advantageous, but this is not the case from the 3rd child onwards, as in this case 40% of couples only have one earning partner and 20% are dual-earning with one of the partners (the woman) working part-time.

Joint taxation is generally advantageous for couples with one earning partner (75% of them pay less tax); the same goes for couples in which the woman works part-time. Moreover, more than 88% of couples with one earning partner receive more PPE.

1.2.2 unemployment benefits and assistance. As far as we know, there is no gender impact regarding unemployment benefits, as the system is completely individualised. They are linked to pay and previous length of service and thus structurally fewer women receive benefits and their benefits are lower (it is estimated that about 40% of women receive benefits, compared with 50% of men). Moreover, women tend to become discouraged more often and leave the labour market. Finally, new conditions regarding “reasonable job offers” are likely to penalise mothers more, who are not always immediately available for work if there are no childcare facilities. RMI, which takes into account family situations, can be an economic inactivity trap for “second” family members of poor households, because low paid work is not very attractive.

1.2.3 Family benefits/tax credits;

Family allowances (allocations familiales) are awarded to all parents – there is no gender difference. However, PAJE – and more precisely CLCA - create indirect discrimination against women. In 98% of cases, it is taken by mothers – more than 600,000 beneficiaries have “chosen” to withdraw from the labour market for 3 years for €550 per month. We know that the great majority

of them are unemployed women or in insecure situations. It is difficult for them to return to employment. For these women (who most often are in short part-time jobs), this benefit represents a “real” disincentive for working (see below).

1.2.4 Social security contributions;

No gender impact.

1.2.5 Housing benefits;

No gender impact.

1.2.6 In work benefits;

RSA is going to come into force and, despite a few reactions, no gendered analysis has been made of this measure that is likely to discriminate against women, who are especially concerned by this reform of minimum social benefits on several grounds (see 3.3):

- Because they are over-represented in imposed part-time jobs with insecure contracts and in personal service jobs with few qualifications and with no real occupational recognition. These jobs are precisely those which lead to working poor. RSA will certainly provide monetary support for women in such jobs, but in a certain way will also lead to making this form of employment normal. In other words, does not RSA reinforce the risk of new types of “poverty traps” for women?
- Moreover, women constitute the great majority of API beneficiaries and are thus the first to be concerned. But will they be able to work (again) and thus benefit from RSA if this reform is not accompanied by a huge effort regarding childcare?
- Finally, women are also concerned because RSA is a measure that partly takes into account one's family situation. This is likely to discourage women in couples from working as their family then runs the risk of losing eligibility for RSA.

1.3 Impact of taxation on gendered patterns of employment and unemployment

(i) gender differences in tax compliance;

In point 1.1.2, we have seen that the French fiscal system of joint taxation is favourable to single-earning couples, thus confirming the hypothesis that joint taxation disadvantages the second earner (the great majority of whom are women). These women are thus not encouraged from a tax point of view to work (or marry).

But this issue is very controversial in France, and an economist even used the following title for an article “**Against individualisation of rights**”. The author, Sterdyniak (2004), refused to come out in favour of the feminist approach (which defends the economic independence of women) or neo-classical analysis, which is based on the hypothesis of a financial and fiscal incentive for women's employment. Sterdyniak studies the economic impact on returning to employment for the second member of the couple according to the type of tax return. When women take employment paid at the level of the SMIC, the gain is small if she is alone or with a husband who does not work, because the couple loses social benefits (RMI and housing benefits). From the moment that their partner earns the SMIC, it is of greater interest for women to work, except – in the current system – when the men earn a lot. Separate taxation is attractive for all couples who pay tax and earn more than the SMIC, but not less. Separate taxation does not have an impact in cases, where the disincentives for women to work are greatest (households that do not pay tax).

Table 4: Gain when women return to employment paid at the level of the SMIC depending on the fiscal system

	Current system	Separate taxation
lone women		
Without children	413€*	413€*
2 children	541€*	541€*
In couple without children		
Husband on RMI	294€*	294€*
Husband earns the SMIC	753€	822€
Husband earns average pay	778€	937€
Husband earns twice average pay	712€	937€
Husband earns 5 times average pay	616€	937€
In couple with 2 children		
Husband on RMI	259€*	259€*
Husband earns the SMIC	663€*	666€*
Husband earns average pay	836€	937€
Husband earns twice average pay	774€	937€
Husband earns 5 times average pay	651€	937€

* Household does not pay tax

Source: Sterdyniak, 2004

However, according to Sterdyniak, separate taxation enables women who return to employment to earn more, **but households where only one person is economically active are taxed more**: “Let us consider a couple in which the man earns twice average pay. If his spouse does not work, monthly tax paid by the couple is €329. If she works and earns the SMIC, their tax increases to €486. With separate taxation, monthly tax paid by the couple would be €586 in both cases. Separate taxation of course increases earnings, but slightly increases taxation of dual-earning couples (by €100 per month) and greatly increases that of couples where only one person is economically active (by €257 per month). And the latter clearly has a lower standard of living. **Individualisation reduces the redistribution of the fiscal system**”. Moreover, this system would involve abolishing family tax allowances, which – in the author's view – benefits poorest big families. This position is worthy of discussion.

The viewpoint of Echevin (2003) is somewhat different, because he recognises a positive impact on employment: “joint taxation modifies marginal income tax rates downwards for the partner of the couple who brings most resources, and upwards for the other one. By encouraging marriage, the “quotient conjugal” thus encourages a certain form of division of labour”. In other words, it encourages shorter working duration or economic inactivity of married/PACS women. This author's approach is based on a model of micro-simulation using 500,000 income tax returns and surveys on 2002 tax income, in which he incorporated a pay equation and a participation equation for all women who are old enough to work. Individualisation of tax would have globally negative financial impact for couples (especially those in which only one person is economically active) in terms of income (an average loss of €225), but would nevertheless have a slightly positive impact on the supply of married/PACS women's work: “**Given the resulting drop in the marginal tax rates within couples, such a reform would increase the rate of women's participation by 0.6 percentage point leading to almost 80,000 jobs (in a situation without constraints on labour demand ...)**”. The following table shows that the impact on women's employment is greater for the higher deciles (a 1.4 percentage point increase for the last decile).

Table 5: married/PACS women's estimated economic activity rate before and after a reform (on tax individualisation)

Decile of standard of living	Estimated economic activity rate before a reform	Estimated economic activity rate after a reform	Variation of the economic activity rate	Increase in women's participation
1	41,4%	41,4%	0	+234
2	47,3%	47,5%	+0,1%	+1 630
3	55,7%	56,1%	+0,4%	+4 538
4	64,3%	65%	+0,7%	+7 334
5	72,1%	72,7%	+0,5%	+6 144
6	79,3%	80,1%	+0,8%	+9 898
7	83,7%	84,3%	+0,7%	+8 501
8	85,5%	86,3%	+0,9%	+11 231
9	88,7%	89,7%	+1%	+12 731
10	85,6%	87%	+1,4%	+16 762
Total	70,4%	71%	+0,6%	+79 003

Source: Echevin (2003), enquête revenus fiscaux 1999 actualisés 2002; champ: couples mariés (12,1 millions de ménages n 2002)

(ii) gender differences in the balance of formal and informal employment and, more specifically, evidence of inactivity traps for women;

- **RSA:** as we have already seen (1.2.6), RSA is a new “economic inactivity trap” or short part-time work trap for women. The following data show, as an example, what a couple with two children gains and loses from such a reform: in the case of single-earning couples, the gain resulting from RSA will be €321 if the partner work half-time (0.5 SMIC) and €544 if he earns the SMIC (i.e. an additional gain of €241 et €215 compared with the situation without RSA). But dual-earning couples lose out: they lose €215 with RSA. In other words, a “purely” economic calculation would not encourage women to work; on the contrary, we know that those women, who are the least qualified and who have young children, are most vulnerable and sensitive to such disincentives to work. Indeed, in these approaches, no account at all is taken of childcare facilities.

Table 6: Available income and gains on returning to employment according to income from economic activity in the current situation and after the reform (introduction of RSA).

Couple, 2 children					
	RMI	couple with one earner		Dual-earning couple*	
		0.5*SMIC	SMIC	1*5 SMIC	2*SMIC
Available income, current situation	1 257	1 337	1 586	2 026	2 398
Gain / RMI, current situation	/	80	329	769	1 141
Gain / SMIC, current situation	/	/	/	441	812
Available income, RSA at 62%	1 257	1 578	1 801	2 026	2 398
Gain / RMI, RSA at 62%	/	321	544	769	1 141
Gain / SMIC, RSA at 62%	/	/	/	226	597

* Partner earning full-time SMIC

Source: Allègre G (2008), *Fiscalité 2008, calculs de l'auteur*

- CLCA (ex-APE) has been the subject of studies that show that this allowance constitutes an economic inactivity trap for mothers with young children, especially those who are unemployed and with few qualifications (return to employment is very difficult for them and their economic inactivity rate increased from 4% to 29% during initial assessments of the measure (at the end of the 1990s)).

- RMI also constitutes an economic inactivity trap to the extent that it is family-based and represents a disincentive to having a second pay in poor households. Laroque, Salanié, 2003 provides test cases: for example, lone women have no financial interest in working for the SMIC half-time (compared with RMI). Return to full-time only increases income by €223, thus involving an 83% reduction of labour costs at the level of the SMIC. In the case of economically inactive or unemployed married/PACS women, return to employment is not always advantageous: for more than 65% of the economically inactive (but only 50% of unemployed women) return to full-time employment at the level of the SMIC brings in €610 (the difference between the unemployed and the economically inactive comes from the fact that the latter more often have a partner who is working and are less often RMI beneficiaries than unemployed married/PACS women). The 35% of unemployed women who gain €305 by taking a full-time job are those who receive RMI. **The gains of unemployed women who take a half-time job are very small (€76). In order to tackle these traps, incentive measures have been introduced since (making it possible to combine – for a certain period of time – pay and minimum social benefits).**

(iii) hours of work and evidence of low wage traps for women;

We will see that the impact of PPE has been measured from a gender perspective. It can be estimated that this measure affects the duration of work of the “secondary” worker to the extent that this reform increased the fiscal advantage of PPE for part-timers (more than 82% of whom are women) (see below).

According to Laroque et Salanié, 2003, the disutility of work is greatest for part-timers on returning to work, except for women with more than 3 children, as the following table shows: **part-time work is thus not interesting for women (especially the low-skilled), however, in most cases, that is the kind of work they find and accept, for want of anything better.** (This proves that the variable “financial incentive” is not the only one that counts in these choices). These data also show that return to full-time employment is “profitable” (negative disutility) for lone women and women without children, because new rights appear (pension, occupational experience, making it possible to find a better job, and so forth).

Table 7: Disutility of work

Category	Full-time	Part-time
Total	70	370
Women in couples	202	411
lone women	-378	231
Without children	-575	82
1 child	-65	313
2 children	409	508
3 and more children	1039	824

Source: Laroque, Salanié, 2003

(iv) unemployment traps, gender differences in net replacement rates and in other features of the unemployment benefit systems.

néant

Chapter 2. Responsiveness of the labour supply to taxation

2.1. Responsiveness of the labour supply to taxation

- **RMI:** The work of Laroque and Salanié (2003) has contributed a lot to traditional approaches of assessing the role of institutions and transfers regarding women's

employment. On the basis of the 1999 employment survey, econometric analysis focuses on 25-49 year old women, who are private sector employees. The study led to controversy regarding the disincentive role of the SMIC on women's employment (see 2.2). It also showed that means-tested benefits like RMI create “economic inactivity traps”, especially for women, thus limiting the interest of a second pay that is low. “RMI and other differential benefits that take family situation into account (...) lead to concentrating exclusion on certain couples, because the fact that one member of the couple has pay, makes it possible for the partner to escape the economic inactivity trap”. However, Piketty (1998) greatly clarifies the situation: he confirms that women, who belong to a couple whose partner works, can be discouraged from working because of RMI, but this is in no way the case for men: the employment rate for lone men - a population constituting major battalions of new RMI beneficiaries – does not seem to be affected by this financial incentive. By comparing lone women and lone men, the impact of RMI is half as great for men as that observed for women (but it should be recalled that there are many more lone women than lone men without employment).

- **Ex-APE:** Piketty (1998) examined the impact of financial incentives on economic activity, notably that of women (on the basis of a method of “double difference”, i.e. with “natural” experience, composed of a target group and a “witness” group). The data used are already old, but remain valid. He showed that women with dependent children can be extremely sensitive to financial incentives: the introduction of APE (currently about €550) during 3 years, led to women leaving the labour market (without a windfall gain). This represents about 35% of eligible women. “It can be estimated that if APE had not been extended to 2nd births in 1994, then at least 80,000 people would have been in economic activity instead of being without employment (...), i.e. about 35%”. **According to him, the elasticity of eligible women's labour supply compared with the income gap between non-employment and employment is estimated to be between 0.6 et 1.** He estimated in fact that the drop in the employment rate that can be attributed to the APE is about 11 percentage points and the increase in the non-employment rate of the women concerned is about 25%. He also estimated that the allowance corresponds with a loss of pay of about 40% (passage from pay close to the SMIC to APE). He then calculated that the elasticity of the probability of transition between employment and non-employment would be about $25\%/40\%=0.6$. If one takes the high hypothesis of an 18 percentage point drop in employment, elasticity is about 1. Moreover, besides the disincentive impact of this allowance on work (passage from employment to non-employment), there is also a reduction in the passage between unemployment/economic inactivity and employment) for women who are eligible for APE.
- **API:** was introduced in 1976 in order to recognise lone parenthood and enable separated parents (mainly mothers) to have an income when their children are under 3. This allowance was controversial: encouraging “idleness”, isolation of mothers of young children, a way of reducing unemployment figures by removing a category of jobseekers, namely lone mothers. For others, it makes it possible for certain women to leave great insecurity behind them, but by keeping them in the status of mothers, above all. De Curraize and Perivier (2006) studied the impact of API on the supply of work of lone mothers. The overall employment rate of lone mothers is higher in France than that of mothers in couples. However, this is not the case of the employment rate of mothers of young children. **Lone mothers constitute indeed the category of the population for which the difference between income from economic activity and income from social transfers is the smallest.** According to a study of the “double difference” by Curraize, Périvier, API has encouraged lone mothers with a child under 3 to leave the labour market. Without this measure, their employment rate would have been from 7 to 11 percentage points higher on average during the 4 years following its introduction. API does not promote mothers'

employment: it is rather a matter of paid parental leave, because few of them have the means necessary to return to employment (childcare and so forth). What is serious is that after API (when the child reaches the age of 3), many of them end up on RMI, while the others are in couples and often financially dependent. According to the authors of this study, “although it is justified to support mothers, whose difficulties in entering the labour market are increased by family situations that are not favourable to employment, it is also important to help them access the labour market. They are often young and low-skilled and thus accumulate handicaps that stop them from accessing employment. Enabling them to attain autonomy requires combining legitimate financial help with measures for helping them access employment and also childcare”.

- **Math et ali (2006)'s study of financial incentives of social and fiscal transfers of the “second” provider of resources within couples:** on the basis of a comparative study of the 15 Member States⁸. They show that overall (to differing degrees), there are financial disincentives for second providers (who are in the very great majority of cases women) to work (part-time or full-time). These authors calculate an **implicit average tax rate**: it is an indicator that measures the share of additional gross pay following the increase in the labour supply, which is not translated into net pay, because of deductions and benefits that are taken into account in the test cases that were studied. They take into account changes in taxes, social contributions and benefits resulting from the increase in the labour supply, and also in line with family situations. Moreover, they study 3 situations for the second member of the couple (the woman): passage from economic inactivity to part-time work, from economic inactivity to full-time work and from part-time to full-time work. It is supposed that pay is equivalent to the SMIC for full-time work and half of the SMIC for part-time work.

Table 8: Implicit marginal tax rate (%) (2001 data)

Transition for the “partner”	Couple	Couple +1 (- 3 years)	Couple +1 (7years)	Couple+2	Couple +3
Passage from economic inactivity to part-time	38%	40%	34%	33%	40%
Passage from economic inactivity to full-time	37%	41%	35%	36%	33%
Passage from part- to full-time	36%	44%	38%	39%	23%

Source: Math et ali (2006)

We observe that it is above all couples with a young child whose return to part- or full-time employment of the partner is most disadvantageous financially (tax rate exceeds 40% - in other words, the additional “second” pay is reduced by 40%). This is linked to two important factors in France: the payment at the beginning of the new school year (prestation de rentrée scolaire), in particular, is means-tested; the impact of the fiscal system (penalisation of the “second” pay). These data do not take into account the impact of PAJE and recent reforms (which would make return to employment less attractive when there are 2 children). It should be noted that according to this study, France is in an intermediate situation (compared with Germany, where

⁸ The data base of test cases was created in close collaboration with various European teams - see Bradshaw, Finch, (2002).

the disincentives are significantly greater (about 50%) and Sweden, where, on the contrary, they are between 20% and 30%).

Overall, criticisms (and self-criticisms) can be made about most of these studies (except for those of Piketty and Périvier): they implicitly presuppose that labour demand does not affect these issues and everything depends on the elasticity of labour supply. But nothing is said about available jobs, nor about the nature of these jobs, which can justify and affect behaviour regarding economic activity. Moreover, the focus is only on financial incentives, whereas behaviour concerning economic activity is also the result of other factors, such as childcare facilities, the partner's situation, transport and so forth.

For example Math et alii, (2006) conclude their report in the following way: “it was not possible for us to establish a link between these measures of financial incentives for the labour supply of the second income provider and performance concerning women in couples (...) monetary social and fiscal transfers do not play a decisive role in women's participation in the labour market”. Indeed, according to the results that were found, it seems aberrant to see women entering the labour market, given the financial disincentives. The only case of actual withdrawal results from the impact of CLCA (which was not studied by Math et ali).

2.2. Review research on labour supply elasticities

- The main reference concerning elasticity of labour supply remains Bourguignon, Magnac 1990, who calculated low elasticity impact for men and negative elasticity for married/PACS women resulting from the rigidity that existed then concerning working time.
- One of the results of Laroque and Salanié, 2003, which is controversial, (not only amongst women) **is to estimate that the SMIC is too high**, especially for women without diplomas. Their calculations regarding elasticity are as follows: elasticity of women's employment (in the study) in relation to the SMIC is overall $-0,9$. This is higher than American results. According to the authors, this can be explained by the fact that the cost of the minimum wage compared with that of average pay is about a third higher than in the United States. Elasticities vary a lot depending on the level of women's qualifications: **elasticity of employment to the cost of the SMIC is only $-0,1$ for women with at least a degree, but reaches $-0,8$ for women without diplomas**. According to this model, a 10% increase of the SMIC would destroy 250,000 jobs (190,000 full-time and 60,000 part-time jobs). Pay elasticity of the labour supply of women to net pay is as follows: 0,82 for all women; 0,92 for women in couples and 0,36 for lone women, thus confirming the hypothesis. The income elasticity of the labour supply of women in couples is estimated by supposing that one increases the partner's pay: in this case we obtain $-0,11$ and even positive elasticity for many women: this can be explained by the combination of an income effect (negative on women's employment) and a substitution effect, which compensates for the first effect.
- According to Fugazza et ali (2003) elasticities are calculated on the basis of PPE's impact: **they observe that the elasticity of labour supply in relation to income from economic activity is 0.3 for lone women and 0.8 for women in couples**.

Grid B. Summary of Empirical Studies on labour supply elasticities

A.

Country	Authors (year)	Data Series	Sample: characteristics of sampled individuals			Representativeness of sample:		
			Characteristics of the sample	Characteristics of earnings	No of observations	national	regional	local
France	Bourguignon, Magnac 1990	Enquête emploi, Insee, 1985	Married/PACS couples	Monthly net pay		Yes	NO	NO

B.

Own wage elasticity	Value of elasticity
Women	
Men	
Cross elasticity	
For female spouse	-0,29
For male spouse	0,09

A.

Country	Authors (year)	Data Series	Sample: characteristics of sampled individuals			Representativeness of sample:		
			Characteristics of the sample	Characteristics of earnings	No of observations	national	regional	local
France	Laroque, Salanié, 2003	Enquête emploi, Insee, 1999	Women – all family situations 25-49 years old	Monthly net pay	32,978 women of the survey (representing 10,650,000 people)	Yes	NO	NO

B.

Own wage elasticity	Value of elasticity
Women	-0.9 for all women; -0.1 for women with at least a degree and -0.8 for women without diplomas
Men	
Cross elasticity	
For female spouse	-0.11
For male spouse	

A.

Country	Authors (year)	Data Series	Sample: characteristics of sampled individuals			Representativeness of sample:		
			Characteristics of the sample	Characteristics of earnings	No of observations	national	regional	local
France	Fugazza M., Le Minez S. Pucci M. 2003	Model of microsimulation Ines (Dress – Insee) – Enquête Revenus fiscaux 1997-1998	Households whose reference person or their partner is a woman, potentially concerned by the labour market (under 60 years, not civil servants and not pensioners)		15,73 households (incl. 12,376 women in couples, 2,876 lone women of whom 2/3 are employees) representing 8.16 million households	Yes	NO	NO

B.

Own wage elasticity	Value of elasticity
Women	0.3 for lone women
Men	
Cross elasticity	
For female spouse	0.8 for women in couples
For male spouse	

Chapter 3. Reforms of the national taxation system over the last 10/15 years

3.1 Recent developments in the national tax system

Recent debates in France concerning fiscal issues have above all been about work incentives/disincentives for economically inactive beneficiaries of minimum social benefits. Given continued high unemployment in France and confirmed appearance of increasing numbers of poor workers, different governments have sought solutions for making work pay and avoiding situations where very short part-timers earn less by working than being economically inactive. Different formulae have been tested: as a transitional measure, the idea of a bonus (intéressement) has been introduced by making it possible to combine pay and minimum benefits for a period of time; then in a more permanent way, the idea of employment tax credit (PPE) was introduced; finally, with RSA the aim is to merge certain minimum benefits, in order to encourage people even more to return to work. In these debates, “specific categories” are not mentioned, but everyone knows that the main victims of poverty and economic inactivity traps are above all women, especially lone women.

The second recurring issue that is discussed concerns the French tax system, which is considered to be inefficient and unclear, as well as mixing an objective of redistribution and family policy. In this debate, experts regularly pose the question of a pay-as-you-earn system of taxation and also that of joint taxation. Here – also without saying it explicitly – married/PACS women are especially concerned (we have referred to assessments of this topic in point 1.3).

3.2 The employment impact of reforms

- Studies about PPE :

* The Ines model of microsimulation, developed by Drees and Insee, which is based on surveys of fiscal revenue, has been applied to measure the impact of PPE on women's economic activity (Fugazza et alii, 2003). The incentive impact of PPE on women's labour supply is very small, especially if they already have a job: in the 4 existing variants of the reforms of PPE, “between 0.03% and 0.06% of women in couples, who already have a job, want to increase their labour supply; at the same time, 0.04% of women in couples in employment want to reduce their working time”. According to the last reform of PPE, only 0.1% are in this case (2002 version). Calculations for lone women are very small. However, according to this study, the impact on taking up a job is greater: for lone women, doubling of the individual share of the credit has an impact (provided they take up full-time employment); **for women in couples, there is also the positive impact of individualisation of PPE**, but they also prefer part-time employment. For these women (in couples and without employment), it is estimated that the reform – doubling the amount and individualisation – leads to a 1.5% increase in return to employment (22,300 women): in half of the cases, this return to employment is full-time. In all, reforms of PPE lead to a 0.31% increase in the level of full-time employment (according to Laroque, Salanié, 2003, this figure is lower - about 0.22%); according to the Ines model, part-time employment increases by 0.32% (by 1% according to Laroque, Salanié). Women's “non-employment” declines by 1% (only 0.4% according to Laroque and Salanié). It is clear that results differ depending on initial data and reference situations.

* Bargain (2004) studies PPE's impact on the economic activity of women in couples, on the basis of a structural model of labour supply (Budget survey of households 1994, of women from 25 to 60 years in couples). He shows that the expected impact of PPE is small regarding disincentives to work for women, whose partners work, even if such a risk exists. **What is certain is that PPE is hardly an incentive for economically inactive women in couples to work (0.4%); however, the incentive to take up – or remain in – part-time employment is greater, but difficult to measure.** What is also interesting in this study is its “self-criticism”: it is difficult to take into account the extent of “economic inactivity and imposed or “chosen” part-time work, whereas this dimension is essential”.

* According to Allègre, Périvier, 2005, the various recent reforms of PPE are not necessarily effective from the point of view of people returning to employment, because three conditions have to be met: making employment pay more than non-employment; being sure that individuals are aware of this gap; and finding employment. They even run the risk of reinforcing the choice of part-time work for the second member of the household: PPE is in fact now focussed on part-time work as tax credit for half-timers has been doubled, whereas it has only been increased by 50% for full-timers. The gap between PPE received for a full-time job paid at the level of the SMIC and that received for a half-time job has dropped from €148 to €65. This could encourage women (in couples) to work less, given the cost of childcare and transport.

* Some evaluation studies (CERC, 2001 and Cahuc, 2003) show that it is precisely people on full-time SMIC who benefit most from PPE, while part-timers – who are the first victims of economic inactivity traps and are mainly women – benefit significantly less. The reforms, which were introduced in 2003, aim at reducing this negative effect, which is indirectly discriminatory. In the first version of PPE, part-time work was penalised. Since then, it has been better taken into account except for very short part-time work (below 0.3 times SMIC, there is no PPE). But this measure is in fact ambiguous – PPE (which is awarded to the lowest paid, in order to encourage them to choose employment rather than RMI) runs the risk of reinforcing the “part-time trap” of these employees. It is becoming more of an incentive for half-timers than full-timers. Moreover, we note that the previous government’s objective was to triple PPE for all levels, which would have had a greater effect on part-timers...

Studies, which measure the impact of PPE and the intéressement bonus on couples with one earner (at the outset), show that when there is a second earner in the household (mostly women), this leads to the loss of some allowances (drop in housing benefit and risk of the household becoming subject to income tax), but the gain of the second person returning to employment is greater than that of the first (when whole allowances disappear). **PPE does not reduce return to employment of the second member of a couple, nor the passage from half-time to full-time.** However, **the intéressement bonus reduces the profitability of a second job in a couple, especially if it is half-time.** Finally, PPE has some disincentives, because of the limits on the total income of the household (which should be less than 3.1 times SMIC for a couple without children and 3.65 times SMIC for a couple with two children). For example, a couple with 2 children, where the man earns 2.3 times SMIC receives 42 Euros PPE per month if the woman earns the SMIC, but nothing if she earns 1.1 times SMIC. In other words, **the effect of PPE is greater, when the “secondary” pay is lower, thus discouraging the search for better paid employment (or longer hours) for the second member of the household (who are mainly women).**

3.3 The assessment of reforms from a gender perspective :

- For or against individualisation of rights and a different tax system?

Sterdyniac's point of view, which was referred to above (1.3), is strictly fair economically: separate taxation disadvantages single-earning couples. An objective could be to reduce this kind of situation as much as possible: certainly, many women leave the labour market for imposed reasons (absence of childcare, for example). This is not a deliberate choice of “idleness”. But, if they were encouraged more to take up employment and become independent, separate taxation could contribute. But that implies that other factors are taken into account, such as the nature and number of available jobs, changes in gendered social roles (especially greater sharing of domestic chores), childcare facilities and types of leave proposed... In this spirit, taking up an economic activity and being paid would always be more favourable than being economically dependent. Individualising rights (especially taxation) would thus be a factor of independence and freedom, rather than maintaining a system of protection of mothers in dependent situations. But, obviously, this is only possible with profound structural and cultural changes and also provided that jobs are really

available for all women...

A debate has partly occurred in France in recent years around the study by Alesina et Ichino (2007) concerning “gender taxation”. The idea, which is a priori seductive, involves going even further than the previous observations and showing that, in order to encourage women’s employment, their fiscal disadvantage could be rectified by taxing them less. In order to keep tax revenue identical, this would mean taxing men more... In the end, negotiations within couples should make readjustment of occupational activity and domestic chores possible. The authors are clear in an interview in the *Financial Times*: “There is nothing more hypocritical than referring to equal treatment in certain areas (taxation in this case) for people who do not benefit from it in many other areas (labour market and distribution of family tasks)...”. This debate took place amongst feminists and economists in France (for example on the site Rue89, and Perivier, 2008). But it does not gain unanimity, far from it: thus, according to Saint Paul (2008), it would be extremely dangerous, because it would increase women’s well-being to the detriment of lone men and would thus be a “return to radical feminism”. Perivier’s reaction is more qualified: “Getting het up about this apparent injustice means that one ignores all the forms of discrimination of which women are still victims, including lone women, who are seen as potential mothers (...). Women are the first to lose out from current socio-economic organisation; it is therefore normal to seek to rectify such great inequality”. Although she supports this principle, she recognises that it is difficult to implement it in France (given the joint fiscal system and the redistribution effects it leads to). Moreover, in order for such a measure to be effective, other forms of intervention in the labour market and society would in any case be necessary (which the authors of this study refuse), namely overhauling parental leave that discourages women’s work, introducing the right to childcare for all children, and so forth. In short, if *gender taxation* could be introduced, it would only be one element amongst so many others that are necessary for achieving equality,...

- **Towards overhauling childcare and parental leave**

Access to affordable childcare remains a priority in these debates: without it, there will never really be equality at work. As long as low paid long leave is more attractive than work, some women - namely mothers - will choose it. Thought must therefore be devoted to reforming childcare and family allowances: shortening parental leave and making remuneration proportional to pay and not transferable between parents (see Méda, Périver, 2006). Moreover, ensuring a right to childcare for all children at the end of maternity leave is also a way of bringing a large group of women out of economic inactivity.

- **Traps of RSA from a gender perspective**

Studies on RSA completely ignore gender, even though women are targeted by this measure.

* A study, which appeared in 2008 (L’horty and Denis), makes a favourable estimation of the expected impact of RSA. In all cases, RSA will lead to financial gain on returning to employment, provided one does not take into account certain costs, such as childcare and transport (Concialdi, 2009). However, the great majority of RSA beneficiaries are women with young children. Ignoring the problem of childcare is really detrimental for them, given that the measure strongly encourages them to take employment (via the new measure concerning “reasonable job offer”). As for API beneficiaries (women), the issue of returning to employment implies dealing with the problem of childcare (but according to government calculations, it is implied that grandparents will provide this service, but in fact this is so in only 6% of cases!).

* What is even more serious is the fact that RSA promotes short part-time employment: a lone person who is only paid the hourly SMIC rate will receive €349 of RSA if they work quarter-time, €249 for half-time work, €150 for three quarters-time and €50 for full-time (Gadrey, 2009). The principle used here is to help those on lowest income, but this commendable objective goes completely against the main population concerned, as it is more “profitable” to remain in, or accept, short part-time employment!

* Finally, another criticism of this measure is that it takes family situation into account, i.e. the partner's pay is taken into account, thus taking us back to the debate presented above about disincentives to work for the second provider of income. It seems logical to take account of the family situation for RMI, in order not to encourage both members of a couple to be economically inactive. However, as far as RSA is concerned – as a means of returning to employment - women's autonomy should be promoted and therefore it should be individualised.

Summary and final considerations

- The French system of taxation and social transfers is complex and globally disadvantageous from the point of view of women's employment. Many measures lead to disincentives for women to work (ex-APE – CLCA, PPE partly and RSA...), even if their actual impact (except for APE) turn out to be significantly smaller than expected. In reality, many different factors are decisive for women's employment (types of job, schedules, family situation, access to childcare and so forth). However, this does not stop the system from still being far too marked by it being based on family situations, not on universal rights (except regarding health and unemployment). For certain people, this system limits negative impact on poorest single-earning and economically inactive families... **everything happens as if one has to choose between supporting the employment of women or supporting poorest households (in which there are many economically inactive women).**

- Piketty's work makes it possible to highlight something obvious, which was perhaps thought to be something of the past, namely low-skilled women and mothers constitute a sub-group for whom disincentives (and also the contrary, incentives) to take up work really do exist. Identified elasticities are extremely great compared with people in stable employment (from 0.6 to 1 compared with 0 - 0.1). The more one is interested in women who are in insecure situations regarding employment (without employment or with a short part-time job) and also regarding their family situation (lone mothers), the bigger the role played by financial incentives. It is necessary to be as precise as possible about the type of measures aimed at and type of populations concerned: what is valid for women close to poverty is not the case for average categories.

- The results obtained show the limits of studies based only on financial incentives/disincentives: other studies (Marc, 2004) have shown that working conditions proposed to women targeted by ex-APE play an essential role. If the job is of satisfactory quality, most probably not so many women would have withdrawn from the labour market. In other words, labour demand must be taken into account when studying behaviour concerning withdrawal from economic activity: short part-time jobs, staggered working hours and very low pay all play a role. Moreover, the number of unemployed women encouraged to withdraw from the labour market is great - the lack of jobs also plays a role in this context and reinforces the role of financial incentives to withdrawing from the labour market, especially as we are in a period of great economic crisis and explosion of unemployment.

- Economic calculations alone cannot explain choices regarding working or returning to work: otherwise, it would not be possible to understand why in certain cases people return to work even though it involves loss of income. Employment should also be envisaged from the more sociological angle of social links, and economic independence – even if it is only partial - and also, above all, dynamically: loss of immediate income could lead to future gains by reintegrating a virtuous employment circle.

- Whether from the point of view of an economic calculation or that of working environment, it is clear that access to and accessibility of childcare are essential: if the cost or absence of childcare is great – if there are not enough public childcare structures (which is still the case in France) – it is

certain that renouncing employment is greater for these categories.

According to Eydoux, (2007), the French system is thus “unclassifiable”. In many ways, it is still marked by its family-based – or even “patriarchal” - nature with reference to the Esping-Andersen classification: social rights are still awarded according to one's situation related to employment and/or to the family, and not as universal rights of all citizens (as is the case for unemployment benefits and partly for PPE). Each measure is in fact different, with some being based on individual rights. But overall, regarding the family and minimum social benefits, the main reference remains the household and not the individual. Family solidarity and the reduction of inequality between households - rather than gender equality - are the priority, and many of these forms of solidarity turn out to be constraints for women. “Thus the risk is that if minimum social benefits are not accompanied by measures to help return to employment and work-life balance, they contribute to locking women in “imposed solidarity”, (Belorgey, 2000), (Eydoux, 2007).

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