

avenir debate

“Women Disadvantaged by Family Taxation: What Tax Models Would Give Them Incentives to Work”

In recent decades family models have evolved away from the traditional demarcation of roles toward mothers increasingly going to work. The Swiss tax system, however, still poses an obstacle to greater workforce participation by women. A new Avenir Suisse publication compares the costs and benefits of eight current proposals to reform the taxation of married couples and families at the federal level. What effects would these different reforms have on the employment market, and what losses in tax revenues could be expected?

Joint tax assessments for married couples mean that the income of women, who are generally secondary earners, is taxed at a significantly higher rate than they would if their taxes were assessed separately. The existing tax regime thus gives married women an incentive to not work or to work low hours. On the basis of new estimates, Valérie Müller and Marco Salvi show the specific effects of elements of tax policy on employment incentives for women:

- raising the deduction for childcare expenses would encourage more (well qualified) mothers to work and would lead to only a relatively low loss of tax revenues.
- Increasing the deduction for children, however, would be expensive from an economic point of view and likely to have little (or even a negative) impact on employment.
- Individual taxation increases the incentives for secondary earners to work considerably more than split models. At CHF 40,000, the loss of tax revenues for each additional full-time job under individual taxation would be considerably less than for splitting models, which would result in a loss of up to CHF 118,000 in tax revenues per additional full-time job.
- Given that it is independent of marital status, individual taxation constitutes neither a penalty nor an incentive for married couples. It also leads to less serious losses of tax revenues than models based on a joint return and doing away with the penalty for married couples.

However, adjustments to the tax system would only result in the desired increase in working mothers if enough affordable childcare facilities were available. Increasing the facilities on offer and reducing

the parental contribution to childcare would have a significant positive influence on the uptake of external childcare services, although when prices are cut across the board, crowding-out and bandwagon effects often mean that the employment effects are less pronounced than hoped. If there is a need for government subsidy, a system of vouchers has the advantage of enabling parents to participate in the decision on the form and quality of childcare.

Last but not least, paid parental leave can positively impact the employment of women. It's crucial to gauge the length of this leave properly to give mothers an incentive to go to work while avoiding a negative impact on pay and career opportunities.



Media conference: Thursday, 25 June 2020, 10am, Raiffeisen Forum, Schaufplatzgasse 11, 3011 Bern. With Peter Grünenfelder, Valérie Müller, Marco Salvi and Urs Steiner.

Publication: “Frauenfeindliche Familienbesteuerung – Welche Steuermodelle die Beschäftigung der Frauen fördern”. (“Women Disadvantaged by Family Taxation: What Tax Models Would Give Them Incentives to Work”). Valérie Müller and Marco Salvi, 35 pages, [online from 10am, 25 June 2020](#)

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