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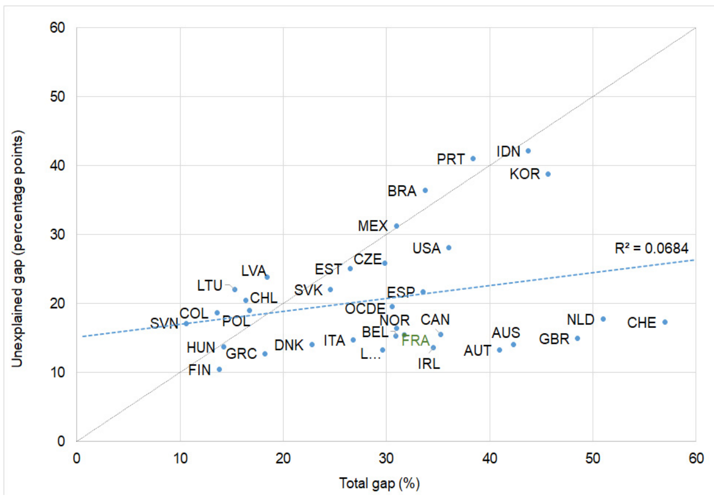
Gender budgeting in France

- Despite the efforts made over the past decade in many countries to promote equality between women and men, inequalities persist, particularly in the labour market and in education. In France, the average monthly wage for women is around 32% lower than that of men. While about a quarter of the wage gap is explained by differences in hours worked, with women working more part-time than men, and another quarter by the fact that women work in lower-paying sectors than men, half of the gap remains unexplained and could be the result of discrimination, according to the OECD (see chart).
- Some public policies have different repercussions for men and women and may cause or even heighten inequality or, conversely, reduce it. Gender budgeting consists in explicitly taking the goal of gender equality into account in the fiscal process. It implies having a gender-based perspective during the different phases of this process and analysing the direct and indirect ramifications of public expenditure and revenue on the respective situation of men and women.
- Gender budgeting can be rolled out in different manners, either by individually examining, measure by measure, the consequences by gender of fiscal policies, or by assessing the global impact by gender of all the measures taken for a given year.
- Like its neighbours (Germany, Belgium, Spain and Italy), France has taken action in terms of gender budgeting and wage policy at both local and central government levels. These measures could be bolstered by the publication, in January 2019, of the opinion from the *Haut Conseil à l'Égalité entre les femmes et les hommes* (French High Council for Gender Equality) which advocates making gender equality a rule for fiscal decision-making.

Decomposition of the average monthly gender wage gap in OECD countries



Source: OECD (2017), Report on the implementation of the OECD gender recommendations.

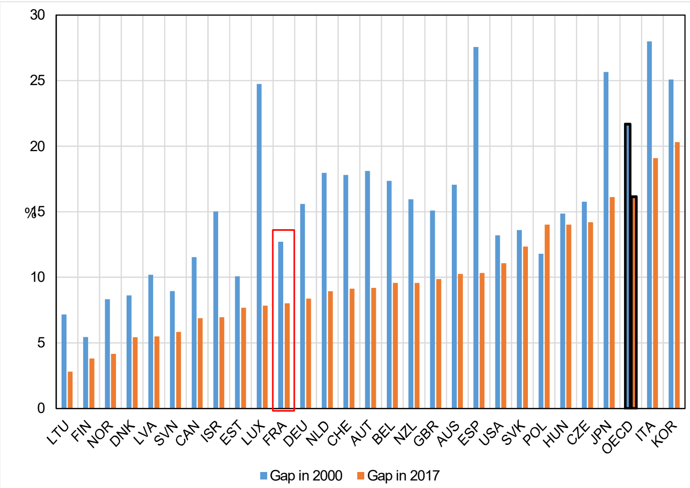
How to read this chart: For each OECD country, the chart shows the monthly gender pay gap as a % and the share of the unexplained gap (in percentage points). In France, the average monthly wage gap between men and women is 31.7%, of which 15.6 percentage points are unexplained.

1. Gender inequalities still persist in developed economies

1.1 Despite initiatives over the last decade, inequalities persist between genders

On average, female participation in the labour market has increased significantly in OECD countries (+8% between 2000 and 2017), although the rate is still relatively low compared to male participation (64% compared to 80% in 2017; see chart 1).

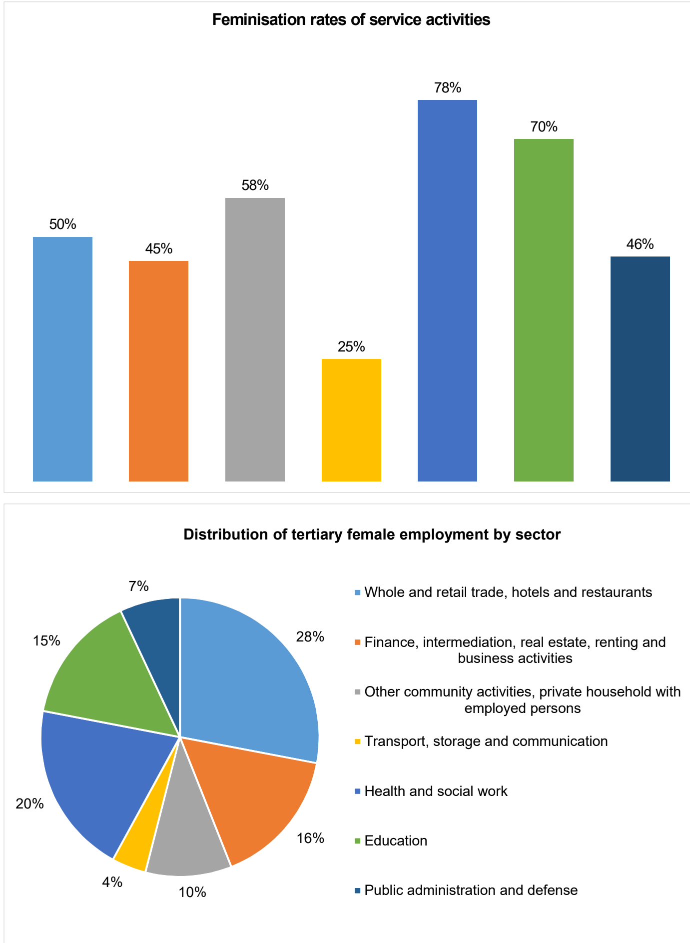
Chart 1: Gap in labour force participation rate between men and women (2000-2017)



Source: OECD Stat, LFS by sex and age indicators.

Less women work full-time and more of them are subject to involuntary part-time employment. In 2016, women still accounted for 65% of involuntary part-time jobs in OECD countries (as against 67% in 2000).[1] There are also major sector-based differences in participation rates between men and women. Women are over-represented in the tertiary sector (in 2010, 83% of employed women in OECD countries were working in the service sector compared to 60% of employed men).[2] Women are more often employed than men in social services and healthcare, education and other community (e.g. recreational and non-profit) and domestic services (see chart 2).

Chart 2: Feminisation rates in tertiary sectors in OECD countries in 2010



Source: OECD (2012), Closing the Gender Gap: Act Now, OECD Publishing, Paris.

Note: The feminisation rate is the proportion of women out of total employment for the sector.

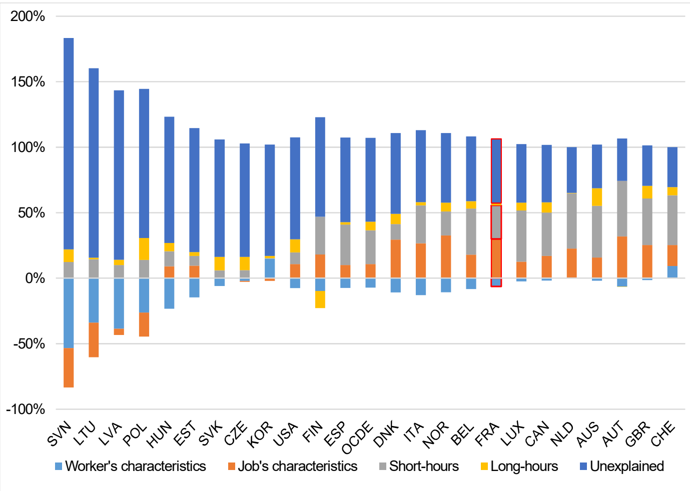
There are still significant gender wage gaps in certain countries. In OECD countries, the figures are, on average, 14% for full-time workers and 27% for all workers.[3]

Whereas countries such as New Zealand already had fairly narrow wage gaps at the turn of the century, others like Romania, Luxembourg and Belgium have managed to substantially reduce them in recent years. In France, the monthly wage gap is 9% for equivalent positions, working hours and age.

(1) OECD Stat, Involuntary part time workers by sex.
(2) OECD (2012), *Closing the Gender Gap: Act Now*, OECD Publishing, Paris, https://doi.org/10.1787/9789264179370-en.
(3) Gaps calculated on the basis of monthly wages.

Overall, according to the OECD,[4] only half of the wage gap can be explained by structural effects with the remainder being due to other factors (see chart 3). In France, it is estimated that a quarter of the wage gap can be explained by differences in working hours as more women work part-time than men, another quarter by the fact that more women than men work in sectors which pay less whilst the other half remains unexplained but could be attributable to discrimination according to the OECD.

Chart 3: Decomposition of the monthly gender pay gap in OECD countries



Source: OECD (2017), Report on the implementation of the OECD gender recommendations.

Note: The decomposition of the monthly pay gap enables the differences between observable and unexplained characteristics to be pinpointed. The "short-hours" variable refers to individuals working less than 30 hours per week whereas the "long-hours" variable covers those working more than 50 hours per week. The "worker's characterises" refers to a full set of dummy variables for age categories, educational attainment groups and parenthood status, while "job's characteristic" covers a full set of dummy variables for industry and occupation.

There is also gender inequality in education. Among the cohorts that are now entering the job market, there are generally more women than men with tertiary qualifications. Across the OECD in 2014, 58% of bachelor's and master's graduates were women.[5]This figure fell at doctoral level as only 47% of doctoral graduates were women. Similarly, despite their overrepresentation in higher education, girls remain under-represented in the fields of science, technology, engineering and mathematics (STEM). In 2014 across OECD countries, less than 20% of graduates in computing were women, as were only around 17% of those with engineering degrees.[6]

Inequality in training, wages, working hours and career progress is passed on when women retire. In 2016 in France, the average direct entitlement pension for women was 39% less than for men. This gap narrows to 25% after factoring in survivor pensions and additional child-based payments.[7]

1.2 Some economic policies have different repercussions for men and women

Thomas and O'Reilly (2016)[8] highlight how certain tax and benefit systems act as a disincentive to work for second providers, who are often women. Owing to the progressive and family-based nature of income tax, in 24 of the 34 OECD member countries, the tax rate is higher on average for the second income of a household without children than for the first income. The figure increases to 32 of the 34 countries for households with two children. These tax systems are not blatantly discriminatory against women but they are becoming so in the current context in which men are often the first providers for their households (slightly more than 60% of French households in 2011).[9]

Similarly, labour market policies can have different repercussions for men and women. This is due to imbalances in the structures of the formal and informal labour markets. Women are over-represented in the informal sector, especially in developing countries (Elborgh-Wyotek *et al.* 2013,[10] OECD 2012),[11] and are not therefore entitled to certain employment-related benefits and do not contribute to the pension system.

Variations in the sectoral structure of employment means that certain government policies may have different consequences according to gender and heighten inequalities between men and women. Measures which are focused on a sector in which one of the sexes is under- or over-represented will have a differentiated impact on women and men. In such sectors, it should be considered whether there are barriers to entry for women (for instance,

(4) OECD (2017), Report on the implementation of the OECD gender recommendations.
(5) OECD (2017), *op. cit*.
(6) Ibid.
(7) Panorama de la DREES, les retraités et les retraites, 2018 edition.
(8) Thomas, A. and P. O'Reilly (2016), "The Impact of Tax and Benefit Systems on the Workforce Participation Incentives of Women", *OECD Taxation Working Papers*, No. 29, OECD Publishing, Paris.
(9) EU Statistics on Income & Living Conditions (SILC).
(10) Elborgh-Woytek M. K., Newiak M. M., Kochhar M. K., Fabrizio M. S., Kpodar M. K., Wingender M. P. & Schwartz M. G. (2013), "*Women, work, and the economy: Macroeconomic gains from gender equity*", International Monetary Fund.
(11) OECD (2012), *op. cit*.

the transport sector) or men (in particular, the health and social work sectors, see chart 2 for services).

Women benefit more from certain family allowances which may also have adverse effects as regards incentives to work according to gender. Parental leave compensation arrangements can have a negative impact on labour force participation, as they keep beneficiaries away from the labour market in the long term by providing them with a replacement income. 96.5% of parental leave beneficiaries in France are women (source: OECD).

Most importantly, it seems imperative to develop tailored statistical resources to generate gender-specific data to determine both the *ex ante* and *ex post* differentiated impact of a policy on both sexes. Gathering and examining differentiated data represents the first step in introducing appropriate public policies in order to have adequate indicators for taking account of the gender impact of public policies in the budgetary procedure (Clements *et al.* 2015).[12]

2. What is gender budgeting?

Gender budgeting is one of the public policy instruments available for fighting gender inequalities. It was defined by the Council of Europe in 2005[13] as referring to gender equality targets being integrated into the fiscal process. Unlike policies aimed at reducing gender inequality, gender budgeting consists in making explicit the impact of measures undertaken by the government through fiscal planning on gender equality.

Gender budgeting concerns a number of actions: (i) tax and fiscal measures that can be applied universally (tax system) or in a targeted manner (social benefits and subsidies), (ii) regulatory measures (e.g. wage parity, quotas within decision-making bodies, etc.).

However, in view of the diversity of policies implemented in different countries and the relatively recent emergence of this concept, there is, as yet, no uniform definition at international level.

The IMF[14] (2017)) has adopted a goal-oriented definition of the concept, defining gender budgeting as an approach that uses fiscal policy and public financial management instruments to promote gender equality and girls' and women's development (see box 1). This definition has the advantage of highlighting the overall impact of public policies but does not allow for the specific consequences of each policy to be identified.

The OECD[15] (2017) has opted for a definition that concentrates on the resources used and advocates integrating a clear gender perspective in each element of the budget, through the use of specfic procedures and analytical tools. This differentiated approach identifies three broad categories of gender budgeting practices: *(i)* gender-informed resource allocation; *(ii)* gender-assessed budgets; *(iii)* needs-based gender budgeting. However, this approach requires major human and financial resources.

Gender budgeting practices emerged at the same time as the gradual adoption by advanced economies of performance-based rationale for budget preparation and execution. With a results-based approach, this fiscal architecture is conducive to rolling out a differentiated gender perspective at all stages of the process, from drawing up a budget to its *ex post* assessment. This means that gender budgeting makes governments accountable for collecting sufficient data and for assessing the amounts earmarked for gender equality goals, whilst offering legislators a platform for expression and ensuring transparent monitoring of the goals for civil society.

The OECD recommends building gender-specific databases, measuring resource allocation by gender, including gender budgeting in budget-making and introducing independent auditing of this allocation, including by civil society.

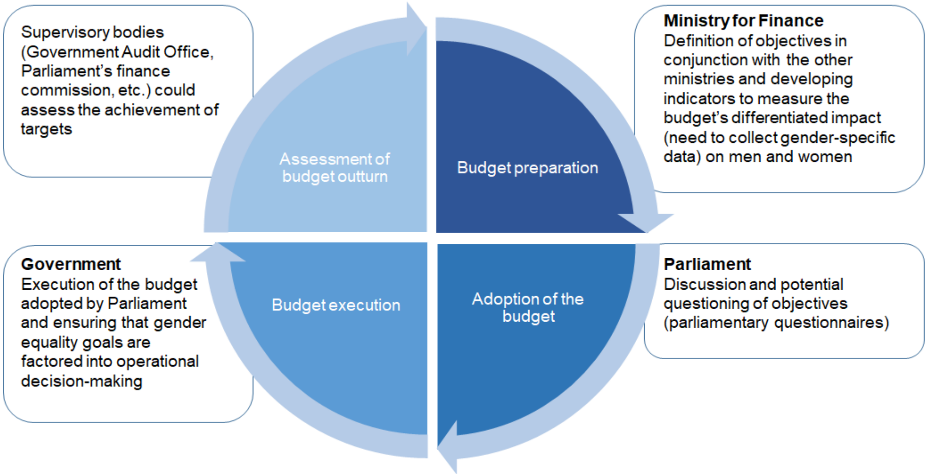
Regarding fiscal measures, the IMF recommends giving priority to tax policies geared towards increasing female labour market participation, taking account of women's specific requirements when designing social policies (in particular, health, poverty and pensions) and measuring the impact of structural reforms on women.

In 2017, at international level and under the impetus of the Italian Presidency, the G7 countries drew up a roadmap under which they committed to reducing the gap in labour force participation rates between women and men by 25% by 2025 and to strengthening statistical gender-specific data production.[16] In this respect and as an example, the

(12) Clements M. B. J., de Mooij R. A., Gupta M. S. and Keen M. M. (2015), "*Inequality and fiscal policy*", International Monetary Fund.
(13) Council of Europe (2005). *Gender Budgeting*.
(14) IMF (2017), "*Gender Budgeting in G7 countries*".
(15) Downes R., Von Trapp L. and Nicol S. (2017), "Gender budgeting in OECD countries", *OECD Journal on Budgeting*, 16(3), 71-107.

Italian Finance Ministry unveiled its gender budgeting experiment for the 2017 government budget. This led to the 2018 publication of a report on gender inequality in the economy which provided a ranking of public spending on the basis of its gender-differentiated effect, examining the impact of tax policies on gender inequality and setting out measures introduced by the various government departments to reduce it in 2017.[17]

Figure 1: General proposal for integrating gender budgeting into the fiscal process



Source: DG Trésor.

Box 1: Best practices for gender budgeting

The IMF (2017)[a] carried out a survey of public finance management institutions to assess the status of gender budgeting in the G7 countries and in non-G7 countries considered as "relatively strong performers" (Austria, Spain and Belgium).

In Austria, gender budgeting was introduced as a fiscal principle at all levels of government (federal government, federal states and municipalities) under changes to the constitution in 2009 which also led to tax reform to promote women's labour market participation by lightening the tax burden for the second income of tax households. Guidelines on gender budgeting implementation in the Austrian government were issued in 2012. Austria is often highlighted as one of the most advanced countries in terms of gender budgeting both legally (as gender budgeting has been made a constitutional principle) and operationally (as it is applied at all levels of government).

In Spain, gender equality is a core element of fiscal policies to expand labour supply with an aim to reduce income inequality through individual income taxation and family-based tax relief. The Organic Law 3/2007 on the Effective Equality of Men and Women requires the government to issue a periodic report on all its work to promote gender equality, which is then forwarded to Parliament, as well as gender impact assessments for certain policy proposals. In 2008, a Commission on Equality was established in both the Congress and the Senate to monitor gender equality, amongst other issues.

a. Gender Budgeting in G7 countries (2017).

3. Gender budgeting initiatives in France

In France, a number of recent public policies meet gender budgeting criteria although they were not expressly implemented under this banner.

Since 2010, the budget bill has included an appendix containing a cross-cutting policy document (*document de politique transversale)* devoted to the gender equality policy. This appendix comprehensively lists all the expenditure earmarked for gender equality and the related performance indicators.

Since 2012, a circular[18] has made it mandatory to take account of women's rights and gender equality during the upstream assessment of bills prepared by the government. Budget bills, social security budget bills and planning bills

(16) G7 Roadmap for a Gender-responsive Economic Environment (2017).
(17) G7 Roadmap for a Gender-responsive Economic Environment (2017).
(18) Circular of 23 August 2012 on taking account of gender equality impact when preparing legislation and regulations.

are not covered by these arrangements but the articles subject to prior assessment include these aspects de facto.

More recently, the Real Gender Equality Act no. 2014-873 of 4 August 2014 provides for:

- inclusion of the issue of gender equality in the implementation of the public policies conducted by central government, local authorities and public institutions (Article 1).
- more specifically, prior to discussions on draft budgets, local authorities[19] are required to present a report on *(i)* the gender equality situation in the area, *(ii)* their policies in this respect, and *(iii)* the approaches and programmes geared towards improving this situation (Article 61).

In July 2017, gender budgeting experiments, which previously applied to local authorities, were extended to central government[20] (steering by the Ministry of State for Gender Equality and the Ministry for Government Action and Public Accounts). The Ministry for Agriculture trialled this practice for its 2019 budget.[21]

Box 2: Gender wage equality in the French private and public sectors

In order to foster genuine professional equality, France has shifted from an obligation of due diligence to a results based obligation. The Career Choice Act of 5 September 2018 requires businesses with more than 50 employees to publish an annual "gender equality index" (100-point index grounded in indicators such as wage levels by age group and job category,[a] salary increases, promotions and the proportion of women amongst the highest earners) and the measures taken to reduce inequality. Companies whose index on 1 March 2022 is less than 75 points could be charged a penalty of up to 1% of their total payroll. For firms with between 50 and 250 employees,[b] the requirement to publish the index will take effect on 1 March 2020 and penalties may be applied as from 1 March 2023.

Table 1: Gender equality index

Indicators	Proportion	Score
The gender wage gap calculated taking the average wage for women compared to men, by age group and category of equivalent jobs	40%	From 0 to 40 points
The gender gap in individual salary increases not corresponding to promotions	20%	From 0 to 20 points
The gender promotion gap rate	15%	From 0 to15 points
The percentage of female employees having received an increase during the year of their return from maternity leave, if the increases took effect during the period in which the leave was taken	15%	From 0to 15 points
The number of employees belonging to the under-represented sex amongst the ten highest earners	10%	From 0 to 10 points
Total = INDEX	100%	From 0 to 100 points

Very few companies score 99 or 100 points which is the target set by the Ministry for Labour.

a. The indicator compares the average wages of men and women, including performance-related bonuses and benefits in kind.
b. As from 1 March 2020, firms with between 50 and 250 employees will measure four indicators out of five. This means that the indicator measuring the promotion rate gap between men and women is not taken into account to calculate the index for these companies (see Article D.1142-2-1 of the French Labour Code).

(19) Municipalities with over 20,000 inhabitants, government-funded intermunicipal cooperation institutions (EPCI) with powers of taxation, general councils and regional councils.
(20) https://twitter.com/Senat_Direct/status/887953922647662592
(21) http://agriculture.gouv.fr/egalite-femmes-hommes-le-ministere-sengage

Out of the 1,240 firms with more than 1,000 employees that have been required to publish their index since 1 March 2019, 99% did so in September 2019 with an average score of 83 points out of 100. However, 18% failed to achieve the 75 point criterion which will take effect in 2022. Firms posted low scores in terms of:

- wage increases for women returning from maternity leave although the requirement set by the index to score 10 out of 10 (grant salary increases to women on their return from maternity leave irrespective of the amount of the increase) is less strict than that of the French Labour Code which stipulates a minimum increase equivalent to the average increases granted to the other employees. Almost a third of companies fail to comply with the statutory obligation to increase wages when women return from maternity leave if their colleagues holding the same position have been given increases.
- the number of women amongst the ten highest earners. At best, half of businesses have one woman in their top ten earners. This criterion values gender equality more than a high number of women amongst the top earners.[c] If the employer counts nine women amongst the top ten earners, it will score 0 points but if there are six women and four men, it will receive maximum points.

Out of the 5,200 firms with more than 250 employees that have been required to publish their index since 1 September 2019, 68% complied with this obligation and turned in an average score of 82 points out of 100. However, 16% failed to achieve the 75 point criterion. Almost one fifth of firms did not comply with the statutory obligation to increase wages when women return from maternity leave if their colleagues holding the same position have been given increases and 40% have, at best, one woman amongst their ten highest earners.

In the public sector where, unlike the private sector, there is no requirement to publish an index, regulations governing civil servants ensure that there is no distinction between men and women. However, there is still inequality in spite of this legal principle. This applies in particular to career progression, access to management positions and working conditions. To address this issue, the so-called Sauvadet Act of 12 March 2012[d] laid down quantified targets for executive and managerial positions in the three civil service branches and provided for financial penalties in the event of failure to comply with gender equality requirements. Since 2013, the proportion of each gender in first appointments to managerial positions and to positions subject to government approval has had to represent at least 20%, then 30% for those decided on from 2015 to 2017 and 40% as from 2018. The penalties were €30,000 per shortfall in appointments in 2013 and were revised upwards to reach €90,000 in 2018.

Since September 2014, in their annual report, public sector employers have also had to draft a comparison report on gender equality. This document must be clear, comprehensive and provide information enabling any gaps between men and women to be assessed. In addition, since 2015, all panels for competitive examinations and selection interviews must contain a minimum of 40% of women and men, and must be chaired alternatively by a woman or a man. Since 2019, the minimum 40% quota for women and men has applied in all the local and national representation bodies of the three civil service branches and their various boards.

Lastly, the Civil Service Transformation Act of 6 August 2019 heightens the obligations binding on public employers. Previously, they were not penalised if an action plan to address noted inequality was not established. Now, the Act has introduced a penalty of up to 1% of the payroll if a three-year action plan is not drawn up by 31 December 2020.

c. It is the smaller of the following two numbers: the number of women and the number of men among the ten highest earners. If the result is 0 or 1 employee: 0 points, 2 or 3 employees: 5 points and 4 or 5 employees: 10 points.

d. On 8 March 2013, the unions for all public employers also signed a memorandum of understanding on professional gender equality in the civil service, under the aegis of the government.

In order to support this experiment, on 11 January 2019, the French High Council for Gender Equality issued its opinion on implementing a fiscal process including gender equality. It advocates making the gender equality notion a rule for fiscal decision-making[22] and two principles would apply: *(i)* gender equality as from the first euro, which involves monitoring the impact of expenditure on the situation of women and men, and compliance with legal requirements on equality by the applicant organisation, when financing is allocated, and *(ii)* gender equality as a new criterion for the validity of budgets, meaning that budget bills cannot be adopted if they fail to promote the concept. At expenditure level, this approach requires the introduction of new performance targets and indicators for each fiscal

(22) http://www.haut-conseil-egalite.gouv.fr/stereotypes-et-roles-sociaux/travaux-du-hcefh/article/le-hce-appelle-a-faire-de-l-egalite-femmes-hommes-une-regle-d-or-des-decisions

programme and an impact study using gender-based statistics for each budgetary action categorised with the OECD's DAC marker methodology.[23] Regarding revenue, the opinion advocates extending the scope of the circular of 23 August 2012 to include budget bills, social security budget bills and planning bills. This would enable the assessment of the differentiated impact of the tax system between the sexes.

Lastly, Career Choice Act no. 2018-771 of 5 September 2018, which aims to bolster professional equality, promotes the collection of gender-specific data by stipulating that all companies with at least 50 employees will have to publish annual indicators on gender wage gaps (wage levels, increases, promotions, number of women amongst the top earners) and the initiatives rolled out to eliminate them (see box 2).

The various potential ways of implementing gender budgeting are more or less effective and costly. One of the solutions under consideration could be to publish an annual report, similar to the report on wealth indicators established by the Act of 13 April 2015. This report would describe the impact of the main reforms adopted during the year on a set of indicators providing an aggregated overview of gender inequality, and would therefore supplement the fiscal approach of the cross-cutting policy document.

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(23) The Gender Equality Policy Marker, which was established by the OECD's Development Assistance Committee, provides for a scoring system for each fiscal programme ranging from 0 to 2. 0 means that a programme has not been found to target gender equality, 1 means that gender equality is an important and deliberate objective, but not the principal reason for undertaking the programme and 2 means that gender equality is the main objective of the programme. https://www.oecd.org/dac/gender-development/Handbook-OECD-DAC-Gender-Equality-Policy-Marker.pdf

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