

# Are Canada's income tax incentives aligned with its gender equity goals?

## An evaluation of income tax policies on women in the labour force

Sarafa Ahmed | Supervisor: Aida Sijamic Wahid

### Background



In 2018, the Government of Canada published Canada's implementation of the 2030 Agenda for Sustainable Development which introduced Canada's Gender Results Framework. One of the six goals of the framework includes ensuring women's "equal and full participation in the economy"<sup>1</sup>.

- If the share of men and women were equally represented in the count of the top 10% earners, then the gender pay gap would have shrunk from 31% to 12% in 2015<sup>2</sup>.
- Two Ways Income Tax Policies Affect Women's Labour Force Participation: 1) through implications of marriage or common law partnership<sup>3</sup> and 2) through incentivizing women's part-time work<sup>4</sup>.
- 70% of the benefit of lowering income taxes from contributions made through the Registered Retirement Savings Plan (RRSP) are realized by men<sup>5</sup>.
- Men make up higher percentage of workers to claim caregiver credits<sup>5</sup>, even though women are more likely to be full-time caregivers<sup>6</sup>.

### Research Question and Objectives



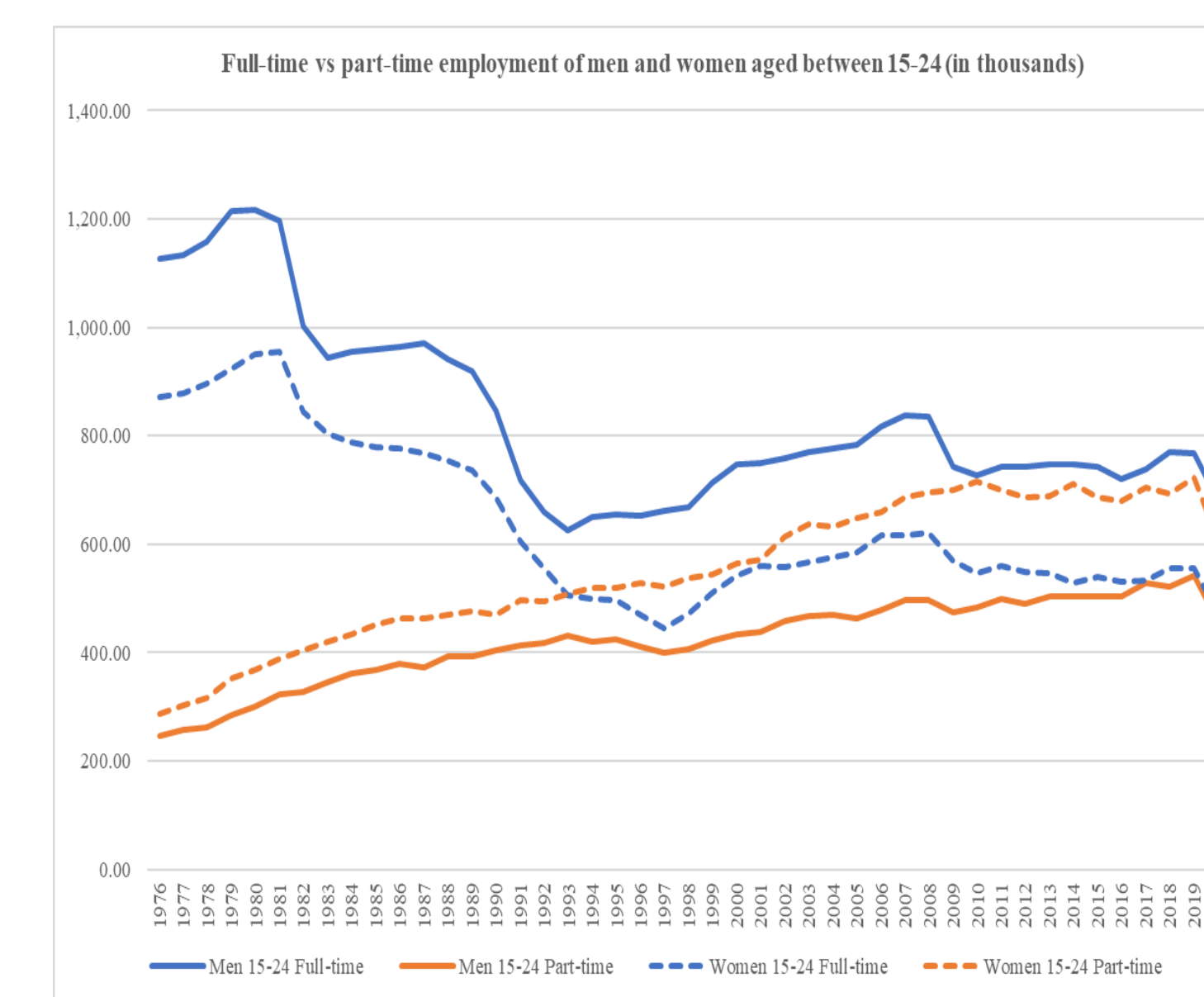
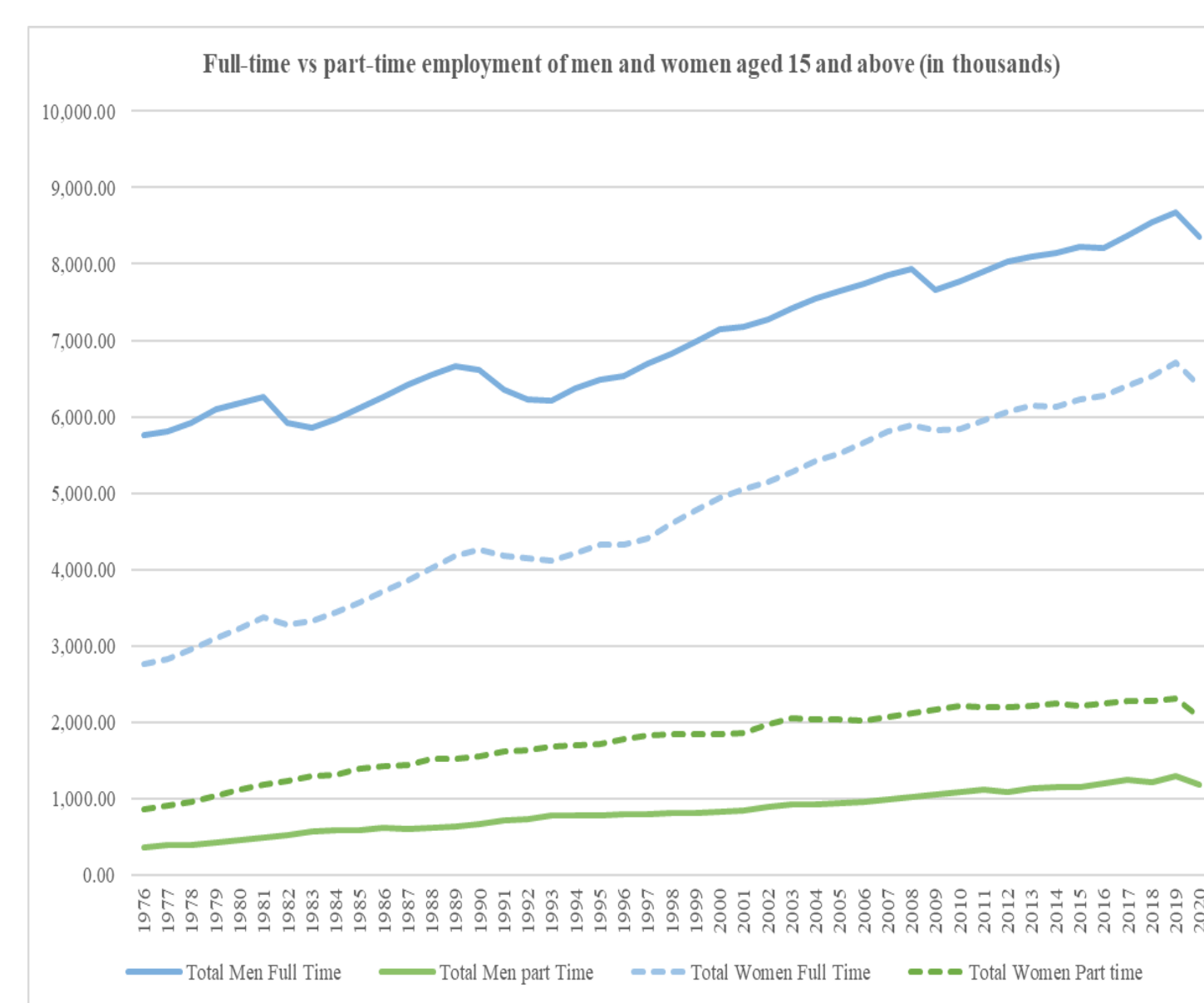
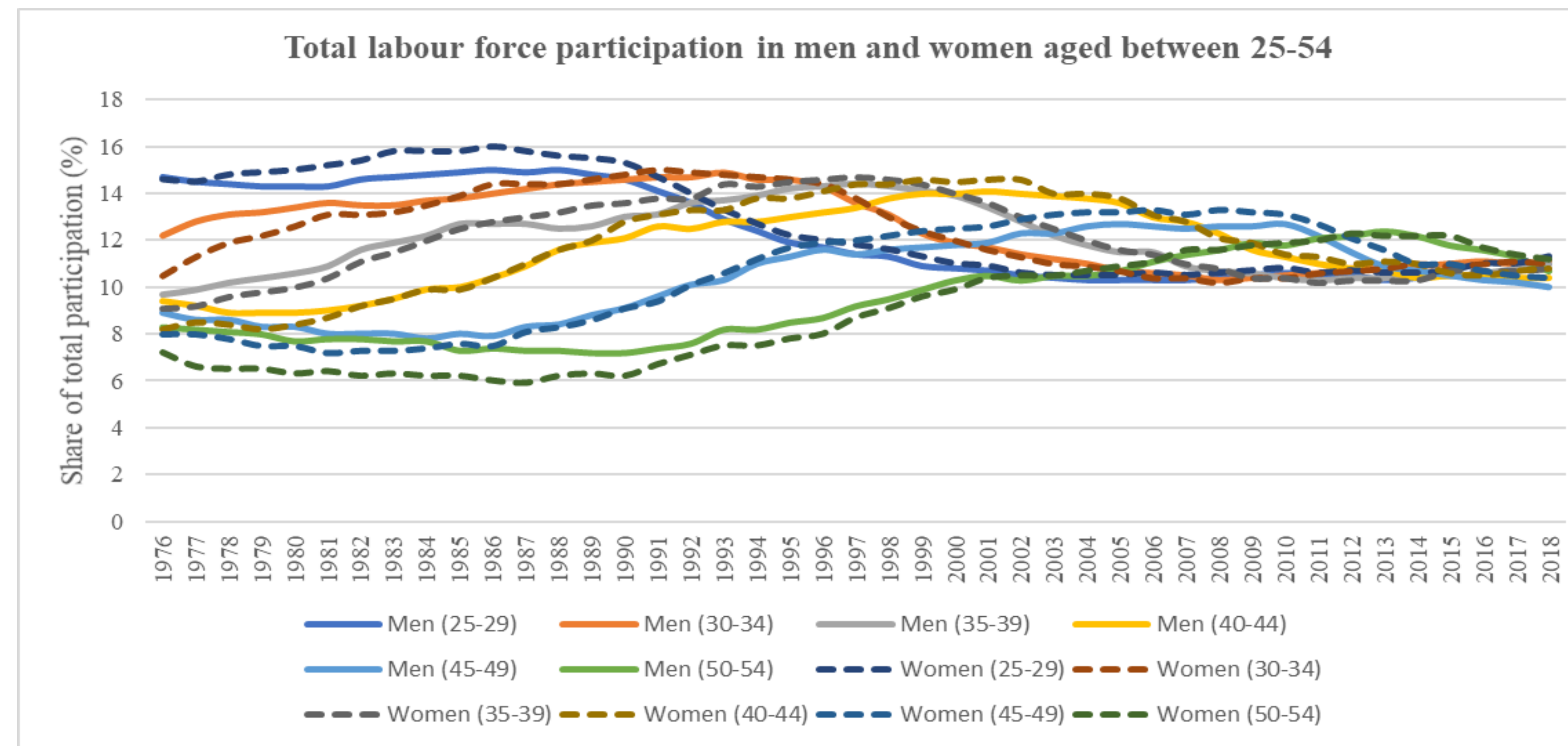
1. Does the *Income Tax Act, 1985* influence women's participation in the paid labour force?
- Identifying specific income tax policies that may disincentivize women's participation in full-time paid labour.

### Methodology

- Stage 1: Literature review on 229 articles to identify top three income tax policies cited in gendered contexts.
- Stage 2: Mapping pre-enactment and post-enactment labour force participation trends by sex and age group.

Data Sources: Statistics Canada Labour Force Statistics (full- and part-time), OECD Labour Force Statistics by country

### Findings



- **Top 3 Income Tax Policies Cited in Literature:**
  - Family Tax Cut: 2014-15, replaced by Tax on Split Income in **2019**.
  - Canada Child Benefit: Origin policy 1992, major changes recorded in 1998, 2006, and **2016**.
  - Caregiver Tax Credit: 2000s, replaced by Canada Caregiver Credit in **2017**.
- **Women's over representation in part-time work:** Substantiated. Gap in participation between men and women has been increasing at the rate of 106% since 1976.
- **Post-enactment changes in participation:** Unsubstantiated. Statistical correlation between enactment of the three policies and the high discrepancy between men's and women's full-time and part-time employment participation could not be established.

### References

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### Contact

Sarafa Ahmed, BBA  
 Master of Science in Sustainability Management  
 University of Toronto Mississauga  
 P: +1 519 729 0455  
 E: sarafa.ahmed@mail.utoronto.ca



UNIVERSITY OF  
**TORONTO**  
 MISSISSAUGA

**MScSM**  
 Master of Science in  
 Sustainability Management

- **Full-time employment:** Job status of persons working 30hrs or more per week.
- **Part-time employment:** Job status of persons working less than 30hrs per week.

### Recommendations

1. **Gender- Based Budgeting in Fiscal Policy:** Two new Acts introduced in 2018 (*Gender Budgeting Act* and *Pay Equity Act*).
  - Unclear methods of enforcement towards tax reforms.
  - Tax avoidance loopholes need to be addressed to fund affordable childcare<sup>7</sup>.
2. **Study income tax policies in conjunction with employment policies:** Employment policy factors and provincial policy factors may skew data:
  - Quebec exception: Paid parental leave, generous child tax credit etc.
3. **Valuation of unpaid labour:** Examine if income tax policies incentivize higher number of men to forgo parental leave, caregiving etc.