

MARRIAGE TAX AND LABOR SUPPLY ACROSS SWITZERLAND

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MOTIVATION

Married women have a lower employment rate over the lifecycle than their unmarried counterparts and men (Fig 1). This is true irrespective of whether they have children under the age of 18 living with them or not (Fig 2). At the same time, married and unmarried couples are not treated the same in the Swiss tax system [1], and the average tax rate of women tends to be higher when married compared to when unmarried (Fig 3). Could the lower labor supply of married women be due to joint taxation?

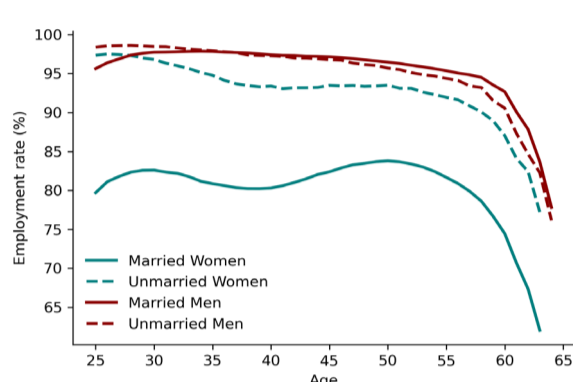


Fig 1: Employment rate over the lifecycle

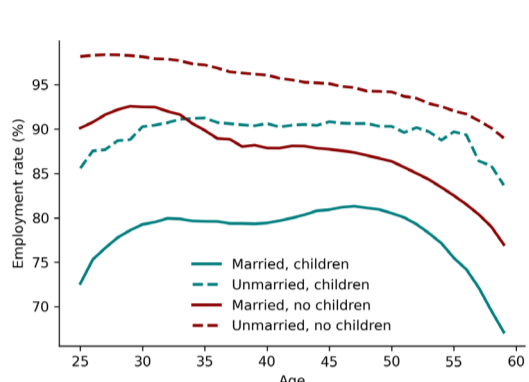


Fig 2: Female employment rate by child status

CHALLENGES

Reverse causality issue: labor supply influences size of marriage tax due to its impact on income & vice versa, making causal interpretations difficult. I therefore focus on descriptive evidence.

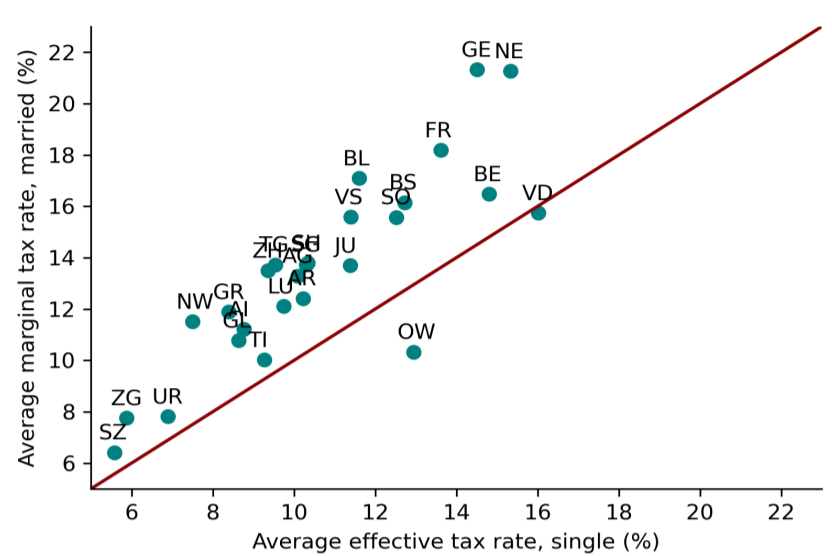


Fig 3: Average effective (marginal) tax rate of single (married) women across cantons

14pp Higher employment rate for unmarried than married women

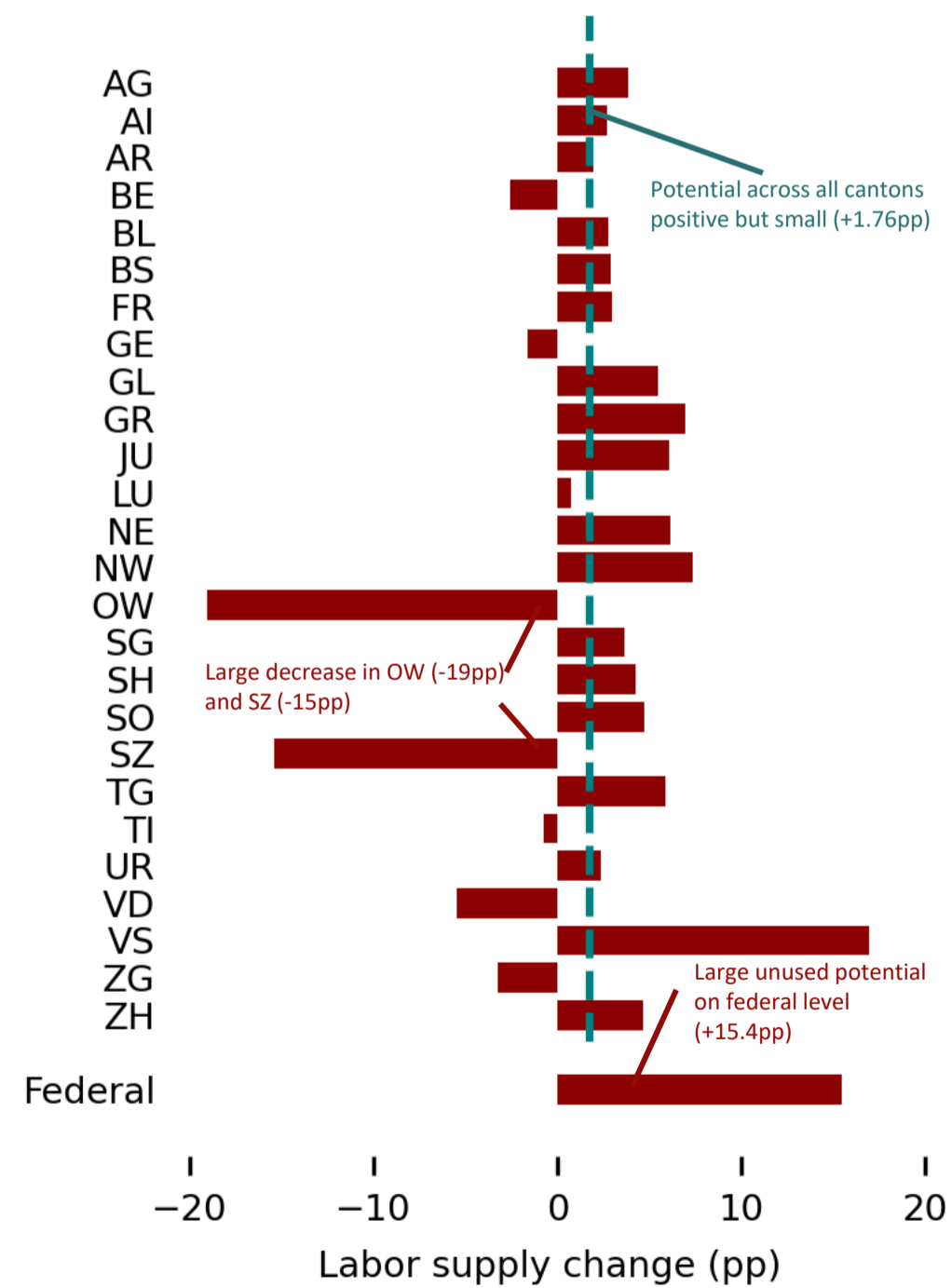


Fig 5: Potential labor supply change of secondary earner of married couples if moved from joint to individual taxation

DATA

Administrative data containing the universe of Swiss residents (2012-2019):

- demographic & location information (STATPOP)
- income (social security registry, AHV)
- employment (structural salary survey, bi-annual 2012-2018)

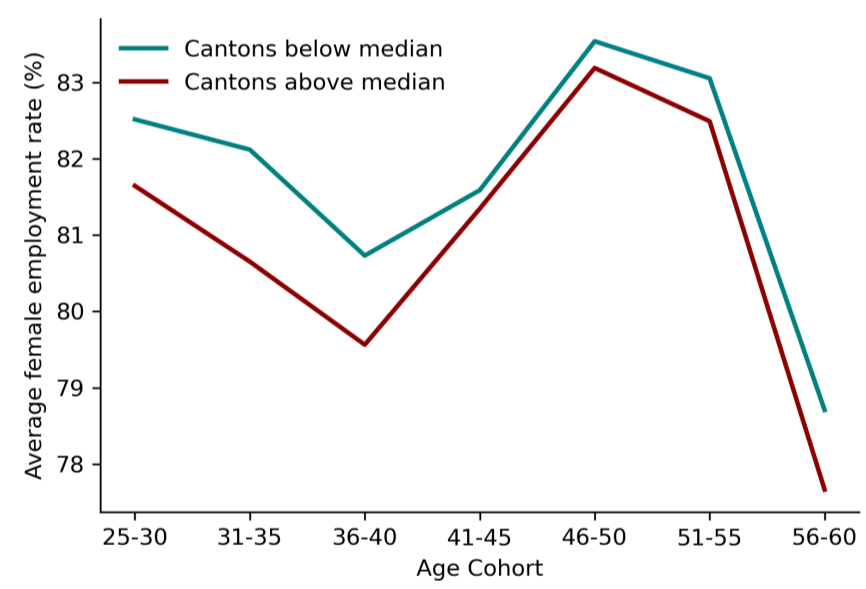


Fig 4: Average female employment rate by age cohort and marriage tax level per canton

WHAT IF...

... we had individual taxation? By how much could the labor supply of the secondary earner in- or decrease?

Three key assumptions:

- tax burden of the couple remains the same
- primary earner does not change their labor supply
- hourly wage of the secondary earner remains constant

I estimate this separately for a change in the federal and cantonal system.

REFERENCES

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LaLumia, S. (2008). The effects of joint taxation of married couples on labor supply and non-wage income. *Journal of Public Economics* 92: 1698-1719.

[1] Myohl, N. (2022). Till Taxes Keep Us Apart? The Impact of the Marriage Tax on the Marriage Rate. *CESifo Working Paper No. 9747*.

FUTURE WORK

- Potential labor supply increase: combine federal & cantonal calculations, as they may offset each other
- Descriptive evidence: different groups (child status, income level, education level) and intensive margin
- Labor supply elasticities