

## **Biography: Christina Reymer**

A partnered mother of five, and long time campaigner for recognition of the parenting as work, Christina Reymer is the instigator of *Parents As Partners*, a lobby group for tax reform to allow for income splitting in New Zealand. Christina is vice President of the National Council of Women of New Zealand, and Director of *Mahitahi*, Catholic Overseas Volunteers. She holds a Masters Degree from the University of Waikato, New Zealand.

## **ABSTRACT**

### **Creating Economic Structures for the Recognition of Parenting as Work: A New Zealand Case for Tax Reform to Allow for Income Sharing.**

In the rights based culture of the 21<sup>st</sup> Century, it is beyond belief that parents raising their own children are denied the status of workers, and are expected to do that work for nothing. That all important work remains invisible in our economic structures, unless it is done by someone other than the parents themselves, or they do it alone, i.e. as single parents.

In 1893 New Zealand women were the first in the world to be granted the vote. We gained recognition as citizens in our own right, and thereby political visibility. Kate Sheppard, who led the campaign, went on to fight for economic visibility for “[*women*] who [*elect*] to superintend [*their*] own household, and be the mother of children...” arguing for her right to an equal share of her husband’s income.

In August 2010, 117 years later, a Bill to allow income sharing for couples raising children, has finally been introduced in Parliament.

This paper traces the story of the campaign for income sharing. It challenges the boundaries of paid and unpaid work, insisting that parenting be regarded as “work”. It proposes reform of tax structures to allow couples to register their partnerships in recognition of their shared responsibility for both the support and care of their children. It creates economic independence for the primary caregiver, whether part-time or full time at home.

Whether for social, political, cultural, biological or historical reasons, the majority of parenting work is still done by women. Recognition of this work has been described as “the unfinished business of the women’s movement” (Crittenden, 2002).

## **Creating Economic Structures for the Recognition of Parenting as Work: A New Zealand Case for Tax Reform to Allow for Income Sharing.**

In the rights based culture of the 21<sup>st</sup> Century, it is beyond belief that parents raising children are denied the status of workers, and are expected to do that work for nothing. That all-important work remains essentially invisible in our economic structures. In a world where women have supposedly broken through the glass ceiling and made it to the top in the public arena, the question of what to do when she becomes a mother (if she does at all) is as vexed as ever. Does she put the babe into childcare as soon as the limited paid parental leave she might have runs out, and go back to [paid] work? Or does she quit her job, forgo her income, and economic independence, compromise her career options in the future, and stay home to care for the child? The options are no different for her partner, assuming she is in a committed relationship with the father of the child, although, for whatever reason, the problem is laid mostly at the feet of the mother. Neither option is without its issues. The fact remains that currently it is still only women who can have babies, but the issue of who pays for this work, or how it is to be recognised in our economic structures remains “the unfinished business of the women’s movement.”<sup>1</sup>

This paper challenges current public policy that still subsumes the status of partnered at-home parents (usually the mother) in a patriarchal model of dependency, and proposes an alternative that recognises a partnership of equals. This proposal creates a structure to recognise the unpaid work of parenting, and with it, recognition for those who do that work. It describes a New Zealand journey towards tax reform to allow for income sharing as a means to attribute that recognition.

Whether for biological, social, cultural, or political reasons, women still do most of the work in raising children. The gender pay gap may be largely attributed to that fact that women compromise their engagement in paid work because of assumed responsibilities for their families. In fact the wage gap between mothers and childless women is bigger than the wage gap between young men and women<sup>2</sup>. The “modern mummy’s” problem is whether to go back to [paid] work or to stay home. If she chooses to return to paid work soon after the baby is born (New Zealand awards only 14 weeks paid parental leave, and this has become the norm for women to return to paid work), she may well be faced with the sense that she is doing neither job well as she struggles to add her second job of caring for the baby to her life. But if she chooses to stay home, she is faced with the problem of what to do for money. Does she become “dependent” upon her partner (whose income and tax status does not change one iota), and also face challenges of picking up her career if and when she should decide to return to paid work? She must wonder “where do I fit in the system now?” as she is no longer an income earner, and

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<sup>1</sup> Crittenden, A., 2002. **The Price of Motherhood**: Why the Most Important Job in the World is Still the Least Valued, Henry Holt Publ.: New York.

<sup>2</sup> Ibid. p.5.

therefore not a tax payer, and also not a “dependent” as there is no such category in New Zealand tax structures, and clearly, not unemployed, aged, disabled, a student, a child or any other category in public policy. She may also wonder where her work is recognised or valued, supposedly “the most important job of all” but for which she receives not a bean of remuneration. Neither option adequately compensates for the fact that women still have the babies, *and* pay the price.

### **A historical perspective**

New Zealand’s social welfare structures are predicated on a patriarchal model of the nuclear family, epitomised in 1950s by a male breadwinner whose wife and children were firmly located in “his castle” at home. This model was probably more myth than reality, as many women worked outside the home or a variety of reasons, but this idealised model formed basis of public policy which persists even today.

Women’s challenges to this model have their origins way further back. Kate Sheppard, widely known for having led the campaign for women’s suffrage by which New Zealand were the first in the world to vote in 1893, went on to campaign for economic independence for married women. Kate Sheppard was the first President of the National Council of Women, and one of the first remits passed stated:

*“That where a woman elects to superintend her own household, and be the mother of children, there shall be a law attaching a certain share of her husband’s earnings or income for her separate use, payable, if she so desire it, into her separate account.”*<sup>3</sup> NCWNZ 1896.

It is interesting to note that 114 years on we still do not recognise the rights of partnered women to a share of the household income.

However, it was not until the 1960’s and 1970’s that women began pursuing independent roles in the public arena in earnest. The campaign that “Girls can do anything” sent a signal to many women to pursue education and careers outside of the home. 1975 saw the first International Women’s Year and the Conference in Nairobi. In New Zealand in 1976 the Matrimonial Property Act was passed, according a half share of marital property to the wife, regardless of her financial input to the relationship, upon break-up of the relationship. This represented a significant challenge to patriarchal views about property.

Similarly, in 1976 rural partnerships were recognised so that women became equal partners on the family farm, paying tax on their own share of partnership income. This was hailed as a breakthrough for rural women. Suddenly, the names on rural letter boxes at the farm gate changed from “Bill Farmer” to “Bill and Mary Farmer”.

In 1983 McCaw Review on taxation ushered a further challenge to the patriarchal model of family income. It recommended a shift to individual as unit of taxation, and the removal of the “dependent spouse rebate”, to be replaced by income splitting. The first

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<sup>3</sup> The National Council of Women of New Zealand, 2002. 107 Years of Resolution, 1.10.1 p.16.

two recommendations were instituted, but the third not. While this was indeed a progressive step in terms of the treatment of individuals with regard to taxation, regardless of marital status, it also served to further erode the economic status of the at-home mother, who was no longer even regarded as a “dependent spouse.” Her only recognition in economic terms was the “family benefit”, a universal allowance paid to the primary caregiver for the support of children.

But the family benefit was also set for termination. In 1991 it was removed in favour of targeted tax rebates for low income families. This shift from a universal allowance to a targeted scheme meant that support for families was no longer awarded as of right (in recognition of the social good provided), but on the basis of need, i.e. welfare. But perhaps more significantly, from the perspective of the at-home parent, it represented the final erosion of the last straw of visibility in public policy, unless their “family income” (i.e. jointly assessed) was judged insufficient to support their family, in which case they would qualify for some support.

This was the position in which I found myself in 1995. I was a full time at-home Mum of five young children (aged 10 to 1 year old), and my husband was in full time paid employment, taxed as if he was a single person with no account taken for the fact that his income supported seven of us. We certainly saw ourselves as partnership of equals (not a patriarchal traditional family) where our deal was he earned the money on my behalf and I cared for the children on his behalf while he was at work. Outside of his work hours, we shared household and care work equally, as raising a family is certainly 24/7 work.

We registered our partnership with the Inland Revenue Department (IRD), where one filed tax returns, and effectively split our income so that we each paid tax on our own half share of partnership income, as would any business or rural partnership. The purpose of our partnership was stated as “family care”, as that was what our “business” was.

But that was not how the IRD saw it, and our partnership was challenged in Court<sup>4</sup>. The issues hinged around the issue of “who owns the family wage”. The IRD argued that it was only my husband’s “personal exertion” that generated the income, and therefore he had to pay the tax on it. However, I endeavoured to invoke s.75 of the Income Tax Act 1976, which states that a person may be

“deemed to have derived an income although it has not been actually paid to him [sic] ...but has been credited in account ...or otherwise dealt with in his [sic] interest or on his [sic] behalf.”

The sexist language notwithstanding, I maintained that with this provision, a share of my husband’s income had been earned “in my interest and on my behalf” and indeed it was paid directly into our joint account. Furthermore, the state refused me a Domestic

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<sup>4</sup> Powell-Reymer vs. IRD 1976.

Purposes Benefit (paid to single non-employed parents) on the basis that I was supported by my husband's wage, so I claimed that a share of his income was indeed mine, to be taxed as mine.

The Court ruled, however, that the income earned was taxable as my husband's only, and that "what the husband subsequently chooses to do with his income is entirely his own affair." Clearly *he* still owns the family wage.

The status of the non-employed partner remains invisible, subsumed by the "breadwinner". The 1950s patriarchal model persists, despite increased awareness of human rights, and the right to full citizenship of *all* members of society, i.e. inclusion in all political and economic structures.

Paul Hunt, Senior Lecturer in Law at the University of Waikato, asserted

*"A failure to allow the non-employed spouse an income in her own right on the basis of her marital status, contravenes the Human Rights Act".*

Similarly, CEDAW, the United Nations Convention for the Elimination of Discrimination Against Women, of which New Zealand and 165 other countries are signatory, Article 16 (1c) of CEDAW accords the

*"Same rights and responsibilities during marriage and at its dissolution".*

As noted earlier, all matrimonial property is divided 50/50 upon separation, but as long as a couple stays together, she has no right to a half share of family income.

### **A Global Perspective**

We in the Western developed world tend to think of economics as that which may be measured in dollars (or whatever the local currency is). A nation's wealth is measured in Gross National Product (GNP), the sum total of goods and services sold on the market, with a large \$ sign attached to it. But if we took a broader view of economics globally, we would realise that much of the world depends on non-market production, i.e. subsistence farming, for which no money is exchanged at all. Hence, it is not registered in the GNP, and remains invisible in conventional economic terms. Yet this non-market production sustains the majority peoples globally.

So if we are really concerned about human well-being, we would know that economics includes both market and non-market production. Thus economics may be defined as "the sum total of human activity that sustains human well-being". This broader view of economics has been well described in Marilyn Waring's "Counting for Nothing"<sup>5</sup> and the "Three Masquerades"<sup>6</sup>.

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<sup>5</sup> Waring, M. (1988). *Counting for Nothing*, Allen and Unwin, Wellington New Zealand.

<sup>6</sup> Waring, M. (1996). *The Three Masquerades*, Auckland University Press.

It is interesting to note that even in a fully marketised economy such as ours, where we all need money to live, (and if you don't earn your own income, i.e. you are unemployed, aged, disabled, whatever, the state will pick up the tab and provide you an income), the estimates are that *half* of the productive activity needed to sustain us is non-market production i.e. unpaid work<sup>7</sup>. Much of this work involves child rearing, but also meal preparation, cleaning, laundry, shopping, work we all do alongside our paid work commitments. If we did not do this work, our households would quickly become dysfunctional, our relationships affected, and the fabric of our society would fall to pieces.

The issue is not only that unpaid work is unrecognized, but also who does it. When households are shared, typically by a couple (married or de facto) and their children, the household in fact functions as does any "business enterprise of interdependent workers"<sup>8</sup>. It is at the level of the household that decisions are made regarding the relative engagement members in paid and unpaid work, typically along gendered lines, with women do the larger proportion of unpaid work<sup>9</sup>.

This "huge gift on unreimbursed time and labour...is not only the lifeblood of families; it is the very heart of the economy," asserts Crittenden. "It explains, in a nutshell, why adult women are so much poorer than men"<sup>10</sup>. She goes on to say that "Both the family and the global economy are 'free riders' on the backs of women".<sup>11</sup>

Despite decades of the women's movement, this unequal distribution of work and engagement in paid work persists. This would suggest that perhaps gender differences cannot be so easily annihilated, and we are challenged to create new structures that recognise that interdependency between the paid and unpaid work spheres, interdependency reflected in committed life relationships, such as marriage.

## **Human Capital**

Another way to view this issue is to consider how the wealth of a nation may be assessed. According to a World Bank analysis, natural capital (land, minerals, water) accounts, on average, for 25% of a nation's wealth; physical capital (bricks and mortar, technology, infrastructure) accounts for 16%, but human capital (educational levels, skills, a culture of entrepreneurship) accounts for a massive 59%.<sup>12</sup>

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<sup>7</sup> Ironmonger, D., cited in Waring, M. (1996). *ibid.*, p.99

<sup>8</sup> Waring, 1996, *ibid.* p.78

<sup>9</sup> Statistics New Zealand, 2005. *Focusing on Women*, p.81

<sup>10</sup> Crittenden, *ibid.* p.8

<sup>11</sup> *ibid.* p.9

<sup>12</sup> 1995 the World Bank estimates

That investment in human capital crudely includes health costs, education and care. Health and education take a major part of government budgets, but the care is still primarily left to the unpaid sector, provided mostly by women. Quite apart from the fact that women are still the only ones who can give birth, they still do most of the care-giving, accepting reduced incomes and compromising their career opportunities for the privilege. That women are still expected to do this work for nothing suggests that “economists don’t know where babies come from”<sup>13</sup>. A consequence of this “economic blindness” is that women are voting with their wombs, saying “if I have to pay the cost, why should I? I just won’t have any, or may be just one.” The decline in fertility rates is unsurprisingly the greatest in developed states that compensate women the least for these costs<sup>14</sup>.

### **Creating Economic Structures for the Recognition of Parenting as Work: A Proposal**

This paper proposes to recognise the interdependency of couples when they share responsibility for a household (which may include children) and their incomes by means of partnership as an economic structure. These partnerships would be registered with the state as would any business partnership, and income (earned by either partner) would be shared equally between them. They would accordingly pay tax, each on their own share of partnership income.

This proposal is not new, and is often referred to as income splitting. It exists in many countries, including Germany, France, many northern European countries, and some States in the USA. Curiously the English speaking developed nations (the United Kingdom, Canada, Australia and New Zealand) do not allow it.

The key argument in support of it is that it creates a structure that recognises the interdependency of partners, regardless of how they distribute paid and unpaid work between them. It is at the level of the household that people make choices regarding their level of engagement in paid work or to do the work themselves. Do you cook a meal yourself, or do you go out to a restaurant? Do you clean your own house, or do you employ a cleaner? Do you mow your own lawns, or employ a gardener? Do you care for your own children, or employ a nanny, or put them in child care, and how many hours of a week do you do so. Even if both partners are in full-time employment, it is unlikely to be 24/7, unless they are perhaps old enough to be sent to a boarding school. Your decisions regarding this balance may depend upon your income, but it may also depend upon ideology, e.g. the value you place on your own parenting. Can even a highly qualified carer replace parenting? I believe every couple has to make these decisions for themselves, and the answer will be different for every household and changes as their

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<sup>13</sup> Burggraff, S., cited in Crittenden p.74.

<sup>14</sup> *ibid.*

circumstances change. The decision should not be skewed by changes in treatment in public policy, primarily how one is taxed.

The partnership structure serves then to integrate paid and unpaid work into public policy, creating some visibility to the contribution of the unpaid work to the household economy and to society. It may also contribute significantly to achieving our goal of closing the gap between male and female incomes. If incomes are shared (as one would expect in a partnership of equals), their well-being is also comparable. In the current structures, where husband and wife incomes are significantly different, the assumption is that their well-being is also at great variance. In most cases this is simply not true. If the relationship is one in which income and responsibilities are not shared, one would question why it exists, and encourage the disaffected partner to leave!

Furthermore, the partnership structure addresses the rights of the non-employed partner to an income in their own right, a basic human right. They are no longer “subsumed” by their employer partner, but enjoy an economic status of their own. They count in the system, and the work they do counts. It is widely recognised that people shape their behaviour to fit the structures in a social political economy. If the structures exist to register a partnership, share an income and thereby invest in one’s own capacity to parent a child, perhaps more people would do it, and certainly more men. At present, if people are making that choice, it is despite the system, not because of it.

This proposal has been unfairly criticised for differently valuing people who do the same work –depending on your partner’s income. An at-home mother whose partner earns \$60,000 receives less than one whose partner earns \$100,000. But it needs to be understood, this is not *pay* for housework or childcare. It is recognition that a couple *share* responsibility for a household, including childcare, and also share their income. As a family or a nation increases its overall wealth, it may afford to increase how much it employs others to do this work, in which case it is pay, and should be paid at equitable rates. But in the context of a household, it is not pay, but a partnership.

A further anomaly is that couples who own their own business currently are able to split income, but couples whose income is derived from wages or salary may not. To extend the same provision to wage and salary earners is simply to recognise that maintaining a household is also legitimate “work”, albeit unpaid, the justification for which has been clearly made in the preceding sections of this paper.

The proposal restores some balance between the options facing parents with respect how they structure their work, paid and unpaid. Currently in New Zealand, if one chooses to return to paid work and place the child into childcare, that action attracts a state paid subsidy of up to \$12 per hour for under two year olds, and approximately \$7 an hour for over twos. If, on the other hand, one chooses to stay home, forgo an income and care for the child yourself, one gets no assistance as of right. What kind of society is it that pays

others to care for our children, but not parents themselves? It clearly runs counter to what is in the child's best interests, particularly when children are very young.

A legitimate concern is that the provision could act as a disincentive to women to return to paid work and retain the capacity to earn an independent income. However, the reality is that most women (or men undertaking home duties) would forgo an income for more than a few years, while the children are young. Three to five years in a work life time of 40 -45 years is not a lot. The tax advantages hardly compensate for a forgone income. The partnership option merely caters for a brief "season" over the course of one's life time.

### **New Zealand's journey towards introduction of the Tax (Income Sharing) Bill**

In 2002 the United Future Party, a small party at the centre of the political spectrum led by Peter Dunne, gained considerable support (8% of the vote), in part at least due to its family friendly policies, in particular income splitting.

In 2008 it gained assurance from its coalition partner, the National Party, as part of its confidence and supply agreement, to support a bill to allow for income splitting to go through its first reading. A Discussion Document was prepared, presenting options to the public, and seeking feedback. Over 90% of submissions received were in support of the proposal.

In August 2010 the Tax (Income Sharing Tax Credit) Bill was introduced to the House of Representatives, with its first reading on the 23 September. The Bill allows couples with the care of children up to age of 18 years to claim a tax credit assessed by amalgamating their individual incomes, dividing it by two, and calculating the difference the tax that would be due, and the tax actually paid. The tax credit would be paid into the account of the lower income earner.

Currently the provision would benefit 310,000 families in New Zealand, approximately one third of all households. The maximum tax credit any couple would receive is approximately \$9000, where one partner earned \$140,000 and the at-home parent nil. Income earner over \$70,000 is taxed at the top rate of 33% regardless of who declared it. So the provision actually has a natural ceiling, benefitting middle New Zealand families, described by former Prime Minister David Lange as "Too rich to be poor, but too poor to be rich".

The provision would be administered using the same structures currently used for providing support for low income families, (known as Working For Families (WFF) Tax Credits), and dovetails neatly with that system which also jointly assesses couples. It would create a smoother transition across the income spectrum where welfare is reduced as family incomes increase.

Current estimates are that it would cost approximately \$450 million p.a. suggesting that families would receive on average a tax credit of \$1500 p.a. Some critics have suggested this money would be better targeted to increasing support for low income families. However, they miss the point that this is about recognition of unpaid work, and the rights of those who do that work to an economic status in their own right. It is about investment in parenting, which will ultimately benefit all of society. It is not about welfare, but human rights. Arguments may also be made that increased investment in this sector may in fact reduce costs in other areas, e.g. creating healthier less stressed families, and healthier communities as parents have the time to support local schools, coach the soccer teams, serve on the Parent Teacher Associations, and go on school camps etc.

A criticism that needs to be addressed is the concern that this proposal represents a return to traditional family structures, the 1950's idealised nuclear family. A recent study by Pamela Stone set about to investigate why women who enjoyed top level professional careers in their own right, and supposedly could "have it all", employing nannies if they wanted, opted to stay home to care for their child or children<sup>15</sup>. The reasons are as varied as there are parents, but the fact remains that the choices are not fiscally neutral. If you want to stay home, you pay. You are on your own. In reality, only the well-off can still afford to make that choice. There is clearly an inequity there.

Furthermore, there is increasing evidence that low income families cannot afford to stay together. If they separate, the primary caregiver will be paid a Domestic Persons Benefit (DPB), which may amount to more than the WFF tax credits paid to low income families. The system is clearly skewed toward the individual, and fails to affirm shared responsibilities and care in life partnership. The provisions of the Tax (Income Sharing) credit scheme would be accorded equally to de facto or same sex partners as to traditional married couples.

Finally, it should be noted that this provision of Tax (Income Sharing) would create consistency with treatment of property when couples separate. Currently, property is divided equally regardless of whose income paid the mortgage (usually the primary asset is the family home), but that same income is not seen as a shared asset while couples are still together. This contravenes CEDAW, as noted earlier.

## **Conclusion**

The Tax (Income Sharing) proposal creates a structure that recognises the unpaid work of parents whose primary commitment is the maintenance of a household and the care of children. It accords those who do that work an economic status in their own right, as partners in a household economy, a basic element of full citizenship. It represents an

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<sup>15</sup> Stone, P., (2007). *Opting Out? Why women really quit careers and head home* , University of California Press.

investment in human capital, a responsibility and cost that ought to be shared by the wider society, not just women alone. And the real winners? *-our children!*

Christina Reymer  
Spokesperson, *Parents As Partners*  
3 Armagh St  
Hamilton 3216  
New Zealand  
T +64 78554699  
F +64 78554709  
E [cmreymer@xtra.co.nz](mailto:cmreymer@xtra.co.nz)  
[www.parentsaspartners.co.nz](http://www.parentsaspartners.co.nz)