

The Contribution of Recent Increases in Family Benefits to Australia's Early 21st Century Fertility Increase: An Empirical Analysis

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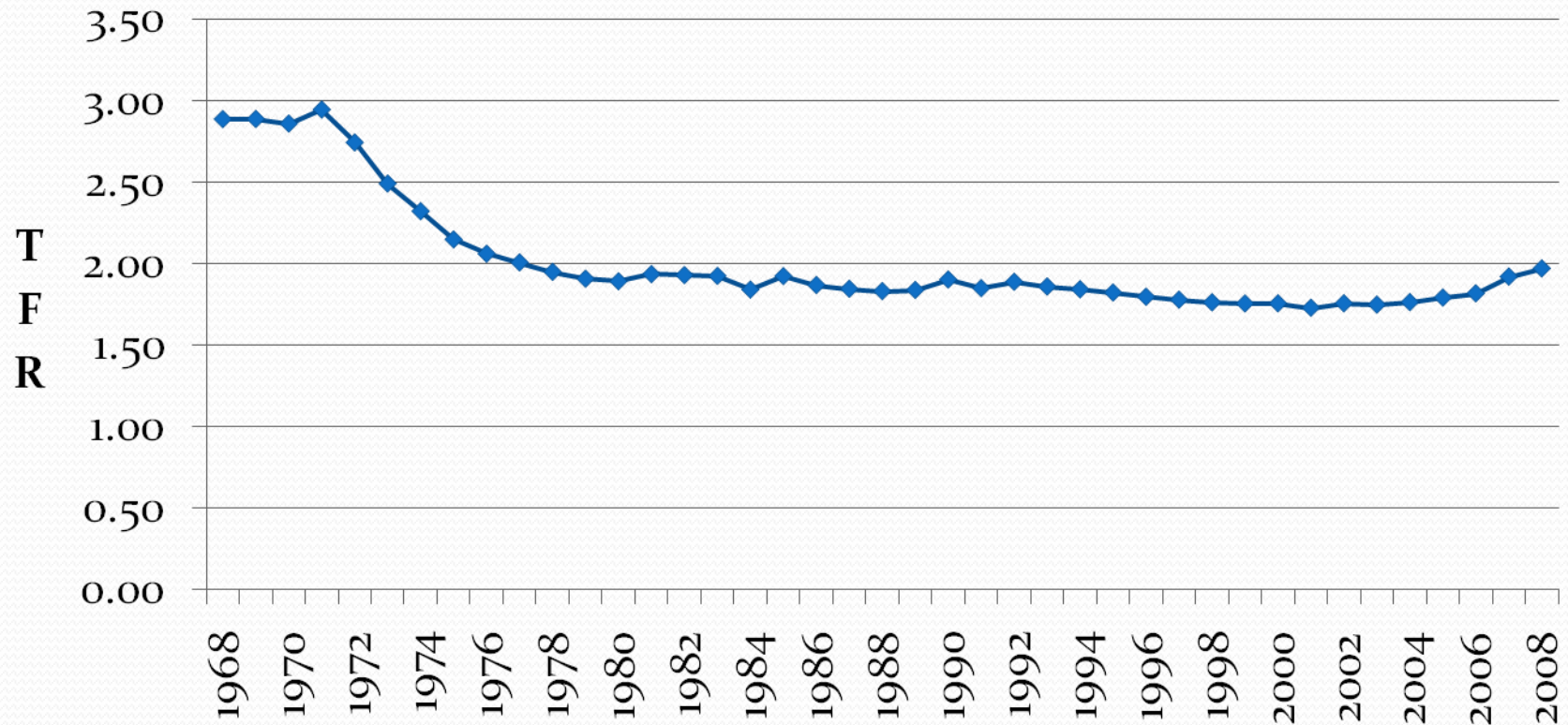
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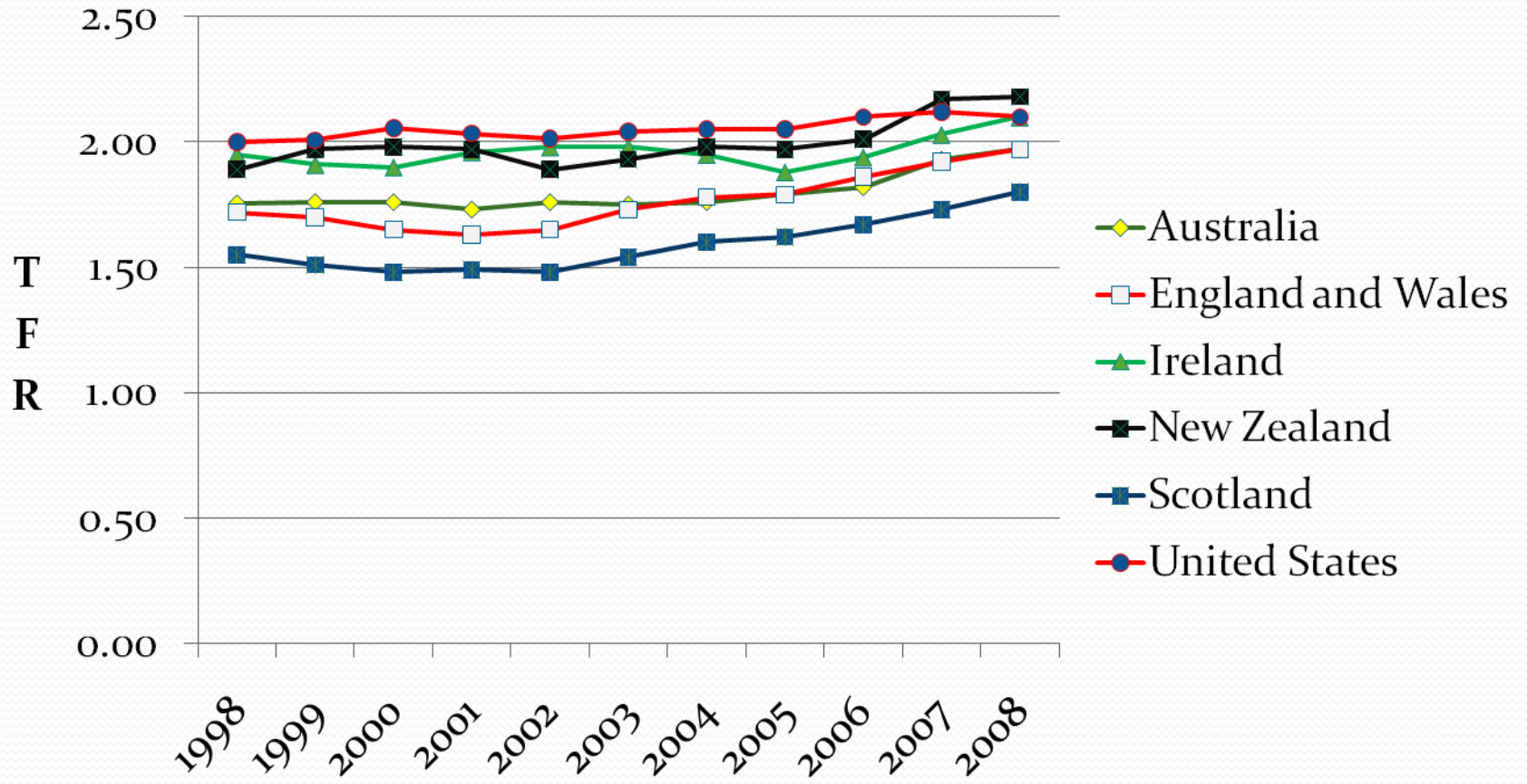
WORK IN PROGRESS – NOT YET READY FOR CITATION

Australia's Early 21st Century Fertility Increase

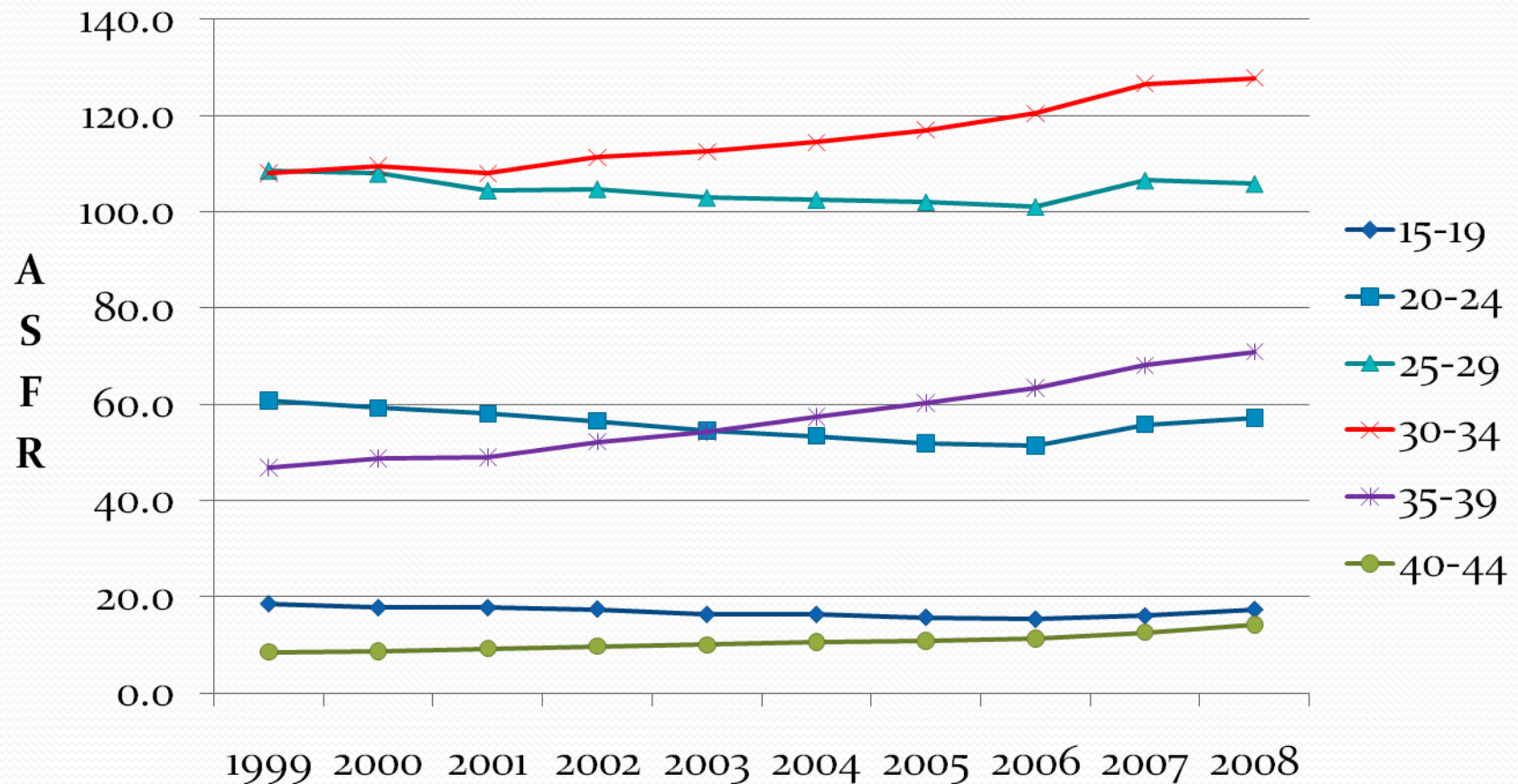
Total Fertility: Australia 1968-2008



Total Fertility Rates: English-Speaking Countries 1998-2008

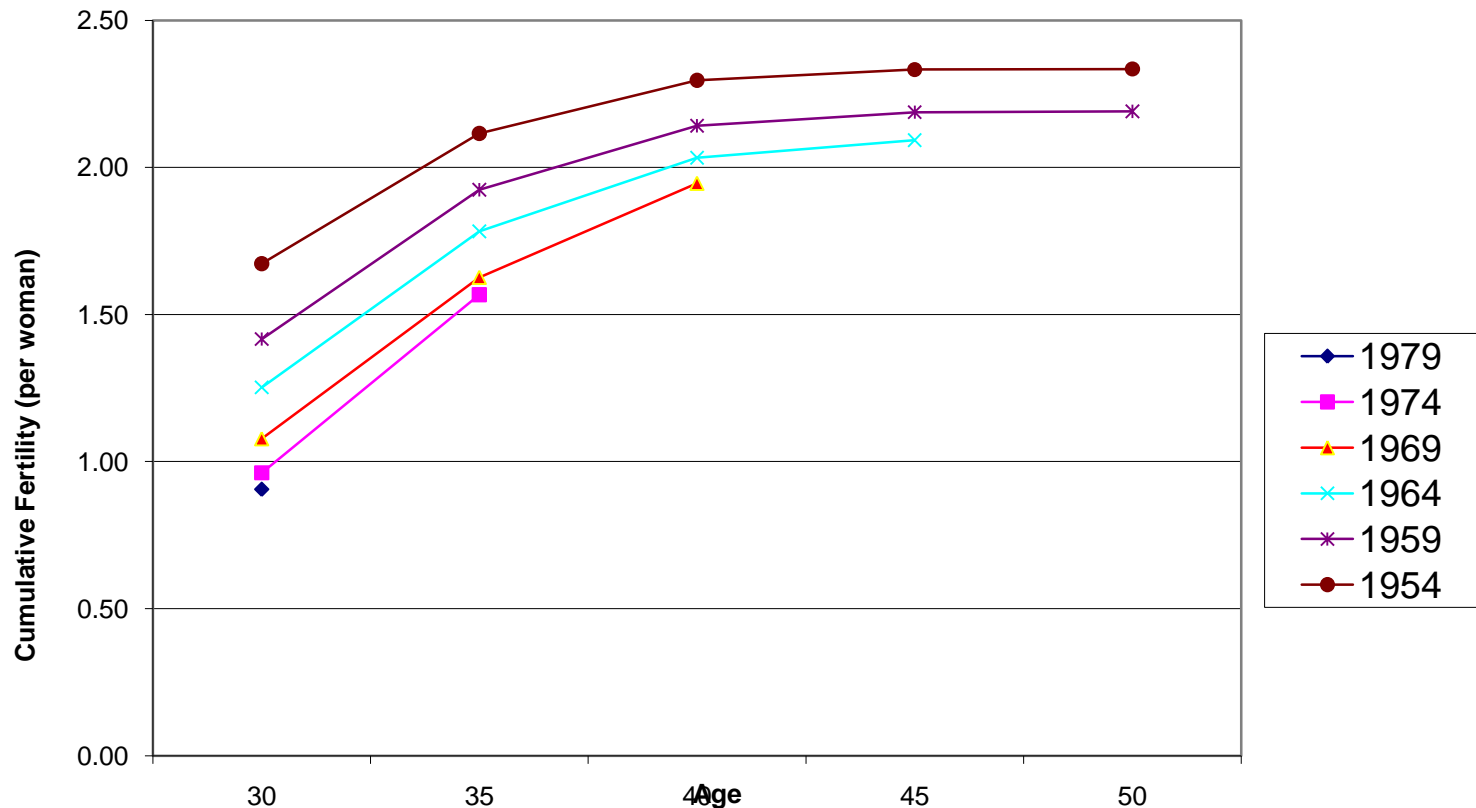


Age Specific Fertility Rates: Australia 1998-2008



The Slowing Pace of Cohort Fertility Decline

Cumulative Fertility to Ages 30, 35, 40, 45 and 50 by Birth Cohort

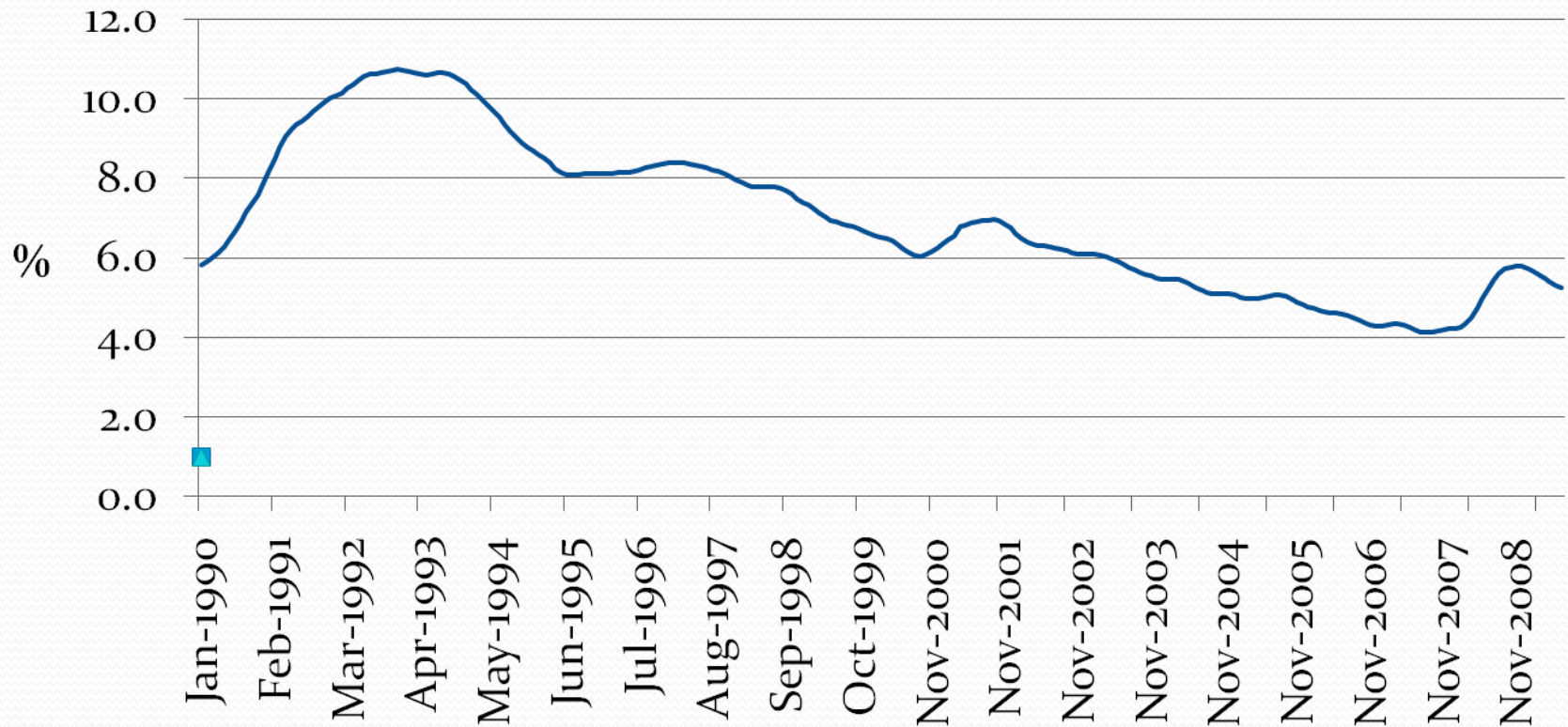


The Socioeconomic Context of Australia's Early 21st Century Total Fertility Increase

- Booming economy.
- Increases in government benefits payable to families including introduction of a universal flat-rate payment.
- Increased government subsidy of childcare costs.
- Resurgent pronatalism.
- More widespread use of non-parental childcare.
- Increased work hours by women, especially among those with pre-school children.
- Slow and uneven improvement of access to paid parental leave.

Australia's Early 21st Century Economic Boom

Unemployment Rate: Australia 1990-2010



Major Changes to Family Benefits in Australia 2001-08

2002 - Introduction of First Child Tax Refund (tax offset) for first child born after 1/7/2001

2004 – **Introduction of a universal, flat-rate benefit paid at birth of child known as ‘Maternity Payment’ (later renamed ‘Baby Bonus’)**

1/7/2004-30/6/2006 - A\$3000

1/7/2006-30/6/2008 – A\$4000

After 1/7/2008 – A\$5000

Also increases in means tested family benefits . Discontinuation of 2002 First Child Tax Refund.

2005 – **Introduction of Child Care Rebate**

30% of (childcare fees - progressive child care benefit)

Maximum amount of A\$4000p.a.

Eligibility restricted to working mothers.

Retrospectively applied to period since 1/7/2004.

First payment at tax return time in 2nd half of 2006.

2008 - Increase of Child Care Rebate to 50% of out-of-pocket childcare fees .

Maximum amount to A\$7,750p.a.

Resurgent Pronatalism

- **Australian Government Views and Policies on Fertility as Reported to UN in 2005**
View of fertility level – ‘too low’
Policy – ‘raise’
- ‘If you can have children it's a good thing to do - you should have one for the father, one for the mother and one for the country, if you want to fix the ageing demographic’
former Australian Treasurer Peter Costello (pictured opposite)
as quoted in SMH 12/5/2004

(Source of picture opposite: Sun Herald newspaper)

‘I actually believe in a big Australia.
...I actually think it's good news that
our population is growing.’
PM Kevin Rudd on ABC TV 7:30
Report.



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Main Research Question

- What effects have introduction of the Maternity Payment/”Baby Bonus” and the Child Care Rebate had on fertility over the period 2003-2007.

Data Source

- Household Income and Labour Dynamics in Australia (HILDA) Survey
- Nationwide longitudinal survey of household population
- Remote areas not sampled
- Wave 1 held in 2001 subsequent waves conducted annually
- Most interviews conducted October-November
- Combined data for waves 1-7 analysed
- 15,477 observations of fertility from women aged 15-44 (2 waves earlier)

Model

- $\text{logit}(Y_{i,j+2}) = \alpha + \sum \beta_k X_{i,j,k} + e_{i,j}$
- Response variable - Whether a woman gave birth to a child in the 12 months before interview.
- Measured using waves 3-7.
- Explanatory variables
- 1) Measures of prospective family benefits during “conception window” for response.
- 2) Controls for individual level characteristics. These are measured 2 waves prior to response. Hence taken from waves 1-5.

Control Variables Used

- Age
- Parity
- Interactions between age and parity
- Marital status
- Birthplace
- Highest education
- Currently studying
- Real disposable income
- Labour force status
- Occupation
- Entitlement to family-friendly working conditions (eg paid maternity leave, flexible working hours) known.

Preliminary Results

- Effect of Maternity Payment/Baby Bonus not significant.
- Effect of Child Care Rebate not significant (but larger than effect of Maternity Payment/Baby Bonus).
- Effects of entitlement to family-friendly working conditions not significant.
- Large and significant effects of age, parity and interactions.
- Large and significant effects of marital status.
- Significant positive effects of highest education and income.
- Significant negative effects of currently studying and currently unemployed.

Preliminary Conclusions

- No conclusive evidence of effects of changes to family benefits. (yet).
- Individual level effects and change over time may suggest the following factors have tended to increase fertility:
 - 1) correction for tempo distortion
 - 2) increased real disposable income
 - 3) decrease in unemployment
 - 4) slight increase in highest levels of education
- And the following have been exerting downwards pressure
 - 1) decrease in prevalence of married
 - 2) slight increase in percentage employed in professional occupations.