

**Family on the Edge:**  
Stability and Fertility in Prosperity and Recession

Barry Maley



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## Family on the Edge: Stability and Fertility in Prosperity and Recession

Barry Maley

### Executive Summary

1. Over the last 40 years or so, there have been great changes in the Australian family system, especially in the importance of marriage as a permanent relationship and, hence, the best environment within which children may be raised to maturity. De facto or cohabiting relationships, along with couples in a registered marriage, now constitute what we call the 'socially married.' A much larger proportion of children are now born and raised in de facto families. More children are born to single mothers.
2. Nowadays, marriages, both registered and de facto, break up much more frequently than in the recent past. Marital stability is a serious problem having adverse effects upon both adults and children. This study argues that family law is a factor in this instability, and reform providing for *consensual* applications for divorce in the first instance would be desirable. If that is not possible, the Family Court must hold a hearing into the reasons for failure of agreement and determine a settlement before the divorce is granted, after the usual one year's separation.
3. The birth rate between 1961 and 2000 declined from 3.5 children per woman to 1.73. There is a positive relationship between marital stability and a buoyant birth rate insofar as confidence in the future of the marital relationship is a factor in the decision to have children, but this in turn is dependent upon other factors examined in the study.
4. The birth rate increased significantly between 2001 and 2007–08 from 1.73 births per woman to 1.93. This increase is strongly associated with the rising prosperity of that period, rapid growth in incomes across the board, and low levels of unemployment.
5. Among other factors supporting a rising birth rate has been the increased level of federal government support for dependent children during this period. This study argues for maintenance of this support but in a much more simplified, principled and universal form, free of means testing, as an efficiency and equity measure, and not simply as part of a pro-natal policy.
6. The advent of the current recession, along with present policies and expenditures, are likely to reverse the increase in the birth rate by removing confidence in the economic future, by promoting higher levels of unemployment, and by stalling or reducing government support for dependent children. Unless family law and policies are rapidly changed, family stability and a buoyant birth rate will be at risk with implications for the ageing of the population in the long term.





## Introduction

The natural family of mother, father and children is the first and foundational human institution. It is the essence of voluntary commitment to the pursuit of human wellbeing and heterosexual consummation; a cooperative economic and protective powerhouse delivering mutual care and goods and services to its members; a source of succour, nursing and welfare when needed; and a social organisation in miniature providing education, ethical instruction, recreation, entertainment, companionship, and love. Where it is weak or under attack, the society of which it is a part is weaker and bleaker than it might otherwise be.

The Australian family is on the edge in the sense that fewer families in the ideal form described above are being formed and sustained. If they are formed, it is much later in life than used to be the case and they are more fragile. They break up more frequently and marriage, the companion institution that once legitimised the voluntary commitment at the heart of the essential bond between man and woman, is rapidly losing its status and authority.

**Contention 1:** The present condition of the Australian family is not adequately serving the interests of children and adults—and the nation. The present instability of marriage, both formal and de facto, is depriving many children of optimal nurturing and undermining the wellbeing of large numbers of men and women. These are issues of sufficient importance in themselves to demand the attention of public policy.

**Contention 2:** The national birth rate, while not an issue of immediate concern, is nevertheless facing circumstances that might further reduce fertility levels, which are already below the population replacement rate. Couples are having fewer children than they would like to have and, even with a massive immigration program, population ageing—a declining ratio of workers to retirees—is a likely outcome over the long term unless the birth rate picks up at a sustained level.

**Contention 3:** Both the stability of marriage and the birth rate, though of sufficient importance in their own right, are related insofar as they are important criteria of the overall strength of a family system, which is fundamental to sustaining a vigorous and prosperous society. Stable, confident and economically optimistic families are good in themselves, good for society as a whole, and an important requirement, along with many others, for sustaining the birth rate.

The study begins with an overview of some of the key markers of the present condition of the Australian family and highlights its instability and the cultural decline of the importance of marriage, a decline exacerbated by family law. This is followed by a discussion of the recent trend in national fertility and its determinants, which suggests some points of connection between partner stability, adequate recognition of the economics of child rearing, and decisions to have children. The study concludes with an overview of the implications of the current recession for fertility and makes some recommendations for national family policy on child support and reform of family law.

**Stable, confident and economically optimistic families are good in themselves, good for society as a whole, and an important requirement for sustaining the birth rate.**

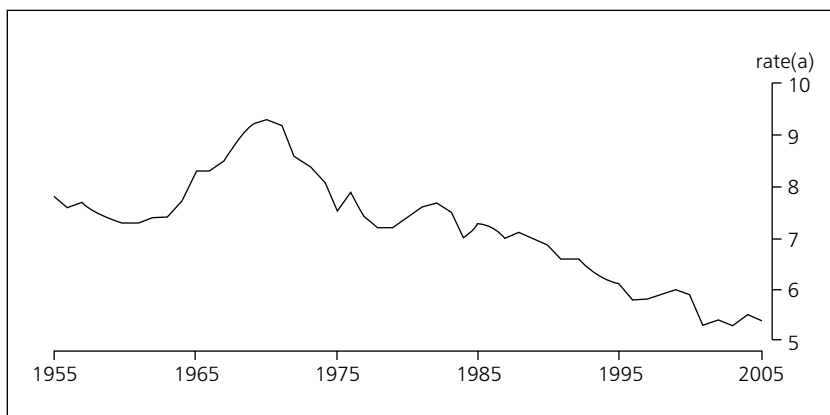
## The changed context of marriage and child bearing

Fifty years ago, a tiny percentage of children, less than five percent, were born to unmarried mothers. Unmarried cohabitation was rare and frowned upon. There was a strong social stigma attached to unmarried motherhood. These social attitudes began to change, quite rapidly, in the 1960s and 1970s under the influence of the ‘cultural revolution,’ which has since then consolidated the changes it wrought. It was a revolution marked by ‘liberation’ and ‘counter-cultural’ movements that included a relaxation of sexual morality, perhaps reinforced by easy and reliable contraception and a resurgent feminism demanding release from traditional expectations. For a great many women, this included freedom from domesticity, the obligations of child bearing and rearing, and the growth of enduring attachment to the workforce. The ‘work-family balance’ became a crucial cultural and policy issue. By the 1980s, unmarried cohabitation before, or instead of, marriage and having children during cohabitation or as a single mother were no longer uncommon or stigmatised. The status of marriage was changing and its importance diminishing.

Such are the prevailing views and attitudes and thus the socio-cultural background against which we must seek to understand current trends and public policies affecting family life and fertility.

The statistics indicate that marriage rates and fertility respond to the state of the economy and the kinds of cultural and social shifts referred to above. The marriage rate and the birth rate fell in the Great Depression of the early 1930s, rose at the end of World War II, then fell again over the last 30-odd years as social censure of unmarried cohabitation disappeared. We might also conjecture that changes in family law in 1975 making divorce easier have also played a part. In the 30-year period after 1970, the marriage rate halved for the unmarried population 15 years and over. The crude marriage rate is calculated in number of marriages per thousand of the population, as shown in Figure 1.

**Figure 1: Crude marriage rate**

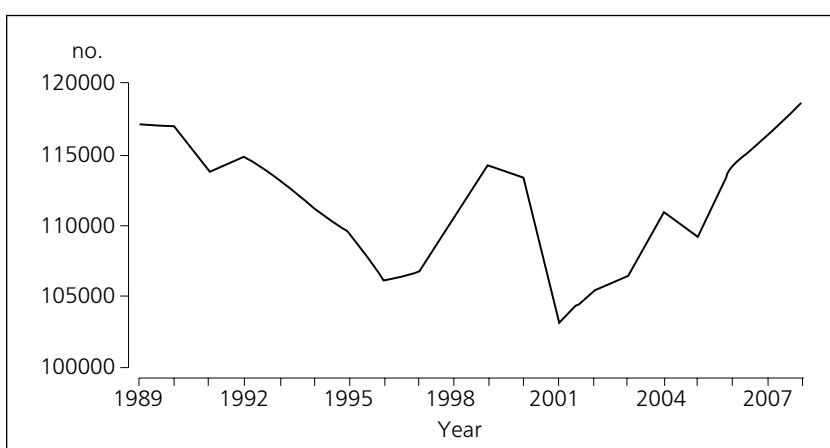


(a) Marriages per 1,000 population.

**Source:** Graph 7.41 ABS, *Year Book Australia*, 2008, Cat. No. 1301.0 (Canberra, 2008) 211.

Figure 1 shows the marriage rate falling to its lowest point in 2001. From 2001 to 2008, there was no notable increase in the marriage rate. Figure 2 shows an increase in the *number* of marriages from 2001 to 2008 due to population increase but the *rate* has varied little since 2004.

**Figure 2: Total marriages 1998–2008**

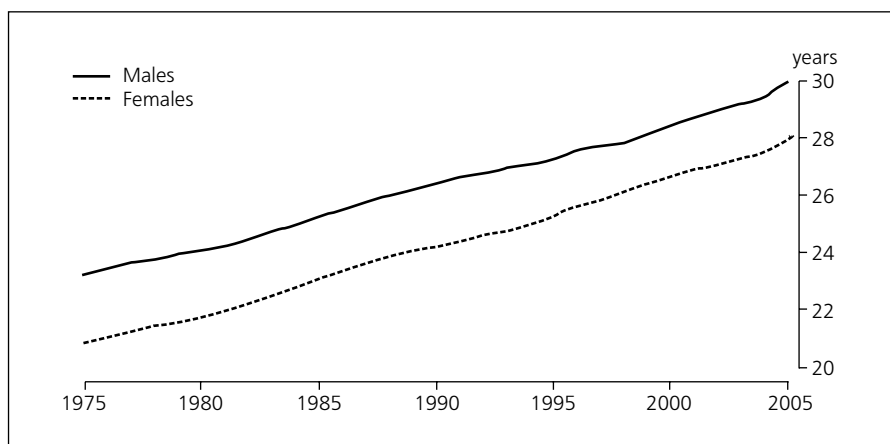


**Note:** 2004 was a sample collection

**Source:** ABS *Marriages and Divorces, Australia*, 2008, Cat. No. 3310.0 (Canberra, 2008).

Along with a falling marriage rate, age at marriage has been steadily increasing to now compare with ages at marriage in the early years of the twentieth century. During the baby boom of the 1950s, the median age at marriage for men was about 23–24 and for women about two years younger. Since then, the trend has been steadily upwards for both men and women, as shown in Figure 3. Older age at marriage is associated with the growth of cohabitation before marriage and the delay or abandonment of marriage.

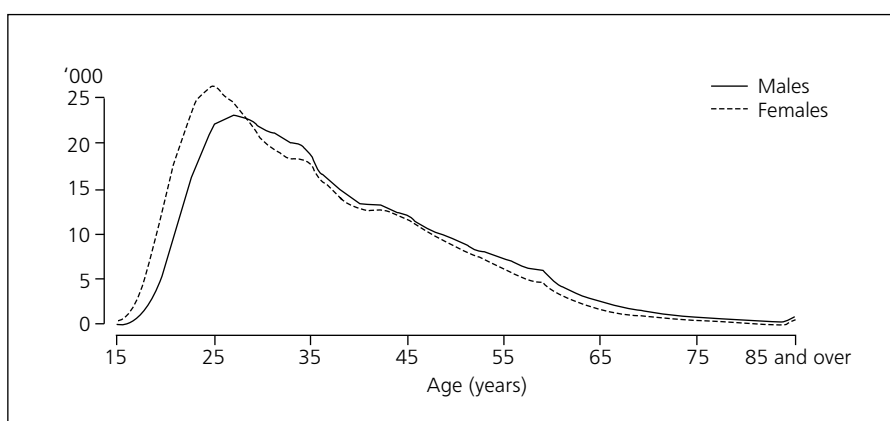
**Figure 3: Median age at first marriage**



**Source:** Graph 7.42 ABS, *Year Book Australia, 2008*, Cat. No. 1301.0 (Canberra, 2008), 211.

Reflecting the general decline in the rate of formal or registered marriage, one of the most remarkable changes has been the rapid growth of cohabitation and de facto relationships. At the 2006 Census, there were 1,193,400 adults living in de facto relationships. The Australian Bureau of Statistics (ABS) has coined the term 'socially married' to refer to all those either in a registered marriage or in a de facto relationship. Cohabiting or de facto adults now represent 15 percent of all 'socially married' people. As the age-distribution for de facto partners shows in Figure 4 below, the majority are in their early 20s to early 40s.

**Figure 4: De facto partners (a) 2006**



(a) Opposite sex couples only.

**Source:** Graph 7.44 ABS, *Year Book Australia, 2008*, Cat. No. 1301.0 (Canberra, 2008), 212.

For many, de facto living is a prelude to marriage or an alternative to it; for a significant percentage, it follows divorce or separation. At the 2006 Census, 70 percent of de factos had never been in a registered marriage and 27 percent had either been divorced or separated from a partner.<sup>1</sup>

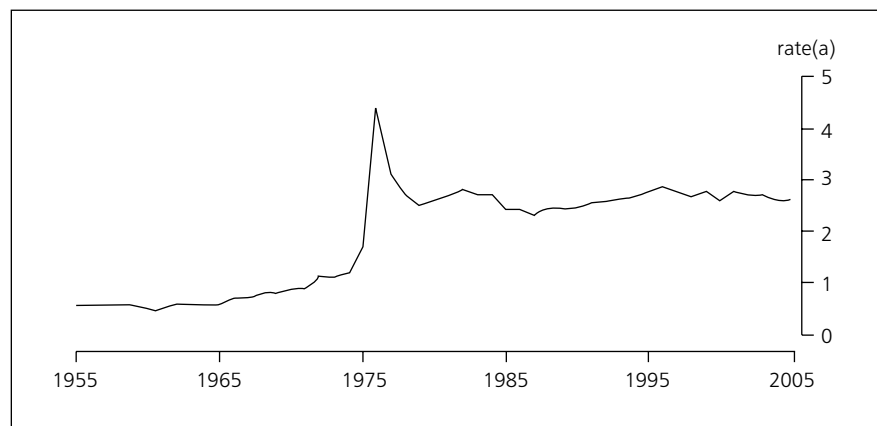
In 1946, there were no children born to cohabiting parents.<sup>2</sup> In 2000, 16 percent of children were born to cohabiting parents and 12 percent were born to single women. In 2002, these two groups were responsible for almost one-third of all births (31.3 percent)<sup>3</sup> and trending upwards.

In 1997, a Women's Safety Survey by the ABS revealed that on a number of measures, women in cohabiting relationships were about twice as likely to suffer a wide range of domestic violence as married women.<sup>4</sup> Overall, there are significant differences in the profiles of married and cohabiting couples. On average, for example, cohabiting couples have higher levels of mental disorder and are more geographically mobile; cohabiting males are more likely to be in blue collar and lower white-collar jobs.<sup>5</sup>

### *Divorce and separation*

In discussing divorce, it is important to note that the divorce statistics refer only to those who were in a registered marriage and do not include those in de facto relationships that have broken up. So, the real rate of couple-separation of the 'socially married' includes both divorces plus an increasing proportion of de facto relationships that have ended. Figure 5 shows the 50-year trend of formal divorces up to 2005.

**Figure 5: Crude divorce rate**

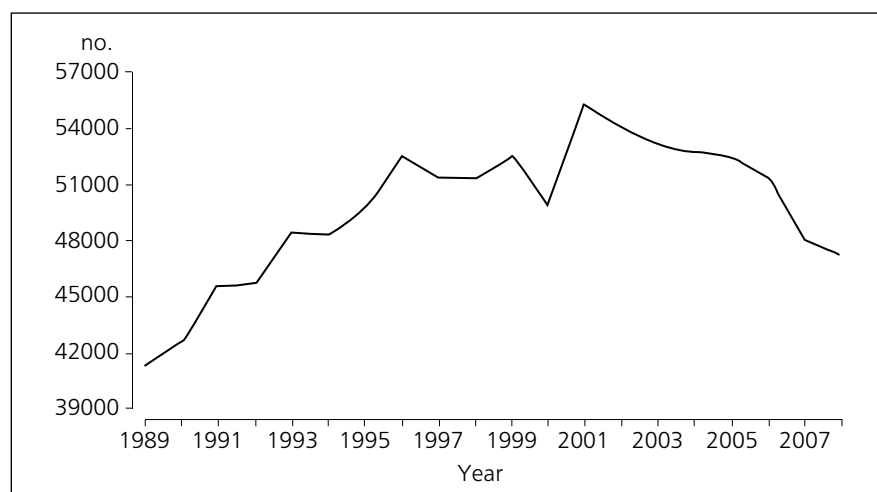


(a) Divorces per 1,000 population.

**Source:** Graph 7.46 ABS, *Year Book Australia, 2008*, Cat. No. 1301.0 (Canberra, 2008), 213.

Divorce statistics for 2008 show the continuation of a downward trend in divorce from the peak year of 2001.

**Figure 6: Divorces granted, Australia 1989–2008**



**Source:** ABS *Marriages and Divorces, Australia, 2008*, Cat. No. 3310.0 (Canberra, 2008).

We do not have reliable per annum statistics for the rate of breakdown of de facto relationships, but survey data indicate that the rate is much higher than the rate of divorce. Twelve percent of marriages end after five years compared to 40 percent of de facto relationships after the same period.<sup>6</sup> Since de facto relationships comprise 15 percent of the 'socially married,' it follows that the separation rate of the 'socially married' is higher than the divorce rate of the registered married alone.

In conclusion, apart from the small decline in divorce in the last few years, there has been an upward trend in the instability of male-female coupling through registered marriages and de facto relationships over the last 30 years or so, and hence more children separated from their natural parents than the divorce statistics alone indicate (currently more than 40,000 per annum).

Against this background, let's re-examine Figure 5 above and, in particular, the rise in the divorce rate after the passage of the *Family Law Act 1975*. The Act removed 'fault' (cruelty, adultery, desertion, etc.) as an issue in divorce and allowed divorce on the sole basis of 'irretrievable breakdown' of the marriage, demonstrated simply by separation of the spouses for one year. The 'blip' shown in the graph is explained by the fact that there was an immediate rush to divorce by couples whose marriages had failed but who, in the absence of the change in law, were committed to waiting longer (five years under the pre-1975 regime) to arrange their divorces. So, after this 'backlog' was cleared, the rate settled down—but at a significantly higher level than immediately before 1975.

Would the pre-1975 rate, which was trending upwards, have continued to do so in the absence of the change in the law in 1975? Perhaps, but we cannot be sure. Certainly, the social and cultural changes that began in the 1960s continued to gather force thereafter and are still working themselves out; perhaps the changes in the law making divorce much easier were simply one outcome of those movements and probably reinforced them.

The abiding fact is that our conception of marriage and its former pivotal role in family formation has changed. Along with that change, the stability and status of marriage have declined and its former place as an almost universally indispensable condition for having children has disappeared. The decline in stability was precipitous until 2001. Between 1960 and 2001, the divorce rate increased from 0.6 per thousand of population to 2.6 per thousand. If we add the higher instability of de facto relationships, the picture becomes even more dramatic. Marriage, as the relationship within which 98 percent of children were born in 1955,<sup>7</sup> is now the setting for only two births in three.

**Marriage, as the relationship within which 98 percent of children were born in 1955, is now the setting for only two births in three.**

It seems possible that this historically high instability of the 'socially married' may be a factor in our lowered fertility over the same period. The following material throws further light on this possibility.

#### *The effects of instability and stability*

There is a marked contrast in terms of overall wellbeing between two-thirds of couples who enjoy relatively enduring relationships and those who do not. The Australian Institute of Family Studies (AIFS) released a study in 2007 of the wellbeing of a large cohort of men and women who had been divorced for several years.<sup>8</sup> Given that some marriages are intolerable, and that those who have abandoned them are mostly pleased to have done so, the survey nevertheless revealed that on average, the outcomes of divorce were negative across the cohort:

- Both men and women express lower satisfaction with aspects of their present life.
- Men, in particular, feel a lower sense of social support.
- Women as a whole experience poorer health.
- For women, the combination of being divorced and single led to reduced life satisfaction.

Interestingly, it seems from the survey that remarriage returns men and women to a level of satisfaction comparable to those who are married and have never divorced.

The conclusions of another study, published by the AIFS in July 2009, show that divorce in Australia has ‘a substantial negative impact on the equivalent household incomes of women,’ while the picture is quite different for men.<sup>9</sup> ‘The proportion of men experiencing hardship increases only slightly following divorce and then declines to be substantially lower than it was pre-divorce.’

**Children of divorce enjoy poorer health; fall more frequently into delinquency and crime; have poorer school results; show more behavioural and emotional problems; and are more likely to be abused and neglected compared to children in a stable home with their natural parents.**

The study also notes, ‘Another key point is that women and men who divorce have different financial profiles before divorce than those who do not divorce. Pre-divorce, they have lower equivalent household income, are more likely to have experienced financial hardship and have a lower level of prosperity than those who do not divorce.’ This is confirmation of the folk wisdom that financial problems are frequently a factor in the break-up of a marriage and, conversely, that prosperity is a positive factor for both stability and fertility—a subject to be taken up later in this study.

For children, a very large body of evidence from several countries is unequivocal about the negative effects of divorce on average for children. Children of divorce enjoy poorer health; fall more frequently into delinquency and crime; have poorer school results; show more behavioural and emotional problems; and are more likely to be abused and neglected compared to children in a stable home with their natural parents.<sup>10</sup> For some children, probably a minority, divorce may be an outcome that releases them from a violent or

thoroughly dysfunctional family; but it must surely be true that even for children with sensible and loving parents who want to ensure that their children ‘get over’ the separation without noticeable difficulty, there must often be a kind of wound or sadness that may linger into adulthood.

Evidence of the benefits of marriage and the disbenefits of divorce for overall wellbeing has emerged from a study of 17.1 million British families by the British Office of National Statistics, published in October 2007.<sup>11</sup> The study revealed that:

- Married couples live longer and enjoy better health than the divorced, the widowed, and cohabiting couples or singles.
- Children living with their married parents are healthier and stay in education longer, no matter what their economic circumstances.
- The risk of long-term illness for a child is greatest for children in care, followed by those living with a lone mother. On average, children in blended families have a 30 percent higher risk of long-standing illness than children living with their natural parents.

### *The role of family law*

Marital and de facto stability is, as we have seen, radically uncertain at present. Some evidence to be considered shortly indicates that for couples, confidence in the future in this respect is a factor influencing the decision whether or not to have a child. It is here that policy, and family law in particular, has a difficult but important role to play in the face of political caution and the absence of any widespread demand for change.

It is not surprising that both men and women in the survey above should attach high priority to a lasting relationship when contemplating having a child. For a woman, in particular, the vulnerability attached to pregnancy, child birth, and infant care is sufficient to make predictability and confidence in the immediate and later future a *sine qua non*. For both men and women, the long-term prospect of raising a child without the help of a partner is, for most, an unhappy one. Partnership trust is crucial not only for joint investments in children but also for investments in the many other things (the family home, kin relations, assisting a partner’s further education and career advancement, a business, etc.) that tend to make a marriage stronger, more satisfying, and more costly to abandon.

Five things help make a sound marriage: felicitous choice of partner, mutual trust, confidence in the economic future, considerate conduct, and commitment (the last factor is understood as a voluntarily accepted moral imperative that steels resolution to stick to a bargain in difficult times). These are crucial features of marriage, and it is an important function of social policy and family law to affirm them. Yet, family law does not do that. It helps promote uncertainty and undermines considerate conduct and trust by indifference to marital misconduct and its consequences and by allowing unilateral divorce, where divorce may simply be imposed upon an unwilling and perhaps exploited spouse with legal impunity.

As a law-governed institution, marriage, either formal or de facto, is clearly affected by the character of the law and the incentives, disincentives or neutrality it reveals concerning the conduct of the partners. Promoting conduct conducive to both partnership stability and responsibility, while allowing freedom justly and without undue difficulty to end a failed partnership, should be crucial objectives. Yet for formally married couples, the law allows that the relationship can be instantly and unilaterally ended by a spouse without any questions being asked by the court—except to insist that married partners be separated for one year before a formal divorce application can be received and processed. This is radical uncertainty with a vengeance.

So long as we continue to live under the present divorce regime, marriage will remain more uncertain than it has been in the past and the divorce rate is likely to remain high, with all that it implies for the wellbeing of adults and children and for the birth rate.

This is not to suggest that marital uncertainty is a prime cause of low fertility; merely that it is, at least for many, a factor taken to account among several others and one amenable to reform. The benefits would include the greater wellbeing of adults and children, and the wider social benefits that would accrue from that.

#### *What might be done?*

Reform of family law is a subject dealt with elsewhere in greater detail than is possible here. I have previously argued for reform along the following lines.<sup>12</sup>

The unilateralism of the present regime cannot help but be a source of injustice and suffering to many men and women, a cause of reduced trust and confidence in marriage, and a powerful factor in instability. A spouse may have no voice at all in a husband's or wife's decision to divorce, and the court will allow no dissenting voice or protest to be heard concerning a divorce that may simply be imposed by the departing spouse.

Such unilateralism could be ended by requiring that all divorce applications be joint and consensual in the first instance and include agreed terms of settlement. If consensus cannot be achieved by the spouses, then a unilateral application for divorce will be accepted only on condition that both parties appear before the court for a hearing as to the circumstances that are preventing agreement about the terms of divorce. In either case, the divorce must go ahead after the usual one-year separation of the parties and with the possibility that, after hearing both parties, the court may determine the terms of settlement and take into account the conduct of the parties during the marriage. In other words, no spouse will be denied the opportunity to end a marriage after the present situation of one year's separation. So the difference between the present situation and this proposal would simply be that the absence of consensus about divorce and the terms of settlement would trigger a court hearing. This must lead either to a court-finalised settlement and an immediate divorce, or divorce immediately following the hearing under a mutually and voluntarily agreed settlement, or to reconciliation and withdrawal of the application for divorce.

There are three purposes to be served by such a procedure. First, it ends unilateralism by giving each spouse the voice and opportunity to thrash out an agreement on terms of settlement that empowers both parties and that is fair to both. Second, it would allow the possibility, in the absence of agreement, for the court to examine in a hearing the points of view of both parties and to reach a judgment the court believes to be fair concerning the terms of settlement. Third, by assuring those

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contemplating marriage that it will not be ended unilaterally without agreement by both spouses, and that in the absence of agreement the court will ensure a fair settlement, it would import a greater degree of confidence into marriage. It would also encourage more considered conduct in the marriage if serious misconduct, significantly damaging the legitimate marital expectations and interests of a spouse, carries the prospect of being mitigated by a court-determined settlement.

There is a further consideration. The existing family law provision—that an application for divorce cannot be submitted unless the spouses have been separated for a year—presumably has the policy objective of allowing a period of reflection and perhaps behavioural change and possible negotiation that might lead to reconciliation. But it might also have the consequence that the parties simply cease all contact and retire into mutual bitterness that hardens attitudes and removes the likelihood of discussion and negotiation to find a reasonable settlement. However, if a partner or partners contemplating separation had an incentive to negotiate the terms of settlement before or during the separation period, a mutually satisfactory settlement would be more likely. The prospect of a court hearing in the absence of a consensual application provides such an incentive. It may not work in all cases, but if it did it would tend to encourage realistic confrontation of all the interests at stake and productive negotiation about them.

This would promote at least a minimum of discussion and realistic reflection that is more likely to lead to reconsideration and possible reconciliation, or at least a fairer settlement and better child outcomes, than might otherwise be the case.

It may be objected to this proposal that, *if* a court hearing occurs, there will be an adversarial confrontation that is avoided by the present no-fault rules. But there are three points to be made here.

First, that the present system is already replete with adversarial confrontations about the terms of settlement around such things as custody ('residence and contact'), property and maintenance, and that justice in determining such issues cannot, under present law, take account of serious marital misconduct (short of actual criminality or tort) that may have been an important element in the divorce and the present impasse.

**It is undoubtedly also the case that many divorces are ultimately settled without apparent protest for the simple reason that victims of serious marital misconduct know that protest is legally irrelevant and futile.**

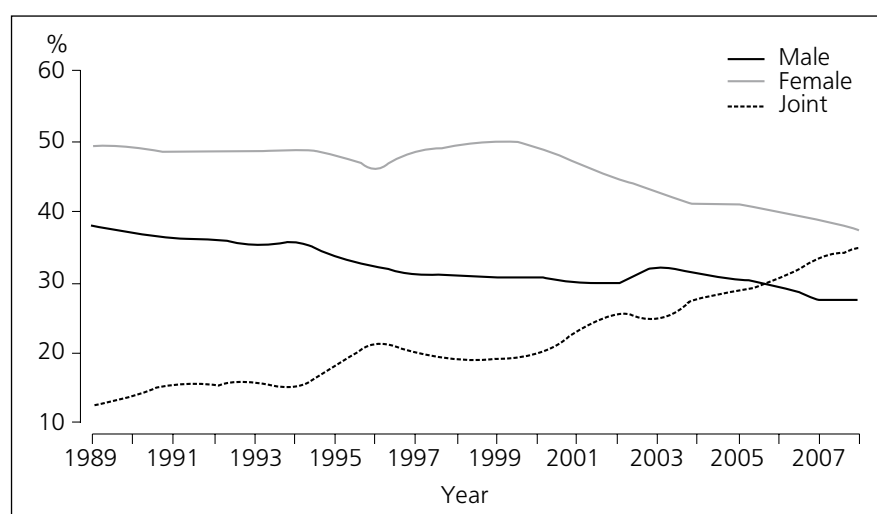
It is also the case that many spouses leave the court and its decisions in circumstances that lead to smouldering anger and bitterness and perhaps further conflict because the court has not inquired into relevant marital conduct that family law forbids being taken into account.

Finally, family law has already moved towards less adversarial, more inquisitorial, and less formal proceedings, and this could be the case for the court 'hearing' proposed here.

So, it does not follow that there would necessarily be more adversarial proceedings. There is likely to be less; but even if some were to prove unavoidable, those proceedings under the amendments suggested here are more likely to be fair to both parties than the present system and therefore more conducive to confidence in marriage itself; and confidence that the outcomes from divorce, if it came to that, would be fairer than at present. This would be progress.

Although there is a trend towards more joint applications for divorce, the majority (over 60 percent), are non-joint applications, as illustrated in Figure 7 below. It is reasonable to assume that at least a substantial proportion of the non-joint applications represent spouses who did not want to divorce or who had not agreed to a post-divorce settlement. If so, this indicates that unilateralism is a common and serious problem. It is undoubtedly also the case that many divorces are ultimately settled without apparent protest for the simple reason that victims of serious marital misconduct know that protest is legally irrelevant and futile.



**Figure 7: Type of applicant, Australia 1989–2008**

**Source:** ABS *Marriages and Divorces, Australia, 2008*, Cat. No. 3310.0 (Canberra, 2008).

With an opportunity in future for a hearing where serious misconduct may be an issue in a divorce, an incentive is created for a guilty party to avoid examination by offering a victimised spouse generous and mitigating terms of settlement, which allows a consensual divorce to go ahead under fair terms. Acknowledging the reality of serious marital misconduct in family law and adjusting divorce settlements accordingly would be conducive to better marriages and more confidence in it. The prospect of a more stable marriage would tend, other things being equal, to encourage having children and, in turn, children would tend to cement a marriage.

One final point: it would be in the interests of children and parental relations post-separation if separating *de facto* parents with dependent children were to be brought within the compass of the legal changes proposed here.

To sum up, encouraging stability and partner confidence in marriage should be policy objectives. The relevant statistics show that instability and the present unilateralism associated with it are serious problems. Survey evidence confirms that uncertainty in such matters is one of the factors considered by intending partners as important in decisions about marriage and children and an issue that raises questions for family law. If family law fails to support stable marriage, as has been argued here, and if the proposals made above would be likely to improve that situation in terms of promoting more just terminations, more considered conduct and, hence, firmer trust, that would be a contribution to the wellbeing of both children and adults and society as a whole.

### The question of fertility

It is well known that our birth rate has declined dramatically since the baby boom of the 1950s and remains below the population replacement rate of 2.1 births per woman. The decline began with the recession of 1961 and continued to fall for the next 40 years. What is less known is that the decline steadied at the beginning of this century; between 2001 and 2007–08, fertility increased significantly from 1.73 births per woman to 1.935 per woman.<sup>13</sup>

We cannot be absolutely sure why this happened, but it is one of the questions to be discussed here. It could be a temporary blip due to a rush of births by older women who had delayed babies they always intended having, or there may be more to it. If that is so, another question becomes important. This is whether the onslaught of recession and the fiscal and policy reactions to it are likely to reverse an upward and welcome trend in fertility arising from a variety of events and initiatives that ought to be fostered but which recession would threaten.

At current fertility rates and with immigration, our population is sustainable. But the future is anything but clear, particularly in a recession of unknown duration and already incurring an enormous fiscal deficit that will burden the nation for many years to come. As the federal

government's *Intergenerational Report* of a few years ago made clear, a birth rate substantially below replacement rate and declining would, beyond a certain point, be difficult to reverse. Over the long term in such an event, the ageing of the population would continue with major implications for the future productivity and wealth of the nation. Some developed nations such as Italy, Spain, and the Czech Republic have such low fertility levels (hovering around 1.2–1.3 children per woman) that, in the absence of an increase, population ageing and ultimately population decline would become real threats. A society with few children and young people and many old people is a radically changed society, even an endangered one, in all sorts of ways.

It is not merely an economic issue, important though that might be. Most adult men and women want to have children and, as we shall see, there is evidence that they finish up having fewer than they would like. So children are a *value* for most adults, and adult valuing of children is not confined to their parents or grandparents. It is nice to live in a society with children about;

it is simply part of our humanity to feel this way and to cherish them. Indeed, we measure the debasement of our humanity by the absence of that sentiment. Nevertheless, children are costly to have and rear, and the cost of having a child necessarily enters the calculation that intending parents must make.

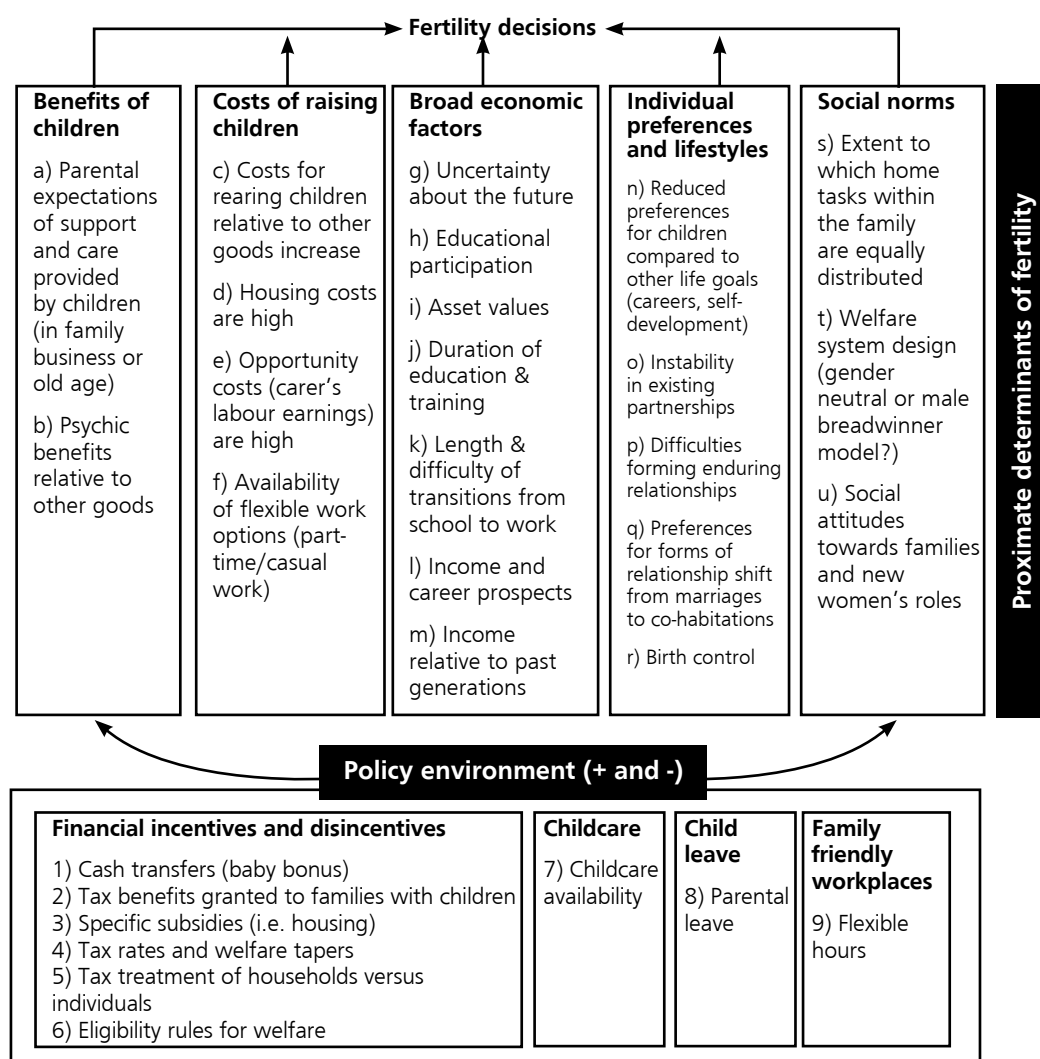
Pro-natalism for purely economic or utilitarian reasons has been pursued by some nations, and it has not been absent from Australian discussions. That is not the primary focus of this study. For a great many reasons, including the utilitarian but going beyond it, it is important to all of us to explore the reasons why couples have or do not have babies.

Is fertility simply an economic issue? Are rich couples more likely to have babies than poorer couples? If the costs of having children are crucial in deciding one way or the other, we would think that rich people would have more babies than poor people, but this is not necessarily so. And the fact is that some of the most impoverished

nations in the world have the highest birth rates. Also, what constitutes the 'costs' of children may be differently interpreted from one class, and from one culture, to the next. The 'opportunity costs' of children, what has to be given up in order to have them—such as a working mother's wages—may be variable from one society to another and from one couple to another. As demographers tell us, understanding why fertility varies from one country to another, or from one period to another, is devilishly difficult, with a host of interacting variables to be considered.

In its 2008 report *Recent Trends in Australian Fertility*, the Productivity Commission illustrates the complexity of the interacting variables that may affect fertility.

**At current fertility rates and with immigration, our population is sustainable. But the future is anything but clear, particularly in a recession of unknown duration and already incurring an enormous fiscal deficit that will burden the nation for many years to come.**

**Figure 8: The determinants of fertility**

Data source: This draws on Sleebos (2003), but is adapted significantly.

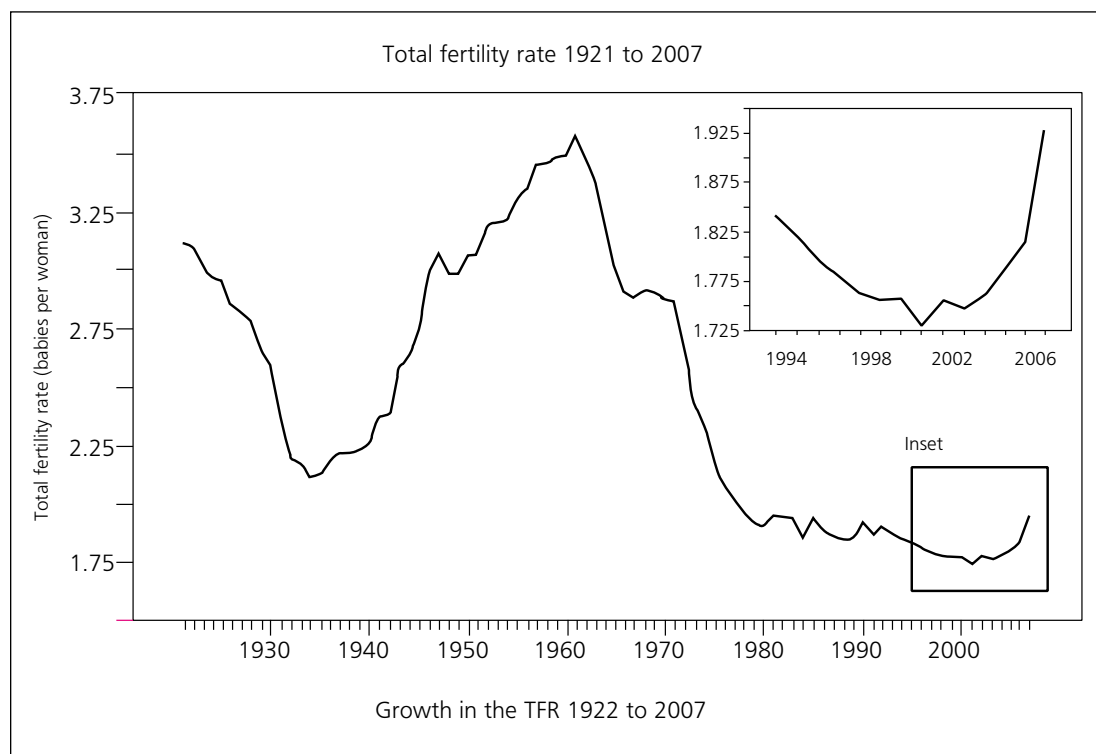
**Source:** Ralph Lattimore and Clinton Pobke, *Recent Trends in Australian Fertility*, Productivity Commission Staff Working Paper (Melbourne, 2008), Figure 3.1, 36.

### *Fertility and prosperity*

Post World-War II, in a period of relative prosperity and a low divorce rate between 1950 and 1961 (when a recession began), Australian fertility peaked at a total rate of 3.5 babies per woman compared to the 2007–08 rate of 1.935.<sup>14</sup>

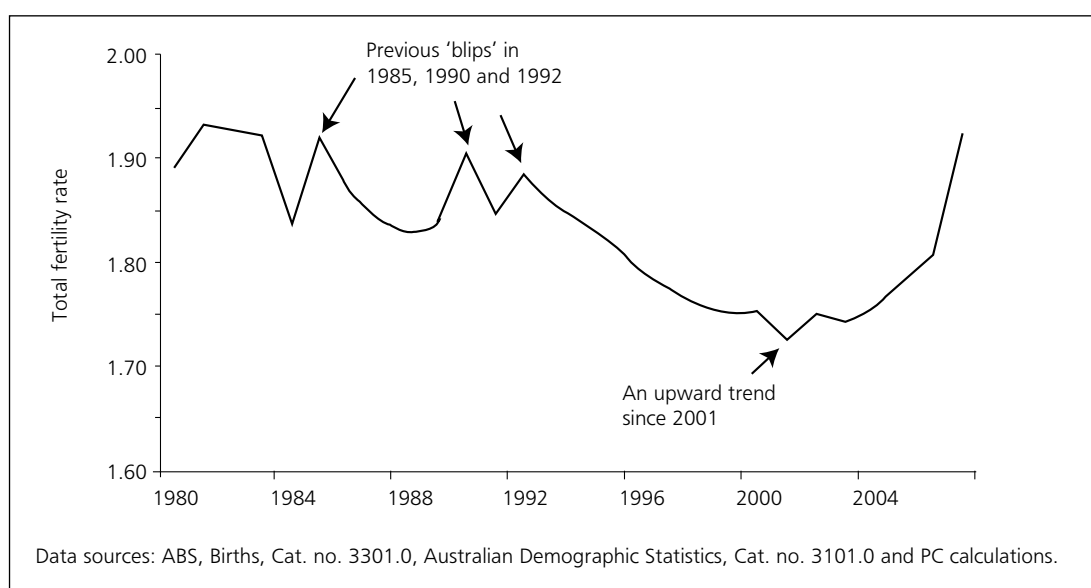
Figure 9 shows the long-term pattern of the total fertility rate from 1921 to 2007 with the inset portion from 1994 to 2006 showing the upward trend, or ‘blip,’ that began in 2001 and reached a total fertility rate of 1.935 children per woman in 2007–08.

**Figure 9: Long-term patterns in the total fertility rate 1921–2007 (estimated)<sup>a</sup>**



**Source:** Ralph Lattimore and Clinton Pobke, *Recent Trends in Australian Fertility*, Productivity Commission Staff Working Paper (Melbourne, July 2008), Figure 2.3, 13.

Figure 10 gives a more detailed picture of the total fertility rate from 1980 to 2007 that emphasises the previous ‘blips’ in fertility in 1985, 1990 and 1992. These short periods of rising fertility probably represent women bringing forward having a baby (for a variety of reasons such as changes in government policy or personal economic circumstances) that they always intended having. The interesting question is whether the more sustained upward trend in fertility from 2001 to 2007–08 is because of this or additional and more substantial reasons.

**Figure 10: Total fertility rate 1980–2007**

**Source:** Ralph Lattimore and Clinton Pobke, *Recent Trends in Australian Fertility*, Productivity Commission Staff Working Paper, Figure 2.4 (Melbourne, July 2008), 14.

Couples are having their children much later in life. The median age of all mothers who gave birth in 2006 was 30.8 years, the highest on record. The median age of all fathers in 2006 was 33.1 years, also the highest on record.<sup>15</sup>

The upward trend in fertility up to 2008 has prompted considerable speculation about the reasons for it, which are examined in detail in *Recent Trends in Australian Fertility*. The report suggests a number of reasons:

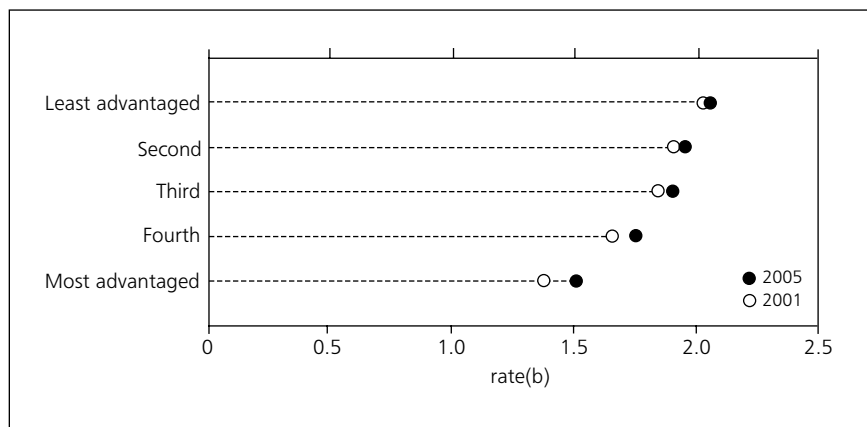
- older women catching up on previously postponed births—or ‘recuperation’;
- some women bringing forward babies they were going to have later, in response to prosperity and more generous child support policies;
- low unemployment and buoyant labour demand;
- flexible labour markets; and
- optimism.<sup>16</sup>

The rise in the birth rate between 2001 and 2007–08 is closely correlated with the rising prosperity of that period.

#### *Prosperity—the evidence*

The ABS has developed measures of socio-economic advantage and disadvantage by geographic areas and quintiles, and this information can be related to fertility patterns. In the past, higher fertility rates have characterised the less advantaged quintiles and lower rates have characterised the higher or more advantaged quintiles. Some have explained this difference in terms of higher workforce participation by women in the more advantaged quintiles and/or by higher and more expensive aspirations for their children, more investment in their children’s education and, hence, fewer children.

Interestingly, however, this pattern began to change somewhat between 2001 and 2005. In that period, the total fertility rate of the most advantaged quintile increased by 10 percent while the total fertility rate of the least advantaged quintile increased by only one percent, as shown in Figure 11.

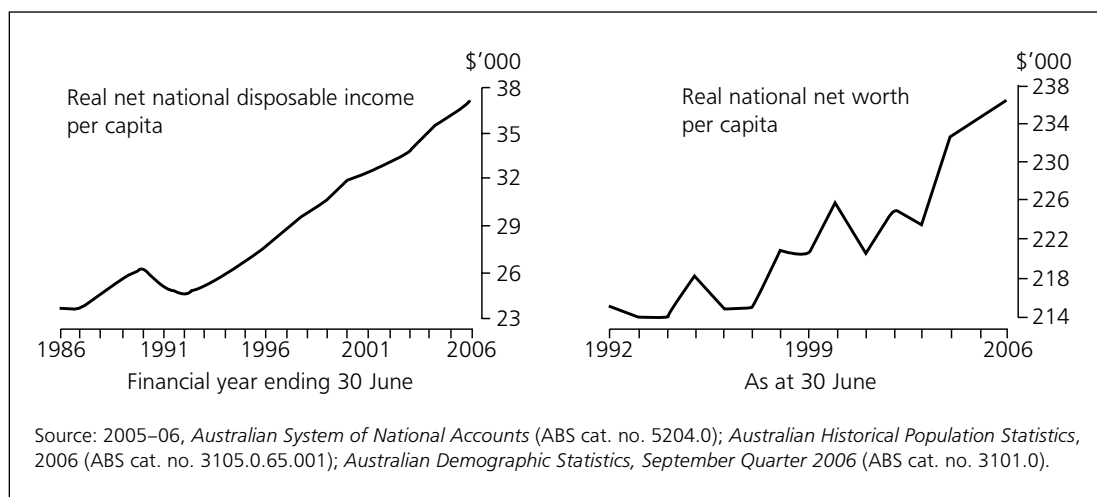
**Figure 11: Total fertility rate, by level of advantage (a)**

(a) SEIFA Index of Relative Socio-economic Advantage/Disadvantage

(b) Births per woman

**Source:** Graph 7.31 ABS, *Year Book Australia, 2008*, Cat. No. 1301.0, (Canberra, 2008), 203.

The rising prosperity and purchasing power is further illustrated in Figure 12.

**Figure 12: Measures of change in purchasing power 2004–05**

Source: 2005–06, *Australian System of National Accounts* (ABS cat. no. 5204.0); *Australian Historical Population Statistics, 2006* (ABS cat. no. 3105.0.65.001); *Australian Demographic Statistics, September Quarter 2006* (ABS cat. no. 3101.0).

**Source:** Susan Linacre, 'Purchasing power,' *Australian Social Trends 2007*, ABS Cat. No. 4102.0 (Canberra, 2007).

The prosperity of the period 2001 to 2007–08 was driven by structural changes in the economy begun in the 1990s and by the mining boom. Western Australia profited the most. It is interesting, therefore, that its fertility rate by 2007–08 was 2.104 births per woman compared to the national average of 1.935.<sup>17</sup> However, other factors (younger age structure perhaps) may have played a part.

In sum, we have a picture of close correlation between rising purchasing power and higher fertility across the board as the relative costs of children decreased.

#### *Family payments for dependent children*

It seems clear that broad economic prosperity, increasing incomes, bright employment prospects, and the perception of a sunnier future played a crucial determining role in the jump in fertility.

It so happened that these trends were accompanied over the same period by a re-ordered and more generous system for child support in the form of Family Tax Benefits A and B (introduced in 2000) along with child care subsidies and rebates. It is important to note that these Family

Benefits (particularly Benefit A) were means tested, reducing the entitlement as family income increased. Nevertheless, this generally supportive trend gained impetus from the introduction of a universal, non-means-tested (until 2008) one-off maternity cash payment (financial year 2004–05), later known as the ‘baby bonus.’ This finally reached \$5,000 per newborn in 2008. Australia’s contributions to dependent children became the third highest amongst OECD countries. How significant these developments were for fertility is difficult to measure.

In *Recent Trends in Australian Fertility*, the fertility-raising potential of child support payments is discussed in some detail, and attention is drawn to the vast literature on the subject. By and large, the report’s conclusion is that family policy in relation to child support benefits has been marginal in increasing fertility in that ‘it is likely to have played a partial, though not decisive, role in the recent increase of Australian fertility rates.’<sup>18</sup> The Productivity Commission nevertheless points to the difficulty of assessing the quantitative effects of child support payments.

Child allowances certainly play a role in determining a family’s financial status. Marginally or otherwise, allowances must have a place in shaping decisions for or against having children and may also contribute to stabilising a marriage.

Whether or not child benefits and the level at which they are set are significant for fertility, they have been justified either as an equity measure for parents or as encouraging births. Accordingly, child payments policy may be justified by one or both of two main principles: either as part of a deliberate pro-natal initiative or as ‘horizontal equity’ for families with more mouths to feed on a given income.

In Australia up to the present, it would seem that the horizontal equity principle has been the main justification for child payments policy with, perhaps, a degree of pro-natalism lurking in the background. Certainly, former Treasurer Peter Costello, in talking about family and maternity payments, spoke of the need to ‘have one for him and one for her and one for Australia,’ suggesting a pro-natal intention.

The French system is an example of family policy with a pro-natal bias. Family allowances for children increase disproportionately after the first child, are non-means-tested, and set at a relatively generous level, presumably with promoting fertility as an objective. A means-tested child care or ‘birth grant’ worth €894 per month is also available. How important these measures have been for French fertility is an open question; but compared to many other European countries with fertility rates below 1.4 per woman, the French birth rate is holding up relatively well at a total fertility rate in 2008 of 2.02 births per woman despite relatively low economic growth in recent years.<sup>19</sup>

The history of child payments and allowances in Australia has involved both state and federal governments, with the federal government becoming the principal source of support from the 1940s as it took responsibility for all income taxation. New South Wales, for example, had ‘child endowments’ for all children before then and the endowment eventually became a federal payment. By the 1950s, it continued as a universal federal payment without means testing and, in addition, was accompanied by tax deductions for other expenses such as medicines, dental bills and education. In 1976, these measures were replaced by a single cash payment for all children. The principle of universality without means testing was abandoned in 1990 when the Hawke government introduced a means test, and this continues.

Against the horizontal equity view of child payments, it might be argued that having children, especially in these days of virtually foolproof contraception, is a private, voluntary choice that should not entangle childless taxpayers in helping support other people’s children. This is a plausible argument and implies that parents should take full responsibility for that choice. However, it is common practice across most developed societies to make some allowance for the costs of raising children through public support. Apart from the horizontal equity argument, the idea that children are in some sense a social responsibility and an asset that should be nurtured also surfaces as a common justification.

**Accordingly, child payments policy may be justified by one or both of two main principles: either as part of a deliberate pro-natal initiative or as ‘horizontal equity’ for families with more mouths to feed on a given income.**

It is true that most societies are not indifferent to the carrying out of parental responsibilities towards children. Many taxation systems (the Canadian and the French, for example) treat the family or household as the unit of taxation, accompanied by concessions based on the number of those dependent on the family or household income. Australia uses the individual as the taxation unit. Dwyer points out the many inequities that may arise from such a system and, in the face of the reality of income transfers within families, argues that 'it would seem reasonable to insist that income should be taxed once, and once only, when in the hands of the ultimate beneficial recipient.'<sup>20</sup> Dependents within families and the income transferred to each, in cash or in kind, could thus be seen as taxable according to the quantum of income benefit concerned or an amount recognised as reasonable within a taxation system.

Also, in most developed societies parental responsibilities are formally mandated and supervised by the state, with the possibility that parents may be legally punished if they fail to give responsible care. So parents are legally compelled to devote a portion of their income, time and labour to nurturing and caring for their child-citizen. If the parents are indigent, the state gives them child payments to help with this task.

**This points us to the perceived social interest in children and their rearing and children's status as immature citizens of value—in themselves, to their parents, and to society as a whole.**

Additionally, educating a child is compelled by the state and the state accordingly uses the taxes of all, parents and childless alike, to pay for it and subsidise it. This points us to the perceived social interest in children and their rearing and children's status as immature citizens of value—in themselves, to their parents, and to society as a whole. Folbre suggests that the growth of transfer payments and taxation of future generations 'socialises' many of the benefits of children and raises the question whether a responsibly raised child is, at least in part, a 'public good.'<sup>21</sup> Considerations such as these have been put forward to reinforce a horizontal equity approach.

A different (or perhaps complementary) argument might be put in pursuing the notion of child-as-citizen with a status beyond being merely a parental consumer good or part public good. No matter what the parents' motivation or private benefits might be in having a child, the fact is that a new, immature person has joined the society and is therefore entitled to the rights of citizenship—rights, it might be said, held in trust by its parents. Every citizen in Australia with an income, no matter how high, is entitled to a tax-free threshold under present taxation arrangements. This is perhaps the recognition (however confused or inadequate) of a principle that not *all* the means of an individual's survival should be subject to taxation and that every taxpayer must be assured of a minimum amount to live on. So, the argument would be that that portion of the parents' 'income' (in kind rather than in cash) required by law to be devoted by the parents to the child's nurturing and survival should, in part, be seen as a tax deduction representing the child's 'tax-free threshold.' For low-income parents unable to claim in this way, the entitlement would figure as a cash payment by the state. Such an approach might well serve as a principled and efficient means of operating a child payments system. This approach is similar to Dwyer's 'beneficial recipient' argument mentioned above.

In practice, the tax credit or payment involved could serve as the universal, sole, and all-purpose per-child support measure for parents and be of equal value across all families with dependent children. Such a flexible form of support would deal with the infinite variability of the needs and the direct and opportunity costs of dependent children. Since the concession would be in fungible form, it would be adaptable to the changing circumstances and preferences of families over the life cycle in matters of child care, movement of mothers into and out of the workforce, and so on. Every family would be free to manage in its own way, and no particular family choice would be favoured over another. The child payments system is already complex, restricted in some cases (child care, for example), and fatally mixed with welfare issues. A single, universal per child tax concession or payment (with suitable arrangements for children with special needs) would be desirable and more acceptable to parents, given equal value of the concession, than the present system.



**Figure 13: Proportion and ranking of factors considered important in having children, by gender**

	Men	Women	Men	Women
	Percent		Rank	
Can afford to support child	65	67	1	1
Female partner makes a good parent	65	58	1	3
Male partner makes a good parent	63	60	3	2
Having someone to love	57	46	4	7
Male partner's job security	53	57	5	4
Female partner's age	49	56	6	5
Uncertain that relationship will last	47	47	7	6
Add purpose/meaning to life	45	39	8	11
Male partner's age	42	42	9	9
Male partner established in job/career	41	37	10	13
Giving child(ren) a brother/sister	40	37	11	13
Finding good affordable child care	40	46	11	7
Child would make partner happier	37	23	13	23
Female partner's job security	34	38	14	12
Child would be good for relationship	32	27	15	19
Ability to buy/renovate/move home	32	32	15	17
Time/energy for male partner's career	30	40	17	10
Suitable world for children	30	29	17	18
Female partner established in job/career	29	37	19	13
Time for leisure & social activities	27	24	20	21
Time/energy for female partner's career	26	24	21	21
Stress and worry of raising a child	24	34	22	16
Have at least one/another boy	23	12	23	28
Ability to make major purchases	22	22	24	24
Too much stress on relationship	22	26	24	20
Other children would miss out	19	22	26	24
Have at least one/another girl	18	16	27	26
Child difficult to raise	11	15	28	27

**Source:** Matthew Gray et al. *Fertility and Family Policy in Australia* Research Paper No. 41 (Australian Institute of Family Studies, 2008), 42.

Such a measure could be associated with an educational voucher of equal value for each school-age child instead of the 'education allowance' introduced by the Rudd government. This allowance will also be means tested, and a family with two school-age children and a total income of about double average weekly earnings would find that they stand to lose much of the allowance. Apart from the disincentive effects of such arrangements, they seem both punitive and unfair.

Until 1990, the principle of universal availability of child support, without means testing of parental income, was accepted as just and equitable. Yet today, despite means testing of benefits, child payments are attacked as 'middle-class welfare.' Part of the problem here is that assistance formerly given to families with dependent children in the form of *reduced family income tax* (hardly a form of *welfare* assistance) is now mainly given as a cash handout similar to a welfare measure for low-income families. It is thus seen as an undeserved 'gift' or as *welfare* extended to those with comfortable incomes rather than as a legitimate deduction based on sound principle.

More generally, the whole system of family benefits, maternity grants, child care subsidies and rebates, education allowances, and maternity and paternity leave, and their entanglements with the welfare system and means testing, has become arcane, confusing, administratively complex, unfair, and riddled with pernicious outcomes and disincentives against working and earning more.

#### *The determinants of decisions to have children*

Surveys indicate that Australian men and women would like to have more children than they finish up having in practice. In a survey on this subject in 2004, the answers given by 783 childless men and women between 18 and 34, most of whom intended having children, gave highest priority to four sorts of factors they take into account when contemplating having children:<sup>22</sup>

- (i) economic (costs of children, male partner's job security);
- (ii) characteristics of partner (good parent, wife's age);
- (iii) love for child; and
- (iv) marital stability (certainty/uncertainty of lasting relationship).

The full range of factors examined in the survey and the responses are as shown in Figure 13.

Of the seven items that top the rankings in the table for both men and women, only three are likely to be responsive to public policy:

- costs of children
- job security, and
- marital stability.

The importance of these factors is consistent with those identified earlier (Figure 8) by the Productivity Commission's report on *Recent Trends in Australian Fertility* as determinants of fertility decisions. They deserve some elaboration.

#### *Costs of children*

For prospective parents, the relevant considerations when assessing the costs of having children are:

- level of family income and its continuation, relative to parental aspirations, social status, and perceived opportunity costs of children;
- taxation and child benefits;
- child care subsidies;
- maternity and paternity leave (with and without subsidy); and
- housing costs.

House prices rose steadily up to 2007. For some, this meant an increase in wealth, but for others it meant higher mortgage costs, so the consequences were mixed for couples in their child-bearing years.

With the possible exception of those adversely affected by housing costs, the period 2001 to 2007 saw widespread prosperity, job creation, rising incomes, taxation cuts and, as earlier suggested, relatively generous child benefits in the form of Family Tax Benefits A and B together with child care subsidies and the non-means-tested maternity payment. Additionally, unpaid maternity leave has been universally available along with various forms of paid maternity leave offered by private firms and public instrumentalities. Paternity leave is offered on a limited scale by some organisations.

#### *Job security*

By 2008, the unemployment rate at a little over 4 percent was the lowest for a generation; as a result of significant economic growth and deregulation of the labour market, job security and labour flexibility were high. For women, their levels of education and job opportunities had never been better, within a context of child care availability and more generous child benefits. Re-entry to the labour market after child rearing was easier.

Overall, the picture up to 2008 for costs of children and job security is one of falling relative and opportunity cost of children and good reasons for confidence in job and income security into the future.

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#### *Marital stability*

Insofar as the prospect of marital stability may be identified as a positive factor for fertility, the evidence presented earlier reveals a picture of falling marriage rates, uncertainty, and high levels of separation of the 'socially married.' Some proposals have been put forward here for helping change that situation at the level of family law.

But, as suggested at the beginning, the law and individual conduct are influenced by broader forces operating at the level of social attitudes and changing customs. On the whole, the cultural zeitgeist tends to emphasise individual and sexual freedom, expansion of choice, and unfettered exploration of wider life experiences. For men, it does not extol familial or marital bliss and its responsibilities as an alternative to the unencumbered life. It is, however, one that facilitates and encourages women to seek fulfilment in the satisfactions of a working life and career. To a significant degree policy, through child care measures and child benefits, has made it easier for women to achieve the consummations of both work and children.

Judgments would no doubt vary, but it seems that present social and cultural attitudes and the zeitgeist do not actively extol and promote the disciplines and normative expectations of family life and children. Yet that choice is still made by most couples, albeit by a significantly smaller majority and much later in life than used to be the case. So, the conclusion that has been drawn here is that family law and the cultural milieu are not actively positive factors as far as fertility is concerned. But neither are they entirely negative.

Against this background, the decision to have children is crucially conditioned by its economic implications; and over the last several years, economic developments have cooperated to make the prospect of supporting children much better and couples have responded accordingly.

#### *A real increase in fertility*

The evidence indicates that the spurt in the birth rate between 2001 and 2007–08, unlike the upward 'blips' of 1985, 1990 and 1992, is not primarily due to artificial or temporary factors such as 'recuperation' and the timing of births that were always intended. They have probably played a role, but there is more to it than that. The fertility increase we have seen is described by the Productivity Commission as a 'quantum' effect of women's increasing 'lifetime completed' fertility.<sup>23</sup> In other words, we have seen a genuine increase in national fertility, primarily due to the influence of factors already discussed, that may be summarised as a combination of:

- a buoyant, prosperous economy and a dynamic and flexible labour market with low unemployment and job opportunities;
- rising productivity and rapidly increasing real per capita income;
- family and child benefits exceeding the OECD average; and
- reducing costs of children and family confidence in the financial future.

In continuing circumstances such as these, it seems reasonable to conclude that birth rates in Australia would not present a medium term 'population problem' in any way comparable to that facing some European countries and Japan. We are relatively well placed and would have a rising population over the next generation, largely driven by a large immigration intake.

But in one respect this would be a mixed blessing. With fertility at present levels and rising, the country would confront the costs of raising and educating children precisely at the time when the baby boomers were retiring from the labour market. Labour would be short just when it would be sorely needed. Although, looking further ahead beyond the next generation, the benefits arising from a fertility level at or above population replacement rate and a more buoyant labour supply would begin to appear.

This raises two questions. First, how far into the long term should population and family policies look and prepare for? And, second, what importance and priority do we place on such a question in conditions of recession?

### Reproduction and recession

It is obvious that the circumstances that have supported a birth rate at present levels are disappearing under the impact of recession and the very large deficits being incurred by the federal government.

At the time of writing, the level of gloom has abated somewhat. There are some positive economic indicators, especially in relation to exports of resources, rising consumer confidence, and stock markets in an upward trend. The Governor of the Reserve Bank believes that the recession will be shallower than at first feared. On the other hand, the Secretary of the Federal Treasury has warned of the possibility of a 'second shock' that may hit the Australian economy.

So, there is, to say the least, an economic slowdown and there are reasons for doubt about the medium-term future as broad economic uncertainties, the disappearance of the stimulatory effects of very large stimulus packages, and the consequences of government borrowing and its repayment reveal themselves.

As economist John Humphreys points out:<sup>24</sup>

- government borrowing leaves less money available for private borrowing and investment, leading to upward pressure on interest rates, reduced private investment for growth, recourse to borrowing overseas, and higher taxes to meet the government's interest bill on its borrowings;
- overseas borrowing leads to a rising Australian dollar, making our exports more expensive and therefore reducing export sales; and
- a shift away from private investment for productivity towards government investment and consumption and towards a bigger government and a smaller private sector will lead to higher taxes and lower wages.

Continued access by Australian enterprises and government, including the states, to overseas capital and credit depends upon the readiness of foreigners to invest and lend us money, and this depends in turn upon their perception of our prospects and credit worthiness. Until now, that has not been a problem; but the present situation, as described above, represents a significant change compared to recent years. We will be competing for funds with other large world economies in trouble themselves and looking for capital and loans. Also, some economists are suggesting that a

**It is obvious that the circumstances that have supported a birth rate at present levels are disappearing under the impact of recession and the very large deficits being incurred by the federal government.**

corpus of 'toxic loans' has yet to be identified and dealt with throughout the developed economies and in Australia.

To all of this must be added other threats to a return to prosperity in Australia. First, the immediate prospect of the many billions of dollars per annum of economic costs of federal government attempts to deal with what is presumed to be a continuing global warming threat. For example, the Institute of Public Affairs points out that the Commonwealth government's proposed Carbon Pollution Reduction Scheme and the Emissions Trading Scheme proposals require that 20 percent of electricity consumption be derived from eligible renewable resources, and this 'will have a direct impact of at least \$15 billion per year,' excluding 'substantial indirect costs.'<sup>25</sup> Also, the federal government's National Broadband Plan is estimated to cost \$43 billion.

A further threat is the return to an industrial relations regime marked by enhanced trade union powers, more regulation, the return of unfair dismissal laws, and a less buoyant and flexible labour market, inevitably leading to rising employment costs and reduced employment. At the time of writing, employment statistics are holding up better than expected, but the trend is negative and the level of unemployment is masked to some extent by continued employment of many at reduced hours.

The long-term future looks less bleak than at first feared, but the prosperity up to 2007 has stalled and the buoyancy and optimism of the recent past has disappeared. In the 2009 Budget, the federal government provided forecasts of future economic growth that have been widely seen as unjustifiably optimistic in view of the burden of debt and other economic trends. Although the government's target is to have the budget in surplus by 2015–16, or six years hence, the International Monetary Fund believes the Australian budget 'will remain in deficit until 2017–18 and public debt would be higher' than forecast.<sup>26</sup>

The budget foreshadowed paid parental leave of 18 weeks at the minimum wage (\$544) per week beginning in 2011, which may be positive for birth rates among working mothers, but fewer families will be eligible for family tax benefits and the baby bonus, and adjustments to Family Benefit A will mean indexing payments to the consumer price index instead of the more generous wage-related index. These measures represent a more cramped trend for child support and one likely to have a marginal negative influence on fertility. While these measures are not yet severe reductions in child support, the overriding economic retreat, the end of prosperity, and the disappearance of the formerly optimistic and reassuring environment for parenting are much more powerful threats to the conditions we have seen to be positive for the birth rate.

**These measures represent a more cramped trend for child support and one likely to have a marginal negative influence on fertility.**

An interesting but unwelcome consequence of these events will be the creation (rare in most circumstances) of a kind of semi-controlled experiment concerning the importance or otherwise of economic conditions and optimism in influencing fertility. If the factors determining the rise in fertility up to 2008 have been correctly identified, from now on it would seem likely that the birth rate will return to a declining trend, such as the one following the 1991 recession, despite the small upward blip of 1992. That blip, as suggested earlier, did not have the sustained 'quantitative' character of the increase from 2001 to 2007–08 that arose from quite different circumstances.

If there is such a downward reaction in birth rates, a crucial question is how large or small it will turn out to be—this would relate to the speed with which the economy recovers and its extent. A return to the upward economic circumstances of 2001 to 2007–08 within the next two or three years may be possible but unlikely.

### *Long-term prospects*

Economic policy within Australia and recovery in demand from our major trading partners, are thus crucial in the prospects for fertility. The immediate prospects here are not bright, and there is little encouragement to be found in what the federal government has in train or in prospect, so a long period of faltering birth rates post-2009 is likely. Less important than a return to prosperity, but nevertheless significant, is the partial contribution to mitigating a decline in the birth rate that might be made by a family policy that seeks to promote family stability and maintain relatively

generous child support policies. Quite apart from whatever contribution greater family stability might make to the birth rate, discussion and evidence so far points unequivocally to the social and individual benefits that would flow from greater stability. A key question is whether the objectives of family stability and maintenance of child support measures would be pursued by government. For greater stability, much depends upon reform of family law, as has been suggested. Maintenance of reasonable and equitable child support measures depends upon the political will to do so and the pressure of economic constraints.

Granted that the child support and educational costs of above-population-replacement-rate fertility would depress per capita income in the short term as a labour shortage arising from the retirement of baby boomers occurs, should policy seek actively to discourage or prevent such a thing? Or should policy take a longer term view by accepting a period of lower growth and encourage pro-family policies through family law and adequate child support arrangements?

**Population growth in  
circumstances of a large  
immigration program  
is not a problem in  
Australia.**

A distinction needs to be drawn between the role of fertility in mitigating the 'ageing problem' and the desirability or otherwise of population growth. Population growth in circumstances of a large immigration program is not a problem in Australia. Immigration is contributing about 60 percent of our strong population increase—an increase that many believe to be positive for our long-term economic growth and therefore a factor in helping create some of the conditions for sustaining fertility. Also, a large immigration intake brings individuals already reared and educated at almost no economic cost.

The magnitude of economic returns to an expanded immigration program would probably be higher than to pro-natalist policies.

But immigration per se will not solve an ageing problem due to below-population-replacement-rate fertility. At best, it might delay it by importing young people in large numbers.

This paper, however, is not put forward as an argument for a pro-natalist policy as an end in itself, or as a contribution to a larger population, or as the solution to population ageing. It is intended to be an argument for removing circumstances and disincentives that make it more difficult and uncertain for young couples to stay together and have the children they would like to have simply because they like the idea of a family with children. It may be a social and long-run economic bonus if a raised birth rate helped solve the ageing population problem, but that is not the primary intention here. It would simply be a good thing if the desire of couples to have children were to be fulfilled within a framework of policy that recognises some of the legitimate costs of raising children and the deficiencies of family law that contribute to marital instability.

It must be acknowledged, however, that the present climate is not propitious for such a move. The prevailing short-termism of politics, even in good times, makes this unlikely no matter how beneficial it might be in the long term. Additionally, in times of economic uncertainty and stringency, with overall population growth near 2 percent per annum, the government's commitment to keep real government spending below 2 percent of GDP implies zero per capita growth in government spending, and this could be expected to further limit scope for pro-family policies. Yet the issues are important enough to be placed high on the policy priority list.

## Conclusion

The overriding theme of this paper is the importance—economic, social and individual—of a strong and stable family system and its role in promoting the wellbeing of children and adults and a birth rate reflecting the desires of couples that, if fulfilled, will likely have the incidental and added bonus of contributing to a stronger society and economy in the long term.

Despite the recent upward blip in the marriage rate, the general movement away from marriage and the instability of marriage over the last 30 years has been remarkable. It is associated with reduced wellbeing of children and adults, later age at marriage and, until recently, a steadily declining birth rate that remains below population replacement level despite a recent increase.

The causes of the growth in instability are many, but prominence must be given to the profound changes in cultural movements and attitudes beginning in the 1960s and their effects in revolutionising sexual morality, in liberating women from traditional expectations, and in changing family law to make it easy to leave a marriage unilaterally and without questions being asked.

Confidence in the durability of the bond between partners has been shown to be important for couples who expect to marry. It used to be an important function of family law to promote that confidence in the service both of the extended period required for a couple to raise children to maturity and of the couple's own peace of mind and wellbeing. Trust in the future—both maritally and economically—is also important for the decision to have children. This is an aspect of the link between stable partnerships and children, in that we have seen how economic confidence in the future and sustained prosperity may cooperate with couple stability in encouraging a rise in fertility.

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So, the role of family law in promoting stability is important. Accordingly, some proposals have been made for strengthening marriage by ending unilateralism in divorce and by making it possible (but not obligatory) for serious misconduct during a marriage to be taken to account—but without *requiring* that that should be necessary and without changing the right to divorce after one year's separation.

It is an essential part of the marriage compact and its prospect of children, and a factor influencing the decision to have them, that the moral and legal necessity of income sharing within families with dependants should be recognised in public policy. The Australian system of child concessions and allowances has been relatively generous in recent years but is now being pruned. It is, however, unduly complex and riddled with a sometimes pernicious mix of incentives and disincentives (mainly in the form of means testing).

Family allowances, either through the tax system as a per-child addition to the parents' tax-free threshold, or through cash payments for low-income families that would incorporate child care and maternity leave arrangements, need to be re-thought and reformed. It is necessary that whatever is done should be on the basis of firm and well-argued principles deserving universal application across all families with dependent children.

Apart from providing a fair support system, policy should not seek to influence internal family choices and decisions. A single all-purpose financial concession would privilege flexibility in order to serve changing family circumstances in a lifetime, especially as mothers move into and out of the workforce in the interests of their families. The present nexus between child allowances and the welfare system should be broken for families who, given the appropriate and fair tax concessions for their dependent children, should not be included in 'welfare' cash payments and thus be free of the unfair charge of being 'middle-class welfare' free-riders. What the actual value of such a concession might be is a subject beyond the scope of discussion here, except to suggest that it should not be less than the level set for children of welfare-dependent families.

**Apart from providing a fair support system, policy should not seek to influence internal family choices and decisions.**

Realistically, the prospects for a serious discussion of family entitlements and at least preserving their value are unlikely in the present economic climate. Reducing family entitlements is taken to be an essential target because they are seen as too generous.

Yet looming over much that has been reported and said here is the reality of a family system that is faltering, even in good times, and that will be even more severely tested in the bad times that are already with us and may get worse. Of great importance, however, is the question of the economic future and the re-establishment of good reasons for national optimism and confidence. On this question misgivings are justified; policy parameters in most of the areas that matter here have already been set and, in the absence of review and reversal of measures spoken of earlier, the outlook is far from encouraging.

The conclusion to be drawn from present circumstances and the future we face is that the conditions that supported the 2001 to 2007–08 fertility increase are rapidly disappearing. Within the next year or two, it is likely that the birth rate will fall. Even if the recession begins to recede more quickly than expected, it is likely to be several years, if at all, before Australia returns to a buoyant, prosperous and optimistic economy with a flexible labour market and a social and economic climate encouraging the kind of fertility rate we have recently experienced.

Unless present attitudes and policies change and move towards the directions in family law, family taxation, and the economic and labour market buoyancy we have seen to be so crucial, we will, in the long term, face a fragile and dysfunctional family system, a lower and probably declining birth rate, an inflexible labour market, and a burden of debt and taxes.



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