Funding for parents – what is fair?

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Some businesses, and many Western governments, give women in the workforce an allowance equivalent to several months' pay after they have a baby.

Some people claim that paid parental leave is a "workplace entitlement" like holiday or sick pay, and all businesses should be required to fund it.

Others say businesses may not want to employ younger women if paid parental leave were mandatory – so it should be funded by the government in order to ensure workforce mums stay home to bond with and breastfeed their babies for at least the first few months, thus giving babies a better start in life.

Others argue that all babies need this bonding and breastfeeding – and at-home mums need as much or more financial help than workforce mums, since at-home mums forgo a whole salary to provide maternal care for some years – an option which is best for babies. They say that any parental leave mandated by the government should be paid equally to all mothers.

Still others strongly disagree with all of the above. They say having children is a private matter. If a business wants to pay maternity leave to female staff in order to keep them in the company, that's OK – but neither taxpayers nor businesses should be required by law to fund paid parental leave.

What is fair? What facts and principles should guide government policy?

Australia needs more young people

We only have to look at Japan to see what happens to a country when most couples decide to have only two, one or no children.

Japan's *total fertility rate* (TFR, = average number of children born to a woman over her lifetime) is falling faster than anywhere else in the world. The fertility rate needed to replace the current population in an industrial country such as Japan is about 2.1. However a Japanese government white paper reported that the nation's TFR had fallen from about 2.1 in the late 1970s to only 1.34 in 2007.[1]

As a result, education costs are dropping, but health, age pension and aged care costs are soaring. If nothing changes by 2025, there will be two dependents for every three workers – since Japan forbids permanent immigration in order to preserve its homogeneous culture. Taxes to pay for health care and pensions would then become such a burden on workers that children would be even less affordable.

In 2009, the Japanese government became so concerned about the nation's future that it promised to pay families 26,000 yen (about $A300) per month for every child, up to the end of junior high school.[2]

US pro-family activist Don Feder told an international conference in 2009: "The Japanese didn't wake up one day and say, 'Hey, let's have the most rapidly ageing population in the world...' There has to be a reason – or reasons – why a country's population shrinks by 700,000 per annum."[3]

Reasons for fertility decline

The reasons for the decline are many. Don Feder says they include easy access to contraception and legal abortion, increasing rates of cohabitation and divorce, along with falling rates of marriage and later age of marriage. Divorced women usually don't have children, and cohabiting women often lack the security needed to plan a large family. Women who marry late are less fertile and find it harder to conceive. And as the West has become more affluent, increasing numbers of couples see children as interfering with their busy careers or hedonistic lifestyle.

Australia's total fertility rate reached a peak of 3.5 in 1961 at the end of the post-war "baby boom". It then fell rapidly as the contraceptive pill became available in the early 1960s, dropping to 2.9 in 1966 and staying at that level for the following five years. Then the SA government legalised abortion in 1970 – while in the eastern states, judges Menhennit (Victoria) and Levine (NSW) re-interpreted abortion laws. As a result, abortion prosecutions virtually disappeared from Australian courts as abortion clinics in most states did a roaring trade.[4] Divorce rates soared after the 1975 passage of the Family Law Act, which allowed unilateral, no-fault divorce after just 12 months separation.

The impact was dramatic. Australia's TFR fell from 2.9 in 1971 to 2.1 – replacement level – in 1976, and kept falling. In 2001 it reached an all-time low of 1.73. It has since risen, but is still insufficient to replace our population.[5]

Australian fertility research

The Australian Institute of Family Studies has published a research paper on fertility levels, pointing out that fertility decline occurs when fewer women choose to have three or more children.[6] It says:

The contemporary decline in the fertility rate overall stems from the fact that an increasing proportion of women either remain permanently childless or are having only one or two children. Between 1981 and 2006, the proportion of women aged 40–44 years who had two children increased from 29 to 38 per cent, while the proportion that had four or more children fell from 28 to 11 per cent. The proportion of women in this age range who had three children also declined (from 27 to 22 per cent), while the proportion having only one child fluctuated (between 8 and 13 per cent). There was also an increase in the proportion of women who remained childless (from 9 to 16 per cent).

The Australian Bureau of Statistics has noted the implications for countries with a fertility rate below replacement level:

Australia's population, like that of most developed countries, is ageing as a result of sustained low fertility and increasing life expectancy. This is resulting in proportionally fewer children (under 15 years of age) in the population. Over the next several decades, population ageing is expected to have significant implications for Australia including health, labour force participation, housing and demand for skilled labour.[7]

Thus our ageing population is bad news. Australians have been having more babies in recent times, but a greater number is needed in order to prevent serious damage to our country's economy and general well-being. The bottom line is that we need more babies, or at least more young workers, to support our ageing population.

Australia needs good citizens

Australia could gain more young workers to support our ageing population by increasing rates of immigration.

But as Australia and some European countries are discovering, immigration on a large scale has problems. Australia rightly boasts of its post-war immigration program, where war refugees and others successfully resettled here and boosted our productivity, enhancing our lifestyle and general economy. More recently however, there have been threats and actual violence from some groups which have not been able to assimilate or have not wished to do so.

Japanese governments want to preserve their nation's unique culture and have prohibited almost all permanent immigration for this reason. Australian governments rightly reject such a restrictive policy, but the failure or refusal of some groups to assimilate is leading to calls for lower future immigration levels.[8]

For Australia to have a productive and peaceful future, more "home-grown" babies will be needed to arrest our fertility decline. But are all Australian babies equally likely to contribute to our national productivity and well-being?

Research shows that babies born to single teenage mothers are at higher risk of serious problems including future physical and mental ill-health, academic failure, unemployment and imprisonment.

An article in the US Children's Health Encyclopedia says (in part): *Social scientists have found that children growing up in single-parent families are disadvantaged when compared to a two-biological-parent families. These children are at risk for the following:*

- *lower levels of educational achievement*
- *twice as likely to drop out of school*
- *more likely to become teen parents*
- *more conflict with their parent(s)*
- *less supervised by adults*
- *more likely to become truants*
- *more frequently abuse drugs and alcohol*
- *more high-risk sexual behavior*
- *more likely to join a gang*
- *twice as likely to go to jail*
- *four times as likely to need help for emotional and behavioral problems*
- *more likely to participate in violent crime*
- *more likely to commit suicide*
- *twice as likely to divorce in adulthood.*[9]

A similar picture emerges from child abuse statistics published by the Australian Institute of Health and Welfare.[10] Analysis shows that a child is at significantly greater risk of abuse in any family type other than an intact two-parent family.[11] The risk of abuse in a two-parent step or blended family or a lone father family is over three times as great. The greatest risk is in a lone mother family, where the risk is over five times as great. Clearly, the two-parent intact family is the safest family type for a child.

A UK study by Robert Whelan[12] analysed 131 cases of serious child abuse before the courts, which recorded the marital status of the children's parents (Australian statistics do not include this information). The safest environment for children is with their two natural married parents. The risk of serious abuse is 16 times higher when children live with their natural mother alone; 23 times higher with their two cohabiting natural parents; and 38 times higher with their natural mother who is cohabiting with a man who is not their father.

Whelan found that the second safest environment for children is with their natural mother who is married to a step-father, but the two natural married parent family is six times safer than the married step-family. Marriage is clearly safer for children than other family types.

Government parenting policies need to ensure that they do not encourage deliberate single parenting – which could lead to a higher proportion of children at risk of abuse, ill-health or criminality.

Parental support options

Government funding to help families with the costs of raising children can focus on different challenges at different stages of a child's development: babyhood, early childhood and later childhood.

Babyhood assistance

When a couple have their first baby, they commonly experience the loss of the mother's income as she devotes herself to breastfeeding and bonding with their baby - so important for the child's later development. Subsequent babies commonly extend the period when the mother is not in the paid workforce. Several options have been implemented or proposed for helping parents in these situations.

Option A: Baby Bonus

In 2004 the Howard government gave all Australian mothers a Baby Bonus for babies born after 1 July that year – initially $3000, increasing each year. Its value in 2010 of almost $5200 is equivalent to nearly 10 weeks' pay at the minimum wage, and represents a form of "paid parental leave" for all mothers. It not only gives them financial assistance at a time of greatly increased expenses, it also provides an emotional and psychological boost. The government sends parents an implied message: "Having a baby is a good thing!"

The federal treasurer Peter Costello put it more clearly, saying couples should aim for three rather than two children. "You should have one for the father, one for the mother and one for the country," he said during his budget speech on 11 May 2004. "If you want to fix the ageing demographic, that's what you do."[13]

Australians took him at his word. The TFR rose from 1.75 in 2003 to 1.97 in 2008 – the highest it has been in three decades.[14]

Researchers at the Melbourne Institute of Applied Economic and Social Research concluded that the Baby Bonus led to a birth rate increase of some three per cent.[15]

The Baby Bonus had a stronger effect on second and subsequent births. Since it is paid to parents of all babies, the Baby Bonus helps couples with an at-home parent caring for one child to have a second child - and those with more than one child to have another. This is particularly helpful for raising Australia's fertility rate.

However there are problems - indicated by media reports of unmarried teenage girls who have had babies in order to acquire the Baby Bonus – which they and their boyfriends then use to gamble or buy plasma TVs, cars, drugs or alcohol.

A blogger on the *Sydney Morning Herald* website said: "When I had kids, no baby bonus, I had to work – and work hard. I have now watched my kids, and their friends, waste the baby bonus on rubbish. The babies get nothing. These kids think the baby bonus is for them to buy a car, have a beer, put in the pokies… There are some good people, but many are wasting it."[16]

A blogger on another website said on 22 June 2006: "Did anyone see *Today Tonight* tonight? A 14 year old girl on there admitted to having a baby just to get the baby bonus! … I find this offensive that they are using taxpayers' money like this."[17]

The government has acknowledged this problem. Since 2009 the Baby Bonus has been changed from a lump sum to a lower amount each fortnight for six months, making it more likely the grant will be spent on the baby rather than luxury items.

Option B: Paid Parental Leave

In 2009 the Rudd government announced that from 2011 it would treat waged mothers more favourably than unwaged mothers. Unwaged mums would still receive the Baby Bonus, equivalent to nearly 10 weeks minimum wage. However, waged mothers would receive 18 weeks pay at the minimum wage - subject to being in paid work for at least 10 of the 13 months before the birth. After tax, this would be worth about $2,000 more than the Baby Bonus.[18]

On 8 March 2010, federal opposition leader Tony Abbott announced a policy

favouring waged mothers that would increase the inequity between waged and unwaged mothers. While unwaged mothers would continue to receive the Baby Bonus, waged mothers would receive their full salary before the birth, for 26 weeks up to a maximum of $75,000. In other words, they would receive up to 15 times the Baby Bonus! [19]

Under both these schemes, women who have been retrenched, studying, unable to find paid work, or caring for their older children before the birth, would miss out.

Both proposals are inequitable, with the Abbott proposal being far more inequitable than that of the Rudd government. They are especially unfair to women who would miss out because they stay home, giving up their whole salary for several years to provide optimal care for their families.

A nationwide Galaxy poll commissioned by the Australian Family Association in late March 2010 found that 64 per cent of Australians wanted taxpayer-funded parental leave to be paid equally to all mothers, whether or not they are in the paid workforce. Only 30 per cent disagreed.[20]

Tempe Harvey of Kids First Australia said: "Let's face it – all mums work, but not all mums are paid for what they do. Parenting payments should not discriminate on that basis."[21] Mrs Harvey is calling for equal parenting support for all mothers.

Does paid leave increase fertility?

Paid parental leave can be merely a private benefit, offered by some employers in order to attract and hold female staff.

Paid parental leave may also be promoted as a government measure to increase fertility. However there is little evidence that it achieves this objective.

Gauthier and Hatzius, using data for 22 industrialised countries, have shown that while family allowances have a positive and significant effect on fertility, maternity leave benefits have no significant effect.[22]

Austria seems to have achieved a fertility rate increase of four per cent by extending generous paid parental leave from 12 months to 24 months, and allowing automatic renewal for a second or subsequent child.[23] However Australian proposals have not been as generous as this.

The Productivity Commission's 2009 report proposed a government-funded scheme for 18 weeks paid parental leave, but said it would not significantly increase fertility rates.[24]

The long daycare problem

Paid parental leave increases the likelihood that many children born to workforce women will be placed in long daycare when less than two or three years old. These babies are more likely to suffer behavioural problems when they reach school age.

Jay Belsky has reported the main findings from the NICHD Study of Early Child Care in America, in which over 1200 children from 10 communities were followed from birth through to starting school:[25]

Critics of earlier research had suggested the problem of day care was all to do with poor quality, but the new study found that even when controlling for the quality of care, the quantity of day care still mattered. Children who spent early, extensive and continuous time in the care of non-relatives were more likely to show later behavioural problems, such as aggressiveness and disobedience, as indicated by ratings from their caregivers, their mothers and eventually their teachers.

The type of care mattered too. The study found children who spent more time in a child care centre (as opposed to in another person's home with a non-relative, or in a home with a relative other than their mother) tended to show benefits in terms of their cognitive and linguistic development, but to also show more behavioural problems, being more aggressive and disobedient.

Finally, and not surprisingly, the quality of care was also found to be relevant, in terms of how attentive and responsive carers were, and how stimulating the care environment was. Low quality care was particularly detrimental to the children of mothers who lacked sensitivity. High quality care on the other hand was associated with later superior cognitive-linguistic functioning.

Given these results, and similar findings from British studies such as the EPPE Study,[26] Belsky concluded that parents should be discouraged from putting their children into long day care - by expanding parental leave and reducing tax incentives that encourage parents to leave their children in the care of other people.[27]

British childcare researcher Penelope Leach noted:

It is fairly clear from data from different parts of the world that the less time children spend in group care before three years, the better. Infants spending as little as 12 hours a week in day nurseries – this is such a low threshold that it covers almost all infants in this childcare setting – showed slightly lower levels of social development and emotional regulation (less enthusiastic cooperation, concentration, social engagement and initiative) as toddlers.

The tendency of government policy for more day-nursery provision to the exclusion of other types of childcare is extremely short-sighted; it's easier for an infant to catch up on cognitive skills later on, but they can't catch up on insecure attachment. The trend towards more day nurseries is out of kilter with what the research is finding.[28]

Thus parental care, usually by a mother who stays out of the paid workforce, is generally superior to daycare and other childcare options. Governments should encourage mums to stay home with their babies for at least the first three years of their lives. Current paid parental leave proposals do not achieve this.

Early childhood assistance

During a child's pre-school years, parents face the question of whether to provide home care – usually by the mother – or care by a relative, friend or daycare centre while both parents are employed.

Since 1972 the federal government has paid significant subsidies for families who place their young children in institutional child care. For home carers, the Family Tax Benefit B provides some financial help for families with one breadwinner. However, the system is inequitable, since the subsidy for institutional care far exceeds the benefit for home care.

Total funding for child daycare in 2011-12 was expected to exceed $3.6 billion with an average of over $6,000 per year being given to 600,000 families using institutional child care.[29] By contrast, an average of just $3,000 each was expected to be given in tax benefits to the 1,400,000 families not relying on institutional child care.[30]

In light of evidence of adverse outcomes from daycare for under three year olds and the high cost of quality daycare for babies and toddlers, government financial support for institutional care for children under three should be withdrawn. The savings could be directed to all parents via tax rebates or universal childcare payments.

Parents could use this financial support for living expenses while they care for their own children, or to pay for daycare – without any implied government endorsement for a practice which may harm their children.

Later childhood assistance

During some 18 years of childhood, when parents are raising their children, significant expenses are incurred. The Family Tax Benefit A is provided to help families with the cost of raising their children. Low income families receive the greatest benefit, with the amount being gradually reduced as the family income increases.

In 2002 Barry Maley proposed a universal parenting payment in the form of a tax credit or cash allowance of $4000 per annum to replace all "*other allowances, subsidies, or tax breaks for children, including child care subsidies or allowances.*"

If policy is to be fair to all children and families, without privilege or discrimination, and the same for families where mothers are employed as for families where mothers are not employed, the obvious way of achieving this is to establish a tax credit or cash allowance of equal value for all dependent children.

A tax credit, rather than a welfare handout, is important in not discouraging work effort for higher income, and in allowing people to keep more of what they have earned, rather than to see themselves as government supplicants.[31]

Another option is family unit taxation. The current system assesses tax on the basis of individual incomes – as if people didn't live in families. Family unit taxation would

be much fairer, treating each family as a single taxable unit, and taking into account the number of people – including children – dependent on the total family income.

A family consisting of husband and wife and their children would then pay significantly less tax than a single person with no dependents and the same income.

Support for marriage

It is no coincidence that fertility rates go down when divorce and cohabiting rates go up. Few women choose to have children if they are not confident their partner will support the family over the long haul. The human child – unlike the young of some other animals – needs the care of adult humans for an extended period. The law says children become adults at 18, but many parents continue to support their children for some years after this point.

Children flourish best on a range of indicators (including educational outcomes, school misbehaviour, smoking, illegal drugs, and alcohol consumption, sexual activity and teen pregnancy, illegal activities and psychological outcomes) when they are raised by a mother and a father in a publicly committed, lifelong relationship.[32]

But during recent decades, marriage rates have fallen dramatically. While the *Marriage Act 1961* affirms that marriage is "*the union of a man and a woman to the exclusion of all others, voluntarily entered into for life*", the provision of no-fault unilateral divorce through the *Family Law Act 1975* has removed legal support for the lifelong marriage covenant. Later anti-discrimination and other laws have treated marriage as no different from cohabitation.

Barry Maley argues that this erosion of the status of marriage has had a profound effect on the willingness of men and women to marry and found a family.[33]

Restoring respect for marriage could improve Australia's fertility rate and enhance the social responsibility and productivity of future citizens. The federal government could lead the way by amending the Family Law Act to protect the marriage covenant, and repealing anti-discrimination and other laws that reduce the status of marriage to mere cohabitation.

Conclusion

For Australia to maintain a viable population, healthy economy and harmonious culture, the federal government needs to foster an economic and social environment in which married couples are confident enough in their future to have two or more children. A total fertility rate of about 2.1 is needed to maintain Australia's current population.

Government benefits provided to help families with the costs of bearing and raising children should respect the freedom of couples to make their own decisions about work/family balance. Funding for parents should embody equity. Baby benefits should be the same for waged and unwaged mothers. Early childhood benefits should be the same whether used for home care or institutional child care.

To ensure equity, family benefits should be provided directly to parents, not indirectly for example through subsidies to child care centres. Preference should be given to paying family benefits as tax relief rather than as welfare benefits. The current complex range of benefits could be replaced by a single universal payment or family unit taxation.

Above all, the federal government should respect and promote marriage as the lifelong committed union of a man and a woman – fostering a culture where men and women have the confidence needed to raise the next generation of Australians.

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