

## What the baby bonus boost looks like across ten years

Written by The Conversation

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The baby bonus did its job, encouraging people to have more children at a time when fertility rates were low, our research finds. [Given Australian men and women desire 1.5 more children than they actually have](#), it might be time to consider policies like this again.

Fertility rates have fallen from 2.02 babies per woman in 2008 to 1.81 in 2015. At the same time, mortality rates have declined. All this means the proportion of people in Australia who are of working age is decreasing.

Since 1976, the average number of babies born to a woman throughout her reproductive lifetime in Australia hasn't been enough to maintain current population. In 2001 the total fertility rate sank to 1.74 and in July that year the first child tax refund was introduced.

This initial policy was considered ineffective and in May 2004 the Australian government announced a new maternity payment, a universal cash payment - later known as the baby bonus, offering parents A\$3,000 on the birth of a child.

[This amount was subsequently increased](#) in July 2006 and July 2008 to A\$4,000 and A\$5,000 respectively. However, the payment was eventually reduced to A\$3,000 for a second or more birth July 2013 and finally, it was removed altogether in 2014.

Although the baby bonus was not explicitly a policy to encourage people to have kids, the introduction of the policy was accompanied by the often quoted rhetoric by then Treasurer, Peter Costello:

One for mum, one for dad and one for the country.

The payment seemed to affirm that Australian society valued children and bigger families and that there was a need to reduce the financial barriers for those wanting to start or expand their

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family.

Using data on all Victorian births from 1983 to 2014, our study considered whether the baby bonus has had a sustained effect on the fertility rate over the policy's 10 year history. We attempted to disentangle the effects of the policy from the impact of other economic influences and underlying demographic trends on fertility.

Other research has identified [short term timing effects on births](#) from the policy and moderate increases in [childbearing intentions](#) as a result of its introduction. But we found a significant increase in birth rates commencing ten months following the announcement of the baby bonus. And this increase appears to be sustained over the policy's lifetime.

We conservatively estimate 24,000 additional births were associated with the baby bonus policy. Acknowledging that economic conditions can affect families' decision to have children, we controlled for fluctuations in labour market conditions and economic expectations. We also analysed whether there was any differences in our results by age or the number of children the parents already had.

We found young women in particular increased the number of children they had relative to the prevailing trends of their age groups in number of children. This showed us that the fertility increase wasn't based solely on older women's decision to make up for lost time and have the children they had previously delayed having.

The increase in the rates of women having more than one child also suggests the policy encouraged families to expand. Our result accounts for a change in the timing of women having children as we measure only sustained increases in births which were not matched by a corresponding decline in later years.

It's not surprising that people respond to incentives, even for the highly personal decision of when to start a family and the size of that family. What is surprising is the strength of the response of women having children as a result of the study, relative to the lifetime costs of child, including housing.

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[The reasons this policy](#) gained traction with the public was due to it being simple, transparent, and not based on the working circumstances of parents. This simplicity, coupled with publicity on the policies introduction meant parents knew exactly what they were entitled to without complex calculations.

The baby bonus, by boosting fertility rates, will in turn affect long term population structures. However, the cost of the policy is another story.

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