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It's the Birth Rate, Stupid! Facing Up To Fertility

by Malcolm Turnbull
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All of the developed world, including Australia, is experiencing an historically unprecedented decline in fertility. Among developed nations, only the United States has a birth rate at or above the replacement rate of 2.1 children per woman. Ours, as you know, is about 1.75; the average in Europe is 1.4, in Japan a little less and many European countries (Italy, Spain, Greece for example) have birth rates of 1.2 or lower.

The consequence of these declining birth rates has been described as an "ageing population." That is a glib and slippery euphemism. A society (like many in Europe) with a birth rate of 1.2 is not "ageing". It is dying.

A stable population with a birth rate of 1.3 loses 1.5% of its population each year and within a century will reduce in size by 75%. This means, if current birth rates continue, in 100 years the descendants of the current inhabitants of Italy, Spain and Greece will number about 23% of their present day forebears.

Will the Italians of the 22nd century be like the 40,000 inhabitants of 15th century Rome who lived in the ruins of an Imperial city that had once housed more than a million.¹

Demography **is** destiny. Will Europe really be allowed to shrink in size, or will other more fertile societies and cultures take the place of the current inhabitants? Why should they not? After all, it has happened before.

In 746 AD not long after the Moorish conquest of Spain Abd al-Rahman I commenced the great Mosque in Cordoba on the site of a Christian church. In 1236 Cordoba was retaken by the Christians and the mosque in due course became a Christian church as it has remained ever since. Today, some of the highest birthrates are in Moslem countries; if they supply a large share of the replacement immigration Spain will need to maintain its workforce (assuming it can), will the great Cordoba mosque return again to Islam?

One thing is certain; if Europe maintains its low birth rates, its character will be quite unrecognizable within a hundred years, which in the sweep of human history is barely the blink of an eye.

America's global hegemony is in large measure a function of its large population. And it is population that will reinforce that hegemony. By 2040 it is estimated that the United States population will overtake that of Europe, potentially by more than a hundred million². It is further estimated³ that in 2050 the median⁴ age of Americans will be 36.2; in Europe it will be 52.7 At the moment the median ages are 35.5 for America and 37.7 in Europe.

¹ Christopher Hibbert "Rome, Biography of a City" Viking 1985 at p. 53 and 92

² "Half a Billion Americans?" The Economist 22 August, 2001

³ by Bill Frey, University of Michigan, cited in The Economist above.

⁴ The age at which half the population are younger and half older.

Because our birth rate is higher, the prospects for Australia appear to be less dramatic; but they remain very serious.

We have had a lot of discussion about an “ageing society”. This has been informed by the grim tidings of the Treasury’s “Intergenerational Report”. We live in a welfare state with extensive support for the aged. It was devised in days when fertility was higher and life expectancy shorter. Already the cost of supporting the aged is straining budgets. We look forward to the percentage of our population which is over 65 more than doubling (from 12 to 25%) within forty years. Our workforce will not be growing, indeed we will be lucky if it can maintain its absolute size over that period.

And so we have had a lot of very valuable discussion considering issues of intergenerational equity (will Gen X be prepared to pay higher taxes to support their ageing boomer parents), reductions in services for the aged (can we really countenance the cost of the PBS rising from 0.6% of GDP to 3.4% of GDP) and extending the working life of older Australians and at the same time postponing pension benefits.

Many people ask, quite soberly, whether the West is dying out? As we have seen, at this stage, the answer must be for many parts of the world, an unequivocal YES, qualified only by the proviso “subject to current trends continuing”. Europe’s population is expected to drop by nearly 20% by 2050.

This is a scale of loss matched only by the Black Death in the 14th Century. As one writer observes “With a plague like the Black Death maybe a third of Europe died, but it took the elderly as well as the young... But this plunging fertility takes only the young. A couple still has parents and grandparents to support, directly or through their taxes. Since they’ve got fewer or no

siblings to share that burden, having children seems even more unaffordable. So how do you dig your way out of a hole like a shrinking population.”⁵

I know that most population debate in Australia has focused on immigration. To some extent a faith in immigration as the answer to our problems is hardwired into our psyche; it is certainly part of our national anthem⁶.

Only yesterday in response to a speech from Peter Costello which referred to the ageing population, a business leader said “we need more young migrants”. He did not say “we need more children”.

All of us recognize the importance of immigration in nation building. I believe our current skills focussed immigration programme has served us well, but I also believe that we have to stop treating Fertility like the ghost at the demographers’ feast or (with apologies to John Howard) barbeque.

The truth is that our population problems, and those of other developed nations, are a result of low fertility. Those consequences simply cannot practically be averted by immigration unless fertility is closer to replacement level.

Immigration has been at the centre of our national debate all of this century. But we should refocus our attention on the more important factor in this equation; fertility. Or as, I have titled this paper, “It’s the Birth Rate, Stupid.”

To that end I believe that Australians should pursue some clear national goals in the field of family policy: These include:

⁵ Jacqueline Kuzun “War Against Population” quoted in Patrick J Buchanan “The Death of the West” 2002

⁶ “For those who've come across the seas

We've boundless plains to share.”

- Generally, the promotion of pro-natalist policies designed to ensure that, ideally, our birth rate increases closer to replacement level (2.1) or at least does not decline any further;
- the recognition that “children are a social good and not merely a private, optional pleasure⁷.” We all have an interest in each other’s children and nobody more so than the childless.
- The recognition that women and their families’ desire to exercise their human right to have children is being restricted and in many cases denied by the failure of the world of work (mostly ruled by men) to recognize that women are not identical to men, but are, uniquely, able to bear children and should be given every encouragement to do so, as those children, their health and education are a vital national interest.
- The recognition that a higher birth rate requires us to ***ENHANCE***⁸ rather than restrict the choices of women and that it is desirable for women to be able, if they wish, to fulfill two goals: childbearing and a career; and that our society’s ***survival*** depends on making it possible for them to do both.
- The recognition that there is nothing any of us are likely to do which is more important for the future of this nation than to bear and raise children. Motherhood and fatherhood have been greatly devalued, and this has occurred, as we can see, at our great cost.

⁷ Peter McDonald “Low Fertility: Unifying the theory and the demography” Paper prepared for Session 73, Future of Fertility in Low Fertility Countries, Meeting of National Population Association of America Atlanta 9-11 May 2002

⁸ emphasis added for the benefit of Ann Summers and other critics who have not had time to read what I have actually said as opposed to summaries in the media.

- The recognition that the dramatic decline in marriage and increase in divorce has had profoundly damaging effects on our society and that we should take steps to promote the traditional married family with a view to increasing the number of marriages and decreasing the number of divorces.
- In summary, the recognition that our nation would be stronger and our future more secure, if there were more children, more people were married, fewer were divorced and, as a corollary, more children grew up with both their biological parents.

These goals require long term thinking; a commodity in short supply when immediate events are so pressing. Many people will say “There’s nothing we can do about fertility.” That is as irresponsible a reaction as saying we can do nothing about terrorism, or salinity. If we do not plan for the long term not only will we be, as Keynes cynically observed, dead in the long run but so will the societies and civilizations we have inherited.

It is always easier to deal with the task immediately at hand; to think short term. But none of us: business, governments, families can afford to keep thinking short term and saying “Not on my watch.” Twenty years goes in a blink of an eye, a century is just a blip in the history of the West; yet it is in that timeframe that the destiny, the survival of our civilization, will be determined.

We have to recognize that over the last thirty or forty years there have been immense changes in the nature of our society. The most significant and beneficial of them of course has been the achievement of equal rights to education and work by women.

However some of these changes have been profoundly bad. During this period:

- the birth rate has halved⁹,
- the divorce rate has risen to the point that half of all marriages will end in divorce¹⁰,
- from having one child in ten reared in a home without both natural parents, we now have a situation where a million children (about one in four) are reared without one of their natural parents (almost invariably the father)¹¹
- the percentage of ex-nuptial births increased from 5% to nearly 30%¹²;
- juvenile (essentially young male) crime has increased tenfold in less than twenty years.¹³

These are massive changes and their impact on our society, and on its fertility is continuing.

There is nothing more natural, nothing more human, than the creation of new life when a man and a woman come together in marriage and create a family. That human right has never been more challenged.

At the peak of our technological achievement the Western world appears to have lost the will to reproduce itself. Many great cultures, Italy, Spain, Greece, Japan, Russia (to name but five) could become functionally extinct within a century.

⁹ ABS, Australian Social Trends 2002 TFR was 3.6 in 1961, 1.75 in 2000

¹⁰ indeed in 2001 there were 103,000 marriages and 55,000 divorces (ABS)

¹¹ Jennifer Buckingham "Boy Troubles" CIS 2000 at p. 72

¹² ABS, Australian Social Trends 2002

¹³ Jennifer Buckingham op.cit

The gravest threat to Western society over this century is therefore neither global warming nor international terrorism. Rather it is the unprecedented, sustained decline in the birth rate in almost all developed countries to levels that are well below replacement rate.

Those aged 60+ represent 10% of the world's population today, those aged 14 and below 31%. In 2050, the UN estimates the 0-14 age group will be 20% of the population and the 60+ group will more than double to 22%.¹⁴

This so-called "ageing" phenomenon is particularly evident in all developed countries. The UN estimates that in developed countries overall by 2050 there will be twice as many people over 60 (33%) as there will be under 15 (16%)¹⁵. It is present, but to a lesser extent in the United States where the total fertility rate¹⁶ is 2.12, or replacement level¹⁷. In Australia it is, as of 2002, 1.75. It is important to note that even if our fertility rate had stayed at 2.1 we would still have an ageing problem because the bulge of baby boomers created when our mothers were having over three children each (on average) moves its way through the age cycle. A below

¹⁴ United Nations World Population Prospects the 2000 Revision. (UN 2000)

¹⁵ *ibid*

¹⁶ The total fertility rate is the sum of age-specific fertility rates (live births at each age of mother per 1000 female population of that age). It represents the number of children a woman would bear over her lifetime if she experienced current age-specific fertility rates at each age of her reproductive life.

¹⁷ The United States birthrate is influenced by the fecundity of the Hispanics. In 2001 the TFR for:

Non-Hispanic Whites was 1.867

Asians or Pacific Islanders 2.03

Blacks 2.1112, and

Hispanics 3.156 (an increase).

Of the 4 million babies born in America in 2001, 2.3 million were born to non-Hispanic whites, 604,000 to Blacks and 849,000 to Hispanics. (Source: National Vital Statistics Report June 6, 2002, Vol 50 N0. 10 US Department of Health & Human Services.

replacement fertility rate, however, just ensures that the ageing problem is perpetual (until the population becomes extinct)¹⁸.

Within the lifetime of most Australians living today, the proportion of our population aged over 65 is going to rise from 12% to nearly 25% in 2042. Our working age population will decline from around 67% to about 60%.

As the Treasury's Intergenerational Report¹⁹ demonstrates, these trends, over the long term, mean that we can expect that it will be difficult to maintain social welfare levels in the future without significant increases in taxation. In all likelihood we could reasonably expect lower levels of welfare and higher taxes. Within 40 years the Treasury estimates Commonwealth expenditures will need to absorb an additional 5% of GDP or \$87 billion in today's dollars.

That is a very substantial sum. Total Commonwealth Government revenues in 2002/03 are estimated to be \$170 billion or 22.6% of GDP. Assuming this was not deficit financed an additional 5% of GDP would require the Commonwealth to increase its total revenues by fifty percent. As Peter Costello said in Sydney yesterday, this could mean, for example, increasing GST to 22% or perhaps a doubling of income tax.

These massive forecast increases in spending on the aged are largely in the area of health and that largely in the area of pharmaceutical benefits which as I noted will rise from 0.6% of GDP today to 3.4% in 2042.

¹⁸A major factor is the difference between the TFR during the boomer years and more recently. When Australian women were having 3 plus children in the 1950s, the Koreans were having 5 plus children. Hence their baby boomer bulge is considerably bigger (relatively) than Australia's; and as a result their ageing problem more severe.

¹⁹Intergenerational Report. 2002-2003 Budget Paper No. 5 (Cwth of Australia)

(It is worth noting that in the current budget year pharmaceutical benefits will absorb \$5.8 billion of Commonwealth revenues while, Higher Education, for example will absorb \$4.3 billion.²⁰)

It is also important to note that these projections, while soundly based, have some quite optimistic assumptions including: fertility declines to 1.6 (whereas European experience suggests it could fall much lower²¹), net migration remains at around 90,000 a year and productivity continues to increase but at a lower rate (1.5% vs 2.0% p.a). An equally defensible but bleaker scenario could be painted by assuming lower fertility, less net migration (especially of skilled migrants) and more mundane productivity growth.

Another observation: be wary of those who claim that the increase in the aged is offset by a decline in the young. While young people are “dependent”, unlike the aged they are largely paid for by their parents. We accept responsibility for supporting, clothing and feeding (if not educating) our children, but at least nowadays we expect the community at large to support our aged parents.

A further observation: while there is potential for ameliorating the problem by increasing the labor force participation by people over 65 we need to recognize its limitations; the labor force participation of males aged 55-59 at 72.4% is about the same as for the population at large. For males aged 60-64, however, it drops to 46.9%. and has fallen from 50.6% in 1991.²²

²⁰ Commonwealth Budget Papers, 2003-2004

²¹ 2001 TFRs: EU 1.47; Germany 1.29; Greece 1.29; France 1.9; UK 1.63; Italy 1.24; Spain 1.25. Source Eurostat Statistics in Focus 2002

²² Australian Social Trends 2002, Australian Bureau of Statistics p. 126. The figures for women are LFP 55-59 is 46.9%; 60-64 is 21.5%

Australians work longer than in Europe (where early retirement programmes were introduced to alleviate unemployment) but not as long as the Americans.²³ Persuading sixty year olds that their retirement (and pension entitlements) are going to be postponed (even further) may be even harder (and certainly more politically sensitive) than persuading twenty something women to breed! Nonetheless increasing working life is likely to promote both economic and physical health. However, it must be recognized it has limitations and will be particularly challenging for those in less skilled occupations.

This decline in the birthrate is obviously a profoundly undesirable phenomenon. Some countries (Japan, Italy and Spain in particular) face the prospect of national bankruptcy.

Consider Japan for a moment whose fertility rate is 1.4. You will recall that in 2042 the Treasury estimates our over 65s will be 25% of our population; in Japan it is forecast to be 33%, with 42.3% over 60.²⁴ The Japanese population will start to decline in absolute terms eighteen months from now. Italy faces a similar prospect; its fertility rate is even lower than Japan's at 1.2.

The prospect of Japan (the world's third largest economy) is worth a little more reflection. According to the latest Japanese Government projections²⁵ in 2050 not only will the Japanese population have dropped by 15% or 26 million, but the ratio of people of working age (defined as 15-64) to those aged over 64 will be 67%, in other words instead of there being 3.9 workers

²³ In the US labor force participation (2000) of men 55-64 is 59.2% and women 39.8%: source Monthly Labor Review Nov. 2001 "Labor force projections to 2010" by Howard Fullerton and Mitra Toosi

²⁴ UN 2000

²⁵ Population Projects for Japan January 2002, National Institute for Population and Social Security Research

per aged person as there is today in Japan, in 2050 there will be only 1.5 workers. The overall dependency ratio (including both children and the aged) will be 87%, so that there will be only 1.2 people of working age for each person either under 15 or over 64

Japan's pension system is almost in collapse. The NPV of Japan's unfunded (pay as you go) pension liabilities today represent more than 100% of Japan's GDP. At the moment there are nearly 3 pension contributors to every one beneficiary. In 2050 there will be 1 beneficiary for every contributor.²⁶

It is worth noting that Japan is not alone; Korea now has a birthrate of 1.17, lower than Italy or Spain and given that its birth rate was 5 or more until the 1970s, the ageing crisis in that country will be particularly severe. The birthrate is below replacement level in Singapore and among the Chinese population stands at 1.3, lower than Japan.

The UN in its latest base case (medium variant) population projections estimates that a number of developed countries will lose substantial proportions of their populations over the next fifty years: Russia -28%, Ukraine -40%, Germany -14%, Japan -14%, Italy -25%, Spain -21% and Greece -15%. The over 60s element in the population will be, in some countries almost as big as the population 15-60. In 2050 in Japan and Italy the over 60s are estimated to constitute 42.3%, in Germany 38%, in Australia 28% and in the United States 27%.²⁷ These projections are, like all projections, only as good as their assumptions. It is worth noting therefore that even in the countries with the most dramatic forecast drops in

²⁶ Presentation by Kenneth S. Courtis, Vice Chairman Asia, Goldman Sachs "Japan's Pension System" May-June 2001

²⁷ *ibid*

population, the UN is assuming significant increases in fertility over the period. Italy from 1.2 now to 1.6; Japan from 1.4 to 1.75, Germany from 1.3 to 1.6, Spain from 1.16 to 1.64. If the current rates of low fertility persisted rather than rose, then the demographic consequences would be even more severe.

Each of Japan and Italy are facing this massive increased demand for social welfare and health expenditure with an already bloated level of government debt. Currently both countries are running large levels of government debt as a percentage of GDP: Japan admits to 113%, Italy to 110%. It is widely accepted the Japanese figure is significantly understated²⁸.

Australia on the other hand has since 1996 reduced Commonwealth government debt to less than 5% of GDP. As a result of good management, we have a great deal more fiscal flexibility than almost all other developed nations.

It would be a remarkable irony indeed if at the peak of our prosperity and technological achievement, the human race (or at least the more developed parts of it) lost the will to reproduce itself. That appears however to be the case.

Obviously the decline in fertility is directly connected to the transformation in the role of women in all developed societies. The ability to control conception, equal education and access to employment have both given women the means to prevent pregnancy but raised the opportunity cost of being pregnant especially in societies which fail to recognize that society as a whole benefits from women being able to work (if they wish) and have children.

²⁸ Goldman Sachs' economist Ken Courtis estimates the true figure to be 150%

In most countries, including Australia, the more educated a woman the less children she is likely to have²⁹. Nowadays affluent women also tend to have fewer children, although that may be a function of education (and hence opportunity cost.) However, once again the statistics baffle. In Sweden and Norway, this is not the case and there is a correlation between education and second and third births.³⁰

But generally, I think it is fair to summarise the problem in this way:

The availability of contraception and the relaxation of moral taboos means that it is no longer necessary to be married to have sex safely or indeed to cohabit. Longer periods in education and the need to establish oneself in a career (for both sexes) has meant that marriage is postponed and so is the birth of the first child (to 30). The decline in marriage and increase in divorce makes the family environment less secure for would-be mothers and increased mobility in the modern work place with less job security makes the world of work appear less secure. Because most women want to be involved in the workforce and because very few workplaces offer real flexibility (flexible hours, child care etc) to encourage mothers to work there (as opposed to childless women), the pressures to have no or just one child are very powerful.

It is also clear that even in countries with very low fertility rates (like Spain and Italy) women express a desire to have, on average, more than two children. Yet they are clearly not realizing their aspiration. If you believe that the right to procreate is the most basic human right, as I am sure it is, then these women are being denied that right.

²⁹ Indeed 20% of women 45-49 with tertiary qualifications were childless in the 1996 Census vs 10% for women without a post-school qualification. See ABS Australian Social Trends 2002 at p.39

³⁰ See Oystein Kravdal, Demographic Research Vol. 5, Article 6 11 December 2001

Peter McDonald, who heads the Demography Program at the ANU³¹ has argued in many places³² that there is a subtle combination of social and cultural factors operating in which there is essentially a failure of both society at large, husbands and employers to recognize the difficulties of balancing commitments to family and work.

He uses this to explain one of the more intriguing demographic puzzles. Why is it that the lowest birthrates in the EC are to be found in Catholic or Orthodox, baby-adoring Italy, Spain and Greece? McDonald argues that in these countries the traditional male breadwinner culture has simply not adjusted to the new social reality which requires men to share family responsibilities and workplaces to provide flexible conditions for women with children. He notes that one of the reasons Melbourne's fertility rate is significantly lower than that of Sydney is because the large Italian and Greek communities there enjoy similarly low birthrates to those in Italy and Greece.

Professor McDonald writes:

*“I have argued that very low fertility (1.5 or less) in most instances is characteristic of countries or societies.....where women are treated as autonomous individuals in the education system and in the labor market but as inferior beings in other social institutions founded on a male-dominated family system, some women will opt to be less family-oriented than they otherwise would have been. It is in these circumstances that we can predict very low fertility as the outcome.”*³³

³¹ Professor McDonald is the head of the Demography and Sociology Program in the Research School of Social Sciences of the Australian National University. He is also co-director of the Australian Centre for Population Research.

³² For example see Caldwell, Caldwell and McDonald “Policy Responses to Low Fertility and its Consequences” Journal of Population Research Vol 19, No. 1, 2002 Caldwell, Caldwell, McDonald 2002

³³ Peter McDonald, op cit “Low Fertility: uniting the theory and the demography” (emphasis added)

The thoroughly Protestant Scandinavians, on the other hand, have experienced the highest birthrates in Europe. McDonald contends this is due to the extensive programmes of Government support for paid maternity and paternity leave, part-time work, child support and generally a culture that does not regard the care of children and the home as being solely the responsibility of women.

McDonald proposes “The problems can be mitigated by government intervention to provide free or inexpensive child care facilities and facilitate temporary movements out of the workforce, and by a major participation in domestic tasks by husbands.”³⁴

Common sense would suggest that a contributing factor to fertility decline is the rise in divorce and the decline in marriage. Women, one would suppose, are less likely to conceive if they are uncertain of the security of their relationship. Yet in the United States with a high divorce rate and a high percentage of extra-marital births there is a relatively high birth rate.³⁵ In Japan, Italy and Spain with a very low divorce rate and few extra-marital births we see a much lower birth rate.

I mentioned at the outset the increased insecurity of marriage and other associated momentous changes to the family in our society. These changes are, however, relatively recent and it will be a long time before all of the consequences can be assessed. However if marriage is more precarious, and perceived as such, it is certainly not an environment conducive to fertility.

A certain contributor to the decline in fertility is the postponement of marriage and the birth of the first child (median age of first mothers is now

³⁴ *ibid* p. 14

³⁵ although this is partly due to the high rate of unmarried teen age pregnancy

30)³⁶. If you have your first child in your early 30s you are unlikely to become a mother of four, even if you want to be. Only 12% of women born in 1960 have four or more children compared to 33% for those born in 1930³⁷. Another obvious factor is that the longer pregnancy is delayed, the further a woman advances in her career and, absent deliberately pro-natal workplace policies, the higher the opportunity cost of her taking time off work to have a child.

The amount of spending on family benefits and services (like child care) has a poor correlation with fertility with some high spending countries (Austria for example) having low fertility and low spending countries (United States³⁸) having higher fertility. There is today, and has been all this century, a higher correlation with general economic conditions; declines in fertility are associated with a weak economy.³⁹

Indeed, consistent with my earlier remarks about the need for workplace flexibility, one common feature of the higher birth rate English speaking countries is relatively wider availability of quality part time employment for women.⁴⁰

³⁶ ABS Births 2000

³⁷ Work & Family Fact Sheets July 2002, Minister for Family & Community Services (citing ABS Births 1998).

³⁸ Note in the US, the largest provider of childcare (other than the mother) are grandparents: "Among the nation's 19.6 million preschoolers, grandparents took care of 21 percent, the report said. About 17 percent were cared for by their father (while their mother was employed or in school); 12 percent were in day-care centers; 9 percent were cared for by other relatives; 7 percent were cared for by a family day-care provider in their home; and 6 percent received care in nursery schools or preschools. More than one-third of preschoolers (7.2 million) had no regular child-care arrangement and presumably were under maternal care." US Bureau of Census August 1 2002

³⁹ *ibid.*

⁴⁰ Lucy Sullivan "The Influence of Income Equity on the Total Fertility Rate" published by the Menzies Research Centre, 20 November 2003. Download at www.mrcItrd.org.au

In short, this is an issue with very complex economic, cultural and social causes. Simplistic “throwing money” at the problem is most unlikely to be of long term assistance.

A key participant, albeit by proxy, in the Australian debate is Catherine Hakim whose book “Work-Lifestyle Choices in the 21st Century” has had a considerable influence on the Prime Minister and in the minds of some represents an antithetical viewpoint to that of Professor McDonald.⁴¹ Hakim, simply (some would say simplistically) divides women into committed careerists, committed homemakers and “the others” an adaptive middle mixing both work and home. I am not sure how useful these categories are, especially as she concedes women move between them and the bulk of women are in the adaptive middle.

As a general principle however I believe a good litmus test to apply to the various family policies on offer is to ask the question: is this initiative worthwhile in and of itself? Is it equitable in the sense that it assists women in a wide variety of situations? Does it improve choice, or to use a trendy word, does it empower rather than disempower. If the initiative meets those tests, then it is a question of weighing its costs both as against other similarly directed initiatives and as against other budgetary priorities.

One thing is clear, and Catherine Hakim’s work⁴² reinforces this point: there is a vast diversity in women’s choices about work and family. One size does not fit all and additional public support for families must, as far as possible, be seen to support women with children without favouring those at home or in work or, as is the case with a majority, somewhere in between.

⁴¹ see Anne Manne “Womens Preferences, Fertility and Family Policy, the case for diversity.” *People & Place* vol 9, n. 4 2001

⁴² Catherine Hakim “Work Lifestyle Choices in the 21st Century: Preference Theory” OUP 2000

As this issue of work/family balance becomes more focused, it is clearer and clearer that more attention must be given to workplace flexibility. Women of the 21st Century want to be able to combine work and family. As many researchers warn, however, and experience from less flexible cultures in Europe suggest, if they are not able to choose family and work, it will be employment in many cases that will win out.⁴³

I remain convinced that we should seriously consider replacing what is a fairly complex system of child and child care support with a single payment to each mother per child. In principle is there any reason why the State should spend differential amounts in respect of a child based on whether the mother of that child works full-time, part-time or cares for the child at home? It is worth noting that the European country with the most current success in reversing the decline in fertility is France where a programme supporting child care in the home have been implemented as well as cash support for the second and subsequent children. On the other hand France does not perform well in terms of workplace flexibility. They spend about 3.0% of GDP on family support (vs our 1.9%) but they have many fewer part time jobs.⁴⁴

There are a number of other areas where we can usefully promote positive social values which may have an impact on fertility but, in any event, are worth doing in and of themselves.

- We must change our work culture to make it genuinely supportive of parents with responsibilities for children. In Sweden parents have a

⁴³ Bryson, Strazzari and Brown, 1999

⁴⁴ see Appendix A

legal right to work at an 80% level (with 80% pay of course). I imagine Australians would take a lot of convincing to support any mandatory scheme of that kind, but certainly we should promote the wider availability of permanent part time work opportunities. You do not need to be a social scientist to recognize that while women may have broken through the glass ceiling it is all too often with the tacit proviso that they leave their children behind.

- One possible way of encouraging better workplace flexibility would be to require employer companies to publish in their annual report details of what if any measures they have taken to promote a pro-family workplace. This would be done in the same way companies currently disclose, for example, their corporate governance arrangements. Employers would be free to say “We have done nothing.” if they wish, but I imagine an initiative of this kind would result in most businesses thinking about the issue and trying to improve their employment practices. Business leaders who are fond of calling on the government to increase immigration, may usefully focus on making their workplaces family friendlier and in that way, make a positive contribution to population growth.

- We have noted the depressing fact that at present the more educated a woman the less likely she is to have children. James Franklin and Sarah Chee Tueno of this University have argued that graduates should be given positive encouragements to have children; the forgiveness of their HECS debt. They write: “HECS debt is premised on the ability of graduates to make money. If graduates give up

financial prospects to do something else that is for the long-term good of the community, the premise on which they are charged is no longer operative.”⁴⁵

- Women with higher and professional qualifications are, as we have seen, less likely to have children than those without. We should stop being obsessed with hang ups about “middle class welfare” and take pro-active steps to make it easier for our most skilled women to have the children every survey tells us they want to have, but experience shows too many of them have been denied.
- We should not be afraid to make the case for marriage. There is a very high correlation (higher than there is for race or poverty) in most of the research between the absence of the biological father and child poverty, juvenile crime and sexual abuse.⁴⁶
- We spend millions urging people to give up smoking, drive without drinking and lose weight. We spend billions supporting single parent families and the social consequences of family breakdown. But we do far too little to promote marriage and discourage divorce. The

⁴⁵ James Franklin and Sara Chee Tueno “Graduate and Childless” Quadrant July-August 2003 p.52 at 55

⁴⁶ see Barbara Defoe Whitehead “Dan Quayle was right” Atlantic Monthly June 1993; also “Thirty years of research suggests that the absence of the male parent is more likely to be the problem. The boys who are most at risk for juvenile delinquency and violence are boys who are *physically* separated from their fathers. The U.S. Bureau of the Census reports that in 1960 children living with their mother but not their father numbered 5.1 million; by 1996 the number was more than 16 million. As the phenomenon of fatherlessness has increased, so has violence. As far back as 1965 Senator Daniel Patrick Moynihan called attention to the social dangers of raising boys without benefit of a paternal presence. He wrote in a 1965 study for the Labor Department, “A community that allows a large number of young men to grow up in broken families, dominated by women, never acquiring any stable relationship to male authority, never acquiring any rational expectations about the future -- that community asks for and gets chaos.” Christina Hoff Summers “The War Against Boys” Atlantic Monthly May 2000

situation is similar in the United States⁴⁷ but changing; organized programmes of marriage education and support have already materially reduced the divorce rates in the areas in which they have operated⁴⁸. A recent, comprehensive survey (by social scientists from both sides of the political divide) concluded: “*Marriage is an important social good, associated with an impressively broad array of positive outcomes for children and adults alike.*”⁴⁹

- We know that children are in every respect better off if they are living with their biological parents, formally married (as opposed to cohabiting).⁵⁰ We know that there is a social cost (and not just in dollars) from marriage breakdown and single parenting. Should we not do more to promote the institution of marriage? Sex education in schools has taken on a new intensity in the context of AIDS. Yet we provide instruction about marriage, conception (as opposed to contraception) or divorce⁵¹.

⁴⁷ The Heritage Foundation estimates “ [US]...federal and state governments still spend about \$150 billion each year subsidizing single-parent families. This stands in stark contrast to the approximately \$150 million they spend each year in an effort to reduce out-of-wedlock births and divorce--the two principal causes of single-parent families in America.” See Encouraging Marriage and Discouraging Divorce by Patrick F. Fagan; Backgrounder #1421

⁴⁸ “Cities that have instituted a "marriage-savers" policy have seen their divorce rates drop over the past decade. Marriage Savers, a faith-based, non-denominational movement, has spread to over 180 cities across the country. Its presence is linked to decreased divorce rates citywide in 32 cities. Modesto, California, for example, has had a 47.6 percent drop in divorces, while its marriage rate has risen by 13.1 percent. Between 1995 and 1999, Kansas City, Kansas, and its suburbs saw divorces decrease by 44 percent on this program.” (Heritage Foundation, Candidates Briefing Book 2002) See also the very deliberate pro-marriage programme initiated in Oklahoma by Governor Keating; materials can be found at <http://www.governor.state.ok.us/marriageconf.htm>

⁴⁹ Doherty, Galston et al “Why Marriage Matters” 2002; Linda Waite, Maggie Gallagher “The Case for Marriage: Why Married People are Happier, Healthier and Better off Financially” Doubleday, NY 2000

⁵⁰ See Barry Maley “Family & Marriage in Australia” CIS 2001

⁵¹ There is considerable momentum in this direction in the United States. For example “In 1998, the governor of Florida signed the Marriage Preparation and Preservation Act, making the teaching of marriage skills a part of the high school curriculum. The act also encourages premarital preparation by reducing the

- No-fault divorce is here to stay (for good or ill), but should we not consider instituting more extensive marriage preparation and a different, less unilateral, approach to divorce when small children are involved?⁵² Or should not couples have the right, as they are able to do in some parts of the United States, to contract to a higher standard of marital commitment so that they voluntarily agree to make divorce harder?
- Unemployment and underemployment of breadwinners is, of course, devastating for families. Despite a strong economy unemployment remains high relative, for example, to the United States. There is a substantial body of evidence that our over-regulated workplace actively works against the interest of low income families because by raising the bar to employment, they make it harder for the less skilled to get a job at all.

The Howard Government has significantly increased the support for families via the various Family Tax Benefits, the Baby Bonus and Child Care.⁵³

However there remains a concern in many minds that the system of family support is too complex and, in some cases, inadequate. In contrast to Peter McDonald's focus on workplace and childcare, other economists (such as Lucy Sullivan and Barry Maley from the CIS) favour replacing all of the

marriage license fee by 50 percent for those who complete a marriage preparation course." Heritage Foundation Backgrounder No. 1421 March 26 2001

⁵² See American proposals along these lines discussed in "Why is it in the Government's Interest to Save Marriages?" by Michael J. McManus, Heritage Foundation WebMemo #80 (2002)

⁵³ The Family Tax Benefit alone increased family assistance by \$2 billion last year.

current support mechanisms with a single annual tax-free payment of \$4,000 per child,⁵⁴ Yesterday the Menzies Research Centre published a monograph by Lucy Sullivan in which she recommends the payment of a fortnightly “mother’s wage” to women with children under 5⁵⁵.

The critics of this type of policy argue that the cost of compensating the inevitable losers in such a rearrangement of family support would be more than was acceptable.

But I wonder whether the critics of increased family support are not missing the point. Just as increased military expenditure is something which we must shoulder to meet the threat of terrorism, so is increased expenditure on family support a necessary burden if we are to meet the threat of declining fertility.

It is not possible to talk about population without discussing immigration, and emigration. But first there are a few myths which need to be dealt with.

Immigration impacts only slightly on ageing. That is because the average age of immigrants is not significantly lower than that of the population at large. It is very common to hear people assert that immigration has kept Australia young. Professor McDonald in one of his numerous valuable contributions to this debate demonstrated this was not true. He looked at what our population might have been in 2000 if there had been zero net migration since 1945, if there had been no baby boom (assuming fertility was 2.0 until 1977 and then fell in accordance with experience) and if mortality had continued at 1960s levels (instead of rising).

⁵⁴ See Barry Maley “Family & Marriage in Australia” CIS 2001 esp. at 185-191

⁵⁵ The Influence of Income Equity on the Total Fertility Rate, Dr Lucy Sullivan. Download at www.mrcfild.org.au.

His conclusions were that if net migration had been zero our population would be 7 million less but the percentage aged over 50 years would be 29.2% versus 27.9% as actually experienced. If, on the other hand, there had been no baby boom the population would be 4.2 million less but the percentage over 50 would be 34%.⁵⁶

As long as fertility stayed around 1.6, levels of immigration somewhat higher than those we have today would serve to preserve the absolute number of our working age population, but it would have little effect on ageing. It is evident that to maintain current dependency ratios would require immigration on a massive scale which would be politically and practically impossible.

Europe is a good example. “At present birthrates, Europe must bring in 169 million immigrants by 2050 if it wishes to keep its population aged 15 to 64 at today’s (absolute) level. But if Europe wishes to keep its present ratio of 4.8 workers (15-64) for every senior, Europe must bring in 1.4 billion immigrants⁵⁷Put another way; either Europe raises taxes and radically downsizes pensions and health benefits for the elderly or Europe becomes a Third World continent.”⁵⁸

The short point is that if the TFR falls below 1.6, the level of immigration required to maintain absolute working population levels, let alone dependency ratios is completely impossible, politically. Italy, for example, would need to absorb 2 million immigrants every five years if it wanted to maintain its current population size without increasing fertility.⁵⁹ To put that

⁵⁶ Rebecca Kippen and Peter McDonald “Australia’s Population in 2000: “The way we are and ways we might have been.” People & Place vol 8 no.3, 2000 p. 10

⁵⁷ United Nations Population Division Publication “Replacement Migration” 21 March 2000

⁵⁸ Pat Buchanan op cit at 22

⁵⁹ Peter McDonald “The “toolbox” of public policies to impact on fertility – a global view” 2000

in context, the United States, a vastly greater nation with a strong immigrant tradition has received 11 million immigrants in the last decade.

Another myth is to imagine that immigration is like a tap which can be turned up to address a population deficiency whenever more people are needed. A few sobering facts:

- While we had a level of net migration of 107,000 per annum in 1999/2000, this was comprised of about 50,000 net permanent migration plus 56,000 excess of long term arrivals over departures. (Long term visitors have doubled in ten years, fueled particularly by foreign students.)⁶⁰In years past the difference between long term arrivals and departures was modest⁶¹, but in recent times arrivals have exceeded departures; at some point this should level off, and accordingly in order to maintain our current net migration levels we will have to consider increasing quite substantially our total immigration numbers. It is also worth noting that long term visitors are very sensitive to economic fluctuations; thus in 1991 when net permanent migration was 90,000, net long term movement was only 4,000.⁶²
- another factor is that a large percentage of our immigrants (a third in 1999/2000) are New Zealanders who come and go as they please under the Trans-Tasman Travel Agreement.⁶³

⁶⁰ Long term arrivals and departures were: in 1990 110,700 and 100,200 respectively and in 2000 212,800 and 156,800. From 1987 to 1999 the number of full fee overseas students in Australia increased from 7,131 to 157,834. Source: OECD "Migration and the Labor Market in Asia" 2001

⁶¹ In 1983 and 1984. for example, the difference was 7,300 and 2000 respectively. Source OECD "Migration and the Labor Market in Asia" 2001 at 109.

⁶² *ibid*

⁶³ OECD "Migration and the Labor Market in Asia" 2001 at 121

- Not all immigrants are alike. Skilled and business migrants are net contributors (they pay more tax than they consume in government services) from the outset and within ten years are contributing, on average, about \$14,000 a head net to the Federal budget.⁶⁴ Temporary business entrants are even more substantial net contributors. On the other hand humanitarian category migrants are a net expense throughout a ten year cycle. Family category migrants (spouses, family reunion etc) are marginally negative throughout the period. Overall, because of the substantial contribution from skilled migrants, the contribution from migrants to the federal budget is solidly positive.

It should be noted that the current immigration programme, unlike those administered during much of the Labor years in office, is focused on skilled migration.

In the last year of the Labor Government the family stream was more than twice as large as the skilled stream. Today the skilled stream (66,050 in total) is about 61% of the non humanitarian immigration programme. It should be noted that the Family Stream, today, is overwhelmingly made up of spouses, fiancés and children (38,000 out of 40,790).

Philip Ruddock therefore has changed our immigration structure so that our skilled migrants are younger (63% between 18 and 29 vs. 51% in 1995), have better English skills (90% with maximum points vs. 83% in 1995). Almost half our skilled migrants have Australian educational qualifications, and it is this change (mirroring a US practice) to recruit migrants from

⁶⁴ Chris Richardson “The Economics of Migration” given at “Migration: Benefiting Australia” Conference held by DIMIA 7-8 May 2002 in Sydney

foreign students onshore that has significantly “improved” the quality of our migrant intake.

In our borderless global society, there has developed considerable competition for skilled immigrants. This is reflected in low-fertility, ageing European countries (traditionally countries of *emigration* not immigration) actively recruiting skilled migrants. In 1999 and 2000 net migration to Germany, the United Kingdom and Italy combined has been six times the level of net migration to Australia.⁶⁵

Permanent departures by Australian residents reached an all time high of 41,078 in 2000. This was 44.5% of permanent arrivals. In both 1999 and 2000 there were more Australian residents leaving on a long term basis (a year or more), although the surplus of foreigner long term arrivals over departures was very substantial. This trend has reversed in recent years due to depressed economic conditions overseas; but will no doubt revert when they improve. The point simply is that long term arrivals and departures are very volatile.

Australians who leave on a permanent or long term temporary basis tend to be younger and better educated. They constitute in that sense a “brain drain”. Fortunately they are outnumbered by the number of skilled migrants into Australia.

However this could change. New Zealand has had three successive years of net loss from permanent and long-term migration notwithstanding a large

⁶⁵ Peter McDonald “Australia’s Population Futures” given at the DIMI conference in 2002 referred to above.

scale immigration programme in 1999- 2001.⁶⁶ It is facing a very severe brain drain with no sign of being reversed.⁶⁷

It is instructive too, to note, that based on a recent survey by Graeme Hugo⁶⁸ the reasons given by Australians living abroad (of which there are 930,000!) are overwhelmingly financial and work related. On the other hand the reasons offered by those planning to return are even more overwhelmingly based on lifestyle (88.4%) family (76.3%) with “work” at 20%.

Don’t ever let anyone imagine that maintaining our environment and a civilized lifestyle does not have a direct, economic payoff! Each of those more skilled, younger Australians who returns from abroad to live in Australia is returning to pay tax!

It is clear however in a borderless world the pressures on Australia to remain competitive and productive are greater than ever. This is where geography and demography intersect.

Our children’s generation is more mobile than even we were. To them a move to London or New York or Hong Kong is not much different to moving from Sydney to Melbourne. (It is worth noting that in 2000 despite the slump in Asia 16,274 Australian born residents, overwhelmingly young and skilled, made a permanent or long term move to Asian countries.⁶⁹)

Why would it be otherwise, arguably most people in Sydney see more of, read more about and are more familiar with London or New York than they are with Melbourne.

⁶⁶ *ibid*

⁶⁷ in 1999/2000 for example New Zealand had net (permanent and long term) migration of -9,760. However the net loss of New Zealand born residents was 32,935. In 2001, the net loss of NZ born residents was about 27,000

⁶⁸ Graeme Hugo “Emigration of Skilled Australians: patterns, trends and issues.” Paper given at DIMI Conference referred to above.

⁶⁹ *ibid*

Today human capital is almost as mobile as financial capital. We should not be complacent about the increasing global competition for talent. New Zealand's brain drain could be followed by ours if we were to fail to continue the policies which have made us as competitive as we are today. Equally we cannot rest on our laurels; we are playing a relative game. Consider income tax.

Australia's rates of personal income tax are remarkably high and the threshold at which the top marginal rate cuts in is remarkably low.

A single person earning \$A75, 000 will be left with net income of \$A52, 371. Earning that amount in Tony Blair's socialist paradise, he will be left with \$A62, 000. If he were in Singapore he would be left with \$71,000 and in Hong Kong \$69,000. If one considers a married person with two dependent children earning 100,000 Euro, he or she would be left with 68% of his income after tax in the UK, 78% in the United States, 89% in Hong Kong and 59% in Australia (ignoring the Medicare levy).⁷⁰

It must be remembered that the Government's recent attempts to raise the top threshold were frustrated in the Senate by the Labor Party and the Democrats who characterized anyone who earned more than \$60,000 as "rich" and deserving to have half their additional income taken in tax.

Now whether people deserve to keep more of what they earn is not the issue. At some point they will vote with their feet.

Jean-Baptiste Colbert⁷¹ said "The art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the least possible

⁷⁰ Source: Forbes Magazine "Forbes Global Tax Misery Index" 2002

⁷¹ b.1619 d.1683. contrôleur general (minister of finance) under King Louis XIV of France

amount of hissing.” This was an accurate analysis of a situation where most income came from land which was immovable. Now, most income is generated by human capital, intellectual capital, which is highly mobile.

Of course tax is not everything. A low tax rate is not appealing if there are no jobs, or no well paid ones. Lifestyle is important and so are family ties. But equally we cannot pretend that tax is not of central importance in attracting and retaining the world’s and our own best talent.

We face considerable challenges from demography. A population whose dependent aged is growing faster than its labor force faces serious budgetary pressure. If the response is to increase taxation there is a risk that we find ourselves, as New Zealand has, with a net brain drain; in other words the geese don’t bother to hiss, they just fly off.

So our proximity to the world imposes real constraints on our budgetary responses. Australian governments, of both persuasions, have over the last twenty years been very conscious of the need to drive productivity and growth and to move towards a more competitive tax system. In recent times, I perceive on the Left much less commitment to that realistic view of our position in the world and a tendency to return to a view of society in which wealth is seen as a static cake to be redistributed at the whim of Government.

It is also true that in the ageing stakes, we are far better off than many other countries especially Japan and most European nations. *Our* corner of the West may not be dying out, yet.

But it is also true that the second biggest destination for our permanent emigrants is the United States and its population is not ageing as quickly as

ours and, overall, is growing strongly. It too is increasing its active recruitment of skilled migrants.

In conclusion, the challenge to Australia and other developed countries has never been greater. The problems are real; the demographic trends are moving with the inexorability of tectonic plates changing the human landscape over decades while too many of us worry about the issues of the moment.

The only alternative to taking up this challenge is extreme social dislocation and hardship leading, ultimately, to extinction. Of course fertility can increase. People want to have more children more than they are having; their basic human right to procreate is being effectively denied them.

At the same time we need to maintain a competitive, open and free market economy. There is an obvious tension between these two goals, but the sooner we deal with fertility, the more taxpayers we will have to support the dependent aged in the years ahead.

Nothing is more important than the debate about population; it is the barbeque stopper indeed! But lets stop ignoring the most important element in that debate. “It **IS** the Birth Rate, Stupid”; and if we keep ignoring it, we will be stupid indeed.

Appendix A – Summary of French Family Policy

Key family policies in France

- 16 weeks' mandatory employer-funded maternity leave paid at the rate of 80% of earnings (up to a maximum) for first and second children. Includes the right of return to the same job.
- Means-tested Infant Allowance, payable (at a base rate equivalent to about A\$70 per week per child) from the fourth month of pregnancy until the child reaches 3 years.
- Universal Family Allowance paid for each child beginning with the second child until the child is 20 years old. In 2001, the base family allowance was equivalent to A\$40 per week for two children and A\$103 per week for three children.
- Home-Care Allowances to subsidise the costs of employing childminders to look after children under 3 years either at the family home or in the childminder's home. The allowance was reformed in 2001 to specifically target families on low incomes.
- Non means-tested Parental Education and Upbringing Allowance (maximum A\$225 per week), payable when a parent who has been working for at least two years decides to give up work to raise their children, provided that one of the children is aged under three.
- Free universal long-day care/pre-school education for 2-6 year olds.
- A return to work incentive for mothers, with at least one child under six, which pays between A\$550 and A\$820 when they return to work. This measure was introduced to ease financial stress when the Parental Education and Upbringing Allowance ceases.

Comment: French family policy aims specifically to increase fertility, enhance parental choice and compensate for the costs of child bearing. The fertility rate has moved from 1.7 (1990-1995) to a projected 1.8 in the period 2000-05. ANU Demographer Professor Peter McDonald suggests that the stabilisation in the French fertility rate is due to the key assumption of the government's family policy – that mothers will gradually return to the workforce as the youngest child ages.

Based on 2000 figures, the French government spent approximately €42bn on family, maternity and childcare payments (excluding free universal day-care), or 2.95 per cent of GDP. In contrast, Australia spends around \$13.4bn annually on family, maternity and childcare payments, or 1.9 per cent of GDP. Women's labour force participation in the two countries is roughly comparable, with French

women's participation slightly lower and less concentrated in part-time jobs
(France has fewer part-time jobs).

