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Baby bonus hit as 'dubious and expensive policy'

Victoria Laurie

PAYING a \$4000 baby bonus to couples to boost the national fertility rate is a dubious policy that should be scrapped or remodelled, a leading population economist has urged.

Ross Guest, from the Griffith Business School, said a more sensible approach would be to restrict payments to third or fourth children, or adopt the Singaporean model in which first-child payments were small.

In new findings on the impact of the lump-sum baby bonus introduced by Treasurer Peter Costello in 2004, Professor Guest said it was an expensive and unnecessary way to attempt to raise the birth rate.

"Although the baby bonus encourages some people to have a baby sooner, it doesn't necessarily increase the number of babies Australian women have over their lifetime," he said.

Professor Guest said the cost of the baby-bonus scheme was about \$780 million, based on

260,000 registered births in 2005 when couples received \$3000 per child. The current \$4000 bonus is to rise to \$5000 in July next year.

"If the baby bonus were restricted to second or third children, or at least paid as a smaller amount for the first child like the Singaporean model, it could have the same effect at the margins at much less cost to the taxpayers," he said.

Professor Guest said the fertility rate had edged up slightly to 1.8 in 2005 after the introduction of the bonus, "but that couldn't necessarily be attributed to the policy, because the birth rate jumps around".

He pointed out that the same 1.8 fertility rate had been reached back in 1995, before dropping to 1.7 in 2001 and triggering widespread concern about population decline and the need to offset societal ageing.

"Even if the evidence does suggest the bonus has raised the birth rate, it doesn't make it good policy," he said.

"It would be possible to better target the baby bonus in order to minimise the waste of expenditure that is paid to parents who would have had a baby anyway."

Singapore divides its baby bonus into a cash payment and a government contribution that matches the dollars contributed by parents to their child's education fund.

In his paper, titled *The Baby Bonus: A Dubious Policy Initiative*, Professor Guest raises doubts about the need for a birth-incentive payment, saying the population is not in danger of falling below the replacement level, as it is in Italy, Japan and Russia.

On current trends, Australia's population is projected to increase to 33.4 million by 2051, he argues.

"Given that there is no foreseeable risk of the population dying out, we must find other reasons for pro-natalist policies," Professor Guest says.

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PROFESSOR'S CLAIM

Baby bonus 'wasted'

THE Federal Government's \$4000 baby bonus is being wasted on infants who would have been born regardless, a Queensland academic says.

Professor Ross Guest, from Griffith University's Business School, also believes the bonus is unnecessary, as Australia's population will continue to grow naturally.

The economics lecturer suggests the Government offers little or no payment for the first child but increases payments for subsequent children.