

Cutting the Cord: Universal Paid Maternity Leave and  
the Baby Bonus in Australia

by

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## **Abstract**

The perceived demographic imperative to increase the total fertility rate in Australia gave rise to the creation of the lump-sum Baby Bonus, one part of a suite of pronatalist family-friendly incentives introduced by the Howard Federal Government in 2004. This paper considers the evolution of the Baby Bonus, and suggests that it has been entangled erroneously with universal paid maternity leave, a cord that needs to be cut. The former belongs inside a welfare paradigm as financial support for the costs of a new child; the latter belongs to a human rights paradigm, because without income replacement, employment security and superannuation continuity, a female worker (and her family) is penalised for having a child. If paid maternity leave has been a ‘poorly understood concept in Australian scholarship’ (Baird 2004:260), the lump-sum Baby Bonus has been even more so, but its contribution has been to help usher in a contentious, long-awaited, universal paid maternity leave scheme.

Key words: Baby Bonus, Universal Paid Maternity Leave, mother, social policy, Australia

## **Introduction**

The creation and evolution of the lump-sum Baby Bonus (2004 version) has been variously received, mostly as a boon to family expenses surrounding the birth of a

child, but also as: a response to the below-replacement total fertility rate (McDonald 2006); a government-level manipulation of women as mothers first and workers second (Baird and Cutcher 2005; Summers 2003); a poor substitute for a universal paid maternity leave scheme (Brennan 2007); an inefficient use and waste of taxpayers' funds (Guest 2007); an ecologically irresponsible policy (Walters 2007); a threat to babies' health and disruptor of hospital services in the shifting of births past midnight on 1 July (Gans and Leigh 2006); and a means of welfare abuse (House of Representatives 2007). The Baby Bonus has become arguably the single-most contested lump-sum payment within the Australian welfare package of family provisions since Federation, and even that is contested: that the payment is, indeed, even a welfare payment (McDonald quoted in Skilton 2008). So what is the Baby Bonus? This paper explores a four-and-a-half year (July 2004 - December 2008) chapter in the lump-sum payment's existence, finding that it has contributed significantly to ushering in a contentious, long-awaited, universal paid maternity leave scheme<sup>1</sup>.

### **Chronology of maternity payments**

The antecedent of the Baby Bonus was a non-means-tested, lump-sum maternity allowance introduced under the Fisher Labor Government in 1912, when £5, over twice the average weekly wage, was paid for each confinement under the *Maternity Allowance Act 1912* (ABS 2001; FaCSIA 2006). It was among the first payments of its kind in the world, an outcome of the findings of the 1904 *Royal Commission on the decline of the birth-rate and on the mortality of infants in New South Wales*

(Baird and Cutcher 2005). Although provisions changed, the allowance spanned 66 years until abolished in 1978 (Table 1):

Table 1 Australian maternity allowance rates 1912-1978

[Table 1 about here, see page 19]

Source: Department of Housing, Families, Community Services and Indigenous Affairs [FaCSIA] (2006). Australian currency was pound sterling until 1966.

In 1931, the Maternity Allowance was reduced, and became income tested for the first time, at an earnings' ceiling of £260 pa per couple (or per claimant in the case of an ex-nuptial child). Then in 1934, payments became weighted in favour of more than one child. In 1943, the allowance was increased to £5, an amount just above the basic weekly wage of £4.16s (Hancock 1960), was no longer income tested (FaCSIA 2006), and continued unchanged until its abandonment in 1978. The intervening 18 years to 1995 when there was no such payment were anti-natalist in the global trend toward fertility reduction. The next phase of the payment's history began in 1996, and has been linked since 2004 to a universal paid maternity leave scheme. The following timeline contains events relevant to the Baby Bonus.

[NB This timeline has also been created as Table 2 see page 20 for option]

**1 February 1996:** Maternity Allowance was re-introduced as a payment of \$840 (indexed) on the birth of a child, linked from 1997 with an ongoing child immunisation incentive payment (\$208 by the time the child turned 2). It was a non-taxable, assets-tested, lump sum paid to the mother on the birth or adoption of a newborn.

**April 2002:** *Valuing parenthood: options for paid maternity leave* interim report was released by the Human Rights and Equal Opportunity Commission (HREOC).

**1 July 2002:** The First Child Tax Refund (FCTR) was introduced by the Howard Federal Government, operational from the birth of a child for a maximum period of five years. The refundable tax offset had a ceiling of \$2,500, that is, one-fifth of the tax paid from the mother's year of work preceding the birth, or adoption, or commencement of legally appointed guardianship of the first child (retrospective calculation to the tax year commencing 1 July 2001) was to be paid each year over five years. This payment became known as the baby bonus (lower case). The Maternity Allowance of \$840 continued as a separate payment per birth. The immunisation incentive continued unaltered.

**December 2002:** The HREOC final report, "*A time to value*": *proposal for a national paid maternity leave scheme*, was submitted to Parliament. The model of 14 weeks, government-funded leave at the minimum wage for all working women giving birth was recommended, in anticipation of the 2003-04 Federal Budget.

**May 2003:** Federal Budget 2003-04 did not take up the HREOC (2002b) report recommendations.

**April 2004:** A Baby Care Payment of a lump-sum, means-tested \$3,000, set to commence 1 July 2005 and increase in stages to \$5,380 by 2010, was mooted by the Opposition Australian Labor Party (ALP) preceding the 2004-05 Federal Budget and the 2004 Federal Election.

**1 July 2004:** The Maternity Payment, dubbed the Baby Bonus (capitalised) from its commencement, and then officially named as such from 1 July 2007, paid to the family (usually the mother) was introduced by the Howard Government as a non-means-tested, lump sum of \$3,000 for the birth (or stillbirth or adoption of a child up to two years of age), replacing the FCTR (except for those still eligible pre-July 2004) and the Maternity Allowance. For mothers under 16 years old, the payment was made in six fortnightly instalments, contingent upon a Centrelink case worker's assessment.

**1 July 2006:** The Baby Bonus increased to \$4,000 (indexed to inflation).

**1 July 2007:** All mothers under 18 received the payment in 13 fortnightly instalments.

**November 2007:** A new Federal Government was appointed, under the Australian Labor Party (ALP) Prime Ministership of Kevin Rudd.

**December 2007:** The matter of a national paid maternity leave scheme was handed by the Rudd Government to the Productivity Commission, final report due February 2009, presumably in preparation for the Federal Budget 2009-10.

**1 July 2008:** The Baby Bonus increased to \$5,000 as a lump sum for mothers over 18, and as 13 fortnightly instalments to mothers under the age of 18. A means test using a ceiling of combined family annual income of \$150,000 was applied.

**1 January 2009:** The means-tested Baby Bonus of \$5,000 is (to be) paid to all families (usually the mother) on the birth (or adoption) of a child regardless of the mother's age in 13 fortnightly payments.

### **First Child Tax Rebate**

The First Child Tax Refund (FCTR, dubbed the 'baby bonus') introduced in 2002 was premised on a woman's attachment to the workforce before a first birth, and her (virtual) removal from the workforce for up to five years after the birth. The FCTR was deemed a policy failure early in its existence. Its cumbersome conditions, bias toward stay-at-home mothers, and a paltry tax rebate maximum of \$500 a year guaranteed a call for remodelling. Then President of the Australian Council of Social Services (ACOSS), Andrew McCallum, said that the FCTR was a 'nonsense exercise from day one' (ABC Radio National 2003). Then Opposition Treasury spokesperson, Simon Crean, deemed the baby bonus a 'bigger flop than they [the Coalition Government] ever let on' (Lewis and Karvelas 2004:4). Pocock (e2004<sup>2</sup>) was even more blunt: the FCTR was 'an expensive, regressive, badly timed policy disaster'. It was inevitable that this dismal failure of a family policy would be replaced, but with what?

A replacement of the FCTR was first mooted by the ALP Federal Opposition in the form of a Baby Care Payment, a lump-sum, means-tested \$3,000 to be partly funded by a payroll tax (Wroe and Robinson 2004:1). The Baby Care Payment came as a small but significant 'bargain basement proposal' approaching paid maternity leave (Pocock e2004). Then Opposition spokesperson, Wayne Swan, said that the

initiative was ‘the most significant announcement that we have made as a party in social policy for a very long time’ (quoted in Wroe and Robinson 2004:1). That ‘very long time’ was 85 years for a political party to take Australia close to the 1919 International Labour Organization (ILO) recommendation of 12 weeks’ paid maternity leave (Pocock e2004).

Interestingly, the ALP’s National Platform and Constitution adopted at its national conference in January 2004 included a commitment to introduce ‘a national fourteen week paid maternity leave scheme, with no cost burden to small business’ (point 30:29). Yet the Baby Care Payment unveiled to the press on 1 April 2004 was not to be paid over 14 weeks and included a payroll tax of 0.1 per cent, a version that Sex Discrimination Commissioner Pru Goward, the compiler of the 2002 HREOC report into paid maternity leave, criticised as falling well short of a 14-week scheme paying minimum wage (Lewis and Karvelas 2004). Then Family and Community Services Minister, Kay Patterson, ‘accused Labor of plagiarising proposals’ from a ‘leaked’ government document (Wroe and Robinson 2004:1). This ‘leaked’ cabinet document of an inter-departmental taskforce had been in existence for over a year, and contained a recommendation that the 2002 baby bonus should be redesigned to mimic a national paid maternity leave scheme (Bachelard 2004:10). Goward hoped Labor’s announcement would ‘trigger a bidding war between parties’ (Wroe and Robinson 2004:1). It did. A ‘furious race between the major parties to secure the female vote’ leading up to the 2004 Federal Election (Walsh 2004:61) and an emphasis on family-friendly policies became catalyst to the creation of the Baby Bonus.



### **Birth of the Baby Bonus**

Meanwhile, in the political milieu of concern about an ageing population (Commonwealth of Australia 2002), a clear need to improve family support policy in alignment with other OECD nations' performance (d'Addio and D'Ercole 2005), and a political imperative to replace the failed FCTR, the seeming dichotomy of working versus stay-at-home mothers became a 'sticking point' for the Howard Government (Brennan 2007:42). Traditional family lobby groups 'found a willing ear with the Howard government' (Apps e2002), an ear that was also willing to listen to the preference theory espoused by Catherine Hakim, the British sociologist. Hakim (2003:369) recommended that, if governments are committed to raising fertility rates, they should focus on policies that support home-centred women who have 'the highest fertility rates and can most easily be persuaded to increase their family size'. This theory has been contradicted by family policy analysts. Castles (2002:27) had examined evidence from cross-national experiences, finding quite the opposite to Hakim: 'policies that permit and, indeed, encourage women to stay in the labour force when they have children are the policies most conducive to maintaining levels of fertility at or near replacement level'. McDonald (quoted in *Family Matters* 2002:52) found similarly, that 'the countries that have the higher labour force participation rates for women have the highest fertility rates, and those that have the low labour force participation rates, because they don't make it possible for mothers to work, have low fertility rates'. Placing policy emphasis on home-centred women and adaptive women, then, would not increase but decrease overall fertility, given that many women want or need to combine work and family, and want or need

to take up child care as a means to do so. McRae (2003:587) charges Hakim's views on a number of counts as 'sociologically naïve, if not wholly empty'. She believes that Hakim's preference theory failed in its task to explain women's choices regarding work patterns and employment decisions.

Hakim's preference theory, however, matched Howard's known bias toward stay-at-home mothers (Summers 2003). This strong view about traditional mothering 'compromised public policy' (Hill e2006), because it was Hakim's preference theory that contributed significantly to the Howard Government's formulations of the family policy components of the 2004-5 budget<sup>3</sup>. A newly-modelled package of family-friendly policies targeted Hakim's adaptor ideal-type of woman who could be persuaded, given the right incentives, to become home-centred with her children. The FCTR or baby bonus was replaced by the Maternity Payment that, to add confusion, was popularly adopted in the capitalised form as the Baby Bonus (and then officially as such from 1 July 2007), and masked a social policy mistake with recycled nomenclature. The modification of an existing response to a problem saved an entire policy cycle and, at the same time, blocked a universal paid maternity leave scheme.

The language is important here: the Baby Bonus was a payment in recognition of 'the extra costs incurred at the time of a new birth or adoption of a baby' (Family Assistance Office 2008). This terminology places the Baby Bonus inside a welfare paradigm, further emphasised when the payment became means-tested effective July

2008. Universal paid maternity leave, on the other hand, belongs within a human rights paradigm, because without income replacement, employment security and superannuation continuity, a female worker (and her family) is penalised for having a child. The argument that welfare is a human rights issue (Posner 2008) is outside the scope of this paper, but the elementary distinction is critical in the current (time of writing) formulations of a national paid maternity leave scheme.

The non-means-tested, lump-sum Baby Bonus payment of \$3,000 on the birth (or stillbirth or adoption) of a child commenced on 1 July 2004, was increased to \$4,000 on 1 July 2006, and again to \$5,000 on 1 July 2008. The Australian Baby Bonus has been one of the few payments exactly of its kind in OECD nations<sup>4</sup>, and has received much attention and criticism, especially as a substitute for a universal paid maternity leave scheme. Yet its transparency as a *seeming* no-strings-attached, unilateral measure to offset the costs of having a baby, and at the same time as a potential way to enhance the total fertility rate, have been two of its praiseworthy aspects, clearly lacking in the construal of the FCTR.

### **Two-fold bid**

The deliverance of improved financial benefits to families by the Howard Government in 2004, apart from appearing to some commentators as an ‘obscene vote-buying exercise’ (Walsh 2004:61), was a two-fold bid: to improve, firstly, Australia’s poor performance by comparison with other OECD nations in supporting families and, secondly, Australia’s total fertility rate. With a growing body of

evidence that family-friendly policies do influence fertility rates (Gray et al. 2008), the two bids were complementary, although as Heard (2007:181) suggests, express articulation of the payment's potential role in lifting the total fertility rate, at least at the time of its formulation, was curbed by a sensitivity about a perception of a government paying people to have children. The 'elephant in the room' (Vuk e2008), however, was a universal paid maternity leave scheme, still missing from an otherwise reasonably robust package supporting Australian families.

### **A long history of procrastination**

Efforts from many petitioners over many years have failed to persuade successive governments to implement a universal paid maternity scheme from the public purse (Brennan 2007), even though since 1973 the Australian Public Service (2008) has offered its employees giving birth a 12-week paid/40 week unpaid scheme. This model was intended to be a 'pace-setter' for the private sector, but emulation has been slow and mostly limited to large business (National Foundation for Australian Women 2008). In Baird and Cutcher's view (2005:109), the reasons for procrastination have been the 'continuing dominance of a male paradigm regarding paid work and a conservative view of what it means to be a mother' in Australia. The Howard Federal Government (1996-2007) was steeped in conservatism and antagonistic toward paid maternity leave, so much so that Minister Abbott said in a national radio interview that such a scheme would be adopted 'over this government's dead body, frankly, it just won't happen under this Government' (ABC Radio National 2002). The Australian Council for Trade Unions (2008:2)

attributes the creation of the Baby Bonus as a means to rebuff the 2002 HREOC report's recommendation for a national, paid maternity leave scheme which, incidentally, was inherent in the ALP's mooted Baby Care Payment in April 2004 (Brennan 2007). One commentator likens the repeated proposals of much the same message over so many years to 'groundhog day' (Farouque 2007:3). When the Baby Bonus was converted from a lump sum to universal payment by instalment in the Federal Budget 2008-09 effective January 2009, however, it began to look more like a universal maternity leave payment than ever before.

### **Baby Bonus by instalment**

When the Baby Bonus came into effect 1 July 2004, public alarm sounded loudly over the potential creation of yet more welfare-dependent, single, teenage mothers, a less-than-desirable corollary of the new promotion of parenthood. Responding to a spate of anguish-laden newspaper articles following the 2004-05 Federal Budget release, Prime Minister Howard placated community angst over teenage girls who might be tempted to internalise messages meant for their older sisters (Gough 2004; Maiden 2004). McDonald (2006:224) assessed that such 'objections have faded with time', but with the Baby Bonus increased again to \$5,000 in 2008, and with fewer teenagers seeking abortions (Switzer 2007:5), it was inevitable that this contentious issue would reappear, despite Howard's reassurance of the 'misbelief' about an increase in teen pregnancies (Grattan and Ngyuen 2004:1).

In October 2006, controversy did flare again over unsubstantiated claims that ‘the \$4,000 baby bonus leads to abandoned infants, late-term self-abortions and girls being raped by their partners’ (Dixon e2006). A heated exchange in the press between politicians followed, resulting in a call to ‘increase scrutiny to stop baby bonus abuse’ (Schubert 2006:6). Response to this politically-sensitive issue came shortly after when Prime Minister Howard announced changes to the Baby Bonus payment conditions for mothers under 18 years old (Australian Government 2006). No empirical evidence was offered, yet an inference can be drawn: the lump-sum mode of delivery was influential and detrimental enough for some young women that a prime ministerial response was required, to nip adverse attention to this most sensitive aspect of the Baby Bonus, and to avert the potential of misuse. The Baby Bonus began a new, fixed-age limit: from July 2007, under 18-year-old mothers received their payment not as a lump sum but as thirteen, fortnightly payments, so setting a precedent. This payment delivery has been adopted for all eligible recipients regardless of age effective 1 January 2009, and has been likened to ‘paid maternity leave by stealth’ (Horin 2008:29). In spreading the payment of the Baby Bonus to shore up the perceived misuse potential, the door was opened to help resolve a perplexing social policy issue that has lasted for nearly a century. The time has come, however, to cut the umbilical cord between the two quite different maternity support payments, and to allow them to co-exist in the fulfilment of separate functions.

## **Conclusion**

The Baby Bonus emerged in 2004 for multiple reasons. It was a policy mechanism thought to be able to ‘kick start’ an increase in the total fertility rate; it was a component in delivering better family support performance as an OECD nation; it was a stop gap to the unresolved, contentious issue of universal paid maternity leave in Australia. The concept through its 21<sup>st</sup> century incarnations, from First Child Tax Refund, to baby bonus, to Baby Care Payment, to Maternity Payment, to Baby Bonus has been a breakthrough in Australian social policy to assist financially mothers and their families at the time of a child’s birth, a payment that does not discriminate between working and non-working mothers. At the same time it has been a burden, damaging the bid for a universal paid maternity leave scheme. The Baby Bonus delivered not as a lump sum but incrementally, first for under 18 year old mothers in 2007, and then for all mothers in 2009, has paved the conceptual way for the introduction of a long-awaited, universal paid maternity leave scheme nearly a century after the ILO first recommended it, and five years after a government so vehemently rejected it.

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## Footnotes

<sup>1</sup> At the time of writing, a decision about universal paid maternity leave in Australia has yet to be made by the Federal Government. The optimistic view expressed in this paper, then, must be taken as the writer's.

<sup>2</sup> Direct quotes taken from electronic sources without page numbers are referenced with the year of posting to the internet prefixed with 'e'. The web address appears in the reference list.

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<sup>3</sup> Prime Minister John Howard ‘declared himself “very impressed” by her [Hakim’s] “realistic and compelling” theories and sent his social policy adviser, John Perrin, to London to meet her. Her expertise and strong opinions have made her central in two of our policy hot spots – maternity leave and fertility’ (Arndt 2003:15).

<sup>4</sup> Spain introduce a flat-rate, lump sum baby bonus in 2007 for every baby born to residents, the equivalent of A\$3980, approximately four times the Spanish average weekly wage (news.com.au 2007).

Table 1 Australian maternity allowance rates 1912-1978

Date from which payable	Each confinement	1st child	2nd child	3rd child	4th child	Other children
	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.
10.10.12	5.0.0					
20.7.31	4.0.0					
1.8.34		4.0.0	4.5.0	4.10.0	4.15.0	5.0.0
21.9.36	4.10.0	5.0.0	5.0.0	5.0.0	5.0.0	
1.1.38		4.10.0	5.0.0	5.0.0	7.10.0	7.10.0
1.7.43		5.0.0	6.0.0	6.0.0	7.10.0	7.10.0
1.11.78	Abolished					

Table 2 Timeline of events relevant to the Baby Bonus 1996-2009

Date	Activity
1 Feb 1996	Maternity Allowance was re-introduced as a payment of \$840 (indexed) on the birth of a child, linked from 1997 with an ongoing child immunisation incentive payment (\$208 by the time the child turned 2). It was a non-taxable, assets-tested, lump sum paid to the mother on the birth or adoption of a newborn.
April 2002	<i>Valuing parenthood: options for paid maternity leave</i> interim report was released by the Human Rights and Equal Opportunity Commission (HREOC).
1 July 2002	The First Child Tax Refund (FCTR) was introduced by the Howard Federal Government operational from the birth of a child for a maximum period of five years. The refundable tax offset had a ceiling of \$2,500, that is, one-fifth of the tax paid from the mother's year of work preceding the birth, or adoption, or commencement of legally appointed guardianship of the first child (retrospective calculation to the tax year commencing 1 July 2001) was to be paid each year over five years. This payment became known as the baby bonus (lower case). The Maternity Allowance of \$840 continued as a separate payment per birth.
Dec 2002	The HREOC final report, " <i>A time to value</i> ": <i>proposal for a national paid maternity leave scheme</i> , was submitted to Parliament. The model of 14 weeks, government-funded leave at the minimum wage for all working women giving birth was recommended, in anticipation of the 2003-04 Federal Budget.
May 2003	Federal Budget 2003-04 did not take up the HREOC report recommendations.
April 2004	A Baby Care Payment of a lump-sum, means-tested \$3,000, set to commence 1 July 2005 and increase in stages to \$5,380 by 2010, was mooted by the Opposition Australian Labor Party (ALP) preceding the 2004-05 Federal Budget and the 2004 Federal Election.
1 July 2004	The Maternity Payment, dubbed the Baby Bonus (capitalised) from its commencement, and then officially named as such from 1 July 2007, paid to the family (usually the mother) was introduced by the Howard Government as a non-means-tested, lump sum of \$3,000 for the birth (or stillbirth or adoption of a child up to two years of age), replacing the FCTR (except for those still eligible pre-July 2004) and the Maternity Allowance. For mothers under 16 years old, the payment was made in six fortnightly instalments, contingent upon a Centrelink case worker's assessment.
1 July 2006	The Baby Bonus increased to \$4,000 (indexed to inflation).
1 July 2007	All mothers under 18 received the payment in 13 fortnightly instalments.
Nov 2007	A new Federal Government was appointed, under the Australian Labor Party (ALP) Prime Ministership of Kevin Rudd.
Dec 2007	The matter of a national paid maternity leave scheme was handed by the Rudd Government to the Productivity Commission, final report due February 2009, presumably in preparation for the Federal Budget 2009-10.
1 July 2008	The Baby Bonus increased to \$5,000 as a lump sum for mothers over 18, and as 13 fortnightly instalments to mothers under the age of 18. A means test using a ceiling of combined family annual income of \$150,000 was applied.
1 Jan 2009	The means-tested Baby Bonus of \$5,000 is (to be) paid to all families (usually the mother) on the birth (or stillbirth or adoption or legally-appointed guardianship) of a child regardless of the mother's age in 13 fortnightly payments.