

Fertility and the State: The Efficacy of Policy

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Very low fertility is a problem

- All countries with TFR < 1.5 say the rate is too low.
- Contrary to the desires of those to whom it applies.
- Creates huge labor shortages while population is aging, particularly a shortage of young skilled workers.
- Negative population momentum leads to a rapid spiral downwards of population.

Countries have been slow to take policy action

- Because they have believed it will simply go away of its own accord.
- Because they have been advised that policy action will be expensive and ineffective.
- Because pronatalism has a nasty history and, if wrongly expressed (eg. women must do their national duty), can be counter-productive.
- Migration is only a partial solution.

The two great waves of change

- Family formation has been influenced by two waves of change over the past 40 years that have affected all advanced countries at differing times.

The first wave: social liberalism (reflexive modernisation)

- 1960s and 1970s
- Increased capacity for individuals to pursue personal autonomy and to construct their own identities rather than having those identities defined for them by societal norms and institutions.
- Individuals more responsible for their own actions.
- Greater risk to individuals in their personal lives and hence to society .

The second wave: economic deregulation (the new capitalism)

- 1980s and 1990s.
- Regulations and restrictions reduced so that capital can flow easily in the direction that maximises business efficiency and profit.
- Labour market deregulation, jobs less secure.
- Again, the individual bears the risk. The majority become risk-averse.

Role of governments

- Both waves of change were facilitated by governments through changes in laws and regulations.
- Gender equity in education and employment for women.
- Divorce, cohabitation, contraception
- Trade liberalisation, labour laws, welfare reform.

Impacts on family life

- Both waves of change have brought considerable pressure to bear upon the capacity of people to form and maintain families.
- Nevertheless, the desire for family life has remained remarkably resilient because of humankind's basic need for intimacy.
- However, risk aversion (a crisis of confidence) has led to delay of family formation for many and consequent very low fertility in some countries.

National differences

- If the same waves of change have affected family formation in all advanced countries, why do some countries have moderately low fertility (TFR > 1.5), while others have very low fertility (TFR < 1.5)?

Total Fertility Rates 2003

Group 1 Countries	TFR	Group 2 Countries	TFR
United States (2002)	2.01	Portugal	1.44
Iceland	1.99	Switzerland	1.41
Ireland	1.98	Malta	1.41
New Zealand	1.96	Austria	1.39
France	1.89	Germany	1.34
Norway	1.80	Spain	1.29
Denmark	1.76	Italy	1.29
Finland	1.76	Japan	1.29
Australia	1.75	Greece	1.27
Netherlands	1.75	Singapore	1.26
Sweden	1.71	Taiwan	1.24
United Kingdom	1.71	Republic of Korea	1.19
Luxembourg	1.63	Hong Kong SAR	0.94
Belgium	1.61		
Canada (2002)	1.50		

The cultural divide

- TFR > 1.5

- Nordic
- Western Europe
(French-Dutch speaking)
- English-speaking

- TFR < 1.5

- Southern Europe
- Western Europe
(German-speaking)
- East Asia

What explains the cultural divide?

- In general, very low fertility countries are countries in which there is a strong, traditional value that family and state are separate entities and that families should support their own members without intervention from the state.
- Accordingly, states in these regions have been slow to implement broad-based, family assistance measures.
- With some exceptions, the opposite is the case in the countries with moderately low fertility; in general, they are notable for the family-friendly institutional arrangements that they have implemented in the past 20 years.

Policy

- Policy needs to restore confidence among young people that they will be supported when they form their families, that society values their social contribution.

Only a small impact is required

- In combination with a small tempo adjustment, an increase of 0.3 in TFR would lift all countries into the safety zone of low fertility.
- Hence, an impact at the margin is all that is required – but it won't happen without policy.

The 'many faces' of birth policy

- Policy to promote births can come in the form of policies related to:
 - the tax-transfer system,
 - intergenerational transfers,
 - employment
 - housing
 - gender equity
 - organization of the workplace
 - education and human capital formation,
 - community development
 - child development policy.

The double benefit

- The many faces of births policy imply that such policies involve institutional changes that are beneficial to the wellbeing of individual families with children.
- This is an advantage in that it can be argued that a chosen policy regime has a double benefit.
- The message of a double benefit (to individual families and to the nation) has been important in bringing down fertility in developing countries.
- It is even more important in producing the reverse result.

Policy principles

- Recognition of the social value of children.
- Neutrality in relation to the working circumstances of parents.
- Gender neutrality.
- Workplace benefits that form part of a family support policy should be provided to workers equally.
- Child development goals should be a component.
- Policy should be based on the proposition that families have lifetime strategies.
- Simplicity and transparency.
- Within the capacity of the country to pay.
- Efficacious, it must work.
- Political acceptability.
- Enduring impact.

A universal payment (tax concession) for each baby

- Immediate impact on all women considering another birth.
- Very direct recognition of the social value of children.
- Equitable (horizontal and vertical).
- Neutral to work circumstances of parents and to gender.
- Good for child development if the money is used for the benefit of the child (directly or indirectly).
- Could not be simpler or more transparent.
- Politically acceptable – has been accepted without major difficulty in all the countries that have adopted this approach recently.
- Efficacious in theory and empirical evidence supports the theory.

Universal payments: fiscal considerations

- The Marketer's objection: why pay those who would have had the baby in any case? Because:
 - the payment has a dual purpose.
 - horizontal equity, it is counter-productive to disadvantage those who are providing the social benefit.
 - very hard to identify those who will not have the child unless the payment is provided, not simple and transparent.
 - mistake to target at those who will not have a child even if you paid them.
 - not neutral because it is contingent on defined characteristics.
 - appears to be crassly pronatalist, buying children.

Family allowance or tax concession for children of all ages

- Satisfies most of the principles: horizontal equity, neutrality in relation to workforce participation and gender, an advantage to child development if the money is spent on the child, simplicity and transparency and political acceptability. The approach also has a life course perspective.
- Only major disadvantage is that future benefits that will be discounted by those considering a child. Most are concerned with their immediate financial situation.

Payments (concessions) for higher order births only (3+)

- Poorly targeted as most births are first and second births.
- Unlikely to affect birth timing.
- Politically unpopular because many people opposed to population growth are more opposed to large families than to one- or two-child families.

A 'stay-at-home mums' payment or single-income payment

- Such payments are inefficient because they operate as a work disincentive. A mother receiving this payment who wishes to return to work will face high effective marginal tax rates.
- She becomes locked into staying at home.
- This is anti-feminist, wasteful of the nation's human capital and poor work-family policy.

Payments based on social or economic characteristics

- Pay only those with higher levels of education, higher incomes or only those of a preferred ethnic origin.
- The political objections to such an approach are very obvious. They can be portrayed as eugenic, anti-feminist and distastefully regressive.
- They almost certainly will not work

Child care and early childhood education

- Good policy because:
- Easily recognised as policy that is designed to support the birth rate as well as supporting women in the workplace.
- While couples may not calculate ahead to the cost of the tertiary education of their child, they will look ahead a few years at the loss of income that they will have if one parent, usually the mother, is out of the work force for an extended period of time.
- In this circumstance, the knowledge that affordable, quality child care will be accessible to them when they want to make decisions about work and family is very likely indeed to affect their decision making.
- Good child development outcomes if implemented properly.

Child care: disadvantages

- Often fails the simplicity test because of the difficulty of operationalising new services. According, the impact may be slow.
- Often inequitable – available to some and not to others because of location, organisation, etc.
- Subsidies should not be an encouragement to overuse (babies in child care for 50 hours per week).

Other subsidised services

- Eg.: Housing subsidies, education assistance, medical and health services, public transport, and recreation services.
- Government services are conditioned by need. Therefore, provision should be based upon need and not upon whether or not people have children.
- Housing subsidies can distort the investment market.
- Universal child-related services such as education or maternal and child health assist only families with children. However, because these services have their own strong direct rationale, their provision may not have a large or immediate effect upon behaviour in relation to births.

Leave and working hours

- Eg.: parental leave paid and unpaid, family leave, flexible hours of work, access to part-time work, harmonisation of school and work hours.
- Essential policy area but needs the cooperation of employers. The latter can be problematic especially where there is a strong sense of foreign competition.
- If provision is contingent upon the goodwill of individual employers, there will be considerable inequity both within and across firms.
- Government as exemplary employer. Firms competing for workers on family-friendliness basis.
- May be resentment on the part of workers without children (more work, same pay).

Paid maternity leave

Provides major financial assistance and a guarantee of return to the same job.

Contributes to child development because it means that the baby will be in the principal care of its mother in the first months of life.

It is simple and transparent and efficient in that it encourages a return to the labour force.

It is often inequitable because it is only available to some mothers.

Evidence of its effectiveness in promoting births is not strong.

Employment policy

- Delay of the first birth is highly associated with risk aversion on the part of young people induced by the competitive nature of the labour market in the new economy.
- A little reality can create a widespread perception of insecurity.
- Reduction of unemployment among young people, greater security of tenure, higher incomes – all desirable but more easily said than done.
- Again, employer opposition will be the obstacle.

Education campaigns

- Campaigns like:
 - Do not delay too long if you want to have children.
 - Understanding conception.
 - Promotion of the 'joys of family life'.
 - Allaying unwarranted nervousness about future.
- Education campaigns do not cost very much but there may be political objection to governments trying to influence values at this personal level.
- Often seen as a 'conservative agenda'. Does not appeal to the left.

Endurance

- Any new policy regime must change society for the long term.
- Any single policy described above does not constitute a change in the nature of society, a radical shift towards the support of those who have children.
- This can only be achieved through a comprehensive approach to policy.
- A comprehensive approach would address the financial impact of having children, child care and early childhood education and workplace arrangements.
- Depending upon the country, it may also involve a higher level of security of tenure of jobs for young people and changes in values regarding the timing of the first birth.