

Policy responses to low fertility: How effective are they?

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Tomáš Sobotka

Vienna Institute of Demography (Austrian Academy of Sciences) / Wittgenstein
Centre for Population and Global Human Capital, Vienna, Austria

Anna Matysiak

Vienna Institute of Demography (Austrian Academy of Sciences) / Wittgenstein
Centre for Population and Global Human Capital, Vienna, Austria

Faculty of Economic Sciences, University of Warsaw, Poland (since October
2019)

Zuzanna Brzozowska

Vienna University of Economics and Business (WU) / Wittgenstein Centre for
Population and Global Human Capital, Vienna, Austria

Faculty of Social Studies, Masaryk University, Brno, Czechia

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Executive summary, main findings

Low fertility and policy responses

In the last three decades **sub-replacement fertility has spread around the world**. One-half of the global population today lives in countries where the period Total Fertility Rate is below 2.1 births per woman. East Asia, Southern Europe and parts of Central, Eastern and South-eastern Europe reached “ultra-low” fertility rates, with the period Total Fertility at 1.0-1.4 and family size at 1.4-1.6 births per woman born in the mid-1970s.

Such low period fertility rates are not explained by very low fertility preferences. Women, men and couples in countries with very low fertility typically desire to have two children and their average intended family size is around or above two births. Very low fertility rates signal that there is a wide **gap between fertility aspirations and actual family size**. This gap tends to be larger for highly educated women, who find it more difficult to combine their career with their family life and aspirations.

Consequently, **fertility increase is becoming a frequently declared family policy aim**: between 1986 and 2015 the number of governments intending to raise their country’s birth rates jumped from 19 to 55. Pronatalist motivation is just one among many goals of family policies, alongside compensating parents for the economic costs of children, fostering parents’ employment, supporting early childhood development, and reducing gender inequalities.

Among the main **drivers of low fertility** is the incompatibility between professional career and family life. In times of women’s massive post-secondary education and labor force participation on the one hand and rising individualistic aspirations on the other hand, the inability to combine paid work with childrearing often results in childlessness or having one child only. This is closely connected with persistent gender inequalities in housework division: for decades, societies with strong traditional gender role norms have been continuously witnessing very low fertility. More recent factors contributing to fertility decline include the trend towards intensive parenting as well as labor market uncertainty and instability coupled with soaring housing prices.

The effects of family policies on fertility

Comparing and **evaluating the policy responses to low fertility present numerous challenges** because of the problematic nature of period fertility measurement and of individual policies being embedded in a wider institutional and cultural context. Besides the overall level of policy support, many criteria influence the usefulness and effectiveness of family policies. These include policy coherence (how well are different policy instruments mutually compatible and geared towards the existing labor market and education systems), policy stability and predictability, as well as the degree of flexibility policies have in responding to the needs and aspirations of different families.

Highly developed countries spend between 1% and 4% of their Gross Domestic Product on supporting families. The level of **public spending on families shows relatively close correlation with period fertility rates as well as with cohort family size.**

Providing widely available, accessible, and high-quality childcare which starts immediately after parental leave finishes and whose opening hours are aligned with parents' working hours **is indispensable to sustaining higher fertility rates.** Nordic countries, Belgium and France are among the countries offering such a comprehensive childcare provision and allocating a high share of their family-related spending on public childcare.

The **effects of other family policies are less unequivocal.** **Parental leaves** are needed to bridge the gap between the birth of a child and its entry into formal childcare. They are most likely to have a positive effect on fertility when they are well paid. If they aim to nurture more gender equal division of childcare, they should have a certain proportion allocated to each parent on a 'use it or lose it' basis (non-transferrable between parents). **One-time financial incentives** can have a modest positive effect on fertility, which is usually short-lived. **Labor markets with flexible working hours** seem to be more family friendly than those with rigid "nine-to-five" work arrangements. Finally, **subsidized and widely accessible provision of assisted reproduction** tends to have a small positive effect of fertility rates.

Large-scale expansions of family policies often have considerable short-term effects on fertility, leading to temporary baby booms and giving time-limited boost to period Total Fertility Rate. They frequently affect trends in fertility timing, supporting earlier timing of parenthood and shorter birth intervals. Their long-term impact on fertility is often limited. However, examples from Estonia, Japan, Germany, Russian Federation and other countries suggest that they contribute to halting or even reversing cohort fertility decline, paving the way to a long-term stabilization in family size.

Policies are most effective in supporting women's and men's fertility choices if they respond to various needs of individuals in diverse life situations. They should foster reconciliation between paid work and childrearing, but they also need to provide financial support to families with limited income. Such comprehensive policy packages have been implemented and consistently developed in the Nordic countries, France or Belgium, with other countries including Germany and Republic of Korea striving to develop their package.

Future policy challenges

Future family policies need to reflect changing families and emerging economic and societal challenges. They need to reckon with high family instability and reflect the needs of increasingly diverse families, including single parents, unmarried couples, same-sex families, and "blended" families. They need to reflect rising economic inequalities, new unstable forms of employment, changing gender roles, increasing economic roles of mothers, and unaffordable housing costs for many families. They also need to cater to diverse preferences people have regarding the timing and the number of children and their perceived preconditions for parenthood. In short, family policies should help creating family-friendly and child-friendly societies focused on health, education and well-being of children and families at large.

1. Introduction

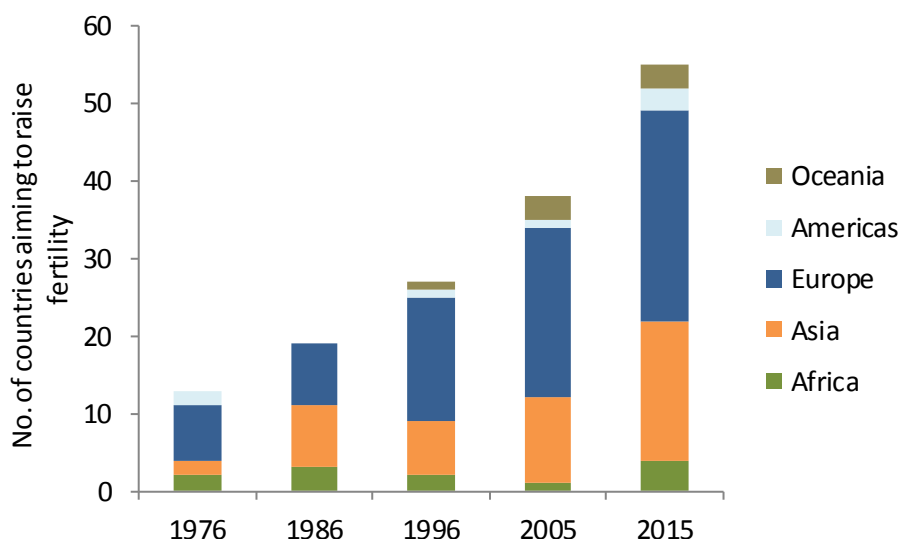
Fertility decline to a small family size has spread around the world during the last three decades (UNFPA 2018). One half of the global population now lives in countries where period Total Fertility Rate (TFR) fell below the replacement level threshold of around 2.1 births per woman—implying that in the absence of future fertility increases, mortality improvements or immigration, these populations would eventually start shrinking (Wilson 2004, United Nations 2017). Until the 1980s low fertility rates were found only in the highly developed countries. More recently, low fertility has become a global phenomenon, with a rising number of countries in Asia, Latin America and the Caribbean reporting sub-replacement fertility. However, the picture of low fertility is far from uniform. Typically, fertility decline does not stop when reaching replacement level and a number of countries in Southern, South-Eastern and Eastern Europe and East Asia saw their fertility rates falling to very low levels with a TFR at or below 1.5 births per woman.

This emerging phenomenon of “very low” (with a TFR below 1.5), “lowest-low”, or “ultra-low” (with a TFR below 1.3) fertility is an unexpected path of the global fertility transition, which makes many policymakers and public at large worried about its potential consequences (Stark and Kohler 2002; Westley et al. 2010; Hakkert 2014; Poston et al. 2018). These concerns include the long-term sustainability of population trends (including actual or expected population declines, either of the whole national population or of specific regions and population groups) and accelerated pace of population aging which will put increased pressure on public finances, pension systems, social security and care provision. They also relate to the prospects of stalling economic growth, declining labor force, and the need to implement rapid reforms of the social security system, healthcare or labor market. In some countries, especially in South-Eastern and Eastern Europe, low fertility is accompanied by long-term outmigration to richer countries in Europe, which further accelerates population and labor force shrinking. Across Europe 18 countries experienced population losses between 1990 and 2017, with several of them (Bosnia and Herzegovina, Bulgaria, Moldova, Ukraine) losing 18% or more of their population size since 1990 (European Demographic Data Sheet; VID 2018). In addition, populations of 51 countries and areas globally are projected to experience population decline between 2017 and 2050, with the largest losses projected in South-Eastern and Eastern Europe. China, the most populous country today, is expected to start losing population since 2030 (United Nations 2017).

Faced with these prospects, many governments started implementing policies aiming to support families. These family policies have become indispensable part of modern welfare state as they support health and wellbeing of families and successful development of children, and they reduce income inequalities and poverty among families. For instance, working mothers and fathers are now entitled to paid leaves after the birth of their child in all high-income countries except the United States. Many governments facing low fertility are increasingly turning to family policies in order to stimulate birth rates. The history of pronatalist policies is as long as the experience of low fertility: for instance, France implemented a *Family Quotient System* of extra taxes for the childless and tax deductions for taxpayers with children to stimulate fertility already a century ago, in 1919 (Chen 2004). But it is only during the last 30 years that pronatalism has spread globally. The number of

countries whose governments report their aim is to increase fertility jumped from 19 to 52 between 1986 and 2011. In 2015, governments of 55 countries and territories surveyed by the *World Population Policies Database* compiled by the United Nations (2015) reported they aim to raise fertility; this represents over a quarter (28%) of all countries in the database. Of this, 27 countries were from Europe (representing 60% European countries) and 18 from Asia (representing 38% Asian countries; see Figure 1).

Figure 1 Number of countries whose governments declare that their goal is to raise fertility



Source: *World Population Policies Database* (United Nations 2015)

In a growing number of countries including Hungary, Japan, Republic of Korea and Russian Federation, fertility-stimulating efforts take a prominent position on government agenda and receive extensive media coverage (Box 1). It is therefore of key importance to study the premises, aims and targets of these pronatalist interventions and to analyze their impact. An expanding literature analyzes fertility effects of specific policy interventions, helping to generate a broader knowledge about the outcomes and effectiveness of family policies. At the same time, our knowledge remains patchy at best. The task of measuring fertility effects of family policies is tricky and fraught with misconceptions, ethical issues, poorly defined aims, measurement difficulties, and data limitations (Never and Andersson 2008; OECD

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