

Will policies to raise fertility in low fertility countries work?

[Massimo Livi Bacci]

Dear friends and colleagues,

Our machiavellian organizers have urged us “to argue strongly for the position” we have been asked to support, even if our arguments do “not correspond to the speaker’s actual position”; they have also instructed us not to “equivocate”, and do away with the ifs and buts and other ambiguous turns of speech that are the bread and butter of every arguing intellectual. So here we are, Peter and I – pro-policy gladiators in the IUSSP’s arena, armed with our swords and tridents, with a sole imperative: defeat Anne Gauthier and Gigi Santow arguments. Admittedly, a desperate task! Should I be grounded by the power of their arguments, I implore your mercy: do not turn your thumbs down, and I promise I will not appear again in IUSSP's debates.

So I will fight. Yes, I believe that policies, adequate policies, may have a significant impact on fertility, an impact, for instance, that would enable countries like Germany, Italy or Spain in Europe, or Korea and Japan in Asia – to name only relatively populous ones - to approach replacement, and to do so rapidly, that is - given the time scale of demography - during the space of a generation or so. Whence does this persuasion stem from?

Let me tell you the story of Maria and Mario, young people in the twenties. They have a serious relation and are considering the prospects of a life together. Before they do so, they want to complete their education, find a suitable job and a more or less secure double income. For the time being they are living with their respective parents, an arrangement that works reasonably well, since they are relatively young, tolerant and affectionate people. This state of things does not restrict the couple's freedom of action; they see each other a lot, spend vacations and weekends together. Once their education is completed, Mario and Maria start looking for a job. However, the labour market is tight; for decades governments and trade unions had strived to protect the traditional unionized worker, and the unintended but necessary consequence has been a restriction of the access to the job market for the young. A recent wave of deregulation has made the market more flexible, but the available jobs are mostly short term, poorly paid and insecure. The social security system is quite generous with the traditional worker, but the safety net for the new

forms of employment open to the young is very thin, if it exists at all. Maria and Mario are queuing for less precarious positions, more stable or better paid jobs. They are also looking for an apartment, but rents are very expensive because the supply is short. In their country, four out of five families live in a home they own, but to buy an apartment is, for the moment, outside their possibilities because banks ask for collaterals and considerable down payments. Parents often help, but even so time is needed until a suitable transaction is made. Finally a modicum of financial stability comes about, Mario and Maria now have a house and they start living together; social security, however, provides a weak coverage in case of loss of certain types of jobs and, being risk averse, Maria and Mario decide to wait for their first child. Little Carmen is eventually born to the great joy of their parents, who still plan to have a second child. However, in their country, social transfers for families and children are among the lowest in Europe -- indeed among the friends they have made in the Erasmus program, Françoise and Philippe, Ingrid and Gunnar receive much more from their own country's public hand, under the form of family allowances and subsidies of various kinds. Public structures for children are under-funded and the long term decline of births has made parents with children less attractive, as consumers, for the private sector and a smaller and therefore less demanding group for government action. Society, both in its public and private components, appears to be organized for the adults and not for the kids. Maria and Mario are by now in their mid-thirties, and their resolution to have a second child is wavering. They will wait and see, but every passing month reduces fractionally the probability that Carmen might have a little brother or a little sister.

Can policies alter the life course of the many Marios and Marias of this anonymous country, accelerating their transition to adulthood and autonomy, lift some of the constraints that delay their reproductive decisions, close the gap between intentions and reality? There are no reasons to be pessimistic, provided we remember that fertility outcomes are the consequence of three factors, only one of these reactive to policies.

First biology. After several hundreds thousand years of evolution, biology of reproduction can be regarded as fixed for our time scale. Biology, filtered by social and cultural factors, generates something that for lack of a better definition I will call

“reproductive instinct”, admittedly a spurious concept. This, if not fixed, is quite stable in time - even in the most adverse situations there is a minimum quantum of reproduction – and there is no policy that can alter it.

The second main factor is our cultural and ideational representation of what reproduction means for us: a good indicator is, for instance, the ideal, wanted or desired family size. If we are to believe in surveys, this seems to be pretty stable: for more than half a century the norm of the ideal family size has remained the same, consistently around or above replacement, and this for every stratum or country. So forget about trying to manipulate the minds of people: they will do what they believe is good for themselves, not what they are told. Exhortations that attempt to change people’s minds are either useless or counter productive.

The third factor are the constraints that convert ideals and desires into actual reproductive behaviour: pain, fear, stress, anxiety, time, space, money, material goods, to name a few. The varying impact of these constraints and their time cycle account for most of the variation of fertility, ranging today, in Europe, between 1.2 and 2 children per woman. I submit that policies can iron out these differences.

How many are the Marias and Marios? They are more and more numerous, as the labour market becomes deregulated and two incomes are a necessity, while no structural changes to the system of public transfers are made. Policies that would partially reverse the postponement of childbearing that took place in the last decades, while at the same time convincing one every five women in each parity to have an extra child, would increase tempo and quantum fertility by four or five tenths of a point, so that a total fertility of 1.7 or 1.8 could be achieved. There are three big questions marks about these policies. First: do they exist? Second: are they too expensive? Third: will they work? Let me answer them briefly. These policies do exist, and they may be defined as policies of empowerment of the young. They imply a faster transition to adulthood; an earlier entry into the economic and social life; more security of income with a Spartan but efficient safety net; easier reconciliation of family care with work responsibilities; redistribution of social transfers in favour of families with children. One can easily shop for the best practices existing in the various countries. More power to the young means more autonomy, more responsibility, less constraints for shaping one's own life, including reproductive

ideals. Are these policies too expensive? It depends. Opening the labour market to the young implies more jobs, more income, and more resources for the system.

Redistribution of transfers - more to the families with kids, less to persons past their reproductive life - has a heavy political cost but economically it could be a zero-sum game. Will the policy work? We may argue on the efficacy of past policies, and whether they encourage a vigorous policy-oriented action or it is better to wait for the invisible hand to restore the demographic balance. But the past is seldom a robust predictor of the future: in the case of policies, their cumulative and long term effect must be evaluated net of the conditioning of the general social, economic and cultural environment. This is, at best, difficult; moreover the net transfer of resources operated by policies has been either short lived or of small entity. Finally, conditions change, and so do human reactions to policies. Experiences in a given period may be reversed in another.

A final, general point, before closing. Among the many factors responsible for the very low fertility in many European countries, probably the principal one is the “negative fertility drift” induced by current welfare systems and the lesser generosity with which families with young children are treated in comparison with those who have no children or are past reproductive age. In present day Europe public expenditure amounts to up 50 percent of GNP, and the way governments redistribute this 50 percent between generations greatly affects the relative cost of children. Inequitable transfers have a much higher impact today than in the past -- a century ago only 10 percent of GNP was redistributed by the state and half a century ago only 25 percent.

Policies, if well coordinated, with adequate resources (that, however, need not to increase total public expenditure) and sufficiently long lasting, might have a considerable effect. If you don't believe me, ask Mario and Maria.

Thank you

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