

IUSSP Debate: Will policies to raise fertility in low-fertility countries work?

Presentation by Peter McDonald (YES)

SLIDE 1 (Title)

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A happy father of sextuplets?

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No, it is •Peter Costello, the Australian Treasurer and would-be future Prime Minister. The photo was taken after the release of statistics showing a rise in Australia's fertility rate. Costello is taking the credit for the rise, not personally, but by policy. This is probably premature but Australian politicians are lining up to take credit for the recent rise in Australia's fertility rate. After years of doubt, they have become believers that policy can be effective.

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Australia is not alone. Like Australia, the governments of Austria, Singapore and the Republic of Korea have recently introduced massive reforms to support those who have children. After policy change in Austria in 2002, the total fertility rate rose from 1.36 to 1.44 in 2004. Believers are popping up everywhere. As far as many policy makers are concerned, this evening's debate is passe.

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Why is the policy direction changing? Because it must change. Being relaxed and comfortable about very low fertility is fool-hardy and very low fertility does not go away of its own accord. Indeed, without effective action, it consolidates.

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This table shows fertility rates in the advanced industrialised countries in 2003. Countries fall into two groups, those with rates above 1.5 births per woman and those below. 1.5 is an important division because it defines the safety zone for low fertility. Compared to fertility below 1.5, when fertility is above this level,

- The population will age more slowly.
- There will be a continued adequate supply of skilled young workers in future years.
- The age structure will not be marked by inefficient peaks and troughs occurring in rapid succession.
- The population will not be at risk of spiralling downward as a result of negative population momentum, and
- Young people will be able to fulfil their aspirations for family life.

100%, of countries with fertility below 1.5 reported to the United Nations that they considered their fertility rate to be too low. Countries do not need to be convinced of the implications of very low fertility.

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The preceding table shows an interesting cultural divide. Group 1 includes all the Nordic countries, all the English-speaking countries and all the French and Dutch-speaking countries of Western Europe. Group 2 includes all the Southern European countries, all the German-speaking Western European countries and all the advanced East Asian countries.

What explains this cultural divide?

In general, Group 2 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 Group 1 countries; in general, they are notable for the family-friendly institutional arrangements that they have implemented in the past 20 years. Ignore the United States – its relatively high fertility is an amalgam of several very diverse fertility regimes. Many large segments of the US population have fertility rates above three children per woman.

While many nations are implementing policies that influence fertility, the reluctance of demographers to recommend policy action is curious because, in general, the existing evidence for the efficacy of such policies tends to be favourable. We seem to be a very conservative profession when it comes to providing policy advice. We look for conclusive mathematical evidence but evidence on the

impact of social policy on fertility can never be absolutely conclusive.

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But here is a range of empirical evidence that appropriate policies can be effective.

The ‘strong’ conclusion of Andorka and Vukovich was that policies introduced in Hungary in 1965 stopped the fall in fertility that was underway at that time.

Buttner and Lutz concluded that an explicitly pronatalist policy package introduced by the German Democratic Republic in 1976 increased fertility in the GDR in the years from 1977 to 1987 by between 15 and 20 per cent.

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Sweden’s fertility fluctuations over the past 20 years cannot be explained sensibly without examining the effects of policy changes. Whether the direction was up or down, policy was an essential part of the process.

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Laroque and Salanie 2005: ‘Our results suggest that financial incentives play a sizable role in determining fertility decisions in France’.

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Estonia: Early days, but births increased by 6.5% in 2004 following the introduction of a generous new maternity allowance.

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The Rand Corporation: Re France ‘Family policy has been high on the political agenda ever since (the introduction of the Family Code in 1939), resulting in relatively high fertility rates’. More generally ‘government policies *can* have an impact on fertility’.

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For 18 European nations: Adkins found 'a very substantial, significant positive effect (on fertility) of the national mean child benefit level after controlling for other conflating factors’.

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Sleebos 2003: There are ‘strong positive effects on fertility from higher child care availability ... What is required is coherent application of a range of well-designed interventions, applied consistently over time’

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Neyer 2003: ‘Countries which regard their family policies as part of labor market policies, of care policies, and of gender policies seem to have fared better in retaining fertility above lowest low levels’

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Gauthier 2004: ‘There appears indeed to be a positive – albeit very small – impact of cash benefits on fertility’. ‘The literature also suggests that policies that support working parents can have an effect on fertility.’

I cite many, many more studies documenting the impact of policy on fertility in the paper I gave in the session preceding this debate. It is on the Conference website.

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We should also remember that it is early days for policy impact studies because impacts take time. Pronatalist policies are likely to be implemented by governments when fertility rates are low. Accordingly, in the early years of implementation of a policy, a substantial policy initiative may be associated with low fertility. Most studies do not take the duration of the policy into account.

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While the effects of policy may be small, only a small effect is required. We are not trying to produce another baby boom. 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.

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Finally, I am old enough in the field to remember the 1960s. At that time, the majority of demographers were highly skeptical about the chances that policy could reduce fertility in developing countries. Now, we can look back on the incredible success of these policies. Today we hear the same skepticism in relation to raising fertility from very low levels. In the not-too-distant future, I am convinced that we shall be able to look back on the success of policies designed to raise fertility.

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