

## **Fertility rates and policy responses**

**Lorenz WURM (Austrian Institute for Family Studies, University of Vienna)**

Report written by *Celine Vlasaty*

### **Introduction and background**

This presentation deals with the decline in global fertility rates and analyzes the causes and consequences of this trend. It examines policy measures aimed at addressing this decline.

Over the last 50 years, global fertility rates have fallen dramatically. Around half of the world's population now lives in countries where the fertility rate is below the replacement level of 2.1 children per woman. In OECD countries in particular, the average fertility rate has fallen from 2.0 in 1990 to a historic low of 1.5 in 2022.

### **Causes of falling fertility rates**

Economic uncertainty as well as unstable and insecure labour markets contribute significantly to the fact that starting a family is postponed or avoided altogether. Uncertainty about the financial future and fear of job loss make it difficult for many young people to decide to have children. The conflict between career and family life is particularly noticeable, making it difficult for women particularly to choose a path of professional success and family planning. This double burden often leads to the number of children wanted being reduced or the decision to have children being delayed altogether.

Another aspect is the persistent gender inequality, which depresses the birth rate. Women are often more burdened, as they take on the majority of domestic and childcare duties. This imbalance in the distribution of family responsibilities makes it even more difficult for women to find a balance between work and family and contributes to their decision not to have children or to have fewer children.

High living costs, especially expensive housing costs and the high costs of raising children, are further hurdles for many potential parents. Uncertainty as to whether they can meet the financial requirements often leads to family formation being postponed or avoided altogether.

In addition, social upheavals, such as changes in family structures and social norms, are influencing fertility behaviour. Traditional notions of family are changing and many young people are consciously deciding not to have a family or see alternative life models as more attractive. All these factors contribute to the falling birth rate and make it clear how strongly economic, social and cultural developments are intertwined.

### **Consequences of the declining birth rate**

Falling birth rates lead to a variety of challenges that affect both demographic and economic aspects. One key issue in this context is the ageing population. The growing proportion of older people is placing a considerable burden on healthcare systems and pension funds. Older people require more intensive medical care, which drives up healthcare costs and ties up resources that are then in turn lacking for the younger population. Pension systems are also coming under pressure, as fewer and fewer people in employment are paying into the systems while the number of pensioners is increasing.

Another effect of falling birth rates is the potential slowdown in economic growth. As fewer and fewer young people enter the labour market, there could be a shortage of labour, which

would affect economic productivity. Such a labour shortage could not only slow growth, but also weaken the innovative strength and competitiveness of economies. The combination of these factors poses a serious challenge to the long-term stability and prosperity of societies.

Policy responses to declining birth rates vary greatly from country to country, depending on specific demographic, cultural and economic circumstances.

In Japan, the birth rate has remained at a low level despite comprehensive family policies such as the “Angel Plan”. This plan was intended to support families by facilitating access to childcare facilities and providing financial aid. However, deeply rooted social structures, in particular the traditional division of roles between the sexes and the intensive workload, have meant that the measures have not had the desired effect. In Japan, women are still often confronted with the expectation of having to choose between a career and starting a family, which prevents many from having children.

Sweden took a different approach in the 1980s with the “speed premium” approach. This rewarded shorter intervals between births financially, which led to an increase in the birth rate. However, it later became clear that this increase was due to a change in the timing of births rather than an actual increase in the average number of children per woman. However, Sweden as a whole is known for its progressive family policies aimed at promoting gender equality and making it easier to reconcile work and family life.

In Hungary, the government has invested heavily in family benefits in recent years, spending more than 3% of GDP. These measures have led to an increase in the birth rate to the OECD average. The promotion of families who decide to have a third or more children has been particularly successful. One example of this is the lifetime tax exemption for women who have four or more children, which creates a strong financial incentive for larger families. This policy is part of a broader strategy by the Hungarian government to try to reverse demographic change by incentivizing family formation.

These different approaches show that there is no universal recipe for countering the decline in birth rates. Successful policies depend heavily on the respective social and cultural conditions.

### **Challenges in the evaluation of policy measures**

Evaluating the effectiveness of political measures to increase birth rates is difficult due to several challenges. Firstly, the effects of such measures often only become apparent years later, as they influence the behaviour of the population in the long term. Secondly, many different factors have an impact on birth rates, including economic and cultural influences, which makes it difficult to clearly isolate the effects of individual measures. In addition, many developing countries lack reliable data on birth rates and their causes, which further complicates the analysis and planning of measures.

### **Summary**

The decline in global fertility rates is a complex phenomenon influenced by economic insecurity, the high cost of living, gender inequality and changing social norms. These factors make it difficult to clearly assess the effectiveness of policy measures to increase fertility rates. Different countries have developed different approaches to actually counter this trend, such as family support programs in Sweden or financial incentives in Hungary. However, it is clear that there is no universal recipe and that success depends heavily on the respective social, cultural and economic circumstances. A long-term solution requires comprehensive strategies aimed at achieving a better work-life balance and promoting gender equality which all in all prove to be a pretty challenging and complex task to every nation.