

## **Fertility in Times of Economic Crisis**

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### **Uncertainty blocks the decision to have a child**

The recent recession has been the longest and strongest downturn that western economies have faced since the Great Depression of the 1930s. When individuals are uncertain about present or future earnings or occupation, they tend to postpone life-changing decisions. Empirical evidence confirms conventional wisdom and shows that the Great Recession had a paralyzing effect on childbearing in most western economies. After a period of positive trends, these countries saw their fertility rates plummeting after 2008.

### **The perception of general uncertainty in the economy matters**

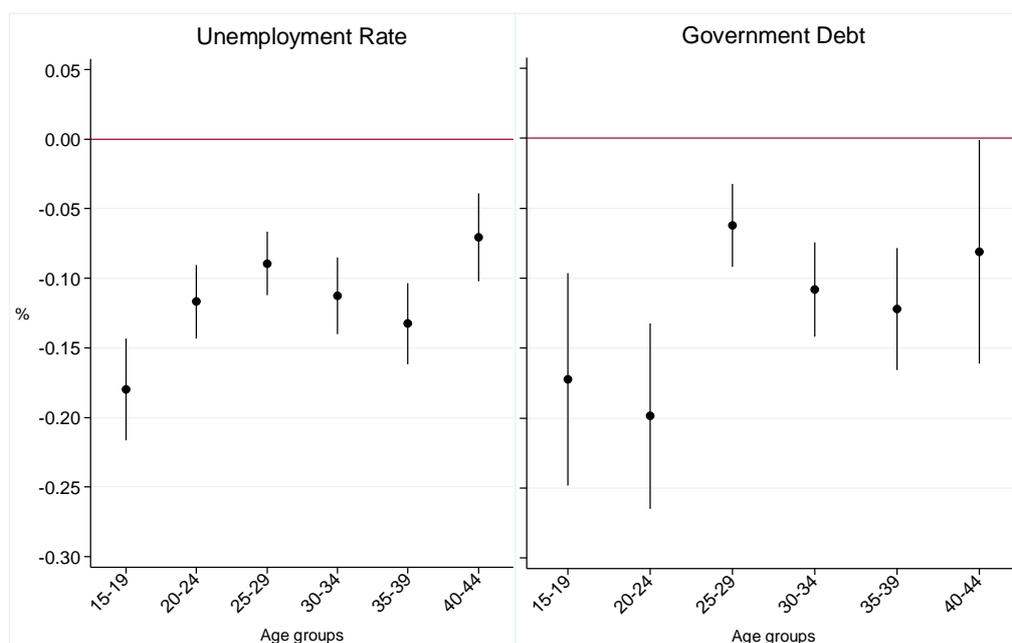
Chiara Comolli's dissertation shows that the effect on fertility of the massive uncertainty generated by the crisis goes beyond the structural conditions of the economy and labor market insecurity. The thesis demonstrates, in particular, that if we limit our research to the usual macroeconomic indicators we miss a substantial part of the negative effects that the crisis had on childbearing. Comolli's research points to the need for a wider definition of uncertainty that drives fertility rates during periods of exceptionally high economic insecurity.

Using the Economic Policy Uncertainty index (Baker et al. 2012, for 31 European countries and the US) and Sovereign Debt risk (Eurostat, ECB, OECD and FED, for Southern European countries), proves that economic and public financial uncertainty impacts on the persistence in the decline of birth rates, over and above the deterioration of labour market conditions. Even when unemployment rates return to pre-crisis levels, diffuse feelings of uncertainty about the near future inhibit couples from procreating. They postpone childbearing because they are insecure about their future job but, on top of that, also because they are uncertain about the financial solidity of their country.

Figure 1 illustrates the decline of fertility rates in different age groups in response to two different indicators of the crisis: unemployment rates and the cost of government debt. The graph shows that birth rates reacted similarly strongly to the increase in unemployment rates and to the rise in public financial risk (measured by long term government bond yields).

**Figure 1: The impact of increasing unemployment and rising government debt on fertility during the crisis.**

## Decline in fertility rates at different ages during the Great Recession



Source: elaboration by the author based on data from the US and 31 European countries. Data sources: Eurostat, ECB, Bank of England, OECD and FED Data, US National Vital Statistics and US Treasury. Coefficients and 95% confidence intervals. Log-log models.

This drop in fertility has been especially sizeable among young women in their twenties who can afford to postpone parenthood, even though [a paper](#) included in the thesis (co-authored with Fabrizio Bernardi) further shows that the crisis had a permanent negative effect also on births among American women close to the end of their reproductive life, around the age of 40.

### **Women's upward mobility in the labour market facilitates child-bearing**

Finally, findings on the US underline the growing importance of women's employment and career for childbearing. Based on analyses of the Panel Survey of Income Dynamics (PSID), Comolli shows that during the crisis in the US it was largely women's labor market status that determined their decisions on childbearing. American women have become mothers more easily when employed in better occupations than their parents. Women's rewarding careers have thus favored motherhood in the US during the crisis. By contrast, occupationally inactive women are less likely to decide to have their first child compared to working women.