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Low fertility in Europe

Is there still reason to worry?



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Summary

In 2004, RAND Europe published a report entitled “Low Fertility and Population Ageing: Causes, Consequences and Policy Options” (Grant et al. 2004), which explored the issue of low birth rates in Europe, its consequences for population ageing and what governments can do about it. At that time, the total fertility rate (TFR) was below the replacement level of 2.1 children per woman in every Member State of the European Union (EU). Even small differences in fertility levels below replacement can have significant consequences for population size: a TFR of 1.5 means, *ceteris paribus*, that the population will halve in fewer than seven decades. As fertility goes down, the mean age of the population increases – there are more older people relative to the younger cohorts. Over the next four decades, the ratio of the population over the age of 65 to the population of working age (15–65) is expected to double in the EU. This has serious consequences for policymakers, not only because of the increased pressure on pension and health provisions as there are more older people and fewer tax payers, but also because the larger group of older people will hold greater political influence.

Jonathan Grant and colleagues at RAND Europe and RAND Labor and Population explored this issue in 2004. The study identified various different strategies used to mitigate population ageing and its consequences in different European countries, including allowing more working age immigrants to enter the country to top up the workforce, promoting increased labour participation by the elderly and women, reducing the financial and social barriers to parenthood, and reforming welfare systems, including pensions and health care. The study’s conclusions were that immigration cannot reverse population ageing or its consequences; national policies can slow fertility decline under the right circumstances but no single policy

intervention necessarily works; and what works in one country may not work in another. The study also found that policies not specifically targeted at fertility may affect it indirectly.

While there is considerable debate about how severe the consequences of population ageing are likely to be, the European Commission made a clear commitment in 2005 to ‘demographic renewal’ in Member States with low fertility rates, and national governments began to implement policies, implicit or explicit, to address these challenges. However, since then, the scientific evidence and policy practice has changed. Some recently published statistics and empirical research suggest that there are some signs that “babies are making a comeback” (Tuljapurka 2009), with many EU countries demonstrating an increase in TFR. The question arises as to whether this trend-break is due to policy efforts or some other reason, and whether governments should continue to address low fertility and the consequences of population ageing.

Against this background, it is relevant, interesting and timely to investigate whether the evidence has changed since 2004, and whether the recent trends are still reason to worry. In updating the earlier study, we chose to focus on fertility and policy efforts that may affect fertility decisions, while acknowledging that mortality and migration also play a role in population dynamics. We investigated the recent trends in childbearing behaviour in Europe, the possible underlying reasons for any changes and the key differences across regions and socio-economic and ethnic groups. We also explored the consequences for policy and how policies have affected fertility rates. Along with data analysis and a review of the recent literature, we examined five countries in depth: Germany, Poland, Spain, Sweden and the UK. These case studies, representing a range between relatively high and low fertility, as well as recovering

and non-recovering TFR, help us to gain a better understanding of the rich and complicated context in which these trends occur.

Are babies making a comeback?

Period TFR in most EU 15 countries fell below the replacement threshold of 2.1 children per woman in the mid-1970s. In the mid-1980s, Ireland and Sweden were the only members of the EU 15 with TFR still at or slightly above 2.1 and by the mid-1990s, TFR in these too had fallen below replacement. Newer members of the EU followed a similar trend almost a decade later, with TFR falling below replacement. In 2000, Ireland and France had the highest TFRs among the EU 15, both at 1.89.

However, since the early 2000s, there have been some signs of recovering fertility. After two decades of year-on-year declines, the average period fertility for the EU as a whole has stabilised in the 21st century, and increased in most Member States. In all but four countries of the EU (Cyprus, Luxembourg, Malta and Portugal), fertility rates have increased between 2000 and 2008. In Austria, Germany and the Netherlands, the recovery was only marginal; in 10 Member States, fertility increased by more than 0.2 children per woman in that period, equally divided between new (Bulgaria, Czech Republic, Estonia, Latvia and Slovenia) and EU 15 Member States (Greece, Ireland, Spain, Sweden and the UK).

Despite these recent trends, TFR still remains below 2.1 in all EU countries, and more than half (14) of the 27 EU countries still have a fertility rate below 1.5 children per woman. However, considerable variations continue to exist. Eastern, Southern and German-speaking European countries tend to have the lowest TFRs. In Germany, for example, TFR has hardly increased in the last 10 years, and with 1.4 children per woman, Germany still has one of the lowest period fertility rates in Europe. Higher TFRs are found in Western and Northern European countries. Therefore, it may be fair to speak of a 'two-speed' Europe, with Northwestern Europe in one lane and Southern, Central and Eastern Europe in the other. Observing TFRs alone can be somewhat misleading. The rising birth numbers and fertility rates in recent years might suggest that couples are having more children, but this is not necessarily the case. If we look at age-specific trends, we can see that the fertility decline at younger maternal ages has stabilised, while at later ages, fertility is increas-

ing. Couples are having about the same number of children as couples 30 years ago, but at a later age.

However, the rise in older childbearing is not a new phenomenon, since the age-specific fertility of women in their thirties began to increase in the 1970s and 1980s. Originally, the effect of this trend on aggregate period fertility was offset by continuously falling fertility in younger age groups. It was not until the fertility of younger women began to stabilise in recent years that aggregate fertility went up. It is unlikely that this trend will reverse, and societies and economies will have to accommodate older motherhood from both an individual and a societal perspective.

What might underlie these trends: possible drivers and inhibitors of fertility

Population size and structure depend on a range of intersecting societal and individual factors, from economic and labour market conditions to gender equality, marital status, family employment and income and the cost of having and rearing children. The interrelationships between these factors, and the contexts in which they operate, make it extremely challenging to analyse causality in any great detail.

Neoclassical economic arguments suggest that fertility should be strongly affected by the costs associated with children: not only those of rearing the child itself, but also the loss of income if one of the parents is unable to work due to childrearing duties. These costs are affected in turn by wider aspects of society, such as economic conditions, legal provisions and government programmes.

This neoclassical economic theory predicts a countercyclical association between economic growth and fertility: this means that fertility tends to drop in times of economic progress. This has been empirically confirmed by the observation that traditionally, most countries have been characterised by a negative association between economic development and fertility. However, several recent studies have shown that in a number of highly developed countries this association has reversed: in those countries, economic development tends to be positively associated with fertility. Therefore, the relationship between economic progress and fertility tends to follow an inverse J-shaped curve. It seems that those countries with pro-cyclical fertility are characterised by relatively high female labour force participation rates.

The recent recession can give us some interesting data regarding the correlation between economic development and fertility. There are some signs of stagnation or slight decline already: statistics published for 2009 show that TFR was lower than the year before in 13 EU countries, compared to none in 2008.

The relationship between employment and fertility is not straightforward. Male unemployment has a clear negative effect on fatherhood, but the evidence on female unemployment is more ambiguous, with contradictory evidence for women of different countries and ages. The ambiguous effect of female unemployment is related to other changes in the role of women in the economy over time. For example, while micro-theory may suggest that women within each country face a negative trade-off between labour market participation and motherhood, cross-national comparisons indicate that some of the countries with highest average fertility (such as the Nordic countries) have high levels of female labour force participation. Some suggest that the positive association between fertility and female employment trends could be explained by labour market characteristics and institutional contexts. Similarly, recent evidence from Nordic countries suggests that although higher education still leads to postponement of fertility, the negative correlation between female educational attainment and completed fertility has weakened or even disappeared.

Social changes also affect fertility. In a number of countries, primarily those in North-West Europe, the importance of marriage is eroding as a prerequisite for childbearing. These countries have seen a rise in cohabitation rates and an increasing proportion of children born out of wedlock. In other countries where this is less acceptable, the EU-wide trend of decreasing marriage rates and increasing age at first marriage may explain partly the postponement of parenthood. Another broad change is towards later childbearing, which increases the risk of reduced fecundity and infertility. The mean age at childbearing is over 30 in the majority of Northern and Western European countries, and may still be rising.

The effect of migration and fertility of migrants

We can conclude that migration is not the main reason behind the recent recovery of period fer-

tility in Europe, despite the influx of migrants. While it is true that there are now more children born to foreign-born women than a decade ago – in many EU countries more than 20% – the reproductive behaviour of migrants played only a relatively modest role in the recent recovery of aggregate period fertility. The data reveal that the fertility trends of many groups of foreign-born women tend to converge with the average of native women. In Sweden, this happened typically within two years of arriving, although with some different responses among specific countries of origin.

Although immigration appears to have little effect on longer term trends in fertility, it does bring in a rapid infusion of women of childbearing age, which has a mitigating effect on population ageing.

Is there a policy effect?

Social and economic policies influence the environment within which individuals make decisions regarding starting a family. The factors that influence fertility are multifaceted, interrelated and context-dependent, which makes targeted policy development challenging. However, evidence from the literature review and the in-depth case studies reveals that policies can have an effect on reproductive behaviour. Given the complex interplay of factors affecting reproductive behaviour, the impact of individual policy measures tends to be fairly small. The wider context of social, cultural and economic factors in these countries matters more. If governments are able to bring about a paradigm shift in the societal system, they may create the conditions that encourage longer term trends in fertility behaviour at the societal level.

Recent years have been characterised by heavy investment in the family in a number of European countries, including Germany, Poland and the UK. Policies that reduce the opportunity cost of having children seem to have a greater influence on fertility than direct financial incentives. Institutional factors that affect mothers' earning potential seem to impact particularly on the decision to have children in Southern European countries. Further support to families comes through parental leave and other policies to support different career patterns, along with subsidised childcare.

On the basis of evidence from Nordic countries, it seems reasonable to conclude that comprehensive long-term government efforts to stimulate

female labour participation, and gender equality in the workplace and the family, have had unintended consequences for fertility behaviour.

However, the impacts of these family policy packages are, at most, mixed. Since national contexts are so important, it is also impossible to extrapolate the findings at Member State level to EU level. For each example of policy impact, there seems to be a counter-example where this impact remained absent. This statement is no different from the overall conclusion in Grant et al. (2004). However, the key question in this study was whether policy has been a driving force behind the recent recovery of fertility rates in the EU. Unfortunately, it is too early to answer this question – and even if a longer time series had been available, the relatively poor explanations for the driving forces behind fertility decline show that it is nearly impossible to find convincing evidence for causal mechanisms. However, it seems unlikely that the recent recovery, which can be observed in most EU countries, is primarily driven by policy, as by no means have interventions been uniform across Europe.

A closer look at five countries

Germany

The fertility rate in Germany is low. It has been below 1.4 children per woman since 1990, despite large state support in the form of family policies. The continuous decline in fertility among younger women (aged 20–29) is the main factor for the overall low fertility level in Germany, as it cancels out the increase in births of older women (aged 30–39). Low fertility seems to be due to a combination of interlinked factors, with the prevalence of a male ‘breadwinner’ model and inflexible childcare provision, making it difficult for women to combine work and family duties. Childlessness is also becoming more socially acceptable, which could be a contributing factor to the relatively low fertility rate.

Poland

TFR in Poland is low at just under 1.4 children per woman, although it has been rising very slowly since 2003, when it was 1.2. Women in Poland are still quite young mothers relative to other European countries, having their first child by the age of 26 on average. Marriage rates are decreasing and couples tend to marry at a later age. More

couples are cohabiting and more children are born out of wedlock. Unstable employment, lack of job security and extended years spent in education are important inhibitors of fertility, and so are inconsistent family policies and lower levels of state support. Large emigration from Poland since 2004 means that a lot of children are born to Polish mothers in other countries, particularly in Germany, Ireland, Sweden and the UK.

Spain

The fertility rate in Spain is low at 1.5, although it had one of the highest TFRs in the EU in the 1960s–1970s. Profound social, cultural, economic and political changes have contributed to the drop in TFR since then, with the post-Franco regime paying little attention to family policy. Efforts to increase and expand family policies in the past decade may have helped the slight recent rise in TFR, but social developments such as protracted transition to adulthood, and deep-seated problems including high unemployment and expensive housing, continue to influence fertility decisions.

Sweden

Fertility in Sweden saw a rise in the 1980s, a decline in the 1990s and a rise again since the late 1990s. Various studies have shown that the ‘speed premium’ of the 1980s and the economic recession of the 1990s had marked effects. TFR in Sweden is now around 1.9. There may be less reason for Sweden to worry about fertility than other countries, as although fertility rates among younger women were declining, they appear to have stabilised, while fertility rates among older women are still increasing. Nevertheless, there is little to suggest that fertility will reach replacement levels in Sweden, and fertility trends continue to drive population ageing. However, changing fertility decisions and behaviour may be less important than previously thought, as the trends may not necessarily indicate a change in the cumulative number of children born per women. Since fertility rates in Sweden have been positively correlated to economic growth in the last decades, there is reason to expect that recovery will stagnate or reverse following the recent recession.

United Kingdom

The UK has had one of the most dramatic turn-arounds in fertility over the last five years, with recent gains more than reversing the slow decline

of the previous two decades. While TFR was at 1.97 in 2008, there is reason to expect that it may soon reach replacement level. In general, broad social and economic factors do not give a convincing explanation for the reversal in fertility trends, and there is no evidence that these factors began to move in such a way that explains the increase in fertility. Although foreign-born women do contribute a significant number of births to the UK each year and on average have higher fertility than UK-born women, recent immigration is unlikely to explain much, if any, of the rising fertility. Although the policies introduced by the New Labour government, which came into power in 1997, were not explicitly pro-natalist, they did influence fertility rates – however, it is difficult to estimate their exact effect. It appears that policies intended to improve the quality of children's lives had the unintended effect of increasing the quantity of children born.

What does this mean for policymakers going forward?

'Doomsday' scenarios of imploding European populations, with fertility spiralling downwards, have not materialised. Recent snapshots of fertility indicators look less depressing than they did a decade ago: average fertility for the EU as a whole has stabilised, and increased in a number of Member States. However, there is no clear explanation for the recent recovery – the drivers and policies described above indicate the range of factors that influence the timing and quantity of births. In addition, it is not unlikely that fertility

will drop again as a consequence of the recent economic recession.

While this study focuses on fertility, it is worth noting that the relationship between fertility, mortality and migration determines the overall structure of a population. Therefore, it should be recognised that while the recent recovery of fertility in many European countries will no doubt have an effect on population structures, it is unlikely to reverse the trend of population ageing, unless fertility remains above replacement levels for several decades.

So, while policymakers may feel that they have less cause for concern, they must not ignore the fact that European populations are continuing to age. A number of countries may be less concerned about very low fertility rates, but governments will still have to consider and address the (socio-)economic consequences of ageing populations, such as issues of pensions, health care and all the other side-effects.

The outlook for fertility in the EU as a whole is better than it was a decade ago, but fertility rates in several countries are still alarmingly low. Countries with very low TFRs will need to continue to explore ways to make it easier for both women and men to choose to have children. Implementing measures that help both women and men to combine their career with their family life has direct effects for gender equality and female labour participation, but potential positive externalities for childbearing behaviour.