NO FUTURE WITHOUT CHILDREN:
demographic developments in Europe

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‘Family means Future- Joint Family Policy Thrust
in the European Union

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Minister Schmidt, fellow Ministers, Permanent Secretaries, Ladies and Gentlemen, dear colleagues,

Thank you very much to you Minister and the German Ministry for Family Affairs for providing the opportunity for the European Foundation in Dublin to contribute to this important conference of family ministers from 25 countries on the future of the family in Europe.

The conference comes at a good point in time. The family is at the centre of many policy issues and debates within countries as well as within the European Union and its institutions. Whether one is concerned with declining fertility, or with the increasing care demands of an aging population, or with the growing desire of increasingly well educated women to participate in paid work and in decision making processes on a par with men, or with the demands of a competitive and global market to better use, and not waste, the human capital of women, or with the problems arising in neighbourhoods where no adult of working age is present during the day – whatever the case, in all these cases the family, its internal arrangements, its strategies, appear to be a crucial factor.

Despite the importance of the family, family policies have a low status in many countries relative to other policy domains. Family policy is often the vehicle for the delivery of objectives in other policy areas. As many family issues are regarded as private matters, family policy has to achieve a fine balance between private and public responsibility. Governments have to decide whether to intervene in response to challenging family issues, determine what policy options are available, and finally define how those responses should be used, resourced and implemented.

What do the citizens of Europe think about the importance of the family? For them family, children and partnership has a future. Based on the Foundation’s recent survey in the EU25 plus Bulgaria, Romania and Turkey, we know that 80% of the people in the EU15 regard partnership as important for their quality of life. Having family support is the No.2 in the 10 new Member States and No.3 priority for quality of life for people in the EU15. And between 60 and 70% in both country groupings regard having children as a key component of quality of life.

In addition, the subjective feeling of social exclusion in the NMS is significantly reduced if a person lives in a larger family or with someone else. Citizens in Europe continue to regard family and kin as an important resource in the case of need. And, they provide ample care not only for children but also for the frail and elderly. Today between 20% and 25% of respondents provide some form of regular support to someone who is ill or dependent.

So how do these positive perceptions correlate with the observed crisis and the so-called de-institutionalisation of the family: high divorce rates, high level of cohabitation outside marriage, increased number of births out of wedlock? Certainly, the trend in Europe seems to confirm these concerns and the underlying process of de-

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1 I would like to thank my colleagues Tony Fahey and Chiara Saraceno for their support in producing a joint background paper, which is the basis for my speech.
institutionalisation. However, we would argue that there is a parallel trend pointing towards a re-institutionalisation of family and partnership. According to important scholars in the field what is perceived as a weakening of the family may just be the result of an increasing demand for the acknowledgement of so called ‘new family forms’. This points to the willingness, even the need, by individuals to assume and perform within these relationships those obligations, which were traditionally reserved for the legitimate, traditional family. Empirical results show: The shape of social commitment is changing but there is no loss of commitment. Within new forms of partnership for example, intimacy, love, unconditional support, trust and effective management of day-to-day life remain of utmost importance.

Family policy in Europe in the 21st century is confronted with these developments. It has to consider if it wants to base its policies on an increasing plurality of various forms of partnership of couples, different durations of partnerships and various types of partnership biographies. Overburdening, rather than de-institutionalisation and weakening, may be the cause of tensions and difficulties, which families and households are currently encountering: This is due to an imbalance between needs and resources; too much paid work, or on the contrary too little paid work in the family; because of perceived inequities in the division of household work and care as well as in the distribution of resources across gender or between generations.

It is argued, that effective family policy, which wants to influence fertility has to consider both the importance of family and partnership for the quality life of their citizens and the process of re-institutionalisation of partnerships. The former will give it increased legitimacy, the latter should have an influence on its direction.

The argument for a new direction for family policy based on a plurality of various forms of partnership is also supported by new empirical evidence, which demonstrates an unexpected reversal of the direction of association between traditional aspects of union formation and fertility. This evidence is based on a comparison between the 45 countries represented by the Council of Europe. In 1975, traditional union formation had a positive influence on fertility outcomes. Then a high marriage rate, a low divorce rate and a low proportion of birth out of wedlock had a direct correlation with a high overall fertility rate. By 1999, the direction of relationship between all three indicators had changed. Now, low marriage rate, high divorce rate and a high percentage of children born out of wedlock are associated with higher fertility rates in Europe. This change marks a major turnaround. I will explore later the reasons for this turnaround in more detail. Here it serves as an argument that a pro-active and sustainable family policy should recognise the new trends in union formation and its positive relationship with fertility outcomes.

Before going more into depth, let me briefly reflect on two important underlying global conditions, which are important for the emerging European fertility debate. We talk a lot about the Lisbon economic and social objectives in comparison to the US, but we often leave out the notion that for more than 20 years the US has a significantly higher fertility rate. Particularly, since the beginning of the 1990s US fertility is around 40% higher than average fertility rates in Europe with significant positive effects on long-term competitiveness. And I think this notion strengthens the argument of the strategic importance of increased efforts in the family policy domain in Europe.
The challenge to deal with low fertility within family policy in Europe has not become easier through enlargement. The last enlargement round incorporating the NMS and possible future enlargement towards Bulgaria and Romania will further increase the challenge facing Europe as to how to solve its fertility under-performance. Fertility rates in both country groupings are under the EU15 average. The positive effect of a potential accession of Turkey (possibly by 2015/2020) will be much smaller than expected.

Looking closer at fertility in the 28 countries, I would like to focus first of all on aspirations and fulfillment of fertility for the citizens in an enlarged Europe. Overall, throughout the low fertility countries of Europe, people have less children than the number they say they would ideally like to have. The EU15 has a shortfall of 0.25 children; the NMS and CC2 of nearly 0.20 children. Turkey is an exception as excess fertility was reported by half of the women. In Malta and Bulgaria the balance between over- and under-attainment is even. Also the younger age group (18 – 39 years) has a latent demand to increase fertility above the actual fertility level. These shortfalls reflect a latent demand for family support by the citizens to have the children they want. It provides a window of opportunity and increased legitimacy for policies aimed at increasing fertility. It brings into line government interest in increasing fertility with corresponding higher degrees of satisfaction of preferences of their citizens.

There is, however, an important change over time in Europe within eight of the old 15 countries. In the last 20 years preferred family size has declined significantly from 2.65 to 2.25 children. The shortfall has come down accordingly by 0.2 children over 20 years.

Up to now, we only analysed average figures. Looking more in detail we find that for the NMS and the EU15, one third of women had ‘too few’, one in 10 had ‘too many’ and around 55% had the ‘ideal number’ of children. That means: around one third of women are a potential target group for pro-natalist measures. This is a substantial group from a family policy perspective.

You as Ministers are not only interested in overall European trends. You are also interested in what happens in the various countries. Have the lowest-low fertility countries with a total fertility rate under 1.4 a significant potential for catching up, are lowest-low fertility countries falling further behind, are there countries with higher fertility, which have a latent demand above average to move further ahead or is there a stagnating or even reversing latent demand on a higher fertility level?

Let me present to you the summary of the results by looking only at the most clear-cut findings. We compared the extent of latent demand for increased fertility of the citizens for both age groups of women and related it to the actual overall fertility level of the country. The following overview only includes those countries where both indicators point in the same direction:

1. Strong latent demand for catching up on fertility: Greece, Spain and Latvia
2. Above average latent demand for catching up: Poland, Slovakia, Hungary, the Czech Republic, Slovenia
3. Sub-average latent demand on a low fertility level leading to a further falling behind: Germany, Austria and Bulgaria
4. Above-average latent demand for further moving ahead: France and to a lesser extent Cyprus
5. Latent demand for reducing fertility on a high level: Turkey and Malta.

What are possible policy conclusions? Policies, which want to use the existing ‘latent demand’ for increased fertility in actual lower fertility countries, find their strongest base in southern Europe (Spain and Greece) and in six out of the eight former communist countries of the NMS. But there is also a strong base for such a policy in relatively high fertility countries as France and Cyprus. In all three country-groupings pro-natalist policies can satisfy existing preferences of citizens for more children by removing economic and organisational constraints.

There seems to be little potential in Turkey and Malta for pro-natalist measures using unfulfilled latent demand. In these two countries we observe a wish to reduce ideal family size below achieved fertility to move towards the European fertility average.

Pro-natalist policies seem to be particularly difficult in Germany, Austria and Bulgaria, where greater numbers of women seem to be content with the low level of fertility. Young people, having experienced low fertility rates among their parents’ generation, increasingly fall into line with the family history of low fertility. This is interpreted by some scholars as adaptation of ideal family size in the light of experience. At an extreme, such generational conditioning may cause a downward spiral of desired fertility. In such countries a pro-natalist policy has to turn around the preference structure of women for more children by relatively comprehensive, integrated and long-lasting measures.

To finalise this approach looking at the latent fertility demand let us turn to the possible influence of the level of education on the shortfall between achieved and desired fertility. The unit of analysis is women with completed fertility. Level of education has been identified by many scholars as an important factor regarding fertility. What are the long-term trends over 20 years regarding the relationship between achieved and desired fertility in Europe?

- Take the trend on ideal family size: Here we find the strongest reduction by the lowest educated group.
- Take the trend on achieved family size: Here we observe the strongest reduction by the better educated.
- Take the trend on the emerging shortfall: For the lowest educated group a small latent demand in 1980 turned into an overachievement in 2000. For the highest educated group the trend points in the opposite direction: A substantive and continuing latent demand of between 0.5 and 0.7 children over 20 years.

This is confirmed by a more detailed analysis, which finds a proportion of under-attaining of around 45% for the high-educated women - stable over a period of 20 years.
Assuming a relative stable pattern of preferences of younger cohorts of educated women the following policy conclusions can be drawn:

- The shortfall in fertility of better-educated women has existed in Europe for more than 20 years and has attracted little policy attention to date. However, the window of opportunities remains open.
- Targeted family support to raise under-attainment would need in particular to support the better-educated and better-off women, e.g. through tax credits and universal flat-rate payments. This may conflict, however, with re-distributive and social inclusion objectives (‘reduce child poverty’) of traditional family support policy and with the experience than increased benefits may have little effect on fertility outcomes.
- It could be argued that targeted policies for parental leave, re-integration, non-career discrimination and specific working time arrangements for better-qualified women may be more effective.

Let us now turn to the leading European concept of a sustainable family policy. It is based on the twin objectives to increase fertility and the employment rate of women. In the same vein are the German government initiatives based on the report of the Ruerup Commission, which will be presented later on, and suggestions for the future of European social policy made by the High Level Expert Group in May 2004.

Such a policy direction is supported by results of a cross-country comparison in OECD countries at the end of the 1990s, which shows a growing positive relationship between fertility outcomes and employment rates of women. This marks a ‘major turnaround’ to the situation after World War II up to the mid 1980s, where OECD countries with high fertility rates had low female employment rates and vice versa. Today, however, OECD countries with relatively higher female employment rates, have also relatively higher total fertility rates. For Europe, this turnaround is inter alia strongly related to the emergence of lowest-low fertility in the Mediterranean countries and relatively stable fertility trends in the Nordic countries.

These results have to be, however, qualified on the basis of recent time series analysis within individual OECD countries. They show that the relationship between fertility and female employment is still negative over time, but that the negative association has become weaker for each individual country since end of the 1980s. The only exception is Italy, where the negative association has not weakened over time.

What has caused this dramatic turnaround in the developed countries? According to various scholars the turnaround is based on the change of women’s views on their proper role in society and on positive reactions of governments in several countries to accommodate these new views and preferences. The previously dominating preference structure of women, and society at large, regarded motherhood and paid work as largely incompatible. The new pattern started from the assumption that women have the same right and often the same financial need to work as men and that fertility must somehow be combined with the demands of working life. Being in paid employment becomes in this way for many women a pre-condition of having children.

Such a shift necessarily implies an increased value of women’s work and consequently greater willingness of women to adjust their fertility aspirations in order
to pursue valued career goals. To achieve this turnaround, however, policy matters. It matters in order to influence pre-existing labor market arrangements by improving female employment opportunities and to make the right policy choices to improve the possibility to combine employment and fertility. The EU policy debate is converging with regards to the identification of policy measures, which successfully influenced this turnaround of the originally negative relationship in Europe. Its main emphasis is on a successful reconciliation policy with strong direct and indirect interventions of the welfare state. As my three colleagues following my presentation will deal with the various policy proposals to combine work and family, I will skip this important point of the ongoing policy debate.

The normal political discourse in Europe, however, leaves some important and maybe even unpleasant questions aside:

- How is this positive relationship achieved with much higher fertility levels in more neo-liberal welfare regimes such as in the US and in New Zealand?
- How is it possible within existing European welfare regimes to simultaneously increase both birth rates and female employment to such an extent as to raise fertility rates close or beyond the necessary replacement rate of 2.1 children?
- Which additional policies are necessary to push fertility levels in the currently identified ‘good practice’ countries in Europe (Nordic countries) to a sufficiently high fertility level?
- How to meet the necessary pre-conditions of a reconciliation policy to provide sufficient, sustainable and quality employment for all women, who want to participate in paid work in Europe?

Part of this turnaround on the relationship between female employment rates and fertility is also the changed nexus between union formation based on traditional family structures and fertility. This leads to the paradox in contemporary Europe that countries with strong family centred welfare-regimes (southern Europe) have a significantly lower fertility rate than countries with weak formal family links (Nordic countries). This reproductive paradox of ‘weak’ and ‘strong’ family welfare systems in Europe would lead in the long-term to the paradoxical consequence that strong family-centred welfare regimes in Europe would weaken the very basis of their specific welfare regime.

In addition it is also argued that the process and timing of union formation has an important influence on fertility. Leaving home is one of the crucial points of the life biography and a central event in early adulthood. The longer young adults stay in their parents’ home, the lower the average fertility rate. According to an OECD study fertility rates are lower in those countries, in which a higher proportion of younger people continue to live with their parents in their late twenties. It also highlights a high employment rate of younger people as an important factor in successful transition into adulthood and its subsequent positive effect on fertility. Countries where a higher proportion of young adults are in employment also experience higher fertility rates.

In the final part I want to reflect on two aspects: Firstly on our knowledge of the effects of various policy measures on fertility based on the results of comparative
Let me start with the analysis of important policy measures. Looking at family cash benefits as a percentage of GDP in all OECD countries in 1998 shows a positive but very weak and hardly significant relationship with fertility. There is also a weak positive relationship between fertility and family cash benefits per capita and virtually no relationship to family service expenditure (e.g. formal day care). All three measures have no statistically significant effect on fertility.

Coverage of formal childcare (public and private) of younger children (under three years of age) varies strongly between OECD countries. Focusing on available formal childcare for this group and leaving aside informal childcare coverage (e.g. by grandparents and other relatives/friends) as well as the cost of childcare, the comparative analysis for all OECD countries reveals a strong positive relationship. It shows at the same time no significant results for the age group between three years and mandatory school age, but a strong and significant effect of the total provision of childcare over all age groups below the mandatory school age.

The results for OECD countries on the effect of flexible working arrangements confirm the importance of family friendly measures at the company level. According to some scholars the percentage of employees working flexi-time varies strongly and statistically significantly with fertility levels, whereas the percentage of women working voluntarily part time has no effect.

In order to measure an overall effect of various reconciliation policies, OECD and other scholars have calculated an index of work and family reconciliation policies. This composite index combines information about the extent of part time work, the extent of available flexi-time, voluntary family leave provided by companies in addition to legal entitlements for child-related leave, childcare coverage for children below three years of age and maternity pay entitlements. For all OECD countries the index shows a statistically weak positive relationship with fertility outcomes which is statistically significant.

The analysis of three measures related to maternity and childcare leave shows the following: duration of maternity leave, the wage replacement rate and the total combined maternity and paternity leave have a negative and non-significant relationship to fertility.

One of the shortcomings of the previous analysis is that it measures only bivariate relationships. A multivariate analysis including simultaneously national variations of cultural traditions, employment structure as well as various aspects of family-friendly policy and their effect on fertility could test these results. Based on such an analysis one can identify three variables, which have an independent and significant association with fertility outcomes: the average level of provision of formal childcare, the female percentage with tertiary education and the level of female unemployment.

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2 This part of the analysis relates inter alia to work of the OECD (e.g. Sleebos 2003 and Babies and Bosses volume 2), the work by Francis Castles (2003) and various recent contributions by the MPI in Rostock by Billari and others.
How to interpret this? The robust evidence that high fertility is in part a function of women’s access to educational opportunity fits well with the idea of a preference shift in which the possession of resources guaranteeing a niche in the employment structure makes it easier rather than more difficult for women to embark on maternity. The influence of unemployment serves as a measure of difficulty of access to employment and highlights the importance of employment policy. The even more robust relationship to childcare provisions highlights the role of family-friendly provision of childcare services.

How do the citizens of Europe reflect on the possible direction of family policy in Europe to cope best with the existing challenges?

Let us first look at the results for the EU15: Based on the public debate the expected result would be that flexible working hours, childcare provisions, available financial support for families and the provision of parental leave (duration and payment) are seen as the most important measures to improve the situation of families with children. Whereas the importance of the first two measures is confirmed, it is astonishing that the respondents give by far the highest priority to the fight against unemployment as the most important measure to improve the situation of families. In six out of 15 former Member States it has the highest priority and in 12 out of 15 it is within the top three of relevant measures to support families. The level of child allowance, the cost for education, the duration and in the level of benefits during parental leave is for most of EU15 citizens of minor importance to improve life for family and children.

The NMS show a different pattern: The emphasis is much more on child allowance and the level of replacement income during parental leave, i.e. on measures covering costs and providing additional income related to the upbringing of children. The fight against unemployment moves into a shared third position (in two countries, it is the most important measure) together with initiatives to contain the costs of education of children, i.e. the fight against unemployment is relatively less important in the view of the citizens in the NMS. However, flexible working time arrangements and available childcare provisions, which were high on the agenda of the citizens in the EU15 play no role.

How do these results fit with the reasons for under-attainment given by men and women older than 25 years in the NMS and CC3?

Results for the EU15 are unfortunately not available. Women’s most important reasons for under-attaining their ideal number of children, are wider financial issues including lack of finance, cost for children and housing. Health problems, which may indicate the effect of the postponement of childbirth on fertility, follow in second place closely followed in third place by partnership problems. The challenge to reconcile work and family follow in the NMS and CC3 in fourth place with significantly less importance.

Let me try to summarise in two steps: First to look at the common trends in the enlarged EU of 25 and than in a second step highlight the specific results for the EU15 and NMS. Overall in the EU25 we observe a significant latent demand for pro-active family policy, in particular towards better-educated women. Room for targeted
policies should be explored, which has to consider, however, a possible conflict with
traditional re-distributive family policies. Employment policies show their importance
for the family not only from the point of view of the citizens but also in the analysis of
objective conditions influencing fertility. However, the degree of importance varies
between the two country groupings. An emerging plurality of partnerships and its
positive relationship to fertility is also a joint trend in the EU25. This may give
support to policies improving the legal and financial conditions for people living in
‘new’ partnerships. Further generalisations are unfortunately hampered by the uneven
availability of data and research results for the EU25. The inclusion of the results of
the analysis of the effects of various policies on fertility is constrained as it covers
only OECD countries, i.e. it includes only four of the 10 new Member States.

For the EU15 our findings have more depth. The statistical analysis of effects of
policy measures on fertility and the attitudes by the citizens converge in a strong
support of the European employment and reconciliation policy. Sustainable
employment for all, but particularly for women and young people, provision of
childcare and flexible working time arrangement come out as most important
measures to support the family and improve fertility. Traditional measures of family
policy, such as child benefit and various leave arrangements are regarded as acquired
rights by the citizens and show, in the statistical analysis, no significant effect.

Increased financial support and the reduction of the cost for children can be identified
as the key axis to support the family and improve fertility. This may indicate a lower
importance of the reconciliation agenda in the NMS.

In general, effective policies to achieve the twin objective to increase fertility and
female employment will remain a serious policy challenge, as concluded by the
OECD:

- Measures, which may potentially affect fertility, will manifest their influence
  only in the long term. Only a consistent application of specific measures over
time of pro-natalist nature will achieve some positive results.
- It needs a comprehensive and mainstreamed family-centred policy approach
  across various policy fields including employment, housing, social inclusion,
  health, pensions, tax, education etc.
- The best way forward in the future is a combination of some of the policy
  options discussed previously and not a reliance on one specific policy
  measure.
- Finally policymakers should not expect too much from their pro-natalist
  policies, as existing knowledge of reasons for low fertility and about effects
  of possible policies are still fairly limited.

The preference change on women’s role in society and on the labour market has
delivered the general trend to lower fertility and has simultaneously guaranteed that
the countries with the relative highest rates of fertility will be those most willingly
embracing the implications of recent cultural and economic change. That means,
develop certainty that those measures have a positive effect on relative fertility
rates in lowest-low and lower fertility countries in Europe, the question remains open
to what extent those measures will in the long-run lead to fertility rates in Europe
close to the replacement level.