Sustaining Fertility through Public Policy: The Range of Options

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In the 1999 round of the United Nations’ periodic survey of population policies (United Nations, 2000), 28 countries with below-replacement fertility considered that their fertility rate was “too low”. Since the previous survey in 1996, seven countries had shifted their view about fertility from “satisfactory” to “too low”. The seven additions to the list were Armenia, Austria, the Czech Republic, Italy, Lithuania, Poland and Spain. All the English-speaking countries and the Nordic countries, along with Belgium and the Netherlands remain satisfied with their levels of fertility, as are three eastern European nations, Slovenia, Yugoslavia and Moldova. Increasingly, therefore, the question of whether low fertility matters is being answered in the affirmative. This is a shift from the relative complacency of governments noted by Demeny (1997) just three years ago. Greater certainty about the issue, however, is not matched by certainty about the appropriate range of policies to address low fertility.

This article aims to describe a wide range of policies that might be used to support fertility rates at a moderate level, that is around an average of 1.7-1.9 births per woman. In advance, however, several points need to be made:

— Low fertility exists in countries with widely differing institutional structures. Policies to support fertility must work from these pre-existing structures. For example, if childcare provided by low-wage, undocumented immigrants is a factor related to higher fertility rates in the United States, this does not mean that this is a policy to be recommended for Sweden which has a long-established, high-quality, state-subsidized childcare system. In other words, there can be no single cross-national model for success. Each country must seek its own institutionally appropriate approach. Also, each country must deal with the realities of its own political economy. Strategies will not be accepted if they are not based upon a

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social consensus. For example, while I argue that changes in the level of
gender equity within the family are an essential element of a fertility strat-
ogy in any country, family organization is fundamental to cultural identity
and revolutionary change is rarely a possibility (McDonald, 2000a; 
McDonald, 2000b).

— As far as possible, policies to support fertility should be based
upon a theory or theories of why fertility has fallen to low levels in a par-
ticular setting. Given that fertility-support policies are likely to be expen-
sive in one way or another, some understanding of the nature of low
fertility will provide greater efficiency in policy implementation. Below, I
review several possible general theories relating to low fertility.

— Countries should have some notion about what they are aiming to
achieve. Inevitably, demographic sustainability (zero population growth,
at least) is an ultimate aim for all countries. The question is: how far into
the future is “ultimate”? Or expressed differently: how much of a decline
in the size of its population or its labour force is the country willing to
accept before demographic sustainability is achieved? The example of
Italy is used to illustrate this point.

I. Achievement of demographic sustainability:
the example of Italy

Demographic sustainability will be achieved, of course, if fertility
eventually rises again to replacement level and remains at that level. In
Italy, this would mean, on average, that about 80% of all women would
need to have one more child than current cross-sectional fertility rates im-
ply they are having. Given that the only advanced countries that currently
have replacement level fertility are “special cases” (1), the achievement of
replacement level fertility would seem to be an unrealistic target. If fertil-
ity is to remain below replacement level, then demographic sustainability
will only be achieved through some positive level of net migration. 
Espenshade, Bouvier and Arthur (1982) demonstrated that, if fertility is
below replacement level, a constant number and age distribution of immi-
grants (with fixed fertility and mortality schedules) leads ultimately to a
stationary population. Of course, the lower the fertility rate and the lower
the level of migration, the smaller the ultimate stationary population.
Here, I use seven different combinations of future fertility (TFR) and
migration to indicate potential population futures for Italy.

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(1) The special cases are the United States and New Zealand. In the United States, the
higher fertility of Hispanic women and of teenagers currently add considerably to the total fertili-
ity rate. In New Zealand, the higher fertility of Maoris adds about 0.2 to the total fertility rate.
The seven scenarios are as follows:\(^2\):
1. TFR is constant at 1.2; annual migration rises from 80,000 in 1999 to 400,000 by 2029, thereafter remaining constant.
2. TFR rises from 1.2 in 1999 to 1.6 in 2019 and then remains constant; migration is constant at 200,000 per annum.
3. TFR rises from 1.2 in 1999 to 1.8 in 2024; migration is constant at 150,000 per annum.
4. TFR rises from 1.2 in 1999 to 1.4 in 2009 and then remains constant; migration is constant at 200,000 per annum.
5. TFR rises from 1.2 in 1999 to 1.6 in 2019 and then remains constant; annual migration rises from 20,000 in 1999 to 150,000 in 2034 and then remains constant.
6. TFR rises from 1.2 in 1999 to 1.6 in 2019 and then remains constant; migration is constant at 100,000 per annum.
7. TFR is constant at 1.2; migration is constant at 100,000 per annum.

The consequences for total population size of these seven scenarios are shown in Figure 1. The outcomes for the proportion of the population that would be aged 65 and over are shown in Figure 2.

If the aim is to keep the total population around its present size, this is achieved by Scenarios 1, 2 and 3. As expected, the scenarios in which fertility rises lead to a lower percentage aged 65 and over than the projection that relies solely on migration to achieve a constant population size. Under Scenario 1, Italy would be expected to absorb two million immigrants every five years into the endless future, an extremely unlikely eventuality. The scenario serves to indicate that for Italy, avoidance of population decline necessarily involves a rise in fertility\(^3\). However, even when total fertility rises from 1.2 to 1.6 births per woman (Scenario 2), Italy would still require migration of 200,000 per annum (starting immediately) to maintain its present population size. Absorption of one million new residents every five years (again into the endless future) would also be a substantial task for a country not accustomed to high levels of immigration\(^4\). If this level of immigration is still not a reasonable possibility, the only other option consistent with maintaining a constant population size would be an even higher fertility rate. Scenario 3 with total fertility at 1.8 births per woman has a migration rate of 150,000 per annum, a level that is very high in historical perspective but in line with very recent

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\(^2\) All scenarios have a common mortality assumption in which expectation of life rises by one year every ten years commencing with expectations of life in 1999 of 75.5 for men and 82.0 for women.

\(^3\) Other countries with below-replacement fertility, such as Australia, can achieve some population growth through manageable levels of migration without any rise in fertility. For these countries, the issue is sustaining fertility at present levels.

\(^4\) To provide perspective, an annual net migration of 200,000 for Italy corresponds to a migration rate of 0.35% per annum. This is a level well below that absorbed by countries such as Canada and Australia over the past 50 years. In 1999 and 2000, Italy averaged a net migration of 150,000 per annum.
Figure 1.—Projected total population size under different fertility and migration assumptions, Italy, 1999-2099

*Source:* Author’s calculations based on the age-sex distribution for Italy 1999 published by the United Nations (1999b).

Figure 2.—Projected percentage 65+ under different fertility and migration assumptions, Italy, 1999-2099

*Source:* Author’s calculations based on the age-sex distribution for Italy 1999 published by the United Nations (1999b).
levels. With Scenario 3, the issue becomes the likelihood of the future path of fertility. Virtually all European countries have total fertility rates that are below 1.8 births per woman. Nevertheless, the scenario allows 25 years for fertility to rise to that level.

If the increases in fertility or migration required to maintain Italy’s population at its present level are considered to be too high, an alternative option is to allow the population size to fall for a time until it becomes stationary at a lower level than the present population. Suppose, for example that Italy was prepared to let its population fall by about ten million over the next 100 years or so, then Scenarios 4 and 5 would be consistent with this pathway. Of the two, raising total fertility to 1.6 births per woman plus a slow rise in migration to 150,000 per annum (Scenario 5) is probably a more acceptable objective than the immediate rise of net migration to 200,000 per annum implied by Scenario 4. In addition, the proportion aged 65 and over would be significantly lower for Scenario 5 than for Scenario 4. The impact of a fall in population size on labour supply can be offset through rises in labour force participation rates (McDonald and Kippen, 2001). As participation rates in Italy are low, there is considerable scope for pursuing this approach. For example, if Italy were to follow Scenario 5, labour supply could be maintained at its present level if the participation rates of Italian men returned to what they were thirty years ago and if the participation rates of Italian women rose to those now applying for women in Sweden. However, the combined rises in fertility and labour force participation rates of women imply changes in the current organization of work and family in Italy, a policy approach discussed extensively below.

Finally, Italy could aim for stationarity of its population at even lower levels. In Scenario 6, the total population would fall slowly over the next 100 years to about 43 million in 2099. The population would continue to fall after 2099 and would ultimately achieve a stationary population of about 28 million. In Scenario 7 (continuation of Italy’s current demography), the total population would fall fairly rapidly over the next 100 years to about 29 million in 2099. Stationarity for this scenario would ultimately be achieved at a population of 15 million. Scenario 6 is instructive in that many observers would consider its demographic elements, an increase in total fertility to 1.6 in combination with 100,000 migrants per annum, as a good result for Italy given its current demography.

Italians themselves can decide upon the future population course that they consider the most favourable. Of course, constant conditions will not hold over such long periods of time, but continual reassessment of the intended pathway is possible and sensible.

The persistence of below-replacement level fertility means that countries need to be considering strategies for their population futures that imply demographic sustainability. This involves targets for future fertility and migration that are broadly reasonable however imprecise, as well as
notions about desirable future population size. It is also likely to involve targets for labour force participation rates for both men and women. As pointed out in a previous paper, optimal strategies are likely to vary substantially across the advanced countries (McDonald and Kippen, 2001). For most European countries, however, increases in fertility rates are certain to be part of the package.

II. Theories of low fertility

If countries are to embark on a strategy to increase their fertility rates (or to stop them falling any further), an understanding of the possible reasons for low fertility is fundamental. Here, I provide theoretical perspectives under four headings: rational choice theory, risk aversion theory, post-materialist values theory, and gender equity theory. These theories, though separately presented, should not be considered as mutually exclusive alternatives. All have relevance and there are distinct dimensions of overlap between them.

I. Rational choice theory

Rational choice theory states that, in deciding to have a child, people make the considered calculation that the benefits of an additional child outweigh the costs. While much of the cost may be figured in dollar terms, there are no dollar benefits. Instead, the benefits consist of dimensions of a psychological nature that are not readily quantifiable. Coleman (1998) refers to these benefits as “immanent values”. One way to think about the benefits of a child in these conditions is in terms of net benefit thresholds (the psychological benefits less the psychological costs). That is, people have some calculus of the psychological gain of having the next child. This will be highly variable across individuals. If the economic costs of children rise, some individual psychological thresholds will be crossed and decisions will be made not to have the next child.

The dimensions of the psychological benefits of having a child will vary according to the birth order of the child. Having the first child provides benefits including the status of being a parent, “being a family”, having offspring who will carry on the family, meeting the expectations of others, having a baby who will be fun and will grow up and love you, fulfilling childhood dreams, or providing vicarious pleasure from the child’s success. The decision to have a second child may be more related to the strength of the notion that each child should have at least one sibling, or to

(5) The argument here is largely repeated from McDonald (2000c; 2000d), both contributions to the debate on low fertility in Australia.
the desire for a child of the other sex. Those who have a third child may value at least three children as a “real” family, or they may be still trying for a child of the sex that they don’t have. Those who have a fourth child may simply love children. It is likely that the level of the net psychological benefits threshold falls as birth order rises. That is, the highest psychological threshold relates to the first child. Also, it is very likely that the level of the threshold falls as people get older. That is, all other things being equal, a woman may feel more inclined to have a second child at age 29 than at age 39. Psychological costs probably rise with age or, perhaps, increased age leads to downward rationalization of the perceived benefits. Accordingly, as the age at childbearing increases, people will be less likely to have additional children.

Demographic research to this point has paid too little attention to changes in, and determinants of, the numbers of children that women are having; that is, to the proportions who have no children, one child, two children, and so on. Differences between the average fertility levels across contemporary industrialized countries appear to be due less to differences in the proportions of childless women than to differences in the proportions that have three or more children (McDonald, 2000a). It is worth contemplating that among a group of women, if 25% have no children and 15% have one child, the group will only achieve replacement level fertility on average if the remaining 60% of women have an average of 3.2 children. This scenario is not unlike the experience of generations of women born in the early twentieth century, but the very high parities it implies for some women, though achieved in the past, are extremely unlikely to occur in the foreseeable future.

Rational choice theory implies that if we wish to have a positive impact on fertility decision-making, we should try to raise the psychological benefits thresholds or reduce the economic costs of children. The first is not readily amenable to policy, although a general sense that a society is child-oriented or child-friendly probably has some effect in raising thresholds. If children are always portrayed as a negative (threats to a good relationship, obstacles to having a good time, potential drug addicts or delinquents) or if social institutions do not make allowances for the possibility that a person has children (“no dogs or children allowed”), then thresholds will tend to be lower. Encouragement of earlier childbearing could also be a way in which psychological thresholds might be raised. There is no question that the remarkably different history of fertility in the United States in the 1990s and its maintenance at a higher level than in any other industrialized country is related to the much earlier onset of childbearing in the USA (Lesthaeghe and Moors, 2000; Frejka and Calot, 2000). Recently, Singapore considered the introduction of a large tax rebate that would be paid to women if they had their first child before age 28.
Coleman (1998) gives his main attention to the other side of the equation, namely, the lower costs of children. He contrasts the welfare state approach to achieving this end (Sweden) with the market approach (USA). In a market approach, costs would be lowered through reductions in the costs of the factors of production of goods and services related to children. Under the welfare state approach, the state intervenes in the market by providing financial transfers to those who have children, through the tax-transfer system, or by providing free or subsidized children’s services to parents. Hoem and Hoem (1997) assert that fertility in Sweden did respond to positive welfare state initiatives in the late 1980s and has responded in the opposite direction to the rolling back of the welfare state in the 1990s. Coleman (1998) makes the point that the Swedish case indicates that dependency upon welfare state initiatives may not be sustainable and, in these circumstances, development of market-based approaches may be a better option. He points to the provision of childcare in the United States by the market as an example of this possibility. In fact, Folbre (1999) has shown that, in regard to the state taking on the costs of children, the United States is more of a welfare state than is often thought. Childcare tax credits and employer-sponsored dependent care pre-tax accounts can provide American parents with childcare reimbursements ranging from $480 to $2,000 per year (Folbre, 1999). Also, there is an issue in the United States about the quality of childcare. A great deal of childcare in the United States is provided by undocumented immigrants who work in a black economy characterized by very low wages. Furthermore, change from a welfare state approach to a market approach is constrained by considerable institutional and cultural inertia. For example, as mentioned earlier, Swedish parents have become accustomed to a particular childcare system that they see as affordable and of high quality. A switch to a new market-oriented system staffed by undocumented immigrants would be unlikely to have popular appeal. In the intermediate term, rolling back the welfare state involves additional costs to parents who wish to maintain their use of good quality childcare.

Costs of children can be divided into two categories, direct and indirect costs. The direct cost of a child is the actual dollar expenditure on the child less any financial benefits that are received through the tax-transfer system because of the child’s presence. Free or subsidized services reduce the expenditure that parents would otherwise have incurred. I would argue that parents and potential parents are well attuned to changes in the direct costs of children within their own society. If they perceive that children have become more expensive, then psychological benefit thresholds will be put to the test.

The indirect cost of a child is the earnings lost because of the time spent on childbirth and childrearing. Research in several countries has shown that a high proportion of the indirect cost of having children comes with the first child (Joshi, 1998; Beggs and Chapman, 1988). Direct costs
are also higher for the first child but direct costs are flatter than indirect costs as the number of children rises. Indirect costs fall as society is organized in such a way that parents can combine work and family. This may partly explain why countries with high labour force participation rates for mothers have relatively high fertility, and countries with low participation of mothers have very low fertility (Coleman, 1998). There is a strong argument that indirect costs are more significant than direct costs in determining whether a woman has a first child, while direct costs are more significant in decision-making about later children. Chapman et al. (1999) have shown that indirect costs have fallen in Australia from the 1980s to the 1990s as more mothers have been able to participate in the labour force and, hence, to lower the earnings forgone through having a child. This trend has probably kept first birth rates at a higher level than would otherwise have been the case.

The above discussion has a couple orientation. A rational choice calculus might also be considered in relation to having a birth outside marriage or to decisions about marrying.

2. Risk aversion theory

Risk aversion theory adds another dimension to rational choice theory. Rational choice theory is about decision-making in the face of risk and assumes that people have a reasonably good knowledge or understanding of the costs and benefits of having the next child — otherwise the choice would not be rational. Risk aversion theory starts from the position that the costs and benefits are all in the future and, accordingly, we may have a poor appreciation of what they will be. In having a child, people are making a decision to change their future life course and hence their decision depends upon their future orientation (McDonald, 1996). If there is a perception that economic, social, intimate or personal futures are uncertain, decision-makers may err on the side of safety in order to avert risk. Hobcraft (1996) and Coleman (1998) point to the rise of economic uncertainty. Jobs are no longer lifetime jobs. There is a strong economic cycle of booms and busts. Geographic mobility may be required for employment purposes. Interest rates can be expected to vary greatly over short periods. Housing prices fluctuate, but we never know exactly what stage of the cycle we are in. Risk aversion theory implies investment in economic security (education, attachment to the labour force, long hours of work, savings) rather than in the insecurity that accompanies having children (low income for a period, uncertainty of return to the labour force, higher consumption expenditure, economic responsibility for dependents). B. Hoem (2000) reported that during economic downturn in Sweden, involvement in full-time education for 21-24 year-old women rose from 14% in 1989 to 41% in 1996. At ages 25-28, the rise was from 9% to 22%. This surely is investment in self and in future security on a large scale.
Hoem also adds that widespread cut-backs in government services created a climate of pessimism among young people that encouraged them to adopt risk-averse behaviour.

Risk aversion might also be applied to the social, intimate or personal spheres. There is a risk that children will disrupt the relationship between the parents. There is a risk that children will follow pathways that cause parents considerable anxiety. There is a risk that some harm will come to the child. There is a risk that the relationship will break up and the mother (or sometimes the father) will be left alone to support the child. There is a risk that we shall have enough trouble coping with a difficult world on our own, let alone with children. There is a risk that the social trend towards child-unfriendly societies will continue. There is a risk that public supports for families with children will be rolled back. People, particularly women, can avoid all of these risks by limiting the number of their children.

Risk aversion may also affect whether people marry. While rates of childbearing outside marriage are rising, rates of childbearing within marriage are certainly still much higher. A fall in the proportion of people marrying will therefore tend to lower the birth rate. Young women in Japan see marriage itself as a risk to their future employment. In Italy, it is suggested, perceived economic risks are a determinant of the low marriage rates.

Risk aversion is not readily amenable to policy initiatives. Insurance is a conventional approach to other forms of risk, but its use is certainly not common with regard to the risks associated with raising children. Generally, families with children spend almost all of their money or they spend more than they have (dis-savings). Thus, the prospect of substantial expenditure on insurance against the broad range of risks of having children is difficult to contemplate. A well-developed welfare state is a more common way of smoothing out risks of this sort. Job loss is covered by social security arrangements, services for children are costless or subsidized, unforeseen health costs are covered, and so on. The present direction of social policy, however, is to pass the risks and the costs back on to individuals and families and away from the state. Greater employment security would also reduce the risks involved in having children, but, again, the direction of industrial policy is to release the employer from obligations to the employee. The direction of social and economic policy in almost all industrialized countries is to increase, rather than to reduce, the risks that people face.

3. Post-materialist values theory

Post-materialist values theory is associated with the Second Demographic Transition theory (Lesthaeghe and Moors, 1996; van de Kaa, 2001). This theory stipulates that changes in social and demographic
behaviour have been driven by the growth of the values of individual self-realization, satisfaction of personal preferences, liberalism and freedom from traditional forces of authority, particularly religion. This, following Inglehart (1977), is all made possible by emancipation from material concerns in modern prosperous societies. These values have been shown to be associated with increases in divorce rates, cohabitation and extramarital births. There is little doubt that these forms of behaviour are much more prominent in the more liberal societies of the Nordic and the English-speaking countries than in the more traditional family cultures of the Germanic and southern European countries and the Asian developed countries. However, as Coleman (1998) indicates, it is evident that, among the advanced countries, fertility is higher in liberal than in traditional societies. Thus, societies that maintain traditional behaviour seem to be considerably less well able to reproduce themselves than the more liberal societies. I consider that the gender equity theory described below provides an explanation of why societies that hold fast to traditional family systems have very low fertility. Indeed, it is my strong view, based on gender equity theory, that attempts to restore “traditional family values”—the male breadwinner of the family—will entrench low fertility. In the past, descriptions of women as selfish or unwilling to do their national duty were a common response to falling fertility. This response was incorrect then, and is now actually counter-productive because it is divisive and because it reduces the policy debate to a trivial level easily lampooned in the popular press. Yet, this viewpoint is still evident in some countries. In Japan, young people who delay marriage and childbearing are frequently described in the media as “parasite singles” and, in Austria, a government minister has called upon women to fulfill their national duty of reproduction. Japan’s and Austria’s fertility continue to languish at very low levels.

Another finding that runs counter to the theory that low fertility has been caused by the growth of post-materialist values is the survey evidence from many advanced countries that women in their early twenties express preferences for numbers of children that are, on average, above replacement level (van de Kaa, 2001; McDonald, 1998; Van Peer, 2000). Preferences fall as they advance through their twenties, but remain well above actual behaviour. This suggests a willingness on the part of women to have more children than they will eventually have. Costs, uncertainty and the nature of social institutions combine to limit the number of children that women have, not the values that they develop before their early twenties.

The theory that post-materialist values encourage low fertility is a classic example of the “ecological fallacy”. Within any one society, on average, individual women who are more highly educated, less religious, more urban or more liberal in their attitudes and values have lower fertility than those who are less educated, more religious, more rural and more conservative. This finding is then used to draw the fallacious cross-society
conclusion that more liberal societies will have lower fertility than more conservative societies. The lesson from this ecological fallacy is that a country’s low fertility should not be addressed by laying the blame selectively upon a sub-group of women, those with low fertility. Low fertility is a societal phenomenon related to the structure of social institutions. Indications of the role of social institutions in the construction of low fertility are evident in the above discussions of rational choice theory and risk aversion theory. Gender equity theory provides the rationale for an emphasis upon the structure of social institutions in addressing low fertility.

4. Gender equity theory

I have addressed the association of gender equity and fertility in two recent publications (McDonald, 2000a; 2000b). The essential feature of this work is the division of gender equity into two components: gender equity in family-oriented institutions and gender equity in individual-oriented institutions. I argue that fertility falls from high levels to moderate levels in association with a shift from low to moderate levels of gender equity within the family. The essential feature here is the extension to women of decision-making power, especially in regard to fertility determination. Moderate fertility and extended control by women over their own fertility is then associated with a rapid increase in gender equity in individual-oriented institutions which, in turn, eventually leads to very low fertility rates. A combination of high gender equity in individual-oriented institutions (education and market employment) with the persistence of only moderate gender equity in family-oriented institutions (particularly the family itself) operates to lower fertility. Finally, it is hypothesized that fertility will only rise from very low levels if gender equity moves to high levels in family-oriented institutions, that is, if the male breadwinner model of the family ceases to be the assumption upon which family-oriented institutions are founded. The transition from very low fertility to low fertility will be easier for the liberal countries. Indeed, some countries that are more liberal in their family orientation may never actually experience very low fertility (Norway is probably the leading candidate for this description).

Social institutions in advanced countries have until recently been founded upon an assumption of the male breadwinner model of the family, under which the father goes out to work while the mother stays at home to look after the children. The principle underlying this model is that there is a natural differentiation between men and women that requires the man to be the provider and protector and the woman to be the carer and reproducer. Since the 1960s in particular, women have asserted their rights as individuals in areas such as education and market employment, to the extent that these social institutions are now characterized by a high degree of gender equity.
The thrust of gender equity theory is that today’s very low levels of fertility in advanced countries can be explained in terms of incoherence between the levels of gender equity applying in different social institutions. In countries with very low levels of fertility, it is postulated that levels of gender equity are high in institutions that deal with people as individuals, such as education and market employment, while they are low in institutions that deal with people as members of families, such as industrial relations (the terms and conditions of employment), family services, the tax system, social security and the family itself. Put more simply and in terms similar to those expressed by Chesnais (1996, 1998) and Esping-Andersen (1996), if women are provided with opportunities nearly equivalent to those of men in education and market employment, but these opportunities are severely curtailed by having children, then, on average, women will restrict the number of children that they have, to an extent which leaves fertility at a very low level in the long term. While gender equity in individual-oriented institutions has progressed in all advanced countries, the male breadwinner model still underpins family-oriented social institutions. The more traditional the society in regard to its family system, the greater is the incoherence between social institutions, and the lower is fertility. This would explain why the lowest fertility rates in the world are found in the countries of southern Europe and in societies such as Japan, with traditional, male-dominated family systems.

III. The new market-based economy and its impact on fertility

It can be argued that the achievement of increases in fertility is made more difficult by the organization of the new market-based economy. Since the 1980s, the world’s industrialized countries have restructured their economies in line with a philosophy that the free operation of the market is the most efficient and effective form of economic organization. Regulations and restrictions have been reduced so that capital can flow easily in the direction that maximizes business efficiency and profit. The theory is that profitable business means improvements in employment and wages and, hence, in economic well-being. This new economic regime is characterized by small government and low taxation, free flow of capital across international boundaries, free trade, freedom for employers and workers to determine wages and working conditions, and curtailment of government-funded social welfare. In distributional terms, the system rewards innovation and hard work and, hence, provides incentives for both. Government, both national and international, takes on a new role as facilitator and regulator of this system.
In the 1990s, this system has produced lower levels of unemployment in many industrialized countries and, on average, greater prosperity. However, there are questions about its distributional outcomes. The system is unforgiving of its casualties whether individuals, companies, or nations. Companies and nations are penalized for failure through out-flow of capital at short notice. Individuals are penalized by loss of their source of income. The rewards may be greater under this system than under the former system of protection, but the risks are also greater. Most countries deal with the casualties of the market through their welfare systems, but these are increasingly seen as being under threat. Faced with the prospect that the welfare safety net is not guaranteed, people adopt risk-averse behaviours.

In continental Europe, accommodation to the workings of the new market economy has been particularly problematic because of the prior existence of high fixed costs of labour and low labour force participation, both outcomes of the organization of continental European welfare states (Esping-Andersen, 1996, pp. 78-84). Esping-Andersen argues cogently that in adjusting to the new market economy, the continental European welfare state has inhibited job growth, particularly of service-sector jobs and part-time work. There is a very strong tendency among those in mainstream jobs to protect their rights in the welfare system. The result is an insider-outsider labour market in which the insiders tend to be middle-aged males and the outsiders are women and younger people. The safest strategy for women and young people is to become “insiders” and to delay or eschew family formation. The system is one of a conservative, family-wage, welfare state still based on the presumption of the male breadwinner model of the family. Esping-Andersen is pessimistic that these states can extricate themselves from this situation because of the vested interests of the insider males.

The market approach deals with individuals as inputs to the system of production. Consequently, in order to protect themselves from risk, individuals must maximize their utility to the market. This means that they need to focus upon the acquisition of saleable skills, work experience and a marketable reputation. At the same time, they need to accumulate savings or wealth as a personal safety net. They also need to maintain flexibility of time and place so that they can react to opportunities as these arise. The risk-averse individual in a world that rewards market production is unwise to devote time or money to social reproduction. Social reproduction involves altruism, that is, time and money devoted to others or to society at large. For the risk-averse in a free market economy, altruism is equivalent to foolhardiness.

Family is at the heart of social reproduction. It is where altruism abounds. There are people and politicians who believe that the public world of the market economy and the private world of the family can be separate worlds; that an individual can be highly competitive, individual-
istic and risk-averse in the market but then be self-sacrificing, altruistic and risk-accepting within the family. The only explanation I can give for this logic is that these people still believe in the separation of the roles of men and women, namely, that market production is a male responsibility while social reproduction is a female responsibility. A worker with a family can be flexible to the demands of market production if he has a wife at home taking care of social reproduction. Indeed, conservative reaction to low fertility sometimes takes this direction.

However, young women today are equipped for market production at a level at least equivalent to that of young men, and employers are very happy to employ women in the market economy. Where human capital counts, the free market will employ a skilled woman before an unskilled man, or even before a man slightly less skilled than the woman. The risk-averse woman of today will ensure that she is able to support herself and, given the possibility of relationship breakdown, will be careful not to put herself in a position of dependency upon a man. Couples recognize that dual employment provides a hedge against job loss for either partner, and banks reinforce this by providing housing mortgages on the basis of two incomes. Parents and schools encourage young women to accumulate skills that will enable them to remain attached to the labour force. As a result, very few young women today see their future lives in terms of finding a husband and never thereafter being engaged in paid employment. Reinforcement of the male breadwinner model of the family is not the solution to the dilemma that we now face in maintaining social reproduction in combination with a free market approach to economic production.

The foundation of social reproduction is the birth, nurture and socialization of the next generation. The failure of the social and economic system that we have today is most evidenced by our failure to establish this foundation. For the past twenty years, birth rates in almost all industrialized countries have been below the level that reproduces the population. What kind of society cannot even reproduce itself? The answer is: a society based on the new market economy.

The market is not interested in this issue because the market is very short-term in its orientation. Firms and governments become caught up in this short-term vision and with good reason, because they tend to be punished by the financial markets for any short-term lapse. The 1994 Angel Plan in Japan that supported family-friendly work policies is said to have failed because it was undermined by corporate attitudes (JOICFP News, August 2000, p. 7). The Council on Population Problems of the Government of Japan (1997, p. 21) drew attention to the need to combat personnel practices that discriminate against those who put family first.

With the focus being on the short term, long-term investment tends to fall off the agenda for both firms and governments. In the neo-classical economic model, social organization is exogenous, well covered by the assumption of *ceteris paribus*. The long term is in the lap of the neo-
classical god, the price mechanism. We can have faith that, in due time, it will correct for whatever we need. As children become scarcer, their value to society will increase and we will pay more to those who produce them. This may be so, but if the market is reacting to a shortage of workers induced by previous low birth rates, an increase in births does not feed into the labour force for around 20-25 years. That is, the lag time to response can be very long indeed and major demographic problems can be created in the interim. Population policy is policy for the very long term. We can project ahead now and see that very low birth rates such as those that apply in Japan and much of Europe today will lead to age structures that are unsustainable. There is no sign at all that the market price mechanism is about to correct this situation in Japan or Europe. Indeed, the opposite is true. The market continues to produce risk-averse workers for whom children are a considerable risk. Employment structures in many countries remain wedded to the male breadwinner or family wage model.

Thus, even if the market were to have highly favourable outcomes such that unemployment fell to very low levels and real incomes rose, this would not necessarily stimulate an increase in fertility. The reason is that fertility decision-making in the market economy has much more to do with relative well-being than with absolute well-being. No matter how successful the market is, under present arrangements in most countries, it will always provide lower benefits to those with children than to those without children. Likewise the benefits of the market will fall as the number of children increases. The collapse of birth rates in most industrialized countries is telling evidence of the failure of the market approach to allow social reproduction to proceed. There is an argument that what is required is a new social contract that enables the market approach to proceed but which, at the same time, provides just rewards to social reproduction. Thus, although in the next section I describe a range of policy initiatives that might be used to address very low fertility, the argument in this and the previous section is that successful policy will almost certainly involve changes in social and economic organization on a much wider scale. These changes must involve an invigoration of the concept of horizontal equity. That is, allowing for income-earning potential, society must attempt to equalize the economic outcomes for different family configurations. This is equivalent to a strong assertion that children are a social good and not merely a private, optional pleasure. The new social contract must also be one based on gender equity and not on the male breadwinner model of the family. Folbre (1997) has argued that new social arrangements are needed that reward altruism.

Nevertheless, if the market is able to improve the economic well-being of women and young people, as it has done to a large extent in the United States, this is a highly desirable end. In many European countries, however, particularly those of eastern Europe, there is a strong argument that low fertility is related to poor economic conditions.
IV. Some principles of action

The realignment of economic outcomes and gender equity between those with children and those without necessarily involves the intervention of government, especially when the quality of outcomes for children is a concern. The market alone, as argued above, is likely to be a highly inadequate mechanism to achieve the desired outcome. On this point, Demeny (1986, p. 476) argued that fertility behaviour was “a legitimate object of attention for collective and, in particular, governmental action”:

“When socially advantageous modification of demographic behaviour is beyond the capacity of private markets to provide, it assumes the character of a public good that must be acquired, if at all, through the political market place.”

While leadership must inevitably come from government, the ideal arrangement is a partnership between government, employers and families, in a whole-of-society approach. Policy will not work if it has to deal with a recalcitrant corporate sector or if it becomes bogged down in divisive social debate.

As argued above, we should have a broad target for the fertility level that we would like to achieve. For example, the target for Italy may be an increase in the TFR from 1.2 to 1.6 over the next 15-20 years. Modest targets can provide demographic sustainability while being more likely to gain social acceptance and to be successful. An increase of TFR from 1.2 to 1.6 means that, on average, 40% of women will have one additional child, or an additional 10% for each five-year period over the next 20 years. The implication of this relatively modest aim is that attention should be focused on those people who would like to have a child or an additional child if circumstances were more favourable. This same point has been made recently by the Council on Population Problems of the Government of Japan (1997, p. 20) in its report on future fertility policy for Japan. Survey evidence suggests that there are enough people of this description in most low-fertility countries today (Retherford et al., 1996; Kiernan, 1998; Coleman, 1998; van de Kaa, 2001; McDonald, 1998; Ichimura and Ogawa, 2000; Van Peer, 2000). Chesnais (1998, p. 83), somewhat ironically, refers to this group as having a “latent demand for family support”. The policy effort will be dissipated very quickly if those who are highly committed to remaining childless or to not having another child become the targets of the policy debate. The argument is not about the committed childless person being morally pressured to have a child but about society as a whole providing a just measure of support to those who do have children. Labelling the childless or those sections of society who have low fertility as selfish or hedonistic will fail(6). Providing economic benefits, a more secure future and gender equity to those who want to have a child or an additional child has a chance of success.

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(6) The campaign waged by the Japanese press against “parasite singles” is a case in point.
Inevitably, new arrangements that support fertility will involve winners and losers compared to present arrangements. As already indicated, middle-aged males may need to be persuaded to give up some of their privileges. Also, it may be necessary to consider a restructuring of inter-generational transfers. Social insurance systems tend to provide major benefits to middle-aged and older people at the expense of the young. The ageing of the population is putting severe fiscal pressure upon these systems. One policy approach to this situation has been to cut back government expenditure on family and children’s services, to increase taxes or social security contributions or to reduce benefits provided by employers. These are all approaches that are not fertility-friendly. An analysis of social security spending in Japan in 1997 revealed that funding for children and families was 2.3 trillion yen compared with 45.1 trillion yen for benefits for the elderly (reported in JOICFP News, no. 314, August 2000, p. 7). A comparison per head would be even more startling. The same article reports Japan’s TFR falling to 1.34 in 1999. Massimo Livi-Bacci is reported in *The New York Times* (Special report by Michael Specter, 10 July 1998) as characterizing Europeans as “Rich old people supported by the labor of poor young people. No wonder nobody wants to have children”. A subtler blow to young people is the lowering of progressivity in income tax rates. Less progressive taxation systems provide relatively larger rewards to higher income earners who tend not to be young people considering family formation(7).

Good fertility policy also involves widespread access to a full range of methods of fertility control. While the Pontifical Council for the Family (1998) in a declaration relating to low fertility decried the spread of chemical methods of contraception, the Council on Population Problems of the Government of Japan (1997) found that women in Japan were reluctant to marry because the methods of contraception available were mainly male methods. If women are not in a position to control their own fertility, they may not form a relationship with a man. Thus, greater access to the contraceptive pill in Japan is considered to be a pronatalist policy because it would promote marriage.

Finally, fertility policies should be considered in the context of general population and labour supply policies. For most countries, a package involving increased fertility, immigration and labour force participation rates is likely to be a more successful approach than the reliance on one of these alone.

In all countries, however, all these principles of action will be resisted to varying degrees by different sections of the population. In the end, lack of social acceptance of the proposed policy direction may be a greater obstacle to progress than the difficulty of formulating appropriate policies.

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(7) For example, the new tax system introduced in Australia in 2000 has provided considerably higher rewards to high income earners than to those with “beginning of career” incomes. It cannot be expected to have beneficial outcomes for the falling Australian fertility rate.
V. The policy tool-box

The long background that I have provided before arriving at the topic of this article serves to indicate my belief that reversal of low fertility is about inventing a new machine, not about the kinds of tools that are required to keep the present machine running. In like manner, Demeny (1997, p. 10) states that societies facing depopulation must move “from the domain of ordinary economic calculus to the domain of political economy: from redistributive jockeying to agreement on fundamental changes in the constitutional contract that sets the rules of societal interaction in a polity”. The right tools will not work on the wrong machine. More fundamentally, the right tools will not work unless there is widespread social support for what the machine produces.

Caldwell et al. (1998, pp. 10, 18) conclude there are very few available tools that have not already been used in some context and they report a long list of papers and reports that have canvassed potential low-fertility policies. Other recent studies that have reported the list of possible policies are: United Nations (1999), Hoem et al. (1999) and Hugo (2000). The list is sufficiently long to benefit from some classification. Heitlinger (1991, pp. 350-359) reviewed the various classifications that have been used in the literature. Her own classification (Heitlinger, 1991, p. 353), with some modifications, is probably still applicable. Three categories of fertility policy can then be described:

1. Financial incentives,
2. Support for parents to combine work and family,
3. Broad social change supportive of children and parenting.

With a great deal of overlap, these three categories can be seen as corresponding to, respectively, rational choice theory, gender equity theory, and risk aversion theory.

1. Financial incentives

*Periodic cash payments*

This includes all child-related cash payments. Principally, this takes the form of regular payments to parents for each child. The payments may vary according to the age of the child. For example, it could be considered that a higher payment should be made when a child is very young to compensate for the expected loss of income of parents at that stage. Alternatively, payments may be higher when children are older and more expensive. The payment may also vary by birth order. If the third child is considered to be the important child as far as fertility policy is concerned, then a much larger payment could apply to this (and subsequent) children. Hoem et al. (1999) discuss the importance of measures to support the third
child using Sweden and Austria as examples. Essentially, these payments are a form of horizontal equity, that is, recognition through the tax-transfer system of the costs of raising additional children. Some vertical equity might be applied if the payments are earnings related, that is, if they are reduced or eliminated as income rises. It should be noted, however, that income-tested payments can operate as a work disincentive for second earners and that this, in turn, could be a disincentive to having the child. Cash payments have the advantage that they can be directed to the child’s principal carer. While the ultimate aim may be gender equity in parenting roles, studies in Australia have indicated that cash payments to the child’s mother are more likely to be used for the child’s benefit than are tax cuts for its father. Heitlinger (1991, p. 353) points out that direct financial incentives typically benefit the individual with the higher income, usually the man. “As such, these policies tend to reflect an empirically incorrect assumption that per capita income is shared and pooled equitably within families”.

**Lump sum payments or loans**

This can include payments at the birth of a baby (baby bonus, maternity benefit), when a child starts school or at some other age. An establishment loan (family founding loan) may be provided at the start of a marriage (relationship) with segments of the loan being written off for each child. There could be endowment schemes contributed to by the government and the family to spread the costs of children across the lifetime. Repayments of loans might be tied to a small percentage of earned income, that is, child costs might be paid off as incomes rise. Births might be deemed to be equivalent to (large) lump sum contributions to social insurance or retirement pension schemes. However, immediate benefits are more likely to be successful than deferred benefits. That is, assistance with current housing costs is more likely to affect fertility decision-making than the promise of free university education or a higher old age pension.

**Tax rebates, credits or deductions**

This includes tax reductions or credits based on the presence of a child. Again, these measures can be targeted to children of different ages or different birth orders. Rebates and credits allow for social equity; deductions are generally socially inequitable with the rich benefiting most. Tax measures, as discussed in the previous section, may not be as effective as cash payments because they tend to be directed to the father rather than to the mother. The United Kingdom has recently introduced a Working Families Tax Credit (Cabinet Office, United Kingdom, 1998) while the Australian Government has recently extended tax rebates on the basis of the presence of children. In the Australian case, however, rebates are much more beneficial to one-income than to two-income families and this has
created major work disincentives for second earners that are very unlikely to be favourable to fertility. The classic case of the use of tax rebates is Singapore (Inland Revenue Authority of Singapore, 2000). It provides for very large tax rebates for families who have a second child before the mother reaches age 32. If the second child is born before the mother is age 28, the rebate is Singapore$20,000. Additional rebates are provided to working mothers for third and fourth children if the mother elects to be taxed separately. Finally, the rebates can be claimed within a period of nine years following the birth of the child. While cash payments may be more closely targeted to where they are needed (i.e. more likely to be spent on the child) than benefits delivered through the tax system, tax expenditures are less visible than cash expenditures for those concerned with fiscal restraint. In certain contexts, therefore, tax approaches may be more politically sustainable than cash approaches.

**Free or subsidized services or goods for children**

Child benefits may be provided in the form of free or subsidized services rather than as cash or tax benefits. The likely services are education at all levels, medical and dental services, public transport, and recreation services such as sporting, entertainment, leisure or artistic activities. Childcare fits in this category but is probably more properly classified under work and family supports. Subsidized goods could include textbooks, educational materials, leisure and sporting equipment. This category might also include rebates on services such as electricity, petrol, car registrations and insurance, and so on. Perhaps families could carry a card that gave them varying entitlements (depending on numbers of children) to reduced consumption taxes, though such a scheme is probably unworkable.

**Housing subsidies**

Surveys of young people in Europe suggest that housing costs are a major consideration in family formation decisions. For example, one third of 20-39 year-old respondents in the Austrian Population Policy Acceptance Survey said that inadequate housing conditions were an important reason for not having children or not having another child (Hoem et al., 1999, p. 23). Hence, housing subsidies are singled out here for specific consideration. Housing subsidies can take all the forms of the subsidies listed above: periodic cash payments such as housing benefits (National Social Insurance Board, Sweden, 1999), lump sum cash payments (first home buyer grants or mortgage reductions at the birth of each child), tax rebates or deductions for housing costs, or subsidies to housing-related services. If there are taxes associated with housing, tax exemptions are another possible approach. Governments may also subsidize construction costs or provide public housing on a priority basis to those with children. Reductions on mortgage interest rates or spreading of mortgage repayments over the
lifetime are other possibilities. Tax incentives to suppliers of housing (e.g. negative gearing of rental properties) are another option or there could be government intervention in the housing market to influence prices. Some of these housing measures may be poorly targeted or be considered too interventionist as far as the operation of the market is concerned.

2. Work and family initiatives

Maternity and paternity leave

The right of return to a position following a leave related to childbirth is a common form of work and family support. The policy has many nuances such as the duration of leave, whether it is paid and at what level, how much of the leave is available to mothers or to fathers, whether fathers are “forced” to take some part of the leave, and whether there is a right of return to part-time work. Norway, for example, permits a return to part-time work with a continuation of partial leave benefits (the time account scheme). Indeed, the argument is made in Norway that work and family initiatives are much more reliable policy approaches than financial incentives (Berget, 1996). Norway “forces” use of leave by fathers in the sense that some of the parental leave entitlement cannot be taken by the mother. It is argued that this has the additional benefit of encouraging discussion between the parents on responsibilities for the care of the child. An issue is the question of restriction of eligibility for parental leave. Often, workers only become eligible for such leave if they have worked for the employer for a particular period of time and if they are regular or permanent employees as distinct from casual or contract employees. Eligibility criteria can have the effect that employers do not hire people for positions that would make them eligible for such leave if they think they might have a baby.

If the leave is paid, should it be paid by the employer, by social insurance or directly by the government? Payment by employers presents a major obstacle for small businesses. As having a pregnant worker is a high cost but a low risk, insurance is the obvious approach to paid parental leave. Where a mother or father is not employed prior to the birth of a child, should there be some form of basic payment for them as an equity consideration? A European Union directive has established minimum requirements in respect of parental leave “as an important means of reconciling professional and family responsibilities and promoting equal opportunities and treatment for women and men” (European Union, 1998). There is some evidence that leave entitlements up to three years have a more significant impact on childbearing than one-year leave entitlements. This argument has been made in relation to policy changes in Sweden in the 1980s and perhaps the same argument may be made for France at the end of the 1990s.
**Childcare**

Another fundamental policy in this area is the provision of free or subsidized childcare of high quality. Probably the best example is the French école maternelle. This approach has been pursued by governments in countries such as Norway and Sweden. Childcare should also be equally available to those who are not employed as this may provide them with opportunities for training or for job-seeking. Furthermore, provision of high quality childcare and early childhood education could be considered a right of the child, so there should be no discrimination among children on the basis of their parents’ employment status. Besides free provision, the main forms of support include capital grants to centres and subsidized childcare fees. As an alternative, some countries provide tax breaks for childcare expenses (USA). Childcare expenses might also be exempted from goods and services taxes or, if paid by the employer, from employee fringe benefit taxes. Singapore charges a levy on the import of foreign maids but gives a substantial reduction in the levy for families with children (Inland Revenue Authority of Singapore, 2000). Childcare services are also provided in the USA by undocumented immigrants at very low wage rates. Arrangements might be made to facilitate the care of children by their grandparents. Childcare eligibility is often tied to the age of the child especially where there is an emphasis upon parental leave in the child’s earliest years. Policy needs to address this balance between parental leave and childcare provision according to community standards. Childcare includes the need for “out-of-school-hours” care. This can be provided at a neighbourhood centre or at the child’s school.

*Flexible working hours and short-term leave for family-related purposes*

Where possible, working hours might be negotiated between the employer and the employee with a view to the employee’s family responsibilities. For example, in Norway, parents of young children have the right to reduce their hours to 80% of normal hours. Also, provision might be made for short-term absences related to care of a sick child, school events, or taking children to unavoidable appointments such as the dentist. If the nature of the occupation allows work to be done at home, appropriate provision might be made for this option from time to time, but especially when the child is a baby.

*Anti-discrimination legislation and gender equity in employment practices*

There should be employment legislation that prohibits discrimination in employment on the grounds of gender, relationship status or family status. Beyond legislation, there is a need to ensure that such discrimination is not practised in a clandestine way through threats or peer pressure. Indi-
individual rather than joint taxation is likely to prevent the emergence of work disincentives for second earners in the tax system and hence is to be encouraged.

**Work hours**

Given the complication of family arrangements, employees should not be expected to have their work hours changed at short notice. Nor should meetings or work-related social occasions be scheduled at times that are inconvenient for those with responsibility for young children. The latter is mentioned as a problem in the report of the Council on Population Problems of the Government of Japan (1997, p. 21). The spread of the ethic of additional hours of work provided freely to the employer lowers the competitiveness of workers with family responsibilities. Work hours need to be set in concert with school hours. This is reported to be a problem in Austria and Germany (Hoem et al., 1999, p. 32).

4. **Broad social change supportive of children and parenting**

**Employment initiatives**

Notions of security can be enhanced through stimulation of jobs for women and young people, especially in the service sector. Part-time work with pro rata employment benefits and job security is also likely to provide more options for parents. There should be ease of re-entry to the labour force following periods of absence related to the care of children. This might be facilitated by continued attachment to the labour force albeit at a low level while children are very young, or through continued education and training during child-related leaves. This can now be done through home-based electronic means (Council on Population Problems of the Government of Japan, 1997, p. 25). Protection of workers from summary dismissal and provision of retraining opportunities for returning workers add to a climate of job security.

**Child-friendly environments**

The built environment needs to be child-friendly. This may involve traffic calming, safe neighbourhood policies, public recreational facilities such as playgrounds, provision for children in places of entertainment and in shopping centres, and so on. Also, the more that employment is located close to home, the more likely couples will be able to balance work and family responsibilities. The location of childcare centres and schools is also relevant in this regard. Thus, child-friendly urban design may be a pronatalist policy.
Gender equity

There is evidence that the division of duties within the household, and general gender equity within the family unit, has a bearing upon family formation decisions (Mathews, 1999; McDonald, 2000b). Thus, the promotion of gender equity in all social institutions and especially in the family itself is likely to be favourable to fertility. This would include non-gender specific workplace policies, gender neutral tax-transfer policies including social insurance, support of workers with family responsibilities irrespective of gender, removal of institutional remnants of the male breadwinner model of the family, acceptance of fathers as parents by service providers, and more general recognition and support to fathers as parents. As Mathews (1999, p. 27) says, what is needed is a society that is accepting of “involved” fathers. Gender equity is prominent in European policies related to fertility and has been given prominence as an area for reform in Japan. However, it is almost non-existent in Singapore’s pronatalist policies. Perhaps the availability of foreign maids circumvents the need for gender equity on the part of mothers.

Marriage and relationship supports

It is clear that in Japan and the countries of southern Europe in particular, low fertility is related to slowness in the formation of relationships. Other policies already listed may give young people greater encouragement in the formation of relationships but there may also be more direct initiatives. Relationship education may be helpful as well as relationship counselling. The Singapore Government has arranged parties at which young people can get together. There may also be room for economic incentives to marry, such as housing assistance. Earlier marriage is likely to mean earlier childbearing and a greater likelihood of having a third child. Divorce may also lower fertility if a new relationship is not formed. A high divorce rate may inhibit marriage.

Development of positive social attitudes towards children and parenting

Chesnais (1998) emphasizes the political nature of debates about pronatalism. He states that there is a prior need to establish social understanding of the financial and political priority of demographic sustainability. Market research can play a role here. Policies should be in accordance with social demand and be consistent, as far as possible, with the prevailing economy and culture. There is a need to avoid inequities to the childless, voluntary or involuntary, as they would mobilize political opposition. On the other hand, there is a need to confront arguments that children are merely an optional private pleasure and, therefore, that those without children should not be expected to contribute to the costs of other people’s
children. There may also be a political debate between conservatives and liberals regarding the proper role of mothers. This debate can also destroy good policy making because of the felt need not to offend either side. This is very much the case in Australia where governments have provided maximum child benefits to those who take the extreme choices of either staying at home with children throughout their childhood or returning to full-time employment at the first opportunity. As both these options are far removed from what most Australians actually do or want to do, the policy effect is negative. Finally, there is a need for the standard tests of public policy to be applied to pronatalist policies: simplicity, efficiency, equity, quality, affordability and accessibility. A clear and simple message that society will support you if you have children, formulated in terms of good public policy, is a sound political approach. It is remarkable that there has been so little political mobilization of young people for a better deal in the democracies of industrialized countries.

Conclusion

While there are a large number of studies that describe the range of tools available to the policy maker concerned with low fertility, very few studies have evaluated the effectiveness of policies. Some exceptions are Ekert (1986), Hohn (1987), Buttner and Lutz (1990), Sundstrom and Stafford (1992), Gauthier and Hatzius (1997), Chesnais (1998), Olah (1999) and Hoem et al. (1999). These studies all suggest some level of success for particular policy initiatives in particular places at particular times. In fact, it will usually be inappropriate to attempt to evaluate the effect of particular individual policies because the effectiveness of any policy will depend upon the broader setting. The condition of ceteris paribus is unlikely to be fulfilled across time or across cultures. The proof of effectiveness is whether or not fertility follows the planned course. In the end, however, as stated earlier, it is not so much the individual policies that matter as the nature of the society as a whole. For example, a range of brilliant gender equity policies will be ineffective if unemployment rates are high for young people of child-bearing age. Work and family policies can only work if there is work. Likewise, these same gender equity policies would be put under strain if the direct financial costs of children were very high or if the general tenor of the social setting was child-unfriendly. Societies facing very low fertility need to investigate their particular reasons for low fertility. The next step is to define a broad policy to address the reasons for low fertility. The policy might be based on market research conducted among young people. The final step is to mobilize political support for the new policy direction. Like the recommendations of the Council on Population Problems of the Government of Japan (1997), the changes envisaged are likely to be both comprehensive and radical.
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This paper describes the range of policies that might be used to support fertility rates at a moderate level, that is, around an average of 1.7-1.9 births per woman. The paper argues that in selecting from the range of policy options, consideration must be given to the existing social-institutional framework in the particular country. In other words, there can be no single cross-national model for success. Each country must seek its own institutionally appropriate approach. Also, each country must deal with the realities of its own political economy. Strategies will not be accepted if they are not based upon a social consensus. In addition, as far as possible, policies to support fertility should be based upon a theory or theories as to why fertility has fallen to low levels in a particular setting. Given that fertility-support policies are likely to be expensive in one way or another, some understanding of the nature of low fertility will provide greater efficiency in policy implementation. The paper reviews several possible general theories relating to low fertility. Finally, it is argued that countries should have some notion about what it is that they are aiming to achieve. Inevitably, demographic sustainability (at least zero population growth) is an ultimate aim for all countries. The question is how far into the future is “ultimate”? Or expressed differently, how much of a decline in the size of the population or the labour force is the country willing to sustain before demographic sustainability is achieved? The example of Italy is used to illustrate this point.

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