

## **Fertility Effects of Aggregate Unemployment**

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Fertility rates remain low among most western European countries. Common wisdom holds that the individual choice for parenthood is highly dependent upon a sound and predictable economic perspective. This paper puts this hypothesis to rigorous testing by investigating the impact of precarious employment prospects on individual fertility decisions. The analysis aims at answering two questions in particular:

- 1) What impact does the change in economic indicators like GDP and especially aggregate unemployment rates exert on individual fertility (with special reference to the Butz & Ward model of countercyclical fertility); And
- 2) do we find a segmentation of the effects of precarious employment prospects along specific groups. For that purpose we will stratify the analysis for different employment groups and estimate the effect of different indicators like overall unemployment rates, gender specific unemployment rates and regional unemployment rates (data available on NUTS 1 level).

To this end, we set up several event history models (piecewise constant exponential hazard) and fit them to a cross-nationally comparative ECHP data. We estimate individual level models of first birth transitions. These models are supplemented by controlling variables, especially partner data and the above mentioned aggregate economic indicators. To distinguish country specific effects, we consider a set of welfare states, including Finland, Germany and the UK. France, although representing a continental conservative welfare state like Germany is included for its unique family policy and its exceptional high fertility rate. The population of analysis consists of a longitudinal sample of all eight waves of the ECHP (respectively waves 3 to 8 in the case of Finland). The estimates will be complemented with predictions of the fertility effect of varying unemployment rates.

Preliminary evidence suggests that there is no uniform effect of unemployment rates on family formation across the observed countries. In the light of unpromising economic perspectives, family formation related risk aversion appears to be pronounced in Germany. The more specific indicators, like gender specific and regional unemployment rates, appear to possess a higher explanatory power than the undifferentiated measure of overall unemployment rate. This indicates that individuals have a rather detailed image of their economic prospects for judging future options.

Keywords:

Fertility, Aggregate Unemployment, Cross-National Comparison.

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