

# The effects of recessions on family formation

Fertility and marriage rates are pro-cyclical in many countries, but the longer-term consequences are inconclusive

Keywords: fertility, marriage, business cycle conditions

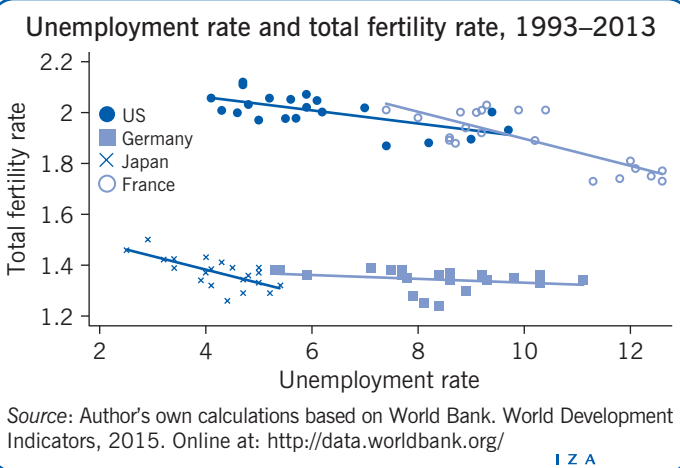
## ELEVATOR PITCH

Low fertility rates are a cause of social concern in many developed countries, with growing youth unemployment often being considered a primary cause. However, economic theory is not conclusive about whether deterioration in youth employment prospects actually discourages family formation or for how long the effect might persist. In addition, recessions can affect the divorce rate. Therefore, understanding the relationship between labor market conditions and family formation can provide important insights into the type of policies that would be most effective in promoting fertility.

## KEY FINDINGS

### Pros

- + Recessions have an effect on family formation, but it is important to distinguish the short-term effects on contemporaneous marriage and fertility rates, and the long-term effects for cohorts exposed to a recession in youth.
- + Fertility tends to be pro-cyclical in many developed countries, at least in the short term, thus decreasing during economic downturns.
- + Younger women's fertility and the number of first births are more responsive to labor market conditions than the fertility of older women and the number of second, or higher-order, births.
- + Better labor market conditions for young men increase marriages and number of children in the long term.



Source: Author's own calculations based on World Bank, World Development Indicators, 2015. Online at: <http://data.worldbank.org/>

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### Cons

- It is theoretically ambiguous how business cycle conditions affect family formation, because the effects from less income during a recession versus less opportunity costs from raising children can move in different directions.
- The sensitivity of the fertility rate to the prevailing business cycle conditions differ across countries and demographic groups.
- There is no consensus on the effects of recessions on divorce rates.
- The long-term effect of a recession experienced by young women is inconclusive, and depends on family and labor market policies.

## AUTHOR'S MAIN MESSAGE

Although fertility and marriage rates tend to move in the same direction as the prevailing economic trends, their sensitivity to business cycles differ across countries and demographic groups. Fertility can even increase in recessions if the positive effect of the foregone (lower) wages for women is greater than the negative effective of having less household income. Government intervention can affect the extent to which labor market conditions matter. Family-friendly policies, such as improving childcare provision and family subsidies, can weaken the impact of labor market conditions and have positive effects on family formation.