Love in the time of recession: Unemployment and the transition to parenthood in Sweden 1986-2010

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Background: The relationship between economic conditions and demographic events remain classic research issues (e.g., Malthus 1798; Thomas 1927). When it comes to family formation, the basic assumption is that bad times and economic hardship make people revise their plans and postpone marriage and childbearing. A growing literature on the relationship between different measures of the business cycle and fertility generate, however, mixed results. While there is evidence for a negative relationship between unemployment and fertility on the aggregate level (e.g., Adsera 2004, 2005; Ahn & Mira 2002), research focusing on the links between unemployment and fertility at the individual level is inconclusive (e.g., Adsera 2011; Hald Andersen & Ozcan; Hoem 2002; Kravdal 2002; Kreyenfeld 2009; Ozcan et al. 2010).

While it is intuitive that being employed and having a stable income are important determinants of many investment decisions, not least regarding durables and long-term investments, neoclassical fertility theory actually has ambiguous predictions regarding the association between unemployment and fertility, especially for women. The effect of individual unemployment on fertility timing can be either positive or negative and this is confirmed by previous studies. One of the mechanisms through which unemployment can influence fertility is a general feeling of insecurity about the future, sustaining a career, and being able to provide for a family. The majority of previous studies emphasize individual unemployment as a determinant of fertility behavior, implicitly assuming that an individual’s behavior is unrelated to the context in which the individual live and work. The aggregate level as well as the general level of unemployment in the context surrounding a person may affect the fertility choices he/she makes, irrespective of own (un)employment. This calls for a multi-level approach to unemployment and fertility.
The broad aims of this paper are to investigate the association between unemployment and fertility. More specifically, this paper addresses the questions of what the impacts of individual, regional and aggregate unemployment are on the transition to parenthood and unemployment at different levels of analysis affect first birth timing among men and women?

Theoretical considerations and previous research: Individual unemployment affect fertility directly by influencing childbearing decisions or indirectly by changing partnership formation and union dissolution. In this paper we focus on the direct relationship between unemployment and childbearing decisions. We draw on standard neoclassical economic fertility theory (e.g. Becker 1960, 1981; Willis 1973; see also Hotz, Klerman & Willis 1997 for an overview), the most important assumptions being (i) children are similar to consumption goods and parents derive utility from having children, which implies a positive relationship between income and demand for children; (ii) children are costly because they demand resources in the form of goods, services and parental time; (iii) traditional gender roles and a gendered household division of labor in which women primarily spend time on childbearing and child rearing. Thus, theory predicts that unemployment might have different effects on the fertility outcomes of men and women with a negative impact for men (i.e. the income effect), but likely a positive (substitution) effect for women since it reduces the cost of having children by providing time for child care at a low opportunity cost.

Methodology: In this paper, we analyze the impact of unemployment on fertility by examining how unemployment measures at various levels of analysis and educational attainment affect the timing of first births among men and women in Sweden, 1986-2010. Making use of panel data drawn from administrative registers maintained by Statistics Sweden and aggregate time series (i.e. a combination of longitudinal micro-data (including all individuals in the birth cohorts 1942-1989) and unemployment time-series data on municipal, regional and national level), the analysis will be performed by means of discrete time duration models, taking into account both time varying and time constant characteristics on the individuals’ decision to become a parent. Our data set covers the entire population born between 1942 and 1989, living in Sweden sometime during the time period 1968-2009. The database is designed to allow for studies examining individuals’ behavior throughout their labor market careers, from a life course perspective. To this end, the database not only contains
ample information on individuals’ labor market outcomes, such as income and occupational attainment, but also on socio-demographic characteristics.

Rationale and added contribution: We contribute to the literature by (1) analyzing responses for both men and women, (2) investigating a context where female labor force participation is high and women make up the majority in higher education. In a context where traditional theoretical assumptions about gendered divisions of labor and family responsibilities are relaxed, the well-known New Home Economics framework will produce ambiguous predictions not only for women but also for men respecting unemployment and the timing of first births. We also contribute to the field by (3) analyzing the variation in fertility responses over the educational gradient hypothesizing that in a more gender equal context, education may be a more important predictor of fertility timing than gender per se. We furthermore hypothesize that there is variation in group responses not only to own unemployment and national labour market conditions, but also to the state of the more nearby labour market. By adding regional unemployment rates to our model we arrive at more accurate response estimates during a period that covers economic booms and busts, the 1990s featuring the most severe economic crisis in Sweden since the 1930s.

Results: Preliminary results are indicative of gender convergence at the upper part of the educational distribution in contemporary Sweden. Own as well as aggregate unemployment is associated with later first births among the highly educated, irrespective of gender. Among those with lower education, own education is associated with later first births for men, but not among women.
References


