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A cohort perspective of the effect of unemployment on fertility

Héctor Pifarré i Arolas

Abstract:

This work offers an explanation for the apparent contradiction between empirical work that finds a negative relationship between unemployment and fertility, and theoretical work that emphasizes the lower opportunity cost of childbearing while unemployed. I reconcile these perspectives by distinguishing between two forms of unemployment. The first form is structural unemployment, while the second form is cyclical unemployment, a less permanent component of unemployment that is linked to the economic cycle. I apply a cohort-based model to study both effects over the life cycle using panel data methods applied to a sample of developed countries. The results show that higher levels of structural unemployment decrease fertility, but that the effects of cyclical variations in unemployment depend to a large extent on the age at which they are experienced. Cyclical reductions in the unemployment level mostly result in increases in fertility rates. However, for some age groups, positive variations in the cyclical component of unemployment can also have a positive impact on fertility.