The Economist

Population and recession

Europe's other crisis

Recession is bringing Europe's brief fertility rally to a shuddering halt

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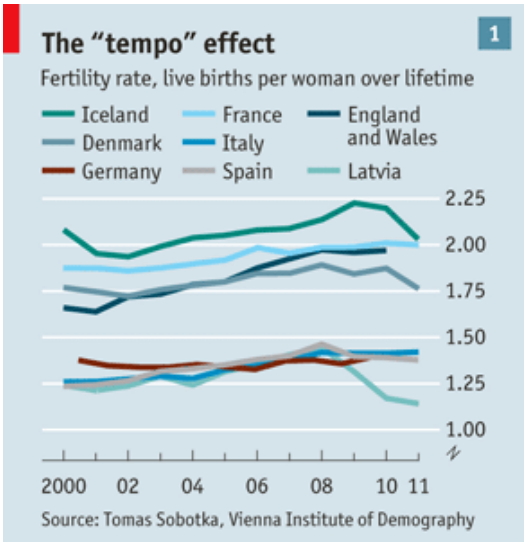
EUROPE'S crisis is worse than it looks. As if the continent's troubled financial markets and economy were not a big enough burden, a decade-long (and largely unnoticed) improvement in its fertility rate seems to have come to an abrupt end.



Of the 15 countries that have reported figures so far this year, 11 saw falls in their fertility rates in 2011 (the fertility rate is the number of children a woman can expect during her lifetime). Some of the biggest declines occurred in countries hardest-hit by the euro crisis. Spain's fertility rate fell from 1.46 in 2008 to around 1.38 in 2011. Latvia's fell from 1.44 to below 1.20. Tomas Sobotka of the Vienna Institute of Demography points out that, in these countries, the fertility rise of the previous ten years has been wiped out in three. Big declines also occurred in Nordic countries that do not have fast-rising unemployment or big cuts in state spending. Norway's fertility rate fell from 1.95 to 1.88 in 2010-11; Denmark's from 1.88 to 1.76. But whether countries have high fertility rates, like Britain, or low ones, like Hungary, the trend is similar: a ten-year fertility rise stopped around 2008 as the economic crisis hit, and started to slide in 2011 (see chart 1).

In the markets, three years is an age; in demography, it is the blink of

an eye. Nine months at least must pass between an event and a corresponding change in the birth rate. Demographic statistics also tend to lag by a year or so. To see such a change in trend so soon after the start of recession is remarkable. But although there is a link between hard times and family formation, its nature is controversial. Adam Smith thought that economic uncertainty was bad for fertility. Others argued that recession increases births, by lowering the opportunity cost of children and encouraging women to have babies they wanted anyway during periods of unemployment.

Europe's recent experience supports Smith. The economy has acted on population trends through migration, marriages and births. In some countries, recession has caused migrants to return home—and those migrants had high fertility. Spain saw an immigration wave from Latin America in the late 1990s and early 2000s. Partly because of this, the number of births in Spain exploded from 363,500 in 1995 to 518,500 in 2008 (a 43% rise). But as migrants went home, the increase in births went into reverse, falling to 482,700 in the year to June 2011. Marriages traced a similar course, rising from 199,000 in 1995 to peak at 214,300 in 2004 before tumbling to 164,600 in 2011.

Not all migrants have behaved in the same way. Relatively few Poles have left Britain. And some migrants came from places with lower fertility than their hosts (eg, Balts in Scandinavia). But in most countries with large populations of untethered migrants, a recession-induced reversal of migration has cut fertility.

Recession has affected the marriage and birth rates of native-born citizens, too. If young couples wait until they have a secure income before setting up home and having children, there will be a link between family formation and unemployment (especially male unemployment). France Prioux, of the Institut national d'études démographiques, plotted French unemployment against couples forming a union (marriage or cohabitation) over more than 20 years. The result is an almost perfect mirror image (see chart 2).

These numbers go only to 2002, but the pattern seems to continue. America's Pew Research Centre asked 18-to-24-year-olds about their

reaction to the recession of 2009: 20% said they had postponed marriage. Mr Sobotka plotted the link between unemployment and fertility in Latvia. He, too, found a mirror image, with births falling as unemployment took off, then rising as jobs flowed back. In Europe there is little doubt that recession has reduced fertility by cutting migration, marriages and births.

What is in doubt is whether the fall is permanent or temporary. There are different ways to reduce fertility. Couples can decide to have fewer children, or can postpone the birth of a child. Both lower the fertility rate; but in the second case, it may recover later. Demographers call this a "tempo" effect.

In most of the world, fertility rates have fallen because couples want fewer children. But a recent paper (http://onlinelibrary.wiley.com/doi/10.1111/j.1728-4457.2012.00473.x/pdf) by Mr Sobotka and John Bongaarts of the Population Council, an American think-tank, argues that in Europe the tempo effect is what counts. As they note, the average age of first births has risen in most of western Europe since 1970. In 1970 the age at which most women had their first child was 22- 25. In 2008 it was 27-29. But from about 2000 to 2008 the pace of increase slowed markedly: women were no longer deferring children as much, and some were starting to have the children whose births they had postponed. Now the number of first births is falling more than later births in some countries, suggesting that people are postponing starting families.

Three broad lessons emerge. First, population trends are more sensitive to the economic cycle than might be expected. Population trends are thought to set the stage for everything else ("demography is destiny" said a 19th-century French scientist). Second, the rise in fertility in the 2000s suggests that not all of Europe is caught in a low-fertility trap. Scandinavia, Britain and France all have relatively high fertility. Third, governments may have scope for policy measures to moderate the fall. Old-fashioned demographic policies were usually "natalist": they rewarded women who had many children. (Russia still has these.) They almost never work.

But if demographic tempo is what matters, Europe's fertility might be more susceptible to government policy. Couples might respond to incentives like cheaper kindergartens or more parental leave by changing the spacing of children they want anyway. If Europe is to avoid yet another downward twist in its demographic spiral, "tempo-adjusted fertility" may hold the secret.

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