

# Discussion on: Labor Market Institutions and Fertility

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# Motivation

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## Total fertility rates

- well below 2.1 in most-developed countries.
- 1.3 in Spain (lowest-low: Kohler et al. 2002).

## Why should we care? As macroeconomists:

- ① higher burden of Social Security (De Nardi et al. 1999),
  - ② low interest rates, investment, and growth (Krueger and Ludwig 2007).
  - ③ decline in innovation may cause growth to cease (Jones 2022)
- ▷ Governments are enacting policies to boost fertility, slowdown population decline and aging.

# Room for policy

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## Fraction of women aged 40 to 44 by desired and realized number of children: Spain 2018

Source: Cruces and Rodríguez-Román

Number of children	Desired	realized	Gap
0	7.90%	18.99%	-11.09%
1	15.20%	24.96%	-9.75%
2	49.75%	43.79%	5.95%
3 or more	27.15%	12.26%	14.89%

- ▷ Important for welfare
- ▷ There are many clues that labor market institutions matter!

# Research question

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This paper **investigates the impact of Spanish labor market institutions** on fertility decisions and employment of mothers:

- frictional labor markets, temporary vs permanent jobs, split-shift vs regular schedule jobs.
- Spanish tax and transfer system
- Informal care, child care costs, early schooling

## What the paper does:

- 1 Combines administrative and various household surveys to document novel empirical facts.
- 2 Develops and calibrates a lifecycle model of labor participation, HC accumulation, savings, and fertility decisions (quantity and timing of births).
- 3 Use model to simulate counterfactuals.

# Key empirical findings

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The empirical work combines administrative data linked to municipality records (to learn on family characteristics) and various household surveys (including time use surveys) to document in a regression analysis:

- 1 A temporary contract reduces the **odds of the first child** by **25-28%** for non-college and college women.
- 2 A woman that spends more than 50% of the labor career on temporary contracts have **fewer children and are more likely to be childless at age 40.**
- 3 Children reduce the **odds of working with a split-shift job** by about **57% for college and by 47.5% for non-college women.**

# Quantify effects of policies

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## Main counterfactuals:

- single-contract labor market
- eliminate split-shift jobs
- extend 100 euros subsidy to all working mothers (not only with children  $<3$ )

# Quantitative findings I

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- Altogether, policies imply an increase in number of children at age 44:
  - ▶ 1.60 to 1.96 among college women
  - ▶ 1.58 to 1.74 among non-college women.
- Employment rate increases substantially (Col. from 0.72 to 0.94 and NC from 0.41 to 0.79)
- Go along way in accounting for differences in fertility and female employment among rich countries
  - ▶ results
- Interestingly, single contract eliminates split-shift jobs among mothers.
- Reducing uncertainty matters importantly for fertility.
  - ▶ results

# Quantitative findings II

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- Interestingly, effects of reforms are **different for non-college**
  - ▶ Single-contract and Regular-job → encourage participation in labor market and **fertility decreases**
  - ▶ Model mechanism: working implies a higher cost of children (child care expenditure).
  - ▶ Fertility of non-college women increases with the child care subsidy.



# General Comments

# General comments

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The paper is quite impressive:

- 1 Spain is an ideal country to study the interaction between fertility, labor participation, and institutions.
- 2 It combines interesting empirical and theoretical work (analysis of Split-Shift jobs is novel). general
- 3 key model ingredients are well motivated and justified.
- 4 results are interesting, policy-relevant, well-explained, and extensively discussed.

▷ **Bottom line: GREAT JOB!**

# Detailed Comments

# Comments on empirical findings

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Logistic regression does not control for husband earnings

- Question: Can you use the IRPF sample of MCVL to control for husbands' earnings?
- I was wondering whether temporary contracts are more frequent in low income households in general.
- Hence, lower fertility could (partly) be explained by the lower husbands' earnings.
- If so, we may be overstating the role of temporary contracts on fertility.

## Empirical findings on probability of split-shift schedule jobs

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- Logistic regression use industry and occupation controls when assessing the effects of motherhood on the probability of Split-Shift schedule jobs.
- If occupations/industries differ in the share of split-shift schedule jobs then,
- ... part of the costs of having children may work through distorting occupational/industry choices.
- if so, costs of children could be larger.

# Comments on quantitative experiments

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TFR increases from 1.6 to 1.8 when labor market duality is eliminated:

- It **accounts for about 50% the difference between Spain** and developed countries with highest fertility.
- Using this metric, results on fertility are quite large.
- It would also be nice to examine data on the **timing of births across countries**.

# Comments on quantitative experiments

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The **effects of duality** on fertility, wages, and employment **may well be larger**.

- Erosa, Gálvez, and Kredler (2023) find evidence that job finding and separation rates depend (for each education group) on skills. [▶ skills](#)
- Thus, duality has more persistent effects.
- In principle, this could be incorporated into the model with no extra computational burden.

# Comments on quantitative experiments

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As discussed by the authors, job creation side is not modeled.

- The elimination of duality is likely to affect job creation.
- Of course, this would complicate the model enormously.



# Comments on quantitative experiments

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Split-shift jobs → women search (longer) for a regular job.

- This mechanism may account for the gender unemployment gap in Spain (not discussed in the paper) [▶ EUgaps](#)
- may also affect occupational choices.
- Coordination failures may hinder elimination of these jobs (but also political economy: hospitality industry).

## (Other) comments for thought in the future

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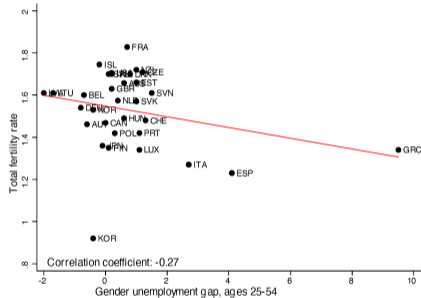
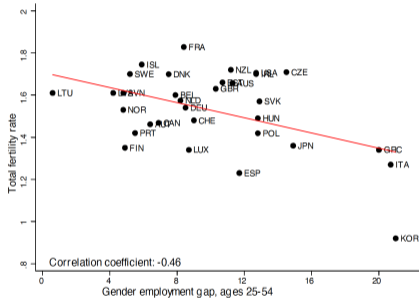
- ▷ As discussed in the paper, policies may also affect intra-household decisions (hours, occupations), intra-household bargaining, and help reduce gender inequality.
- ▷ There may be externalities on the timing of births → larger effects of policy changes
  - If my friends give birth at an early age, I also have children and enjoy going to the park together.
- ▷ Short run gains of policies encouraging fertility ...
  - negative long run effects on the environment and climate change.
  - my take is that we should encourage female labor supply and education.

## Summing up

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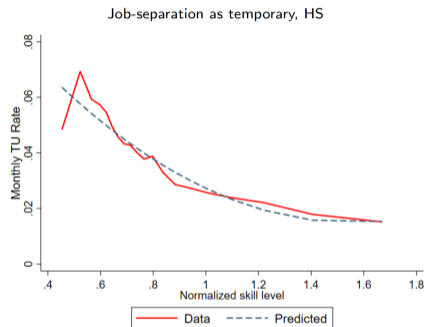
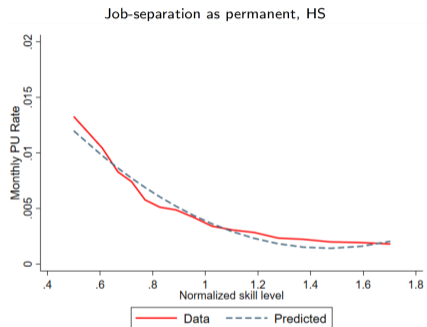
- ▷ Empirical findings are interesting and novel.
- ▷ Theory represents state of the art in the literature.
- ▷ Paper is very well written, thoughtful, and results well explained.
- ▷ Great paper!

# Employment and Unemp. gaps



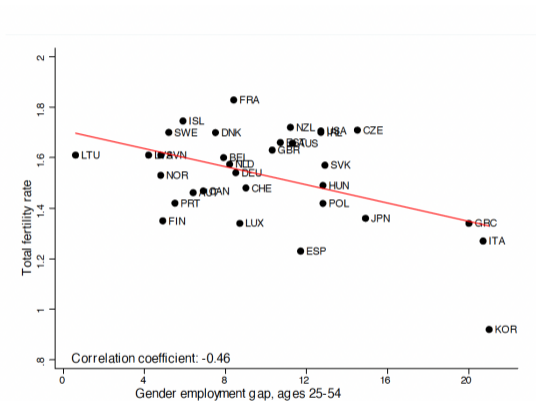
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# Duality, skills and labor turnover



Notes: Erosa, Gálvez, Kredler, 2023

# Cross country TFR



# Job schedules

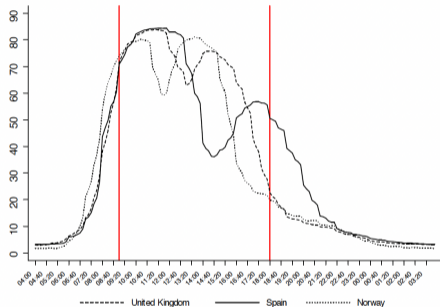


Figure 1. Fraction of People at Work

# Total Fertility Rate Spain in the 2000's

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