

# Baby bust and baby boom: Examining the liberal case for pronatalism

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This briefing paper<sup>1</sup> considers the liberal case for explicitly ‘pronatalist’ policies that aim to increase the birth rate in the UK. 28% of countries have adopted explicitly pronatalist measures, seeking to avert the economic and societal costs of potential population decline and ageing. Should the UK join them?

## SUMMARY

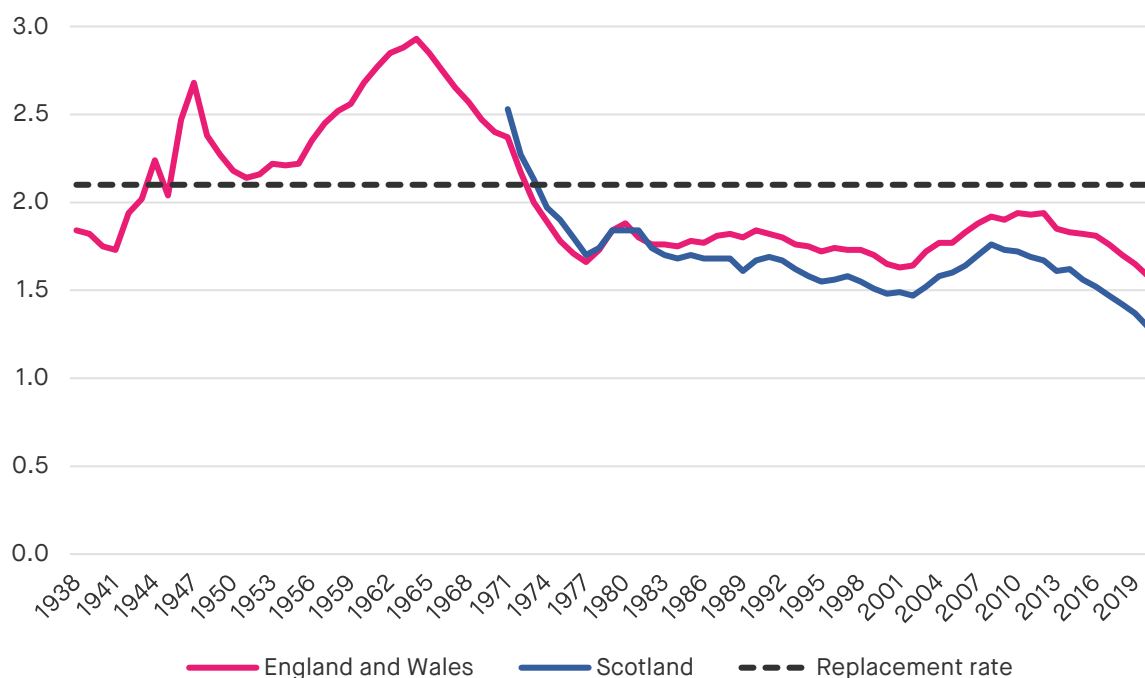
- Birth rates in Britain are on the decline. In 2020, the total fertility rate (TFR) – the number of children per woman – stood at 1.58 in England & Wales, almost half the post-World War Two peak of 2.93. The recent decline in fertility is even more pronounced in Scotland, where the TFR is 1.29.
- Since the early 1970s, the TFR has been below the critical replacement rate of 2.1 children. Depending on the scale of immigration and trends in life expectancy, the UK could see its population shrinking in the 21st Century.
- Overall, it is unclear whether raising the birth rate would improve the lives of would-be parents. On average, people are currently having fewer children than they say they would like. However, studies also suggest childbearing has a limited effect on parental happiness and life satisfaction.
- Plausibly, pronatalist policies are good because they benefit the people that are created. But holding that view requires taking strong positions on some of the trickiest questions in philosophy. Different readers will respond in different ways to how one should regard the “yet-to-be-born”.
- The economic case for pronatalism is perhaps the strongest and least controversial. Under plausible assumptions, low fertility rates are set to shrink the workforce, stifle demand and slow innovation, suppressing GDP growth and stretching the public finances.
- Policies such as payments to parents, greater parental leave entitlement and cheaper childcare can increase fertility rates, though it is unclear by how much. However, any policy that would significantly alter the fertility rate would likely cost tens of billions of pounds.
- Given these uncertainties, we do not recommend that the government pursues a distinct ‘population strategy’ to increase the birth rate. However, the government should convene a cross-departmental working group to examine how different policies affect the birth rate. A House of Lords special inquiry committee on pronatalism should also be formed in 2022.

## INTRODUCTION

Birth rates in Britain are on the decline. In 2020, the total fertility rate (TFR) – the number of children per woman – stood at 1.58 in England & Wales. This was almost half the post-World War Two peak of 2.93 seen in 1964. After recovering from all-time lows seen in the early 2000s, the TFR has declined every year since 2012.

The decline in fertility in recent decades is even more pronounced in Scotland, as shown in the chart below. Last year, the number of children per woman in Scotland stood at 1.29, 18% lower than that seen in England & Wales. In contrast, for most of the 1970s, fertility rates in Scotland were slightly higher than elsewhere in Britain.

**Figure 1: Total fertility rates in Britain**



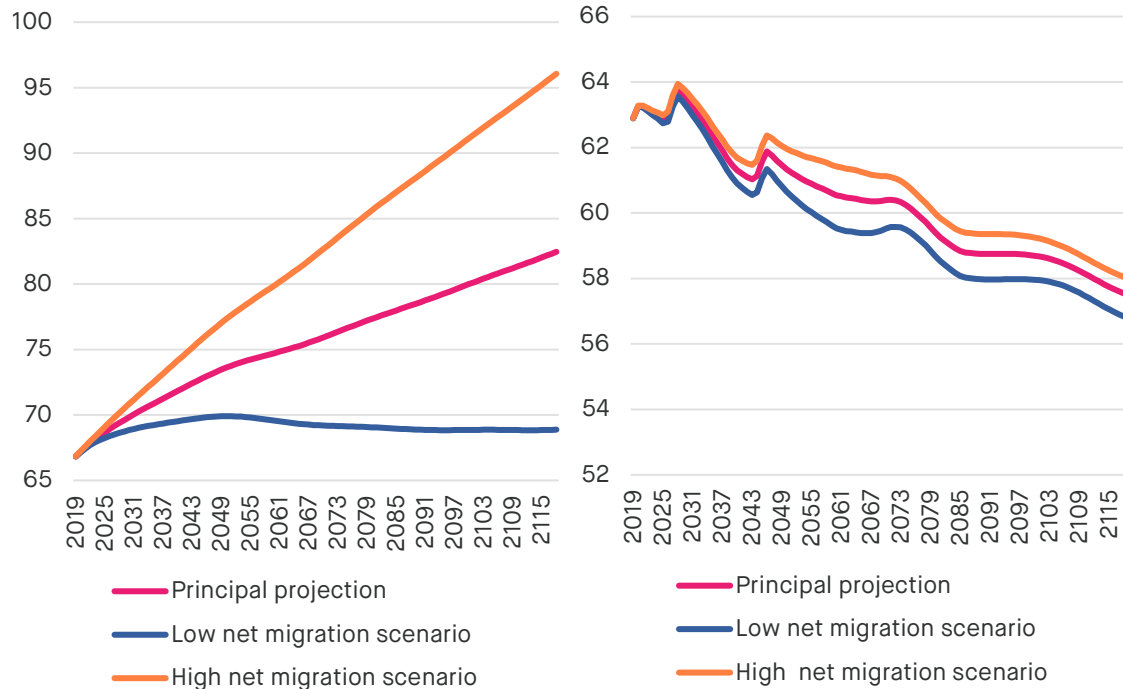
Source: Office for National Statistics – Births in England and Wales, National Records of Scotland Vital Events Reference Tables

During the Coronavirus pandemic, some predicted a rise in birth rates, with stuck-at-home couples producing a swathe of “coronababies”. However, emerging data suggest that this is failing to materialise and 2021 could see fertility rates falling to a record low.<sup>2</sup>

This trend of declining fertility has potentially huge implications for society. Since the early 1970s, the TFR has been below the critical *replacement rate* of 2.1 children per woman, which is required for the population to naturally replace itself in size in the long term – raising the prospect of population decline and ageing. Depending on the scale of immigration and trends in life expectancy over the coming decades, the UK could see its population shrinking in the 21<sup>st</sup> Century, as shown in Office for National Statistics (ONS) population projections graphed below. Notably, even under the ONS’ high migration scenario, sluggish birth rates and longer life spans are expected to lead

to the working age population shrinking relative to the number of pensioners and children – placing strain on the economy and public finances.

**Figure 2: UK population projections under different ONS scenarios, millions (left-hand chart) and working age population as % of total population (right-hand chart)**



Source: Office for National Statistics – Births in England and Wales

The combination of declining fertility rates and ageing populations raises profound questions for policymakers. How can living standards and public services be supported if declining fertility leaves a relatively small working age population having to support a relatively large elderly and retired population? Is the decline in fertility rates good for social welfare, reflecting a positive choice by individuals to have fewer children? Or are a significant number of individuals having fewer children than they would like, perhaps due to economic constraints such as housing and childcare costs, or due to difficulties conceiving a child? Should we be breathing a sigh of relief at the curtailment of population growth and its associated environmental costs?

The UK is not alone in having to grapple with these questions, and indeed other countries are facing even deeper demographic challenges. Research published in *The Lancet* last year found that by 2100 projected fertility rates in 183 of 195 countries will not be high enough to maintain current populations without liberal immigration policies – and indeed liberal immigration policies may not help if population is declining elsewhere in the world. The *Lancet* study estimated that 23 countries could see their populations shrink by more than 50%, including Japan, Thailand, Italy and Spain.<sup>3</sup>

In response to demographic concerns, a number of countries have implemented so-called “pronatalist” policies aimed at bolstering the fertility rate. According to the United Nations, the share of countries with explicitly pro-natal policies has risen from 10% in 1976, to 15% in 2001, to 28% in 2015, the most recently available data.<sup>4</sup>

Albeit under a decidedly illiberal government, Hungary has in recent years introduced a range of pronatalist measures, including the Family Housing Support Program (CSOK) which provides financial support for home ownership, with support increasing with family size.<sup>5</sup> In France, income tax rates vary by family status – the more children you have, the less tax you pay.<sup>6</sup> Others are getting more creative: the Japanese government has announced plans to boost the country’s fertility rate by funding artificial intelligence matchmaking schemes to help residents find love.<sup>7</sup> Singapore, a country which has been adopting pronatalist policies for decades, has also been using personalised matchmaking services and accredited dating agencies in a bid to produce more children.<sup>8</sup>

In contrast to these countries, the UK does not currently have an explicit pronatalist policy platform. But should it? In this briefing paper, we explore the case for the adoption of pronatalist policies in the UK.

In particular, we focus on the case for *liberal* pronatalism. We do not believe that pronatalism should be pursued on racial or nationalistic grounds – to preserve or increase the number of “British” people. Nor do we believe that anyone should be compelled to become a parent. While the SMF recently noted that the UK can learn much from Singaporean government<sup>9</sup>, its pressuring of adults on family size is not, in our view, a route that Britain should go down. In the 1960s, the country compelled parents to “stop at two” children and consider sterilisation.<sup>10</sup> Then, faced with concerns about declining fertility in the 1980s, it suggested adults should have three or more children ... if they can afford it.<sup>11</sup>

In contrast, liberal pronatalism concerns itself with using public policy to help those that want to have children to do so. Here, we look at the case for such a position.

## THE LIBERAL CASE FOR PRONATALISM IN THE UK

If, as we have shown, pronatalism is on the rise across rich countries facing similar demographic trends to the UK, should our policymakers worry about being left behind? In this section we evaluate the arguments for pronatalism, and consider whether they should prompt governments in the UK to action.

There are three types of argument for governments pursuing pronatalist policies, depending on who the policy is intended to benefit:

1. **Parents** could benefit from being supported to have more children
2. **Children** could benefit from being born
3. **Society** could benefit from slower population ageing and avoiding or limiting population decline

### 1. Would parents benefit from having more children?

#### The fertility gap: do people want more children?

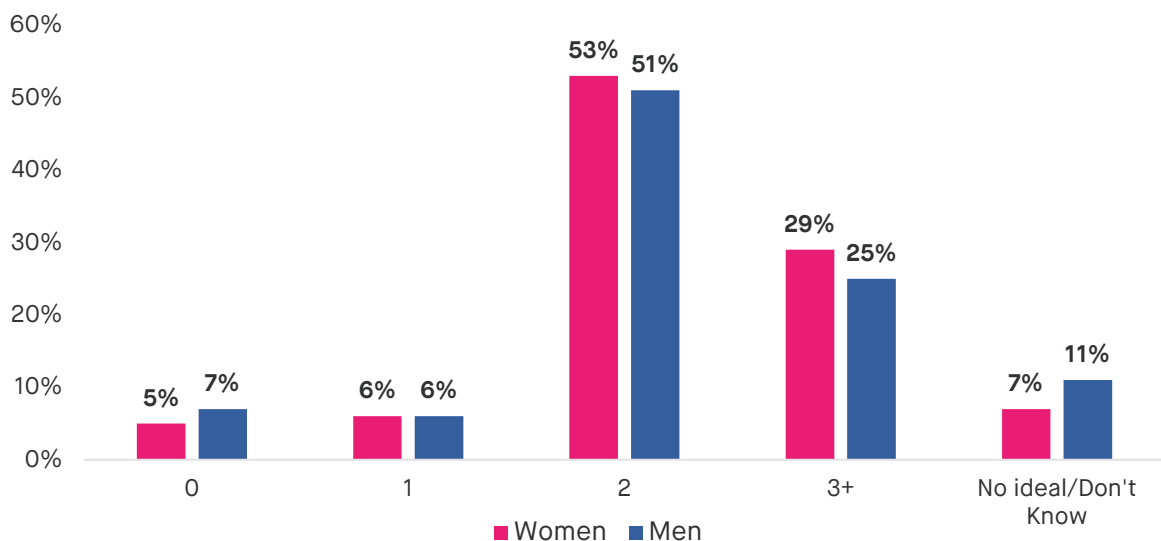
Proponents of pronatalist policies often point to the existence of a “fertility gap”: the number of children that people say they want tends to be higher than the number of children that they actually end up having.<sup>12</sup> This discrepancy, they argue, means that

increasing birth rates is beneficial to parents as it helps them to achieve their desired family size. This is, for example, the way that the European Commission argued for more active population policy in a 2005 Green Paper: “Europeans would like to have more children. But they are discouraged from doing so by all kinds of problems that limit their freedom of choice...The low fertility rate is the result of obstacles to private choices”.<sup>13</sup>

The most recent reliable data on desired fertility in the UK comes from the 2011 Eurobarometer survey, which found that on average women would ideally like to have 2.32 children, and men 2.14, fairly close to the European average.<sup>14</sup> If realised, these would represent a significant increase in birth rates to slightly above replacement rate.

Figure 4 shows the breakdown of personal ideal fertility in the UK. By far the most common preference is for two children, the stated desire of just over half of British adults. Between a quarter and a third of people would like to have a larger family of three or more children, and around one in five would like a smaller family or say they don't know. Only 5% of women and 7% of men say they do not want children at all.

**Figure 3: “And for you personally, what would be the ideal number of children you would like to have or would have liked to have had?”, UK, 2011**



Source: Eurobarometer data, analysed by Testa (2012), [Family Sizes in Europe](#)

All of this suggests that a significant proportion of the population would prefer to have more children than they currently have, or will end up having. Indeed, research comparing the fertility intentions of women in their 20s with their actual family size in their 40s has shown that women have fewer children than they initially say they wanted.<sup>15</sup> The reasons for and meaning of these discrepancies is debated, but it is plausible that people have smaller families than they originally intended because they do not start having children until later than they expected, are unable to reconcile children with other aspects of their life (particularly career) or have difficulty conceiving.<sup>16</sup>

However, it is worth adding a couple of words of caution to this interpretation of the Eurobarometer data. First, the numbers come from 2011, and as such are ten years old. Preferences over family size may have shifted, and indeed there is some evidence that the desired number of children for British people fell slightly between 2001 and 2011.<sup>17</sup> The current pandemic, and the social and economic upheaval around it may also have altered perspectives. One survey found that only 23% of British 18-34 year olds that initially planned to have a child in 2020 remained committed to that plan by April.<sup>18</sup> 58% had decided to postpone conception and 19% had given up on the idea entirely. That said, given the consistency of the preference for at least two children across comparable countries, it seems unlikely that British preferences will have dropped far below replacement rate and will surely remain above the actual fertility rate.

Second, the Eurobarometer survey asks about *ideal* family size – it reflects abstract, hypothetical preferences, expressed without necessarily considering the costs and trade-offs associated with actually having children. Some might therefore suggest people’s *revealed preferences*, the decisions they make when they actually face the consequences of their choices, are a more reliable guide to what they actually want.<sup>19</sup>

### **The happiness gap: do children make parents happy?**

Before concluding that increasing birth rates and helping parents to achieve their ideal family size would be a good thing for them, we need to consider another ‘gap’ alongside the fertility gap: the ‘parental happiness gap’. This refers to the finding, across several studies, that parents have lower subjective wellbeing than non-parents. Indeed, such evidence has led some social scientists to argue that the real puzzle is not why birth rates are currently so low, but why they are not even lower.<sup>20</sup>

The possibility that parenthood might leave people worse off, rather than benefitting them, should give pause to pronatalists. However, the evidence on childrearing and subjective wellbeing is far from clear cut. While many studies do indeed show find having a child has a negative effect on parents’ happiness and life satisfaction, others find a positive effect or fail to detect a significant impact at all.<sup>21</sup> Depending on the country in question, the research design employed and the specific outcome measured used, conclusions vary.

In fact, the most striking result from studies of parental subjective wellbeing is how small the effect of parenthood tends to be, regardless of whether it is positive or negative. For example, Aasve et al compare parents and non-parents across Europe in terms of their responses to the question “How happy are you?” on a 0-10 scale, and find that having a child is associated with a happiness score 0.04 points higher for women and 0.07 points higher for men.<sup>22</sup> By comparison, having a partner increases happiness by 0.41-0.43 points relative to being single, an effect five to ten times bigger. Similarly, Kohler et al, comparing the life satisfaction of pairs of identical Danish twins conclude that, compared to the importance of romantic relationships, “the effect of the number of children on happiness seems to be remarkably unimportant”.<sup>23</sup> Moreover, the effect of children seems to be relatively short-lived. Myrskylä and Margolis find that in both Britain and Germany, parents’ life satisfaction and reported happiness increase leading up to the year of birth, but return to their initial levels within

a year.<sup>24</sup> Clark et al find a negative effect on life satisfaction, but again a transient one that disappears while the child is still an infant.<sup>25</sup>

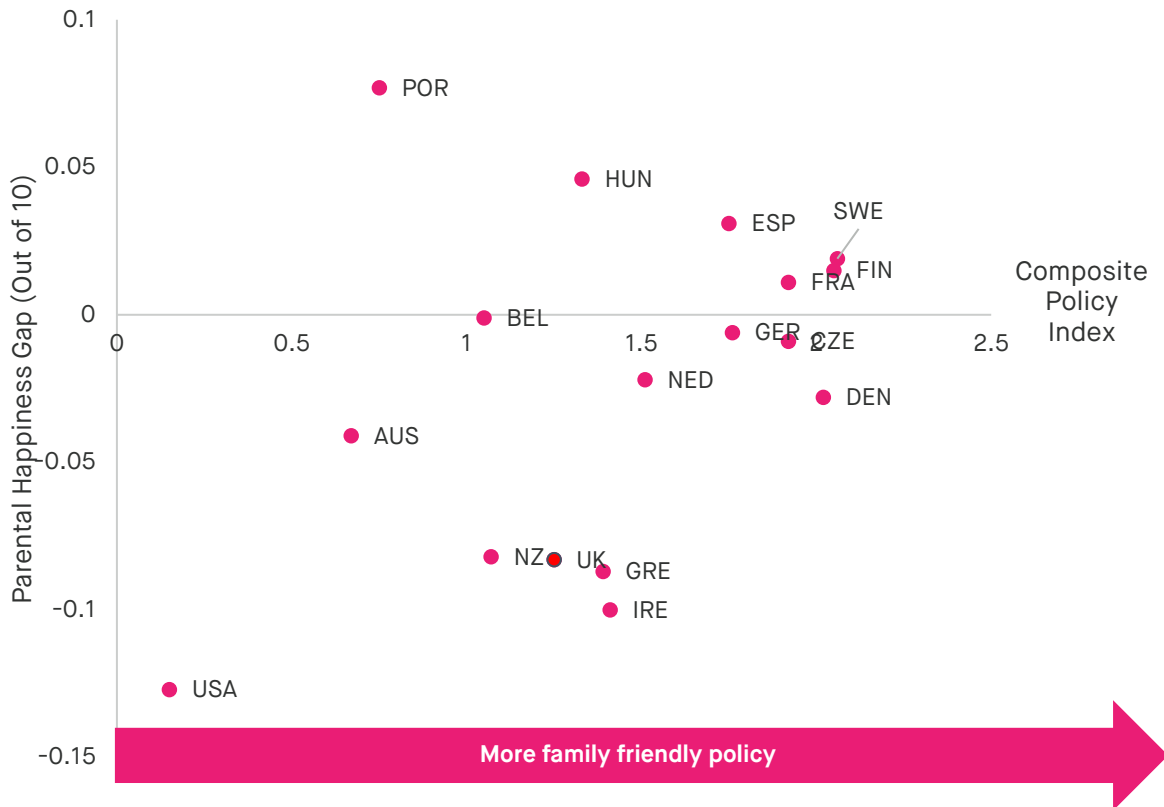
In any case, looking at the *average* effect of parenthood on subjective wellbeing undoubtedly masks significant differences, depending on the context and characteristics of the parents in question. Being a single parent or a relatively young parent is more likely to be bad for a person's subjective wellbeing.<sup>26</sup> Conversely, older parents seem to be more likely to be better off following parenthood.<sup>27</sup> Some studies find that income and employment make a difference, although the effect is more ambiguous for those.<sup>28</sup>

Notably, converting one child families to two children, perhaps the key objective for those wishing to close the gap between actual and desired fertility, is likely to have the least impact on parents' subjective wellbeing. Studies generally find a larger impact of moving from childlessness to parenthood and of having third, fourth or fifth children than of having a second. In particular, larger families of three or more children are more likely to negatively affect parents' wellbeing.<sup>29</sup>

Government policy and institutions could also influence the impact of having children on parents' wellbeing. Blanchflower and Clark, pooling data from across Europe, find that in their sample the negative effect of children on parents' life satisfaction is entirely explained by financial hardship.<sup>30</sup> Once they control for parents' self-reported ability to pay their bills, parenthood is associated with higher life satisfaction. Similarly, Aasve et al show that in countries with higher take-up of formal childcare for under 3s, parents tend to be happier relative to non-parents.<sup>31</sup>

A particularly prominent recent study by Glass et al analysed the parental happiness gap and how it relates to policies that make it easier for parents to work in 22 OECD countries.<sup>32</sup> They found that in countries with more 'family friendly' policies, parents were as happy - if not happier - than non-parents. In other words, through effective policies, governments may be able to eliminate the happiness gap. Public subsidies for childcare had the biggest effect on parental happiness, with parents also substantially better off under regimes with more generous leave and holiday entitlements. Increasing work flexibility had a more modest, though still positive, impact. The UK has one of the largest parental happiness gaps in Glass et al's analysis, as Figure 4 shows, with only the Republic of Ireland, Greece and the USA faring worse on the measure. Its policy rating is less out of line with peer countries, mainly due to a higher than average share of British workers being able to exert choice over their hours. However, the UK loses child friendliness points for its high childcare costs and relatively small parental leave allowances.

Figure 4: Parental Happiness Gap and Child Friendliness of Policies



Source: Glass et al, [Parenthood and Happiness](#)

**Summary: childbearing and parental wellbeing**

Overall, it is unclear whether raising the birth rate would improve the lives of would-be parents. To some extent, it depends on how we conceive of parents' welfare. For those that believe welfare consists in satisfying desires, it is fairly plausible that parents would be better off as a result of being able to achieve their preferences for more children. By contrast, if welfare is interpreted as being about happiness or life satisfaction, childbearing seems to have limited effect on those outcomes.

**2. Would children benefit from being born?**

A second argument for pronatalism points to the additional children who are born as a result of policies that raise the birth rate. If life is, all things considered, a good thing, then it is desirable to bring more people into existence who can enjoy it. Whether or not their parents are better off, newly created children may benefit from pronatalism.

This immediately raises the question of whether being alive is in fact a good thing. Some *anti*-natalists argue it is not, and that children are in fact harmed by being born.



In modern philosophy, this position is most associated with David Benatar, though his ideas were anticipated by some strands of ancient Greek, Hindu and Buddhist thought, as well as in the pessimism of Arthur Schopenhauer.<sup>33</sup> Benatar argues that optimism bias leads most people to overestimate the value of our lives, to underestimate the extent of suffering and ill health we have to endure and to neglect the badness of death, even for older people.<sup>34</sup> Moreover, he posits that bad things in life tend to be worse than the good things: that hardship is felt more deeply than joy, that pleasure tends to be fleeting and pain chronic, and that frustration of our desires hurts more than their satisfaction.<sup>35</sup>

The belief that most if not all lives are net negative is very much a minority opinion, even according to Benatar's own research.<sup>36</sup> Benatar invites us to introspect on the good and bad in our lives, and most people reach very different conclusions to him about the balance of wellbeing and suffering. Certainly, in a country like the UK, most people report their happiness and life satisfaction to be relatively high.<sup>37</sup> Benatar might attribute that to widespread mis-perception and delusion, but most people will evidently disagree.

Even if we accept that life is typically net positive, with the good outweighing the bad, many would still deny that is a reason to increase the birth rate. To make the latter claim requires us to take a position on one of the knottiest questions in ethics and political philosophy – the moral status of people who do not currently exist. Many philosophical issues are confusing and contested, but such questions of 'population ethics' are particularly fiendish. They cause philosophers not just to disagree with one another, but often with themselves, struggling with internally consistent intuitions pulling in different directions.

Many philosophers have argued that merely possible – as opposed to actually existing – people should not count morally. As John Broome puts it, many people share the intuition that “the lifetime wellbeing of a person who is added to the world is in itself ethically neutral...It is neither a good thing nor a bad thing”.<sup>38</sup> Such a view implies that we should not follow pronatalist policies – at least, not in the interests of the children that would be born. According to Jan Narveson's much-quoted remark, “We are in favour of making people happy, but neutral about making happy people”.<sup>39</sup>

One reason to resist granting moral status to merely potential people is that it seems to open the door to a wide range of sweeping and counterintuitive implications. If potential people have moral status, that might seem to imply we wrong them by not bringing them into existence – which casts doubt on the permissibility of contraception. However, this argument moves too quickly. Existing people have moral status too, and their rights and interests may trump or outweigh those of the unborn. Practices like contraception can be defended in terms of the value of existing people's ability to choose what to do with their lives and bodies, even if we concede that such choices may fail to benefit their potential children. More generally, many philosophical systems create a distinction between evaluative judgements (what is good and desirable) and normative judgements (what is morally required), and insist that we are not morally required to do everything that is good or valuable.<sup>40</sup> Bestowing life might be one of those things that is good but not obligatory.

Even that more modest position might have unpalatable implications, though, leading to counterintuitive evaluative judgements. If we accept that potential people are benefitted by being born, those benefits should be weighed alongside the wellbeing of people that are already alive, and can in principle be traded-off against it. So long as it does not make existing people too much worse off, we should bring more people into the world, increasing *aggregate* wellbeing while lowering *average* wellbeing. Most famously, this sort of logic can lead to what is called the ‘Repugnant Conclusion’ – that a larger population of people whose lives are barely worth living is better than a smaller population of happy, prosperous and flourishing people.<sup>41</sup> In other words, it would be better to have a world of 100 billion people whose lives were just bearable than a world of 10 billion happy, prosperous and flourishing people. Many (though not all) people find such a conclusion implausible.<sup>42</sup>

There is also a metaphysical reason to deny that there is value in creating people – the notion that it is impossible to benefit somebody who does not exist. Such ‘person-affecting’ views hold that “an outcome can only be better (or worse) than another if it is better (or worse) for someone”.<sup>43</sup> They imply that it is incoherent to say that Alex gains from coming into the world, because if he had not been born there would be no Alex to be worse off. The counterfactual comparison does not seem to work. However, Jeff McMahan argues that benefit and harm are not necessarily comparative concepts.<sup>44</sup> Whereas ‘ordinary’ harms and benefits rely on the notion of making someone better or worse off than they otherwise would be, he argues ‘existential’ harms and benefits do not require such a counterfactual.

At the same time, denying moral status to people that do not currently exist has counterintuitive implications of its own. To begin with, it implies that we cannot have any moral concern for future generations. If, for example, climate change did not harm anybody alive today, but devastated our great-great grandchildren in 200 years’ time, we would have no reason to try to mitigate it. For that reason, some philosophers argue that we should extend moral consideration to future generations, but only to ‘necessary’ persons (those whose existence we cannot control) or ‘actual’ persons (those who end up existing, including ones we create), while stopping short of granting moral consideration to all possible persons.<sup>45</sup> But those positions, too, lead us to paradoxical conclusions. Consider government efforts to reduce teenage pregnancy. If such policies are intended to avoid the birth of children that will have worse lives than those born later to better prepared parents, we cannot endorse them if we only care about ‘necessary’ or ‘actual’ people.<sup>46</sup>

### Summary: pronatalism and the value of potential people

In sum, it is plausible to believe that pronatalist policies are good because they benefit the people that are created. But holding that view requires us to take strong positions on some of the trickiest questions in modern philosophy. Different readers will respond in different ways, but given the uncertainty we are inclined only to put modest weight on such arguments for pronatalism.

### 3. Would society and in particular the economy benefit from a younger population?

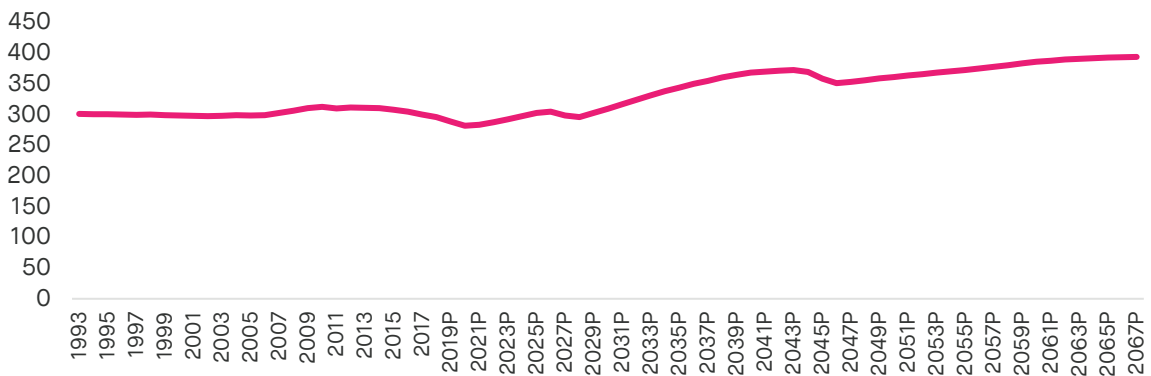
A common argument for pronatalism is that it is necessary to support economic prosperity, and tackle the challenges caused by population ageing and population decline.<sup>47</sup>

Looking at historical and cross-country data alone, it is difficult to argue that fertility is good for prosperity. Indeed, the data show a negative correlation between fertility rates and income per capita,<sup>48</sup> with more prosperous countries tending to have lower fertility rates. There is good reason to expect that causality could be running in both directions here. For example, as countries get richer, improved public health services lead to declining child mortality. Reduced risk of children dying may in turn lead to parents choosing to have fewer children. In the other direction of causality, reduced fertility may lead to more women participating in the labour market, bolstering economic growth.

A key question is whether the historic relationship between income and fertility breaks down in advanced economies with ageing populations. For countries such as the UK, are we now at a point where the relationship between income and fertility is a positive one, where increased incomes would push up the fertility rate, and a higher fertility rate would improve the economic outlook for Britain?

There are reasons to suspect this is the case. As things stand, population ageing and low fertility are set to curb economic growth and in turn place immense pressure on the public finances in the long-term, with increased demand for public services combining with a squeeze on tax revenues from having a relatively small working age population.

Low fertility rates can be a drag on the economy through three channels. First, by reducing the relative size of the workforce. Figure 5 shows the UK's old age dependency ratio based on the ONS' principal population projection – the number of people above state pension age per 1,000 working age adults. It shows that at present there are a little under three over 65s for every ten workers, but by the middle of the next decade that ratio will rise to 3.5, and by the 2060s the number will be closing in on four. According to these projections, by 2050 a quarter of Britons will be over 65, up from a fifth today.<sup>49</sup> This combination of a lower share of the population in work and a higher share in need of economic support clearly has a negative effect on the productive capacity of the economy.

**Figure 5: Historical and Projected UK Old Age Dependency Ratio**

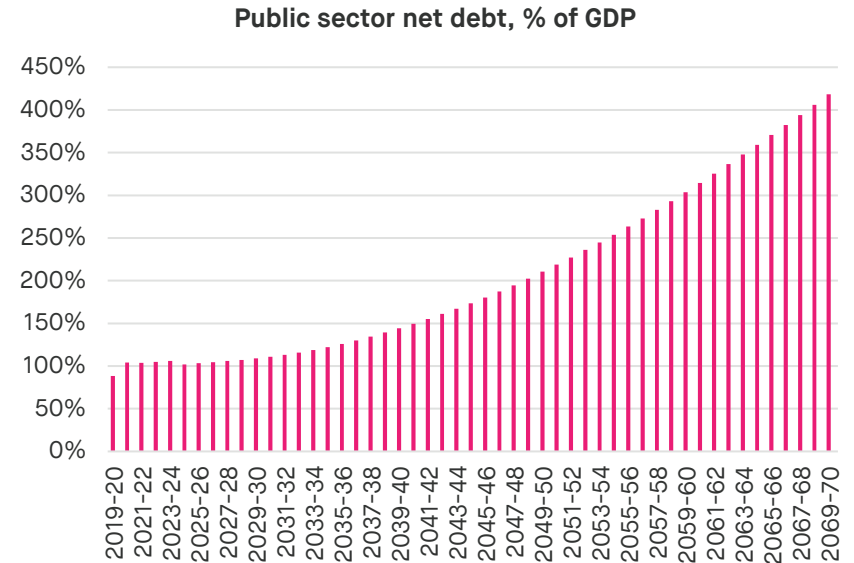
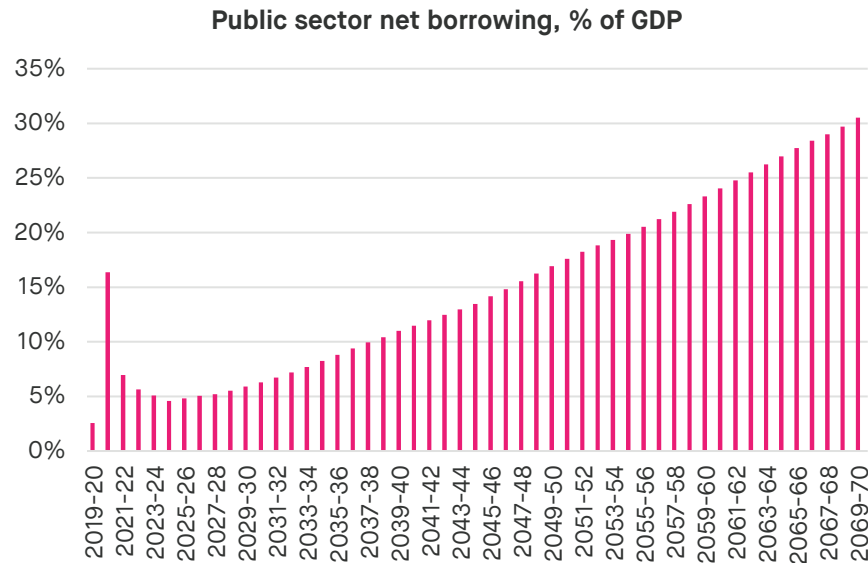
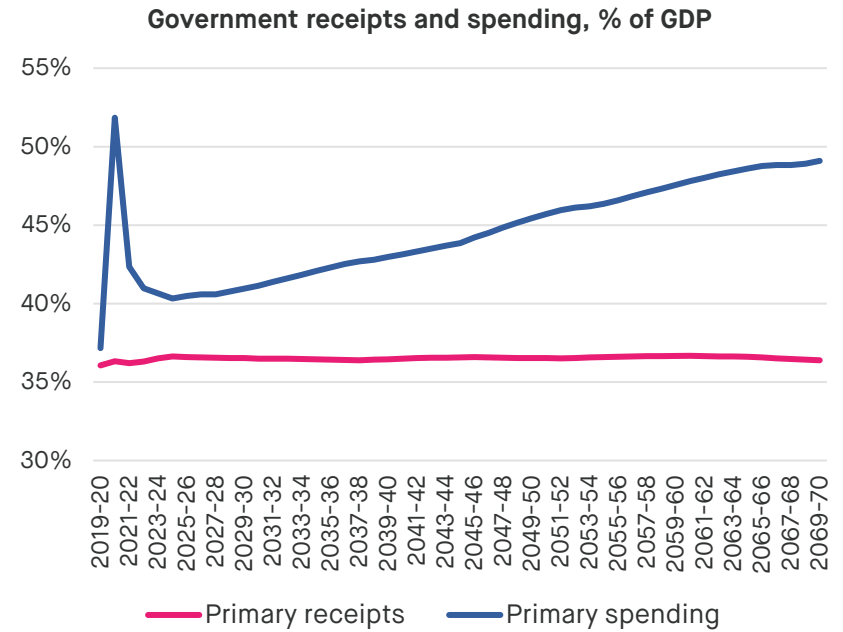
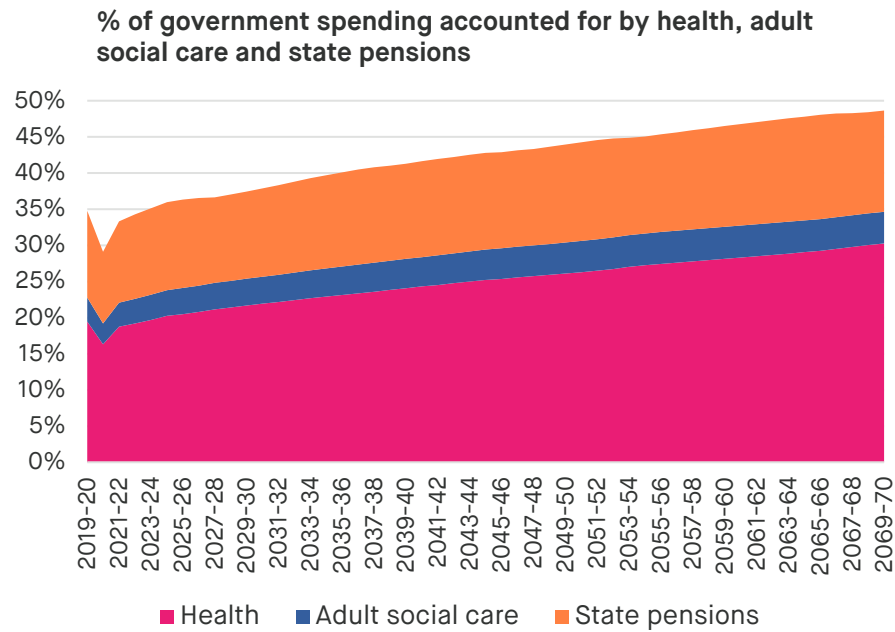
Source: ONS, [Living longer and old-age dependency – what does the future hold?](#)

The second way that low birth rates can be bad for the economy is by stifling demand. Whereas population growth means an ever-increasing market to sell goods and services into, population decline means that there is less incentive to invest for the future.<sup>50</sup> At the same time, population ageing incentivises more people to save more for retirement, reducing spending in the economy (though at some point they will presumably seek to draw down those savings).<sup>51</sup> This feeds the risk of ‘secular stagnation’, whereby an imbalance between higher levels of savings and lower returns on investment push interest rates down, limiting central banks’ ability to stimulate the economy.<sup>52</sup>

Third, lower birth rates might undermine the speed of innovation – the fundamental driver of growth in productivity and incomes. All else equal, fewer babies means fewer inventors, reducing the likelihood of “game-changing” ideas and innovations. This is particularly alarming in light of evidence that ideas are getting “harder to find” – the number of researchers needed to work on a problem in order to make a breakthrough seems to be rising.<sup>53</sup> Economic modelling by Charles I. Jones at Stanford University shows that declining populations can lead to what he calls the “Empty Planet result” – where knowledge and living standards stagnate for a population that gradually vanishes.<sup>54</sup>

At the same time, an older population will make greater demands on state services. Projections produced by the Office for Budget Responsibility (OBR) in its *Fiscal Sustainability Report* are startling. Under its central scenario, the OBR expects the State Pension, adult social care and healthcare to account for close to half of all government spending in fifty years’ time, up from a third (35%) in 2019/20. While government spending is expected to rise from 37% of GDP to just under half (49%) of GDP by 2069/70, tax and other receipts are expected to hold steady at 36%. This is expected to see public sector net borrowing (“the deficit”) soar to over 30% of GDP, and government debt ballooning to over 400% of GDP. Ultimately, this situation arises from the fact that the economy is unlikely to grow fast enough to support increased demand for public services while maintaining a relatively stable fiscal position. In terms of its impact on the public finances, the UK’s long-term demographic challenges look set to eclipse the impact of the World Wars, the Global Financial Crisis and the Coronavirus Pandemic. And, unlike these events, it is set to be a persistent financial challenge rather than a temporary blip.

**Figure 6: Long-term UK fiscal projections** (Source: OBR Fiscal Sustainability Report 2020)



Given the arguments above, the case for pronatalist measures to shore up the working age population seems strong at first glance. However, such measures need to be weighed up against cost of implementation. As we discuss later in this note, there are reasons to expect such costs to be high – meaning pronatalism may not be the solution to the economic growth and public finances problems that it appears to be.

Beyond the cost of pronatalism and whether it would indeed be a net benefit for the economy, we think there are a number of other important economic implications to be considered before pursuing a pronatalist agenda.

Firstly, distributional implications. Depending on the range of measures introduced, pronatalism could have negative distributional implications. For example, if new cash incentives disproportionately encourage women from lower income backgrounds to have more children, this could reduce their participation in the labour market – potentially widening income inequality, depending on the size of financial incentives for childbirth.

It could also widen the gender pay gap; past SMF analysis shows that female employment rates decline with number of children, while this is not the case for men.<sup>55</sup> More fundamentally, pronatalism could undermine efforts to achieve gender equality and risks shifting the role and status of women back towards “traditional values” that we have gradually been moving away from. A pronatalist policy program, if there is to be one, needs to consider such issues and take steps to mitigate them.

Secondly, productivity and demographics. While we noted above the argument that reduced fertility could curb innovation, we also note arguments running in the other direction which could mean current economic projections are too gloomy. Conceivably ageing and declining populations could see increased productivity and innovation, as societies respond to their demographic challenges. For example, businesses and governments might invest more heavily in robotics and artificial intelligence (AI) – driving up rather than curtailing productivity. Japan, for example, is rolling out robots in nursing homes, offices and schools as its population ages and workforce shrinks.<sup>56</sup>

Lastly, the environment. Long-term prosperity and indeed survival of the human race is contingent on supporting the environment and tackling challenges such as global warming and pollution. Many argue that growth cannot continue indefinitely, given the finite resources of the planet. Population and climate change are inextricably linked, with each addition to society a consumer of resources that contribute to global warming and other forms of environmental degradation. This has led some to call for *anti*-natalist policies, encouraging people to have fewer children.<sup>57</sup>

Indeed, on some analyses choosing not to have a child is single the biggest thing a person can do to reduce their personal carbon emissions. But crucially, this depends on assuming that future generations will pollute at the same rate as we do. Analyses that account for the downward trajectory of emissions and growing policy commitments to resist climate change suggest that reducing the birth rate would have far less environmental impact than it might at first appear.<sup>58</sup>

### Summary: pronatalism and the economy

Of all the arguments we have looked at, the economic case for pronatalism is perhaps the strongest and least controversial. Under plausible assumptions about population growth and other determinants of economic growth such as productivity, low fertility rates are set to suppress growth to a point where the public finances are on an unsustainable trajectory – with the growing cost of public service provision (driven by population ageing) outpacing growth in tax revenues.

Having said that, even this argument is not watertight. As we argued, for example, productivity growth could surprise on the upside amid population decline, with ageing intensifying efforts to roll out robots and artificial intelligence in place of human labour.

## WHERE NEXT FOR POLICY?

For those persuaded that the government should actively seek to raise the birth rate, there is good news and bad news. The good news is that there is significant evidence that policy can be effective in nudging people to have more children. The bad news is that such policies are expensive, and may not be sufficient to return us to replacement rate fertility.

### What can the government do to boost fertility?

#### Financial incentives

The simplest way to encourage people to have children is to financially incentivise them. Many countries offer a ‘baby bonus’ – direct cash transfers – to new parents. Between 2004 and 2014, the Australian government paid families between A\$3,000 and A\$5,000 (c.£1,500-£2,500) on the birth of a child (the value was shifted up and down over the course of the decade).<sup>59</sup> Several European countries continue to pursue such policies – for example, France provides a ‘birth grant’ of €950 and Finnish municipalities offer benefits ranging from a couple of hundred euros to €10,000.<sup>60</sup> Financial incentives need not be lump sum, often taking the form of more generous family allowances/child benefits: recurring cash payments or tax breaks. A particularly prominent example in recent years is Poland’s ‘500+’ scheme, under which parents receive 500 zloty (around £100) per month for each child they have.<sup>61</sup>

Across a range of countries, studies have generally found that financial incentives do increase birth rates.<sup>62</sup> The effect seems to be strongest for universal cash payments, though tax policies can also make a difference. However, there is some doubt over how sustained these effects are. For example, analyses of Quebec’s Allowance for Newborn Children suggest that despite an initial boost to birth rates, it did not raise ‘completed fertility’ – in other words, it merely encouraged people to bring forward childbearing rather than increasing the total number of babies.<sup>63</sup>

While we might fear that welfare policies like the Coalition government's two child limit and benefit cap<sup>64</sup> would reduce the affordability of children and thus discourage larger families, there is little evidence of similar measures in the US suppressing birth rates.<sup>65</sup> However, forthcoming research will explore the impact of those policies in a British context.<sup>66</sup>

### **Childcare**

A second way for the government to reduce the cost and difficulty associated with having children is to increase the availability and affordability of childcare. This can be done through the expansion of public provision of childcare or providing subsidies. Both have been shown to increase birth rates. The effect is particularly strong for parents that already have children adding to their families – likely because they are more aware of the level and cost of childcare provision from having experienced it first time around.

Some estimates suggest that increasing the take-up of preschool childcare could have a dramatic effect – one analysis found that the rollout of childcare in Norway between the 1970s and 1990s was associated with around 0.5 extra children per woman.<sup>67</sup> However, it is worth emphasising that other studies indicate the impact is far more modest.<sup>68</sup>

Childcare costs are relatively high in the UK compared to peer countries. The OECD estimates that a dual-earner household where one person earns the average wage and the other two-thirds of the average wage would have to spend 22% of their income on full-time childcare.<sup>69</sup> That is more than double the OECD average of 10% and only parents in New Zealand and Switzerland face higher costs. That might mean that there is more scope for the government to influence birth rates through childcare policy in the UK than in other parts of the world starting from a better position on childcare costs.

### **Parental Leave**

We might expect more generous parental leave entitlement to encourage more people to have children, making it easier to better balance work and family commitments. However, the evidence somewhat ambiguous, with studies examining the impact of expansions of parental leave producing mixed results.<sup>70</sup> Measures that increase the level of pay parents receive on leave seem to be more effective at raising birth rates than extending the length of time people are allowed to take away from work. Increasing leave entitlements for mothers also seems more likely to make a difference than increasing entitlements for fathers.

It is possible that the relatively limited impact studies have attributed to extending parental leave is due to the fact they have tended to focus on relatively small changes in countries with established entitlements. By contrast, one reform that has been found to yield a significant increase in birth rates provided Austrian parents with an additional year of leave, increasing their entitlement from 12 to 24 months.<sup>71</sup> With mothers in Britain currently entitled to 39 weeks of maternity pay, a substantial increase that moved the country closer to Estonia, Finland or Hungary (offering over



three years' paid leave) or Norway (91 weeks) could plausibly shift the country's fertility rate.<sup>72</sup>

### Fertility Treatment

Another step governments can take to support the birth rate is to fund assisted reproductive technologies such as in vitro fertilisation (IVF) for those that would like to have children but have difficulty conceiving naturally. Surprisingly, the existing evidence suggests this may not be particularly effective. A couple of studies have examined the consequences of state mandates in the US, requiring insurance companies to cover fertility treatment.<sup>73</sup> They find that improving access to fertility treatment does produce a short-term increase in births, particularly to mothers over the age of 35. However, they report no increase in completed fertility in the long run. Taken together, these findings imply that some people respond to the greater availability of fertility treatment by postponing childbearing, but then do not end up having as many children as they intended to. That is somewhat counterintuitive but may be explicable – perhaps people overestimate their chances of conception through fertility treatment or get used to childlessness. However, a recent systematic review cautioned that more research is needed before drawing strong conclusions.<sup>74</sup>

### Housing

It is possible that the cost and availability of housing could influence fertility decisions. Some people may want to be 'settled' in a home that is big enough, located in the right sort of place, or that they own before starting a family. If they cannot afford to get onto the property ladder or to find an appropriate place to live, they may put off childbearing – and thus ultimately reduce the number of children they have. However, the relationship between house prices and fertility is theoretically ambiguous. While high house prices might discourage renters, they provide homeowners with an increase in their wealth that might make it more affordable to have children.

In fact, one analysis found that local house prices had little effect on birth rates in England and Wales between 1996 and 2008.<sup>75</sup> The only group of women that were significantly less likely to have children in more expensive areas were those that lived with their parents – those in private rental accommodation or social housing were not much affected. On the other hand, households that benefitted from the reduction in mortgage costs as a result of the Bank of England lowering its interest rate in 2008-09 were more likely to have children. The effect of the rate cut – which lowered mortgage payments by 42% on average (over £300 a month) for those on adjustable rate mortgages – is credited with raising the birth rate by 7.5%.<sup>76</sup> Thus there is some reason to think policies that significantly lower the cost of housing could boost birth rates, though the evidence is not conclusive.

### How much would it cost?

The American economist Lyman Stone has collected a number of studies, covering a wide range of countries, that quantify both the size of the effect on fertility as well as the cost to government of different pro-natalist policies. For each, he has calculated a range of *fertility elasticities*: the proportionate increase in birth rate associated with spending equivalent to a unit increase in average household income. The estimates

vary quite widely: the most encouraging numbers (from studies of baby bonus programmes in Quebec and Australia, and increases in maternity pay in Quebec) imply elasticities of greater than 1 i.e. birth rates rise by more than 10% in response to incentives that account for 10% of household income. On the other hand, the most negative studies imply that the impact of pro-natalist policies on fertility rates is negligible.

Overall, the average elasticity in Stone's database is 0.25 (i.e. a 10% increase in household income would raise the birth rate by 2.5%). It is higher for baby bonus schemes (0.36) and maternity pay (0.37) schemes, and lower for spending childcare (0.1). These numbers should be interpreted with caution – taking a straight average of all studies, taking no account of the quality and reliability of the method or the relevance of their setting, can only give us a very crude indication of the likely return on pro-natalist policies in the UK in 2021. However, they can help us estimate the rough order of magnitude of costs and returns to possible pronatalist policies.

For example, consider a British baby bonus of £1,000 per child – a similar level to the French programme. That is equivalent to around 3% of average household income, and so could be expected to raise the fertility rate by 1%. At a total cost to the exchequer of around £650 million, we would expect the total fertility rate in England to rise from 1.65 to 1.67.

That is clearly a very modest impact, so we can calculate how much the government would have to spend in order to bring the country back up to replacement rate fertility. In England and Wales, where the fertility rate would have to rise by 27% to reach replacement level, this would imply the government needs to raise household incomes by 68% to increase total fertility to 2.1 – over £21,000 per family – even using a relatively high elasticity of 0.4. Rolled out nationally, the whole programme would cost over £23 billion. Scotland's lower birth rate implies that spending would have to exceed annual household income to push total fertility to replacement level under an elasticity of 0.4 – £39,000 per family.

## CONCLUSION

Reaching a judgement on whether or not we should pursue pronatalist policies in the UK is a tricky task. The case for pronatalism relies on mixed evidence, a fair amount of speculation and complex value judgements. We are sceptical that the Government should attempt to raise the birth rate in the interests of parents or children. However, the possible economic impact of an ageing population, reducing the relative size of the workforce and potentially slowing innovation, do imply there is a case for intervention.

There is uncertainty over the means of intervention as well as the benefits. Published studies vary wildly in their estimates of the effectiveness of policies to increase the birth rate, with many suggesting they have no impact at all. That said, the general consensus suggests that pronatalist policies do have some impact, even if we cannot anticipate the size of that impact with any confidence. However, it does seem clear that any policy that would significantly alter the fertility rate would cost tens of billions of pounds.

Pronatalist policies are therefore unusually poorly suited to cost-benefit analysis, given the difficulty of predicting their impact and evaluating their outcomes. Moreover, there is a further complication. Most pronatalist policies have other advantages at least as compelling as their impact on the birth rate. To put it another way, pronatalism often merely provides another reason to do things the government should probably do anyway.

Family benefits have historically played a relatively significant role in addressing poverty in the UK compared to other peer countries, to some extent ‘compensating’ for low working age benefits.<sup>77</sup> Yet the UK government has cut child benefits by 19% in real terms since 2010, causing a spike in poverty for larger families: nearly half of households with three or more children are now in poverty.<sup>78</sup> By contrast, the Scottish Government has introduced a Scottish Child Payment, currently paying out £10 a week to low income families with children under six, which is expected to reduce child poverty by 1 percentage point from 24% to 23%. Doubling it to £20 and extending eligibility to under 16s could take a further 40,000 children out of poverty, reducing the rate to 19%.<sup>79</sup> Thus while cash transfers to families with children can operate as an incentive to increase the birth rate, they are also an important lever to help financially struggling families – as the Biden administration in the US is discovering.<sup>80</sup>

Reducing childcare costs and increasing parental leave also have the potential to dramatically improve the lives of parents, regardless of whether they are encouraged to have more children as a result. We have already discussed evidence that these are the most plausible explanations for the UK’s relatively large ‘happiness gap’ between parents and non-parents. We have also seen that childcare is more expensive and parental leave less generous here than in other rich countries. At the same time, high quality childcare has the potential to support children’s academic and social development, with particular benefits for those from disadvantaged backgrounds, suggesting it can help reduce inequalities.<sup>81</sup> However, this may be tricky to achieve without increasing costs further. Reducing childcare costs could help the economy by encouraging more parents to enter the workforce<sup>82</sup>, though previous expansions of childcare in the UK have only had a modest impact on labour supply.<sup>83</sup> Similarly, there is evidence to suggest that paid parental leave can help child health and development, women’s employment and economic outcomes and parental wellbeing.<sup>84</sup>

The dysfunctionality of the UK housing market is well documented. 2.8 million people are in poverty as a result of housing costs, which push the overall poverty rate up from 18% to 22%.<sup>85</sup> Homelessness rose by 17% in England between 2012 and 2019.<sup>86</sup> Frankly, pronatalist motives should be quite far down the list of reasons to take action to make housing more affordable.

For all these reasons, we do not recommend that the government pursues a distinct ‘population strategy’ to increase the birth rate, separate from other policy areas. However, we do believe that it should take fertility into consideration as one reason among others to pursue pronatalist policies such as cash transfers to families, extension of free childcare or increases in paid parental leave.

There are a number of ways in which the Government could attempt to embed population considerations into everyday policymaking across a range of areas. One model could be a ‘Population Test’ analogous to the ‘Family Test’ introduced by the government in 2014.<sup>87</sup> Just as the Family Test requires the government to assess the impact of every domestic policy on family life, the Population Test could estimate the likely effect on the birth rate. In practice, however, the implementation of the Family Test appears to be patchy, and its impact on policymaking limited.<sup>88</sup> Replicating this model would likely be unnecessarily bureaucratic given the modest potential impact.

A better approach would be to convene a cross-departmental working group, most likely led by the Cabinet Office, to consider how key government policies affect the birth rate.<sup>89</sup> The working group should also examine in more detail the efficacy and benefits of different pronatalist policies to see whether population considerations combined with their other merits mean they are worth pursuing. Indeed, the Scottish Government has already set up a Population taskforce, established in June 2019, drawing together the Economy, Health and Local Government Secretaries and a number of ministers, which could be a model for the Westminster government to follow.<sup>90</sup> However, even this institution could perhaps benefit from a slightly sharpened focus on birth rates – it is notable, for instance, that the total fertility rate is missing from its Population Dashboard (though the dependency ratio and number of local authorities facing population decline are featured).<sup>91</sup>

Lastly, we believe that a liberal pronatalist agenda would benefit from the formation of a House of Lords special inquiry committee focused on the issue of demographics and the case for pronatalist measures, with the committee meeting a wide range of experts on these topics. Ideally, the special inquiry committee would be formed in 2022 and publish its findings by 2023 at the latest. We would expect this to provoke further and better-informed discussion on the case for pronatalism both inside and outside of parliament, and lead to a series of policy recommendations for government to consider.

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