



Female relative wages, household specialization and fertility



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ABSTRACT

Falling fertility rates have often been linked to rising female wages. However, over the last 40 years the US total fertility rate has been rather stable while female wages have continued to grow. Over the same period, women's hours spent on housework have declined, but men's have increased. I propose a model in which households are not perfectly specialized, but both men and women contribute to home production. As the gender wage gap narrows, the time allocations of men and women converge, and while fertility falls at first, the decline stops when female wages are close to male's. Rising relative wages increase women's labor supply and due to higher opportunity cost lower fertility at first, but they also lead to a reallocation of home production and child care from women to men, and a marketization. I find that both are important in understanding why fertility did not decline further. In a further quantitative exercise I show that the model performs well in matching fertility over the entire 20th century, including the overall decline, the baby boom, and the recent stabilization.

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1. Introduction

Between the 1960s and today, we have seen enormous changes to the economic and demographic structure in all Western countries. There has been a decline in total fertility rates² and an increase in women's market hours (see Figs. 1 and 2 for US data).

Many authors explain both with a rise in female wages (e.g. Galor and Weil, 1996; Doepke et al., 2015). An apparent puzzle, however, is that while female wages and market hours have continued to grow, since the early 1970s fertility has stopped falling.³ Understanding the underlying fertility decisions is important since they affect population growth, labor force composition and social security systems, and thereby economic outcomes. In this paper I argue that the common driving force behind the trends in fertility and in female employment is the narrowing of the gender wage gap (shown in Fig. 3), rather than the level of female wages per se, since it changes the division of labor within the family. The explanation

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² The total fertility rate (TFR) is the average number of children that would be born if all women lived to the end of their childbearing years and bore children according to the current age-specific birth rates.

³ Most of the recent rise in the official total fertility rate is driven by the effects of immigration. For US-born women the increase is much less and fertility virtually flat since the late 1970s. The details on the decomposition of TFR by mothers' birthplace are given in the online appendix, section A.1.

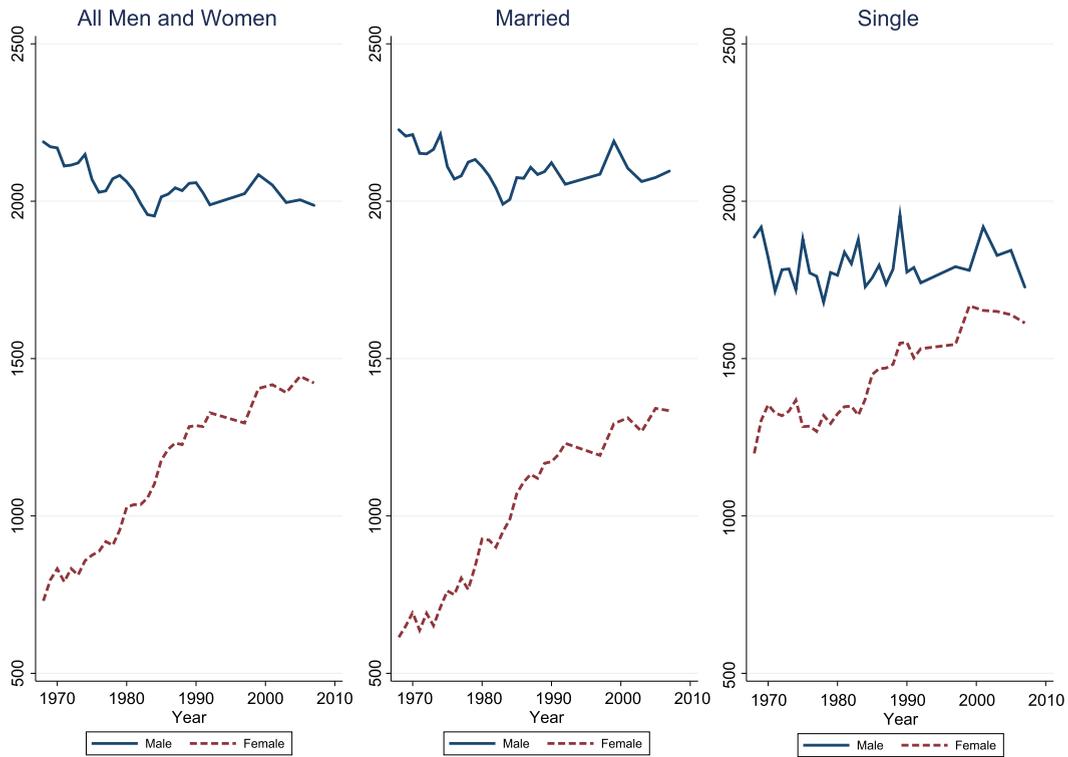


Fig. 1. Male and female market hours. This graph shows average (per capita) yearly market hours worked for men and women aged 20 to 60. The data is taken from the PSID and refers to self-reported hours worked in the previous year. In the panel on the left, all individuals of age 20 to 60 are included. The panels to the right restrict the sample to married and to single individuals respectively. Per capita hours worked are computed as the simple average of the average hours worked in 5-year age bins, in order to take out a potential composition effect due to changing cohort sizes.

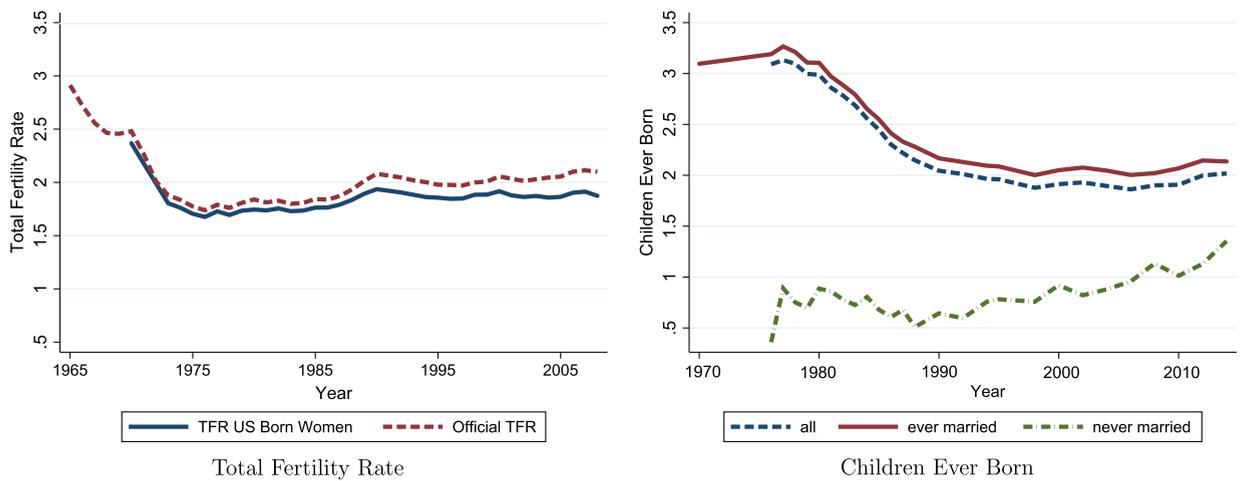


Fig. 2. Total fertility rate and children ever born. In the left panel, the red dashed line shows the official total fertility rate (TFR) for the United States, taken from the World Bank (based on national statistics and the United Nations Demographic Yearbook), and the blue solid line the author’s computation of TFR for US-born women, based on the Vital Statistics of the United States combined with population estimates from the US Census; see online appendix for details. The right panel shows children ever born to women of age 40 to 44; the blue dashed line for all women of age 40 to 44, the red solid line and the green dot-dashed line the breakdown for ever married and never married women respectively. The data is taken from the United States Census Bureau’s Fertility Data Historical Time Series and based on the CPS.

I propose is based on imperfect specialization of households, such that both men and women contribute to home and market production, implying that a reallocation has a nonlinear effect.

My explanation is based on the observation that men’s home hours have increased, allowing women’s home hours to fall. In the 1960s, when the wage gap was large, the catching up of female wages increased women’s labor supply. The associated increase in the opportunity cost of women’s time, who shouldered most of child care, lowered fertility, as

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