

**"Adaption, that is how to deal with low fertility that just might be here to stay."**

Interview with Professor Mikko Myrskylä  
on birth trends in Europe and possibilities to tackle  
demographic change with human capital investments

## At a Glance

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- › The question of decreasing birth rates relates to norms, uncertainties, and changing dynamics in how partnerships are formed. The increase of concerns about global uncertainties, including climate change and economic uncertainty, is one of the key factors that contribute to people questioning whether they want to have children. The decline in stable partnerships also plays a role in the decrease of fertility.
- › Family policies are important for the well-being of parents and children. The absence of family policies might have a negative impact on fertility. Due to the difficulty to influence the level of fertility with policies, it might however make sense to focus on adaptation to deal with low fertility that just might be here to stay.
- › With fertility declining, increasing per-capita investments in education have the potential to improve the health and well-being of individuals and to mitigate the economic challenges of a shrinking workforce in Finland as well as in other European countries.

**In an increasing number of industrialised countries all over the world, birth rates have been falling below the replacement rate of 2.1 children per woman to sustain the population size. What are the main reasons for this contemporary decline in births according to scientific knowledge?**

**Prof. Myrskylä:** Many factors are responsible for this decline, and the relative importance of various factors continues to be debated. We must keep in mind that many of the forces that have pushed fertility down are positive: women's increasing educational attainment, entry into the paid labour force, emergence of a multitude of socially acceptable lifestyles beyond normative family life – all these have opened up opportunities to live a fulfilling life that is not primarily marked by when and how many children one has.

Nevertheless, in surveys many respond that they would still like to have children, most often two children. The question why we are having less children on average is important. This relates to norms, uncertainties, and changing dynamics in how partnerships are formed. Regarding norms, there are clear signs of zero children emerging as more and more desired family size. This is possibly related to global uncertainties, including climate change, that make people question whether they want to have children at all. Economic uncertainty also continues to play a large role. Uncertain economic prospects at the individual level, precarious work, low income all predict that individuals have fewer children. In addition, the formation of partnerships appears to be changing in a way that partnerships are less stable. It continues to be a rule of thumb that children are most often born in a partnership and the decline in stable partnerships appears to play a role in the decline of fertility.

**In Europe, Finland has experienced a particularly strong fertility decline in recent years. What are the reasons driving this trend?**

**Prof. Myrskylä:** Finland has since long stood out from the comparison by having a very high level of childlessness. In recent years the number of people without children has increased rapidly, putting Finland close to the top of the rankings in childlessness, which has been a key factor driving fertility down.

It is difficult to pinpoint the key factors for the decline in fertility, since the decline is affecting almost all population sub-groups. High- and low-educated, urban and other areas, those working in private versus public sector – we have observed fertility declines throughout all of these. However, three interrelated key factors play a decisive role.

The first is that economic uncertainty influences fertility. Those who are educated to fields with high uncertainty – measured by level of unemployment, or income, or jobs in the private sector – have experienced much stronger decline in fertility than for example teachers or nurses. Particularly the extent to which uncertainty causes childlessness has increased significantly. That means that the way people experience uncertainty has changed.

Hand in hand with this development appear to go both an increasing preference for a small number of children, or zero children, and the prevalence of unstable relationships. These developments are likely related: if economic prospects are poor, and there is no partner, this may increase the self-declared preference for not having children.

**In your view, which impact do family policy measures and financial incentives have on the realisation of the desire to have children?**

**Prof. Myrskylä:** Family policies matter in many ways. They are important for the well-being of parents and children, and removal of family policies might have a negative impact on fertility. It is however unclear to what extent family policies can be used to increase fertility – successful examples are rare. Given that it appears difficult to influence the level of fertility with policies, it might make sense to focus on adaptation, that is how to deal with low fertility that just might be here to stay. The question is how the challenges of demographic change can be tackled despite low fertility rates.

**How do declining fertility rates impact the sustainability and financial stability of social security systems and on the labour market over the long term? Does lower and later fertility only lead to challenges, or does it also bring about benefits?**

**Prof. Myrskylä:** Lower and later fertility has many important benefits. Research shows that parents tend to be happier when they have their children at an older age. Parents are less likely to divorce and this is beneficial for the child. Children born to older parents are often also born to parents who have a more stable socioeconomic position, and this is beneficial for the child. Moreover, growing up in a smaller family means that the child needs to share less of the parental resources with siblings than in larger families. Such constellations mean that the children will be better off.

The key challenge that comes with low fertility is the long-term impact that low fertility has on the population age structure. Low and declining fertility accelerates population ageing and contributes to a declining ratio of working age population to non-working age population. This is a major challenge that requires policy action.

**Recently, you published a paper on *Declining Fertility, Human Capital Investment and Economic Sustainability* (2024). In this study, you compared three fertility scenarios. Could you elaborate on the underlying notions of these scenarios? What are the key conclusions of your recent research?**

**Prof. Myrskylä:** The core of the scenarios was what level of human capital investment, or educational investment, decision makers give to the smaller birth cohorts. We explored different variants. The first variant was no increase in educational investments and relatively high fertility. The second variant was declining fertility – similar to what we currently observe in real life – and educational investments also declining, meaning that each child gets the same educational investment as in the higher-fertility scenario.

In the third scenario we also have very low fertility, but we invest more in the education of the children. This can have effects in various ways. Higher per capita spending on education will result in higher educational attainment for the individuals. A vast number of studies document across many dimensions of life that this has a beneficial impact on the individuals' well-being. Hence, higher education is associated not only with higher productivity and longer working careers, but higher education also predicts better health, overall longer life, higher subjective well-being and happiness for the individuals. The question is also: what happens with regard to economic sustainability in this scenario? What happens if we have less people in the work force (as a result of very low fertility), but these people have on average a higher level of education, and are therefore more productive? Our result is that this delivers approximately the same sustainability as a higher-fertility scenario. In a nutshell, investments in education can compensate for the impact of declining fertility. This means a win on many fronts, not only in the sense that it helps to mitigate the macroeconomic sustainability challenge that comes with a shrinking work force, but also in the sense that it improves the well-being of individuals in many ways.

**How much would education investments per child need to increase according to your findings in order to mitigate the consequences of demographic change despite low birth rates?**

**Prof. Myrskylä:** Our simulated increase in education per child was not extreme. What we did was to keep the total amount of investment in education in the low-fertility scenario at the same level as it is in the higher-fertility scenario. For example, if the number of children in the higher-fertility scenario is 100k, and we invest 100k euros throughout the life course into a child's education, the total investment is 10,000k euros. If fertility drops to 80k children, we still invest the same 10,000k euros into these children – and each child now gets 125k educational investment over the life course. In our simulations, with real numbers, the additional per-child investment would result in roughly one additional year of education per child.

**In your study, you worked with Finnish data. How do the findings at hand translate to other countries?**

**Prof. Myrskylä:** Finland is an exceptionally interesting case because it is ageing faster than most other European countries, it has very low fertility, and it has had stagnant or even declining trends in education over the last decade or two. This means that particularly in Finland, additional investments in education are likely to deliver big gains. The general message is that the economic challenges of lower fertility in ageing societies can be mitigated by investments into education for the smaller birth cohorts. That message is generally transferable unless one finds a context in which the overall level of education is already so high that productivity cannot be increased by investments into human capital. I am not sure if such places exist – therefore I consider the message translate well across borders.

*The interview was carried out by Natalie Klauser, Analysis and Consulting, Konrad-Adenauer-Stiftung e. V.*

## Prof. Mikko Myrskylä

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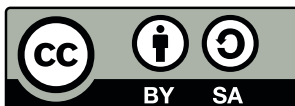
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