



Pathways to the third child – an international comparison of family policy measures

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- › The main reason for declining births in Germany is the lower incidence of families with three or more children.
- › Changing norms have also led to fewer multi-child families. Social influences and recognition are important factors in the decision on whether to have a third child.
- › Family policies that take the number of children into account, such as those in Scandinavia and France, have a positive effect on couples' intentions to have families with more than two children.
- › German family policymakers should focus on making adjustments in the three key areas of financial incentives, the expansion of the childcare infrastructure and improving social recognition for families with three or more children to encourage more couples to realise their desire to have a third child.

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The correlation between higher prosperity and lower birth rates is a well-known phenomenon. An increasing number of industrialised countries have birth rates below the replacement rate of 2.1 children. This means that fewer children are being born than people are dying, and that the population is ageing. This demographic change is increasingly posing major challenges relating to the availability of skilled labour and the financing of social security systems.

East Asia is particularly affected by population ageing, which is why incentive systems are being considered there to encourage couples to have more children. For example, families in China have been allowed to have three children again since 2021 to compensate the declining birth rate, which hit a record low of 1.09 in 2022 due to the after-effects of the decades-long one-child policy. In South Korea, the country with the world's lowest birth rate of 0.7, the ruling *People Power Party* is considering exempting young men who have fathered at least three children by the age of 30 from military service. These kinds of birth-related policies in Europe would hardly be enforceable in Europe. However, fertility rates in Europe and Asia are on a similar trajectory. In Germany, the fertility rate is currently 1.46, having reached its lowest level since 2013. Why did this happen?

Reasons for Germany's low birth rate

According to the Federal Statistical Office, the percentage of mothers in Germany's female cohorts has decreased significantly in recent decades. It is currently 79 percent among younger cohorts compared to 86 percent among women aged 71 to 76.¹ It is commonly assumed that the main reason for this growth in childlessness is that women are less inclined to have children as a result of changing values. However, evidence indicates that the most common reason for childlessness is that couples – especially academics – postpone family planning and are then unable to have children in later years as a result of reduced fertility.² Family and fertility researcher Martin Bujard points out that only 26 percent of the birth rate decline in Germany is accounted for by an increase in childlessness and 68 percent by the decrease in families with three or more children.³ He concludes that significantly higher birth rates would be possible if more couples decided to have a third child.

Decline in the birth rate due to a trend of smaller families

A three-child policy?

The third child issue therefore plays a central role with regard to the birth rate. Reflecting the right to free self-development enshrined in the German Basic Law, a liberal democratic state should not impose family planning rules on its citizens. At the same time, the Basic Law accords special protection to families (Article 6.1), thereby imposing an obligation on the state to support families and their intention to have children. This raises the question of how family policy measures can support people to realise their intention to have more children. The following comparison of family policy measures in various European countries provides

information on the framework conditions that can be conducive to this. Even though family policy impacts are essentially linked to country-specific social frameworks, there are still opportunities to learn from other countries' experiences.

Factors of influence in an international comparison

Norms and values

According to population researchers, the main reason for the lower incidence of large families is a change in social norms and values. In Germany, for example, where large families used to be the norm, a two-child ideal now prevails. Firstly, children are no longer necessary to provide basic old age security in welfare states that guarantee security and healthcare for the elderly. Secondly, generations of children who were socialised in smaller families are themselves opting to have fewer children.⁴ An analysis of data relating to the period from 2004 to 2015 reveals that the majority of parents with several children come from large families themselves.⁵ However, a recent comparison of seven European countries indicates that gender-specific differences are also at play. It suggests that men are more likely to have a third child if they come from a large family, whereas women are more inclined to have a third child if they have no siblings, partly because they want to protect their own children from the burden of parental expectations that they experienced as only children.⁶ In general, the European comparison shows that personal environment factors also play a role regarding the decision to have a third child and that social recognition reinforces this intention.⁷ There is widespread prejudice against large families nowadays. However, state support for larger families, for example through the expansion of the childcare system, can reduce the dependency on and influence of the social environment in multi-child family planning.⁸

Social norms and influences shape attitudes towards the third child.

State support outweighs the influence of the social environment.

Religiosity is also traditionally associated with higher birth rates. For example, countries that are more strongly characterised by religious and traditional values such as the USA and Northern Ireland have higher birth rates. It is therefore not surprising that the decline in church membership, marriages and partnerships in general in Germany and other secular societies is accompanied by a decline in birth rates. Reliability and trust in the partnership are also important motivators in the personal decision to enlarge the family.⁹ Having a partner who is willing to actively support them is particularly important for women, who play a key role in raising children, when deciding on the size of the family. The gender of existing children can also demonstrably play a role. A mother with two sons is more likely to want a third child than a mother with two children of different sexes.¹⁰ However, the pivotal factor in the decision is the anticipated happiness and satisfaction associated with the birth of a third child.¹¹ Such positive expectations seem to be particularly prevalent among academics. Various European studies show that a higher level of education is related to a distinct desire for children. Yet this desire is accompanied by low birth rates. According to the Federal Institute for Population Research, 35 percent of German female academics view three or more children as ideal. However, only 14 percent of them, which is not even half, actually realise this intention.

Expectations of happiness and satisfaction are pivotal.

Academics often do not realise their intention to have children.

Financial and economic factors

Economic factors also affect the decision to have children. China serves as an example of how costs influence family planning choices. Despite today's three-child policy, many Chinese couples do not intend to have more children because they cannot afford it or prefer to offer fewer children a better standard of living. Similarly, the lowest birth rate in Europe of 1.2 in Italy and Spain is often attributed to the population's economic insecurity.

Economic uncertainty reduces the birth rate.

The link between a country's economic situation and its population's general willingness to have more children was also evident during the Nordic economic crises in the 1990s. In Sweden, the birth rate among unemployed women declined in those years. Finland was able to stop a birth rate decline by introducing a childcare allowance that was paid out regardless of income in the first three years of the child's life to provide financial bridging. The previously high birth rates in the Nordic countries are generally attributed to their distinctive welfare state models, which compensate for the loss of income and living standard-related disadvantages associated with having children. In Scandinavia, family policy benefits are currently income-dependent, with parental leave benefit replacing between 60 and 100 percent of the previous income. Sweden's birth-related parental leave benefit, which replaces the parents' previous salary and is linked to the condition that two children are born within a certain period of time, has had a particularly positive effect on boosting the rate of second births. In Estonia¹², a similar parental leave benefit system has also significantly increased the rates of second and third births.¹³

Scandinavian births were boosted by the introduction of an income and birth-related parental leave benefit.

Germany introduced an income-related parental leave benefit in 2007 to encourage mothers to participate in the labour market and improve the fertility rate, particularly among academics. The positive effect on subsequent births was only observed in East Germany, which can be attributed to conditions that are supportive to having more children and returning to work.¹⁴ Reducing the opportunity costs of having a larger family is important for both genders, but especially for women, because they are more strongly swayed by considerations involving personal freedom, employment prospects and financial resources. With regard to the framework conditions that influence the decision to have a third child, it is also worth taking a look at France, where the birth rate of 1.8 is the highest in Europe.

The impact of a parental leave benefit depends to a decisive extent on whether it enables a good work-life balance.

French family policy has focussed on families with three or more children since the 1980s. The family quotient (*quotient familial*) has been a particularly important source of financial support. While taxation in Germany is based on the amount of household income according to the marital splitting method, in France the number of children is also taken into account: The family income is divided by a factor of 2.5 for one child and by four for three children and then taxed according to an income-dependant scale. The child allowance in France is also staggered. It is paid from the second child onwards and more than doubles for the third child. Finally, French studies point to the effectiveness of targeted financial measures, as implemented in France before 2014, regardless of income, to support larger families.¹⁵

Structural factors

French family policy additionally focuses on work-life balance and the provision of a comprehensive childcare infrastructure. France also offers the longest period of maternity leave of up to 18 weeks after and eight weeks before the birth for the third and all further children. Childcare in public facilities is state-subsidised, income-dependent subsidies are available for registered childminders and nannies and almost all children in France attend either a full-day preschool or a full-day school from the age of three.¹⁶ In Nordic countries, female employment and childcare are also subsidised. These countries additionally guarantee access to affordable childcare for small children regardless of the parents' employment status.¹⁷

Access to affordable childcare is a very important factor.

The obstacle that mothers in Germany often perceive of not being able to achieve a good work-life balance, however, often leads to childlessness or the postponement of family planning.¹⁸ A 2014 study on the impact of family policy reforms in Germany indicates that an expansion of the childcare infrastructure would increase the rate of second and third births and the number of mothers in employment.¹⁹ This survey also estimates that an investment of 400 million euros in the childcare infrastructure would be five times more effective in raising

the birth rate than the same investment in purely financial incentives such as parental leave benefit.

On regional level, certain location factors increase the birth rates. A comparison of German administrative districts revealed higher birth rates in rural areas and in regions with low unemployment and affordable housing.²⁰ France, Austria and Italy also have fewer children born in areas with higher housing costs, and more children are born to homeowners than to non-homeowners.²¹

In a 2019 publication by the Konrad-Adenauer-Stiftung, parents of families with three or more children mentioned simplified access to leisure and cultural activities (such as swimming pools, cinemas and theatres), but also to local transport, as desirable support services.²² These kinds of offers can be found in France, for example, where families with more than three children under the age of 18 receive discount fares on regional public transport and reduced admission prices for museums, cinemas and theatres with the *carte familles nombreuses*.

Fertility rates are higher in rural regions where there is plenty of housing and employment.

Culture and public transport discount schemes for families with three or more children would be helpful.

Conclusions and policy recommendations

The decision on whether to have children or how many children to have is a very personal one for couples and it depends on many different factors. Most of those factors cannot be controlled, not even by the state. In some cases, however, the desire to have children and reality diverge. German family policy should put an effective framework in place that allows couples to start a family with three or more children if they want to. A look at neighbouring countries shows opportunities that exist to improve the current framework.

There are numerous examples in Scandinavia and France showing the positive impact of financial support on encouraging people to have larger families. Income and birth-related payments can help to mitigate the financial losses associated with having more children. Another option is income tax rates based on the number of children in the family.

Insights from Germany and abroad show that a broad range of childcare options has a more positive effect on the decision to have more children than financial incentives and that the reconciliation of family and working life is pivotal. Measures that promote an egalitarian division of labour, such as extending the period of exclusive paternity leave and measures with family-friendly and flexible conditions that support mothers returning to work – as recommended in the Federal Government's Ninth Family Report – are conducive to this.

Higher investments in the German childcare infrastructure are also necessary. However, other infrastructure aspects such as housing, local transport and cultural amenities also need to be considered from a family policy perspective.

Finally, the acceptance of large families is another crucial factor. A society-wide approach to establish a positive image for large families is necessary to ensure they receive more recognition. Germany could adopt the French model of a family card providing various benefits to large families. A combination of financial incentives, the expansion of the childcare infrastructure and social recognition of families with three or more children could encourage more couples to realise their intention to have more than two children. A policy providing a supportive framework that is aligned to the models in neighbouring countries and thus paves more ways for families to have a third child is therefore needed.

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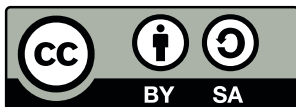
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