

# **Job Displacement and Fertility over the Business Cycle**

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## **Extended Abstract**

Economic downturns may not only have economic consequences but can also affect demographic outcomes such as fertility decisions. Adverse economic conditions and increasing unemployment are largely expected to result in a postponement of birth decisions, and thus, on the aggregate, in a decline in period fertility rates (Neels 2010, Sobotka, et al. 2011). However, micro level evidence on the matter is ambiguous, often showing little or no association between unemployment and birth rates (Andersson 2000, Kravdal 2002, Gutiérrez-Domènech 2008, Özcan et al. 2010, Kreyenfeld et al. 2012, Schmitt 2012, Kreyenfeld and Andersson 2014 ).

There may be several reasons for the “non-findings” of prior micro level studies. One possible reason may be that prior studies did not pay sufficient attention to potential endogeneity of the unemployment status. In this study we try to overcome this limitation by focusing on women who involuntarily lost their job. Do women postpone birth plans, because of a job loss? To answer this question we follow the empirical approach in Del Bono et al. 2012 and of Huttunen and Kellokumpu 2012 and exploit mass-layoffs as quasi-experiment to estimate the causal effect of job loss on fertility in the short- and longer-run up to ten years

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after displacement. Further, we investigate whether the fertility response of losing the job in a recession is different than the fertility response of losing the job in economically better times.

We use the weakly anonymized version of the "Biographical data of selected social insurance agencies in Germany" (BASiD, Version 1951-2009) provided by the Institute for Employment Research (IAB). The data contain rich information on the employment and unemployment history. The major advantage of using the BASiD data is their long observation period covering several business cycles. Our observation period covers 27 years.

In line with the results in Del Bono et al. 2012 and of Huttunen and Kellokumpu 2012 we show that job displacement reduces female fertility rates. We vary the effect with the business cycle and we find that the negative effect of displacement on fertility is stronger among those women who lost their job in a recession.

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