



Ryan Bourne: On fertility, the Government should ‘first do no harm’

By Ryan Bourne

August 24, 2022

Ryan Bourne is Chair in Public Understanding of Economics at the Cato Institute.

Deciding whether to have children can't be reduced to a simple cost-benefit analysis. Such a momentous choice is what economist Russ Roberts calls a "[wild problem](#)."

It's difficult to comprehend the full meaning of the decision ahead of time, given having kids changes how we think and what's important to us. Trying to tot up the financial pros and cons beforehand is clearly inadequate. And yet, on the margin, it seems obvious that making it more difficult or costly to raise a family will lead to fewer kids.

In recent years, falling birth rates have seen some Western conservatives flirt with pro-natalist policies, such as [new child subsidies](#), to reverse the tide.

The [historic decline in fertility](#), near-universally observed, has been driven, overwhelmingly, by greater female work and educational opportunities and parental desires to invest in child quality over quantity – both freely-made choices.

But now many countries risk population stagnation, bringing with it less economic fluidity, fewer ideas, and strains on age-related, pay-as-you-go welfare. For the public good, some argue governments should tilt the deck to encourage more children.

Justifying birth rate targeting using this “market failure” frame can take one to dark places. The principle that the government should be neutral on major life calls is powerful and right.

But even accepting this starting point, it seems British policy makes it more difficult to form families and have the number of children households want and could afford under more liberal conditions. Undoing these barriers could raise birth rates modestly, while enhancing fertility freedom from the state.

While slippery concepts, there remains a large fertility gap between British people's declared "[ideal](#)" or "[intended](#)" family size (typically 2.1-2.3 children) and the number of kids they actually have (1.6-1.7). Among those that don't have children, a 2020 YouGov study found [almost a quarter](#) say it's because they are now too old and another ten percent because children cost too much.

If government policy discourages family formation, delays home ownership, and makes life more expensive with kids, this suggests it denies people attainable family sizes they'd prefer.

An obvious starting point is the tax system, where unlike in most countries and for welfare benefits, individuals, rather than families, are the assessment unit. Largely non-transferable income tax personal allowances and progressive tax rates hit families with single or very uneven incomes much harder than two earner households.

A household with two working parents earning £25,000 each pays £8,262 in income tax and national insurance. A family where one parent works for an income of £50,000 and the other stays home to care for children pays £4,200 more. That means the latter household must earn around an extra £7,500 to be left with the same net income as the dual-earner family.

Even accounting for the pitiful “marriage tax allowance,” the tax code therefore actively encourages both parents to work, codifying anything else as a “lifestyle choice,” as George Osborne put it, with a financial penalty. This makes it costly to have kids and take time out or go part time.

This is compounded for parents by the removal of child benefit and various other quirks the higher up the income scale one goes. In fact, the whole way we provide social security and taxation seems designed to penalise those seeking to form families and use their own income to care for their own children.

If the tax system discourages family formation, the housing supply disaster is ruinous for growing one. Britain’s land-use rationing and greenbelts around productive jobs-rich areas in the South East make housing services more expensive, properties smaller, and deny parents the suburban homes with gardens, outdoor amenities, and child-friendly neighbourhoods they mostly desire.

That leaves parents both taking longer to be able to afford a home and [commuting further](#) to maintain decent jobs when they can, reducing the time available for helping bring up kids. Little wonder the mean age of first childbirth for women has risen from 26.5 to 29.1 over the last two decades.

High house prices both [reduce overall fertility](#) and make additional children more expensive. The Adam Smith Institute [has estimated](#) that rising house prices reduced births by 157,000 between 1996 and 2014 alone.

Then there’s high childcare costs. Yes, the government chucks subsidies at it, encouraging greater use of the formal sector by lowering out-of-pocket costs, especially for toddlers. But the planning system and tight regulations on staff:child ratios squeeze the supply of more flexible settings. [More than a third of parents](#) can’t find childcare befitting their needs.

Childcare workers are now seen as “educators,” requiring Early Years Foundation Stage training, rather than people temporarily substituting for parents. Childminder numbers have collapsed and it’s illegal to pay someone to mind your kids for more than two hours per day unless they register as one.

Even reciprocal relationships not involving pay, where two parents mind each other’s kids in shifts, are limited to this threshold.

Once you look around, heavy-handed regulations like this abound. UK law says that children must use a car booster seat until they’re 12 years old or 135 centimetres tall, for example. That makes it virtually impossible to have three kids in the back of many vehicles, requiring parents to buy bigger cars for a third child.

[Research from the US](#) (where these laws vary by state) suggests that the reduction in the number of family births moving from two to three children is 140 times the number of lives saved with these regulations.

Now, we shouldn't exaggerate the impacts here. Even if all the policies above were improved, we wouldn't expect a dramatic fertility shift to above the replacement rate of 2.1. The point is: those worried about population decline should join with economic freedom-fighters to unpick such laws as a "first do no harm" approach to birth rate concerns.

An interesting question is why potential families and those with kids are so ineffective a lobby group relative to, say, pensioners?

The answer is surely greater variation in young families' living circumstances. High house prices boost fertility rates for homeowners, but harm them for renters, for example. There is no unified "interest" in how housing costs impact family planning. Add to this the major differences in what's perceived good for kids by different households, and no obvious shared agenda among all parents and wannabe parents.

That makes some sort of underlying principle about family policy important. The aim should not be to have the government try to boost fertility, but to remove barriers that impede families from making their own self-funded, preferred decisions.

*Ryan Bourne occupies the R. Evan Scharf Chair for the Public Understanding of Economics at Cato and is the author of the recent book *Economics In One Virus*. He has written on numerous economic issues, including fiscal policy, inequality, minimum wages, infrastructure spending, the cost of living and rent control.*