

# The Low Fertility and Response of Family Policy in Germany

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**Abstract:** West Germany has long suffered from a low fertility rate. Sociologists attribute this to the conservative welfare regime. In response, family policy in reunified Germany has been drastically restructured, and family policy has increasingly moved closer to the Nordic model. On the one hand, cash benefits have become more generous and have shifted from mean-tested to universal. On the other hand, there has been a rapid expansion of childcare services, especially for children under the age of three. Both empirical research and real data on Germany support the positive effects of family policy on fertility.

**Keywords:** German; Low Fertility; Welfare Regime; Family Policy.

## 1. Introduction

Since the mid to late 20th century, West Germany, including later unified Germany, has been one of the countries with the lowest fertility rates in the world. Sociologists inclined to attribute low birth rate to social welfare policies. Esping-Andersen (1990) argued that conservative welfare states like West Germany had two main characteristics: maintaining status differences and emphasizing the role of religion. In Germany, Catholic or Christian tradition was strong. Christlich Demokratische Union Deutschlands had always believed that high participation rates among women in the workplace were not desirable as it hindered the traditional male-dominated family model, which forms the moral foundation of a good society. Therefore, West Germany had always followed the principle of subsidies, which means that families and volunteer organizations must bear the majority of social supply responsibilities. For a long time, this principle had restricted the country from building more childcare facilities for working mothers. Providing public childcare services is seen as an obstacle to the development of family self-help abilities. Gauthier (1996) classified welfare states based on family policy, and Germany's family policy was classified as conservative, characterized by moderate support for families, changing policy plans based on parents' work situations, and a more traditional perspective on labor market division of labor.

Since the reunification of Germany, there had been significant changes in Germany's family policy, with cash benefits becoming increasingly generous and basically achieving full coverage. The rapid expansion of public childcare services has developed into one of the countries with the highest enrollment rates for children under three years old. Overall, in the field of family policy, Germany's conservatism is becoming weaker and closer to the Nordic model. Most existing empirical studies suggest that the fertility effect of German family policies is positive and effective. With the rightward turn of politics in Central and Western Europe and the rise of anti-immigrant party, Alternative for Germany, Germany's immigration policy will continue to shrink. In the foreseeable future, Germany's family policy will become increasingly proactive. As one of

the most typical welfare states in the world, Germany's family policy reform will undoubtedly have a profound impact on the transformation of the entire world's welfare system.

## 2. Low Fertility Dilemma in Germany

As one of the earliest countries to achieve industrial revolution, Germany has one of the lowest fertility rates in the world. Even before World War II, Germany's fertility rate was lower than that of the vast majority of European countries (Knodel 2015). After World War II, Germany was divided by the Allies into two countries: East Germany and West Germany. Both Germany experienced the post-war baby boom, but subsequently exhibited different developmental trajectories. The fertility boom in West Germany quickly subsided, and by the 1970s it had become one of the industrialized countries with the lowest fertility rates in the world. In the 1950s, the total fertility rate in West Germany was 2.0-2.5, and in the late 1960s and early 1970s, it dropped to 1.5. Subsequently, the fertility rate remained at around 1.4 for a long time. The reason for the decline in birth rate is due to the increase in the lifetime childlessness rate and the decrease in the high birth rate (Fagnani 2002). In contrast, East Germany implements a socialist welfare system, with relatively complete childcare facilities, high female labor participation rates, and much higher fertility rates than West Germany.

After the reunification of Germany, the fertility rate in the former East German region sharply decreased. In 2008, 18 years after the reunification of Germany, the total fertility rates of East and West Germany tended to be consistent. Afterwards, the total fertility rate of both East and West Germany approached around 1.4. Due to long-term low fertility rates, Germany's population began to experience negative growth at the turn of the new millennium.

The low birth rate has triggered a strong demand for labor, and the German government will introduce immigration as a solution. According to the "Immigration 2020" released by the Federal Office for Immigration and Refugees, 21.9 million people in Germany in 2020 had no German nationality themselves or at least one parent, equivalent to 26.7% of the population having an immigration background (BMAF 2023). Germany has become a standard immigration

country.

### 3. Changes in Family Policy in Germany

At the end of the 20th century and the beginning of the new century, unified Germany experienced significant changes in family policy, characterized by increasingly aligning with Nordic countries, becoming generous and universal.

Like other OECD countries, Germany's family policy expenditure as a percentage of GDP has steadily increased, approaching Sweden's expenditure level. However, there are significant differences in the expenditure structure of family policies between the two countries. For a long time, family policy expenditures in Germany were mainly based on cash benefits. Kindergarten services, especially those under the age of three, are very backward. In 1996, a law requiring local governments to provide kindergarten quotas for every 3-6 year old child came into effect. In 2008, a new law required that childcare facilities be provided for all preschool children aged one year and above by 2013. As a result, the expenditure structure of German family policies has undergone significant changes, with service expenditures beginning to exceed cash expenditures.

On the other hand, Germany's cash benefits are becoming increasingly generous. In 1996, Germany shifted its mean-tested child allowances to universal. In addition, since 1992, mothers have received up to 36 months of postpartum work protection during their vacation, as well as up to two years of government transfer. In 2007, the German government implemented a major reform, shifting maternity leave from mean-tested to universal, fundamentally changing the maternity leave system. This reform also aims to increase fertility rates by closely linking welfare to women's net prenatal income, in order to compensate for their opportunity cost of childbirth.

### 4. The Fertility Effect of German Family Policy

In the academic community, the fertility effect of German family policies is often used as evidence of the positive impact of family policies on fertility rates. Riphahn and Wynnck (2017) studied the impact of the 1996 child benefit reform in Germany. The author identified differences in education levels and found that among couples with higher education levels, the impact on high-order fertility was positive, but only moderately stable. In terms of first child birth, couples with higher levels of education have a negative effect, which may be due to the combined effect of age and geography. Cygan-Rehm (2016) found that the 2007 maternity leave reform (linking maternity leave benefits to pre maternity income) significantly affected the timing of high-ranking childbirth. Overall, compared to mothers who have just failed to meet the criteria, mothers who have just qualified for the new benefits for current childbirth will initially reduce subsequent childbirth and extend the interval between births. However, by the end of the third year, these mothers began to make up for their previous losses. The negative impact is mainly caused by low-income mothers. They have lost longer flat rate benefits and their economic situation is worse. The different responses of fertility rates are consistent with the heterogeneous structure of economic incentives. Raute (2019) evaluated the impact of the 2007 maternity leave reform on fertility rates and found that the

positive impact of maternity leave benefits on fertility rates was mainly driven by women in the middle to high income distribution. This means that income linked maternity leave benefits are compensated based on the opportunity cost of women giving birth, which can successfully narrow the gap in fertility rates related to maternal education and income.

The cost and availability of childcare are also optimistic. Bauernschuster, Hener et al. (2016) examined the impact of the expansion of childcare policies in Germany from 2005 to 2008. Their estimation of birth registration data shows that the increase in public childcare has a significant positive impact on fertility rates. The effect of fertility rate is more pronounced at the dense margin (first parents) than at the broad margin (number of offspring from parents). Gathmann and Sass (2018) studied the impact of the 2006 reform of the Home Care Subsidy in Thuringia, East Germany (families who do not send their 2-year-old children to public daycare receive a minimum monthly subsidy of 150 euros). Compared to family childcare, the reform has effectively increased the price of choosing public childcare, and the impact on fertility for all Thuringia women aged 18-45 varies depending on the number of previous children.

Real data also seems to support the positive fertility effect of family policy expansion. According to data from the German Bureau of Statistics (Destatis), Germany's fertility rate has rebounded in the past 10 years, and has approached 1.6 in the past three years, which is at an intermediate level in the European Union. Based on 2009, there has been a significant increase in the number of births for each parity (first, second, and third). This indicates that previous family policies, after years of accumulation, have had a significant effect in increasing fertility rates.

### 5. Conclusion and Inspiration

Germany has long been plagued by low fertility rates. The former West German government introduced an active immigration policy. After reunification, Germany expanded its family policy. Currently, Germany has numerous generous cash benefit programs and childcare services that cover almost all households. If we consider the generosity and inclusiveness of family welfare, Germany has become a leader in the welfare state. It is no longer appropriate to classify Germany as a conservative country. Based on the fertility rate in the past decade, Germany's fertility rate has shown a significant rebound, exceeding the average level of the European Union and reaching the average level of OECD countries. Empirical studies have shown a significant causal relationship between Germany's proactive family policies and the rebound in fertility rates. As a leading European economy and a typical conservative country, Germany's family policy transformation will inevitably have significant impacts on Europe and even the world.

China has become one of the countries with the lowest fertility rates in the world. The gradual relaxation of population policies, from having only two children, having only two children in pairs, having two children in all, to having three children in all, has far less stimulation than expected for the rebound in fertility rates. At present, many places have introduced family policies from Western countries, such as cash benefits or parental leave. Due to the significant economic gap between China and developed countries, China's family policies will choose more targeted policy tools. Germany's reform experiment will provide valuable reference value for the construction of Chinese style

family policies. In the foreseeable future, China will gradually build a complete family policy and become increasingly generous and inclusive. However, policies are not perfect, and a simple family policy cannot solve all problems. How to reconcile career and family may be a permanent proposition. When will childbirth no longer affect one's career? I'm afraid it will involve more profound changes in the economic and cultural fields.

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