

Wage Inequality And Fertility Rates

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In many EU countries labor market and welfare institutions directly and indirectly redistribute towards low skill workers and prevent wage inequality from reaching the size experienced in the US. While a low wage dispersion is alleged to be detrimental to the incentive to work and cause higher unemployment and social exclusion, it is important to assess its effects on fertility rates. Indeed, the literature shows a huge heterogeneity across EU countries as for the effect of wage inequality on the income and employment conditions of households and mothers.

The paper aims at investigating whether the reduction of earnings inequality has a positive feed back on fertility rates. The question is: a lower wage inequality is likely to encourage parenthood decision, increase fertility and contrast the ageing of population, or is the implied unemployment effect prevailing and preventing new births? Based on ECHP dataset, the paper presents estimates on the dispersion of earnings and measures the differential impact of employment status and income subsidies on households, with special reference on household composition, skills available and educational attainment.