

Time for a Family? Labour and Fertility under the Minimum Wage

Marina Alcázar Cid*
Paris School of Economics

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Abstract

With declining fertility rates across Europe, this study exploits the policy's quasi-experimental setting of the 2015 introduction of a statutory minimum wage in Germany to study how minimum wage-induced shifts in employment affect fertility behaviour and family dynamics among couples in Germany. The paper makes three main contributions. First, it develops a theoretical model building on recent advances in fertility economics, capturing the evolving relationships between income, female labour force participation, and fertility. Second, it implements an event-study design to estimate the causal effects of labour market shocks on family outcomes. Third, it provides a quantitative assessment of how labour policy affects household labour allocation and fertility behaviour. Preliminary results indicate that when women are able to earn more, reflecting an equality-enhancing mechanism, they work more hours and labour income increases. At the same time, fertility declines, consistent with a time-income trade-off. Additionally, time and work are allocated differently within couple households when women's labour market opportunities improve. Among partnered women, unemployment decreases while men work slightly less hours. These findings underscore the importance of evaluating minimum wage policies not only through traditional labour market indicators but also in terms of their broader social and demographic implications, particularly for gender equality and household decision-making.

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*marina.alcazar@psemail.eu