Fertility decisions and children opportunity costs: A panel study for Germany

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Abstract:
This paper investigates the dilemma between family and career by women due to the high opportunity costs of children, and the impact of “family friendly” public policies on both fertility and labour market participation in Germany. For this purpose, we propose an original life-cycle model with endogenous wages, fertility, female labour supply and child care decisions.

We apply the model using the long panel structure of the German socio-economic panel. Finally, we simulate two policy reforms (introduction of a parental income, and complete subsidising of child care costs). Main result is that fertility would barely change at long term. Female labour supply and wage would increase, though.