A FUND FOR THE NEWBORN. A PROPOSAL FOR ITALY

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INTRODUCTION

Italian fertility is very low, and has been for a long time, and an upturn that gradually brought it close to replacement levels would be desirable. To obtain this, a contribution needs to be made by 'policy', namely the strategic set of government decisions that regulate the financial, economic, juridical and social functioning of society.

On the micro level, it can be observed that the expectations of young people and couples are oriented towards having more children than they actually have, and this gap, even though it may in part be fictitious, is conditioned by economic and social constraints of various levels and kinds. On the macro level, a low birth rate creates serious diseconomies because it has a strong impact on the age structure and determines the unsustainability of social welfare systems and of the rules governing transfers between generations. An ageing labour force also has negative effects on productivity. These disadvantages are undoubtedly greater than the advantages that would derive from a smaller and less dense population, which are the long-term consequences of below replacement fertility. Immigration may offset the negative consequences of low fertility, because society can reproduce itself both biologically (with births) and socially (through immigration) – but too high an immigration rate tends to create further diseconomies. Taken together, these points lead to the conclusion that the low birth rate is 'a problem', therefore justifying the interest of policy-makers.

Naturally the scope for policy action is very restricted, because one cannot exercise coercion in the sphere of individual choices, and excessive pressure on individual preferences is not acceptable either. Moreover, the results of policies are uncertain, as the history of the twentieth century demonstrates. However, two interrelated principles justify state action. The first is that children born as a result of individual choice and as a 'private good' are also a collectively beneficial 'public good'. The second principle is that of responsibility towards later generations, whose welfare would be compromised by the low fertility of previous generations. This responsibility invokes corrective measures for the current situation (Livi Bacci 1997).

If these principles are accepted, there is an area within which policies may act in order to increase fertility levels, reducing the gap between expected or desired family size and the number of children that individuals actually have, thus minimizing externalities. However, the margin for action is very narrow, because policies (as defined above) have to operate in accordance with the liberal-democratic principles governing our society, because there must be wide consensus for them and (above all) because their impact, though uncertain, is presumably of modest proportions.

1 – RATIONAL CHOICES AND COSTS/BENEFITS

In order to come up with good policies it is necessary to have a reasonable understanding of the set of causes of low fertility in order to remove or mitigate their effect. Theoretical discussion on this issue is very intense (McDonald 2002), and it is not my intention to venture into this debate here. However, there is definitely one common paradigm: we expect individuals and couples to make their procreative choices rationally, based on an appreciation, albeit imperfect, of the costs and benefits of reproduction. Evaluation of costs and benefits is, however, problematic for various reasons, including the following:

the costs and benefits are not only economic but also psychological and value-related;

they are marked by uncertainty;

they are prolonged in time and difficult to actualize.

In theory, it is possible to measure the economic costs and benefits: raising children has an evident direct cost, even though assessment of this is complex. The amount of time devoted by parents to rearing children has a cost-opportunity with a calculable value; the economic benefits that children bring in terms of future transfers, protection against the risks of old age, assistance and support are uncertain, but they can be assessed in probabilistic terms and can influence reproductive choices. In any case, all these items can, with some mathematical gymnastics, be expressed in monetary terms. The situation is very different when the costs and benefits are psychological or loaded with idealistic values, the evaluation of which is problematic. But the "idea is that the psychological benefits (for example, reciprocal love or the desire to continue one's line) must be weighed up together with the psychological costs, including worries, the possible consequences for the woman's health, a reduced social life and so on. The net sum of these non-economic factors is one of the elements that influences fertility" (De Santis

and Livi Bacci 2001). It follows that the interpretation of reproductive choices cannot be based on purely economic considerations nor on explanations found exclusively at the psychological or ideal level. The two levels are closely related: without doubt, efforts by the state to support reproduction may influence the value of children in ideal terms (or at least the perception thereof), which is enhanced in a favourable situation and depressed in a hostile one. Purely psychological and social interpretations of low fertility as a consequence of the affirmation of post-materialist values centred on self-fulfilment may also translate into the paradigm of rational choices. One has fewer children because the presence of an additional child raises the price of individual fulfilment; however, it may be that in a subsequent historic phase this 'fulfilment' depends precisely on having an additional child.

Reproductive choices must be inserted into the system of the new market economy (McDonald 2002), a model to which European societies are struggling to adapt. As a large proportion of the population (especially men) still enjoy considerable protection, "the safest strategy, for women and young people, is to enter the system and delay or avoid having a family". McDonald continues: "Market theory considers individuals as inputs into the production system. As a consequence, to safeguard themselves against risks, individuals must maximize their use to the market. This means that they must concentrate on acquiring skills, work experience and a monetizable reputation. They must also be capable of flexibility in time and space in order to grasp opportunities as they arise. In a world that rewards capitalist production, anyone wanting to avoid risk is warned not to devote time and money to reproduction. For those who are risk-averse, it is imprudent to be altruistic in a market economy". The market economy is not in a position to re-establish the balance: even if (in theory) the scarcity of births (and later of manpower) led to an increase in the value of children, this re-equilibrium would occur over a very long time span and would be unable to attenuate the serious problems generated by a distorted age structure.

What emerges from this set of considerations is that the scale of social re-equilibrium required to have an impact on fertility must be very considerable. The "failure" of the market in Europe and Japan is evident because these societies have not ensured the replacement of the population over the last generation or so.

2 – SOME USEFUL AND THOUGHT-PROVOKING ARITHMETIC

The characteristics of Italy's low fertility are well known, and although there are some distinctive aspects, they fall within a context covering much of Europe. Very briefly, some of these characteristics are as follows.

- The period total fertility rate (TFR) has been below the replacement level since 1977, below 1.5 since 1984 and below 1.3 since 1993 (Figure 1).
- The TFR of generations born in the second half of the 60s will settle, when the final figures are available, at around 1.4 children per woman (Figure 2).
- Average age at childbirth has increased greatly: on a period basis it was around 27.5 years in the second half of the 1970s (about 2 years less than in the 1950s) and about 3 years higher in 2000 (Figure 1). In the 1945–55 cohorts it was 27 years, then it topped 29 among women born in 1965 (Figure 2). The other indicators of *tempo* (average age at first marriage and average age at birth of first child) are also delay-oriented.
- Cohort after cohort, the proportion of women that do not marry and do not have children has been increasing. In the 1932–1955 generations, the proportion of women unmarried at age 50 oscillated between 4% and 10%, while the estimates for the 1965–67 generations place the figure at over 20%. The proportion of childless women – 12–13% for the 1945–55 generations – has also increased, touching 20% in 1965.
- Unions are still prevalently marital; however, cohabitation is increasing in younger generations, even though such unions are still a clear minority. Less than one birth in ten occurs outside marriage (one in six in Spain, one in four in Germany, one in two in the Scandinavian and Baltic countries). The relative "robustness" of marriage is underlined by the low divorce rate (about one marriage in ten ends in divorce); however, the vulnerability of unions is much higher if one considers that one in four marriages ends with a formal separation.

In general, as elsewhere in Europe, the cycles of anticipation and delay in the reproductive process have resulted in cycles of expansion and depression of period fertility, with a negative contribution of 0.2–0.3 points to the current low TFR. The TFR, "adjusted" (*quantum*) (Bongaarts and Feeney 1999) for the calendar changes of different birth-orders (*tempo*), was approximately 0.3 higher in the 1990s than the period TFR (1.51 compared to 1.19 in 1995: Livi Bacci and Salvini 2000).

Note that a return of period fertility to a value of 1.5 (quantum) would imply an increase in births of some 120,000 units per year (there were 535,000 in 2002; 40,000 births per decimal point of TFR). In other words, a "step back" of the delay at more or less the

same pace as the "step forward" of the last two decades would mean an increase of approximately one million births in a twenty-year period. A policy that succeeded in reversing the process of delay without seeking to influence couples' choice about how many children to have (granting for the sake of argument that fertility and calendar objectives are independent) could achieve a highly significant quantitative result.
If on the other hand one wishes to influence the quantum, that is the level of fertility after adjustment for tempo, the problem is obviously different. In this case, a certain proportion of women need "shifting" from one parity to the next. Simplifying somewhat, one might say that the quantum of fertility at the end of the 1990s (TFR = 1.5) consists of the four-fifths of women who pass from parity 0 to parity 1 (20 women out of 100 therefore remain childless); almost two-thirds of women of parity 1 that reach parity 2 (30 women have just 1 child) and the two-fifths of women of parity 2 that reach parity 3 and over (30 women with 2 children and 20 with 3). A policy that managed to convince 10% of women in each parity to have one more child would mean an increase in the TFR from 1.5 to 1.6; 20% would mean an increase to 1.7 and so on. To reach 2 (almost the replacement level) it would be necessary to convince 50% of couples to have an additional child. Naturally the reasons that induce women (couples) to stop at 0, 1, 2 or more children – and the strength of conviction that might induce them to have another one – are diverse and could orient intervention towards specific, differentiated or selective measures resulting from difficult policy decisions. For example, one might imagine that the motivation for having the first child is the desire to satisfy the instinct for parenthood; the predominant reason for having a second child might be to give the first one some company; for 3 or more children, the motivation might be the satisfaction of a natural inclination to have a large family. If policy were to be considered non-influential regarding decisions to have one or three children, because these are more closely related to "natural" predispositions, it would be rational to concentrate efforts and resources on convincing as many people as possible to have a second child. But if the passage from one parity to another depended only on the difficulty of reconciling work and family, or on purely income-based considerations, there would be no grounds for differentiated policies.

3 – EUROPE COMPARED AND THE CASE OF ITALY

In some European countries – the Scandinavian nations, France – state support for reproduction is more developed overall than elsewhere on the continent (Kamerman et

al. 1998; Gauthier 2002). This is true on various levels. Above all, there is the *historic* dimension, given the efforts of these states at least since the end of the Second World War, which have either been oriented specifically towards supporting the birth rate (France) or justified by the construction of a fair system of transfers towards families with children, single parents, working women (Sweden, Norway). Moreover, support in these countries is also developed *horizontally*, in the sense that social welfare, fiscal and labour policies are oriented, when not coordinated, in a way that is favourable to having children. Finally, the support is *vertically* significant as well, because the financial commitment is much greater than elsewhere. Then there are countries, like the Mediterranean ones, which despite the prolonged existence of non-democratic and formally pro-family regimes (Portugal, Spain) or of governments led by Catholic political forces (Italy), have done little to sustain reproduction. It is not possible here to offer a detailed examination of the structure, scope, effectiveness and impact of the various policies. I will limit myself to using a succinct indicator (developed by Eurostat: Eurostat 2003), namely the incidence of social welfare spending per family and children in proportion to total welfare spending, or to GNP, the hypothesis being that this financial indicator is correlated to the "effort" made by society and the public system of each country to support reproduction. Spending on "family and children" is defined by Eurostat as "the support in money or kind (excluding health) for pregnancy, childbirth or adoption, child-raising and support for other members of the family" (Eurostat 2003: 54). In 2000, the incidence of this spending with respect to total social welfare spending was about 12% for the average of the Scandinavian countries and France, compared to just 5% for the Mediterranean countries (3.8% in Italy); per-capita spending was six times greater in the former than in the latter (930 euros compared to 154; 188 in Italy; Table 1). Figure 3 shows, for the 15 EU countries plus Norway, Iceland and Switzerland, the relation between the incidence of social spending and the TFR in 2000. As can be seen, there is a direct relation between the two indicators. Figures 4 and 5, on the other hand, show the course of period and cohort TFR in the two groups of countries. The gap between the two curves – compared to the rapid decline in the Mediterranean countries, fertility has "held up" in the Scandinavian countries and France in the last twenty years (period TFR) and in the cohorts born after 1950 – is worthy of more than just passing consideration.

If one also includes transfers for housing, the incidence of social welfare spending directly or indirectly related to the family and to children (out of total social welfare

spending) in countries like France and Sweden is almost ten points higher than in Italy. These data suggest that considerable resources need to be invested in policies to support families and children in Italy. In addition, recent research (Perali 1999; De Santis and Maltagliati 2002) estimates the cost of an additional child to be around 20% of family income. This figure suggests that if policies were to pursue redistributory and equalization goals between families with children and families without children, the shift in resources would need to be very considerable. Further points of interest arise from analysis of generational accounts for typical families. A calculation has been made of the "net marginal subsidy" (NMS), defined as the "difference between the net taxes (that is the balance of taxes after transfers have been deducted) paid by a family with n children and those paid by a household of the same type with one less child" (Sartor et al. 2001; Sartor et al. 2002; Sartor 2003). This subsidy reflects direct and indirect effects. The former relate to monetary benefits (family allowance, for example) and benefits in kind (education, health) for children. The latter refer to tax changes due to the presence of an additional child and due to changes in consumptions, in living arrangements, in sources of income etc. The results refer to 4 types of family (man an employee and woman at home; a variant of this, where the man is self-employed; both partners work; only the woman works). The results show that in families where one or both partners are employees, the NMS is the same when one moves from not having children to having one, and from one to two, but decreases sharply when moving to the third child. For the other two types of family, the subsidy decreases for the second and third child. Basically, the weight of net transfers is inverse to the order of birth and has an anti-natalist effect. Naturally, in reading this result, which deserves further study, it needs to be "juxtaposed", as it were, with the direct cost for the family of each additional child. Such a reading is difficult from a technical and methodological point of view, but it reinforces the conviction that the system of transfers exacerbates the disadvantage for families with children in comparison with those who have fewer or none. It seems that modern systems of transfer contain an intrinsic *fertility-negative drift* and that, if one examines things from a purely economic point of view, it is much more advantageous not to have children (or to have fewer than average).

The above points lead us back to a fundamental observation: policies to support reproduction cost a lot. Although the arguments vary, this opinion is shared by a number of important authors (McDonald 2002; Chesnais 1999; Demeny 1986).

4 – SOME REFLECTIONS ON RECENT SURVEYS

One of the main objectives of the survey undertaken by the Venus research project, which examined the attitudes of a sample of women with children in the cities of Udine, Padua, Florence, Pesaro and Messina, was to try to understand the reasons for their decision to stop childbearing. An attempt was also made to investigate the respondents' views on hypothetical policies to support families with children. As regards the reasons for not having an additional child, "all the ones relating to financial, time and work constraints, either separately or linked, were mentioned by at least one fifth of the interviewees" (Lines 2002), while those regarding health problems, different preferences or the fragility of the union come last. The most frequent reasons given can therefore be traced, directly or indirectly, to the "cost" of a child, even if this conclusion is partially contradicted by the fact that (in response to another question) women (with 1, 2 or 3 children) reporting that their economic position had improved after the birth of a child were more numerous than those who said that it had worsened. However, this result can be explained by the fact that family living standards increase with age and that answers to this question might have been inspired by a long- rather than a short-term perspective.

But how would women have reacted if, in the past, they had been able to benefit from government measures to support children? The women were asked if "they would have considered having another child" in the presence of four alternative measures: a) high family allowance (750 euros) until the child is three; b) the possibility for one of the parents to stay at home for three years, maintaining their income and the right to return to work; c) family allowance (250 euros) until the child reaches sixteen; d) the availability of flexible, full-time nurseries, kindergartens and schools at a low cost. A significant percentage of women stated that they would have been responsive to incentives of this kind, which – if applied – might have led to a higher fertility of approximately 0.2–0.3 children (Breschi and De Santis 2002). Dalla Zuanna and Salvini (2002) observe: "The policies that have been most successful are those which enable couples to look after their children rather than those that pay substantial child benefits to parents. It may be that in this choice there is a certain reluctance about admitting that economic considerations have great weight in fertility decisions. However, these data are not at odds with those regarding the reasons for not having had another child. Money is important but the difficulty of "looking after the new child and the ones we already have" is also important, perhaps above all else. Almost 60% of women with one

child and almost 50% of those with two children affirm that they would have had another child if they had been able to stay home from work for three years on a full salary and with the guarantee of being able to keep their job". And it is highly probable that flexibility and the possibility of being able to return to work is greatly appreciated. It has also rightly been pointed out (Lines 2002) that, from the government's point of view, it would be useful to know the shadow salary – as a percentage of salaries previously received – which, combined with the guarantee of being able to return to work, would encourage working women to have another child. As regards family benefits, a moderate level of benefits for sixteen years was greatly preferred to a much higher level of benefits for just three years. Women with one child were more "responsive" to the various measures than those with two, which is "fairly predictable because many surveys have shown that the great majority of Italian couples declare that they want two children" (Dalla Zuanna and Salvini 2002).

When considering the results of these and similar surveys, it is of course important not to forget their limitations: they report opinions about hypothetical actions in the past, which are subject to rationalization with the benefit of hindsight and which have only been elicited from women. However, they reveal that reproductive choices are not the consequence of ironclad and non-modifiable ideological decisions. The situation is a bit different when it comes to women who were still childless towards the end of their fertile lives, as shown by another survey carried out in the same cities. What emerges from this survey (Tanturri and Mencarini 2002) is that over one third of childless women have never tried to have children even though they were in a union (37% had never entered union and 29% had entered union and tried to have a child. Were these women therefore non-fertile by choice? In some cases, observe the two authors, "what are perceived by women as benefits relating to motherhood are considered insufficient to offset the high costs involved in having a child, which are partly financial but above all are costs in terms of time and sacrifices". As regards policy measures (see above) and their ability to induce "deliberately" non-fertile women to have a child, "it seems that the proposed measures, even if very generous, would have changed the minds of just a small minority of respondents. The measures with greater relative *theoretical* efficacy are parental leave and full pay for three years from birth, and the offer of full-time, flexible kindergartens and schooling at a reasonable cost". It may be, however, that for these women the rationalization, at a later date, of the decision not to have children is stronger in these cases than it is with mothers in relation to another child

Further considerations stem from the analysis of other aspects of the surveys mentioned above. For example, with regard to the effects of the asymmetry of female/male roles on time constrictions, perceived as one of the most significant factors in procreative choices, it emerges clearly that the "burden of family work, in situations where there is an asymmetry in childcare roles, is associated by working mothers with lower fertility (other factors such as education, religiosity and participation in work being constant). Families where the father does more in terms of household duties and looking after the children have an extra child with greater frequency. The most important element appears to be flexibility, adaptability and the willingness of men to accept a redistribution, albeit partial, of care-giving duties in the face of new requirements in terms of time and family tasks that stem from the birth of a child, with a consequent "dual presence" for the male as well" (Mencarini and Tanturri 2002). This is of course an area where active policies have their limits, but it confirms the significance of intra-family asymmetry in low fertility, especially in an institutional and social context where sufficiently vigorous efforts are not made to remove it. It is hard not to think that this asymmetry is perpetuated by the almost pathological delay with which young people leave their family of origin.

Another interesting point emerges from combining the response to the question about women's financial contribution to the family budget after the birth of the first, second and third child and the response to another question about who, after the child's birth, took care of it during the day. Over half of the women with one or two children contributed significantly to the family budget. For these women the help of the grandmother (or another member of the family) was essential in providing primary care for the child (almost 50% of cases for women with two children). State-run childcare facilities were used in a minority of cases, as were paid babysitters. If any further proof were required, the usefulness of adequate state-run facilities, which are currently wanting, emerged quite clearly. The shortcomings of these facilities are aggravated by the fact that a number of women working full-time choose not to use public services, either because they are not elegible for subsidized fees because their income exceeds a given threshold or because the opening hours of the facilities do not cover the whole working day (Lines 2002).

What emerges in general is that a majority of women choose to work and be mothers, even though "employment significantly reduces the probability of having a second or a third child. These results seem to suggest that – at least until the second child – work is

an essential source of family income and that the dual role of women is often indispensable. The decision to have a third child seems to be influenced more by value-related factors than by financial considerations, the result, that is, of the woman's desire to maintain other, non-family-related roles" (Ongaro and Salvini 2002).

5 – THE PATHS OF PUBLIC ACTION

Surveys confirm what everyday experience suggests: reproductive choices are not, except in a minority of cases, the consequence of immutable principles and values. They may be so for some couples who decide not to reproduce, and for others for whom a large number of offspring is an ideal, an objective, even an imperative. But in the majority of cases, reproductive choices are the consequence of a complex assessment of costs and benefits (economic and psychological), which are strongly influenced by the social and economic context. The majority of women, and of couples, are liable to modify their behaviours. While the state can modify the welfare of couples it should not attempt to manipulate values and preferences directly. With reference to possible pronatal policies in England in the 1940s, Harrod wrote that "the most effective method open to the state to bring about a spiritual change is by applying a material remedy. The average citizen will not be impressed by propaganda, but he will be impressed by action" (Archives 2001).

As for the "tool kit" of policies, McDonald has produced a simple and efficient classification that distinguishes between three categories of intervention (McDonald 2002):

- *Financial incentives*, which include periodic allocations (e.g., family allowances), rewards and loans, tax relief and tax credit, subsidized or free children's services, housing benefits.
- *Measures to reconcile work and family*, namely paternity and maternity leave, crèches, kindergartens and nursery schools, flexible working hours, leave for family reasons, gender equity.
- *Major social changes favouring childhood and child-raising*, including employment measures for women and young people, steps to facilitate the start of unions, gender equity, a favourable environment for children and in general for the development of positive attitudes towards childhood and child-rearing functions.

The advantages and disadvantages of individual measures can only be evaluated if there is a general and coordinated plan, where objectives, time scales and resources are

specified. Otherwise, discussion on the merits of individual policy actions is an abstract exercise. While awaiting such a plan, three priorities can be pinpointed with considerable confidence. These concern the relations between work, reproduction and child-caring; the easing of the *delay syndrome*; and a coherent reform of the system of transfers in support of families with children. I will make a number of points about the first two issues and devote greater attention to the third.

6 – THE DELAY SYNDROME

The delay in transition to adulthood is another strong restriction on the realization of reproductive programmes. A great deal has already been written about the "syndrome of delay" amongst young Italians and young people from other Mediterranean countries, and surveys have been conducted to identify the rhythms, behaviours and primary factors of this delay. What stands out in particular is that the typical profile of transition to independence consists of successive, linked steps: education and training; the search for a job; independence from the family and independent housing arrangements (De Sandre et al. 1997; Aassve et al. 2001). Each of these steps must be completed by the two partners before the decision is taken to form a stable union, which is the presupposition for reproductive choices. In the last two decades, various circumstances have led to a prolonging of each phase and consequently of the whole process. There are varying views about how this delay should be assessed. Some people, including this writer, consider that the delay is becoming pathological, while others (Barbagli, Castiglioni, Dalla Zuanna 2003) point to the positive aspects for the well-being of parents and children. But there is full agreement that the delay has a negative effect on fertility, because postponing choices tends to frustrate or downscale the reproduction plans of the couple – due to health or subfertility problems, the greater burden of looking after children, the lack of time. In addition to this "mechanical" effect there is also that of cost. There is a growing perception of the long-term and gradually increasing financial (and non-financial) commitment involved in having children whose transition to adulthood is delayed. The reproductive attitudes and expectations of couples in societies where children become autonomous early, say at the age of 20, are different from those of couples living in a society where children achieve full independence at 30. The perception of the cost of children is different, and so too are behaviours. A third, more subtle effect is that the delay in becoming independent – and the long period during which young people, especially men, remain in the family fold –

slows down the democratization of intra-family relationships, which surveys have shown to be correlated to lower fertility.

All policies that are effective in reversing the delay, speeding up the transition towards independence and bringing forward fertility choices, should therefore be supported, and for two reasons. First, there is a positive effect on fertility (with a closing of the gap between couples' expectations and the number of children they have); second, a general contribution to economic development because of an earlier entry into the labour market, greater mobility and enhanced personal initiative. This brings us back to the usefulness of policies that encourage access to jobs and which ensure that these jobs, when they are not permanent, are linked to new employment patterns that safeguard continuity in income. The shortening of tertiary education envisaged by the ongoing reform is a step in the right direction, although the multiplication of different "levels" of study may end up producing the opposite effect.

Despite appearances, the measures – suggested by the *White Paper on Welfare* (Ministry of Welfare, 2003) – aimed at making it easier for young people to buy a house are not to be recommended, because they tie up financial resources and discourage mobility. Public resources would be better spent subsidizing rents for young people.

Like all enduring social changes, the delay in the transition to adulthood produces structural adjustments that are then hard to erode or undo, making the task of policies even more difficult. Take, for instance, the financial cost of marriage. In the 1990s, according to the ISTAT *multiscope survey*, 73% of couples had a wedding reception with over 100 guests, and average costs (including various related extras) topped 10,000 euros. Then consider the financial commitment of buying and furnishing a house, which becomes *the* life investment; however, this is not made when the family is at their peak in terms of earning power but at the beginning of their career. Think also of an overlapping, multi-layered education system that absorbs a young person's energy until age 30 or beyond. All these factors create obligations and social conventions that perpetuate behaviours which then acquire the "status" of normality.

7 – REFORMING THE SYSTEM OF TRANSFERS: A RADICAL PROPOSAL

In Italy, social transfers for health, disability, pensions, the family and children, unemployment and housing amount to about 25% of GNP, two percentage points less than the EU–15 European average (Eurostat). Almost two thirds (63.4%) of social spending is absorbed by pension payments, compared to an EU–15 figure of 46.4%. Not

even one twenty-fifth of social spending (3.8%) is devoted, as we saw at the beginning, to family and childhood support, compared to an EU–15 average of one twelfth (8.2%). In a word, the Italian data suggest that the general tendency to make large (and increasing) transfers to the elderly and vulnerable, and small (and decreasing) transfers to families and children (and therefore to the young) is particularly marked. A reform of the welfare system favourable to childbearing must involve, in one way or another, a functional reallocation of transfers whereby some people will benefit and others will lose out. It is true that there is a flow of resources from the elderly towards the younger generations, and that altruism can act as a correcting force in the final destination of resources. But this is no consolation, because when carried through to its extreme consequence, it implies the very negation of the function of the welfare system as it fails to reduce the gap between the needy and the affluent.

The possible negative effect of current welfare systems on the birth rate (through the breaking down of ties of solidarity between parents and children, and between adults and the elderly, and due to the emergence of the "negative drift" whereby it is advantageous to have a fewer than average number of children) is well described by Harrod (Archives 2001): "if there were six children, two might fail to make good in life, another two might be stony-hearted and indifferent to their parents, but it would be very bad luck if two out of the six were not found with means and affection sufficient to keep their parents out of the work-house. The parents of but two children would be in a much more precarious position. As one cause of want after another, industrial accident, old age, sickness, unemployment, have come under the care of the public, the need to insure oneself by having children has faded out". There is a clear cure for this: reestablishing the link between reproduction and social protection in other ways.

One radical proposal has been advanced by De Santis (De Santis 1995; 1997; 2003). A social protection system might be designed that protects all those who are not of working age, i.e. the young, up to *alpha* years of age (e.g., 18), and the elderly, over *beta* years of age (e.g., 65). *Alpha* and *beta* are the result of political choices, ideally varying with the survival level so that the proportion of the life span that each individual spends as a young person, as an adult and as an elderly person remains constant, for example ¼, ½, and ¼. The main objective of the system is to redistribute income: not from the rich to the poor (although it may do something in this respect too, if properly designed) but across one's stages of life, from the productive to the non-productive years. The system is PAYG and can therefore only hand out on the basis of the current

production of the country. Consistently, the only "promises" it makes are relative in two respects, economically and demographically.

Economically speaking, the system is basically a "risk-sharing" one (Musgrave 1981), which uses the average net income of the adult as a numeraire [$w(1-a)=1$, where *w=gross wage* and *a=contributory rate*]. Young people's benefit amounts to $b_Y=r_Y$ * $w(1-a)$, while for the elderly the benefit is $b_E=r_E$ * $w(1-a)$, where the key policy variables are the proportions r_Y and r_E. For example, with $r_Y=30\%$ and $r_Y=60\%$, child benefit corresponds to 30% of the average adult income, while pensions are, on average, 60%. Three main improvements on existing "risk sharing" systems are worth remarking: 1) child benefits are incorporated into the system; 2) individual pensions may differ from average pensions, depending on the contributory history of each elderly person; 3) the income of adults, not that of employees, is the numeraire, so higher unemployment, for instance, automatically translates into lower intergenerational transfers.

On the demographic front, the main innovation consists in the use of a *reference* age structure (instead of the current age structure) for the calibration of the system, where the standard can be taken as the age structure of the current stationary population. This permits the system to go virtually unchanged through rough periods, e.g. when the age structure fluctuates because of peaks and troughs in the birth rate, on the relatively mild assumption that the demographic rate of growth will approach zero in the very long run. Obviously, external conditions (survival) and policy choices (*alpha*, *beta* and *r*) determine a balanced contributory rate. For example, with *alpha*=18, *beta*=65, r_Y=0.3 and r_E=0.6, the rate is 25.4%. De Santis demonstrates that the system is financially balanced over the long term, and that if *alpha* and *beta* move with e_0, the contributory rate that society chooses at the outset can remain almost unaltered. Furthermore, the system is fair (on average, what you pay in contributions corresponds to what you get back in transfers in the course of your life), it does not require economic or demographic forecasts and, if properly designed, need not discourage fertility, and may even moderately encourage it, through the r_Y parameter. In other words, it opens up the possibility of recognizing that young people are, to some extent, a "public good" (they are the future pension payers).

More generally, with this system part of the burden of supporting the non-working population (including young people) shifts from the family to society; but how great this

shift is depends on *alpha*, *beta*, r_Y, and r_E, i.e. on policy choices that each country wishing to adopt the system may adapt to its own needs and preferences.

This proposal is undoubtedly radical, and while this will not help it to gain widespread support, it certainly constitutes an important point of reference conceptually. As regards what concerns us here, it may help solve the problem of the "negative drift" of fertility I mentioned before, by consistently making child benefits part of the more general intergenerational transfer of resources that takes place in each society.

8 – REFORMING THE SYSTEM OF TRANSFERS: A PROPOSAL TO SUPPORT CHILDREN AND THEIR ENTRY INTO WORKING LIFE

9.1 – A proposal

The following proposal is something of an intellectual provocation. The mechanisms are only roughly sketched and the financial and juridical mechanics of it would need studying in detail before making a full-blown policy proposal. The proposal does not imply a radical reform of the system of transfers. There are seminal traces of this proposal in a work by Demeny (Demeny 1986), while the proposals of Ackermann and Alstott and of Labour in Britain, despite certain similarities, simply have redistributory aims and adopt different mechanisms (Ackerman and Alstott 1999; The Economist 2003).

In every society, children are brought up by their parents as private goods. A proportion of the cost, however, is borne by society, mainly by means of general taxation for schools, health and some financial transfers. Quite irrespective of the magnitude of this redistribution, which is generally considered modest, also in view of the rapid increase in the cost of raising a child, one problem is that the cost of children ends up falling onto the shoulders of those who have them, and only a small share (through general taxation) is contributed by those who, by choice or necessity, have no children but benefit from the fact that children are also a public good. Reducing this "inequity" is difficult and complicated. The proposal advanced here has the following basic characteristics:

- Over and above the services that the state decides to provide for families and children (for schooling, housing, health), there is a "political" recognition of the need to support children.

- This support is given to the children and not to the parents, even if the latter may (as we will see) use part of it.
- The support is divided into two parts; the first can be used by families to cover (part) of the expense of raising the child, the second part can be used by offspring to "invest" in their future when they come of age.
- The contribution is, in part, a "loan" that society makes to each newborn child; this is repaid in the course of his or her active life.
- All individuals are therefore given deferred responsibility for their upbringing; as such, the public contribution does not fall either on the families with children, nor, through general taxation, on those who do not.

9.2 - How the system works

Upon presentation of a birth certificate, each newborn child becomes an "account holder" (at the same time as the social security number is issued). Until the child comes of age (or some other conventional *alpha* age), an annual sum is paid into the account (the sum could be higher for the first year of life), together with accrued interest. Relatives and friends can also pay into this account.

Each year parents or legal representatives can draw on the account up to a certain ceiling – let's say 50% of the amount paid in annually –, which is a contribution to the expense of rearing the child. When the child comes of age (or reaches *alpha* age), he or she can draw on the money, using it within a given number of years (let's say 5 or 10) for certain precise purposes: the purchase of certain durable goods (such as a computer), education and training, setting up a professional, craft or business activity.

At the end of the 5- or 10-year period in which the account can be drawn on, anything that has not been used returns to the state. The part that has been used is repaid by the account holder (through extra Personal Income Tax, salary deductions or some other means) in instalments over a long period, approximately the average length of one's working life (let's say 30 years). The instalments can be graded over time (lower at the beginning, higher at the end); certain allowances could be introduced as an equalizing measure for those on low incomes; and particular measures could make provision for the disabled, poor and insolvent.

A proposal of this kind would have various advantages. It would send a powerful "message" to families and to society in general. It would increase the younger generations' sense of empowerment, which is currently very low. The newborn child is

the account holder, quite irrespective of the conditions of his or her birth or whether or not the parents are married. The families do not receive a donation but a contribution which (up to 50%) represents recognition on the part of the state that "producing" future adults is in the public interest.

The proposal supposes that family behaviour is guided by altruism and that the sum drawn on annually is used for the well-being of the children; the fact that this sum, if not used, increases what is available to the adult child reinforces this altruism. As the child is the account holder, parents drawing on it up to a ceiling of 50% know that they are drawing on money that is not theirs. The proposal is fair: you receive during childhood and adolescence, and you pay it back during your adult life. It increases the responsibility of the family towards the beneficiary, and of the latter towards him or herself. Finally, the proposal facilitates the transition to adulthood, speeding up the process of becoming independent.

There are of course many problems to solve in order to put the scheme into practice, concerning the period of transition, its political acceptability, the cost and the juridical and financial mechanics of it all. One basic problem is whether the contribution should be universalistic, or whether it should exclude, for instance, children born in families above certain income levels. In this latter case, however, the scheme would introduce a redistributive aim, which is not part of the philosophy of the proposal, and which would have to be recouped by general taxation or worked into the "repayment" phase of the loan.

The cost of the scheme does not appear to be prohibitive. For example, the annual contribution made available to families (up to 50% of the total) could absorb what is handed out nowadays to families and children in various forms (family allowances, subsidies, etc.). In Italy, in 2000, this contribution was 189 euro per capita, or 1100 per minor below age 18; suppose that this was increased to bring it in line with the European average (642 euro per person, or about 3500 euro per minor); suppose also that an extra 500 euro would be added by contributions of relatives and friends: the total contribution handed out to the fund would be of 4,000 euro. An annual contribution of 4,000 euros per child (2,000 of which would be set aside) would amount, after 18 years and with a realistic interest rate of 2 percent, to about 46,000 euros (Figure 6). This is a significant sum, which, if issued in full and simultaneously to everyone who comes of age in a given year (suppose in 2021, eighteen years from now), would amount to about 24 billion euros (520,000 reaching age 18 in 2023 times 46,000 = 23,920,000), or about

1,8 percent of current italian GDP (23,920/1,300,000 million euros GDP of 2003, = 1,84 percent). If the policy had been initiated in 2003, and supposing a constant stream of births, about 1 million euros per cohort/per year would be handed out to the fund yearmarked for family's expenditure, amounting to a total expenditure of 1 million for the first year the policy was enacted, to 18 millions in 2021 (1 million for each one of the 18 cohorts of minors). In 2021 the cohort turning 18 would also collect the 24 million euros of the fund coming to maturity, and total expenditure would be a hefty 42 million, or 3.2 percent of GNP. But this would be a maximum: after a few years, loans would be repaid by beneficiaries who had entered the labor force. In a steady state the annual public expenditure would converge to 1.8 percent of GDP, still a relevant amount of resources, but worth spending in view of the exceedingly low fertility of the country.

CONCLUSION

The overview of the previous pages brings us to a number of concluding points. Policy aimed at supporting reproduction must necessarily start from an acceptance of the principle that children are a private prerogative with benefits for society as a whole, and that the system of transfers tends to penalize families with a more than average number of children. Various points suggest that a rebalancing of the system cannot be achieved painlessly, and that a major redistribution of transfers would be involved. In the general framework of an overhauling of the welfare system, there are three other important areas of intervention. One is the easing of time and cost restrictions imposed on women who look after their children and work at the same time. This also involves a rebalancing of gender asymmetries, which are particularly strong in Italy. Another area for action regards the erosion of the syndrome of delay, with the triple benefit that young people start contributing to society earlier, life and reproductive choices are made at a younger age and the cost of children for the family of origin is eased.

A third area of action, which I have specifically avoided examining, concerns improvement of the "environmental" context within which reproductive decisions are made. This is a public responsibility (schools, training, play facilities, sport, safety, transport) but also a private one. The more favourable this context is for families with children, the better the cost-benefits balance of reproduction. The role of the private sector can also be important in this area. Restaurants with family menus, hotels with special family deals and suitable facilities, transport companies with all-in tickets, parks

and museums with facilities for children, factories and offices with nurseries… there is plenty of scope for imagination here. Collective action in this direction could contribute to modifying culture and values. Do we want storks to visit? If so, we should allow them to fly, without shooting them down.

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TABLE 1

SOCIAL EXPENDITURE IN 18 EUROPEAN COUNTRIES, 2000

	Social Expenditure, 2000, million euro				*Social expenditure, 2000, % of total*					*Social expenditure pro-capite, 2000, euro*			
Country	Children	Housing	Total, children & housing	Total social expenditure	Children	Housing	Total, children & housing	Total social expenditure	Population in 2000, (million)	Children	Housing	Total, children & housing	Total social expenditure
Belgium	5730		5730	62821	9.1	0.0	9.1	100	10.239	560	0	560	6135
Denmark	6394	1150	7544	48698	13.1	2.4	15.5	100	5.330	1200	216	1415	9137
Germany	61062	4100	65162	577927	10.6	0.7	11.3	100	82.163	743	50	793	7034
Greece	2324	986	3310	31436	7.4	3.1	10.5	100	10.543	220	94	314	2982
Spain	3225	1039	4264	119329	2.7	0.9	3.6	100	39.733	81	26	107	3003
France	38559	12400	50959	400304	9.6	3.1	12.7	100	58.744	656	211	867	6814
Ireland	1805	461	2266	13880	13.0	3.3	16.3	100	3.777	478	122	600	3675
Italy	10840	46	10886	282913	3.8	0.0	3.8	100	57.679	188	1	189	4905
Luxembour	686	12	698	4129	16.6	0.3	16.9	100	0.436	1573	28	1601	9470
Netherland	4716	1545	6261	103456	4.6	1.5	6.1	100	15.864	297	97	395	6521
Austria	6143	210	6353	57785	10.6	0.4	11.0	100	8.103	758	26	784	7131
Portugal	1284	3	1287	23195	5.5	0.0	5.5	100	10.243	125	0	126	2264
Finland	4023	468	4491	32058	12.5	1.5	14.0	100	5.171	778	91	868	6200
Sweden	8517	1657	10174	78781	10.8	2.1	12.9	100	8.861	961	187	1148	8891
United King	28406	23067	51473	402517	7.1	5.7	12.8	100	59.623	476	387	863	6751
Iceland	208	12	220	1780	11.7	0.7	12.4	100	0.279	746	43	789	6380
Norway	5566	297	5863	43625	12.8	0.7	13.4	100	4.478	1243	66	1309	9742
Switzerlanc	3383	371	3754	65768	5.1	0.6	5.7	100	7.164	472	52	524	9180
Mean					9.3	1.5	10.8			642	94	736	6456
Median					10.1	0.8	11.8			608	59	786	6636

Note: "Children" stands for "Family and children".

Source: EUROSTAT, European Social Statistics. Social protection, expenditures and receipts, 2003 edition

FIGURE 1

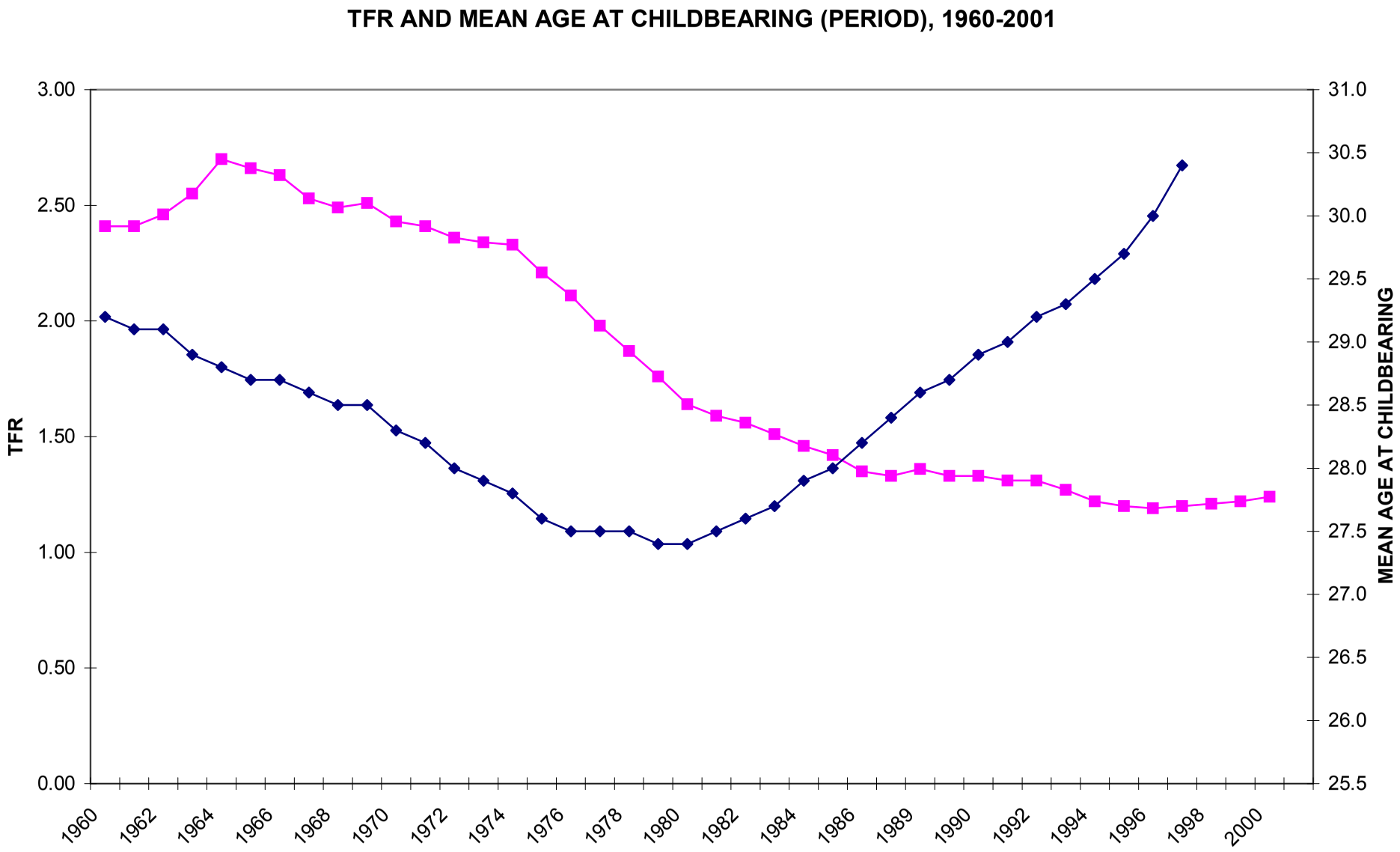

TFR AND MEAN AGE AT CHILDBEARING (PERIOD), 1960-2001
TFR
MEAN AGE AT CHILDBEARING
3.00
2.50
2.00
1.50
1.00
0.50
0.00
31.0
30.5
30.0
29.5
29.0
28.5
28.0
27.5
27.0
26.5
26.0
25.5
1960
1962
1964
1966
1968
1970
1972
1974
1976
1978
1980
1982
1984
1986
1989
1990
1992
1994
1996
1998
2000

FIGURE 2

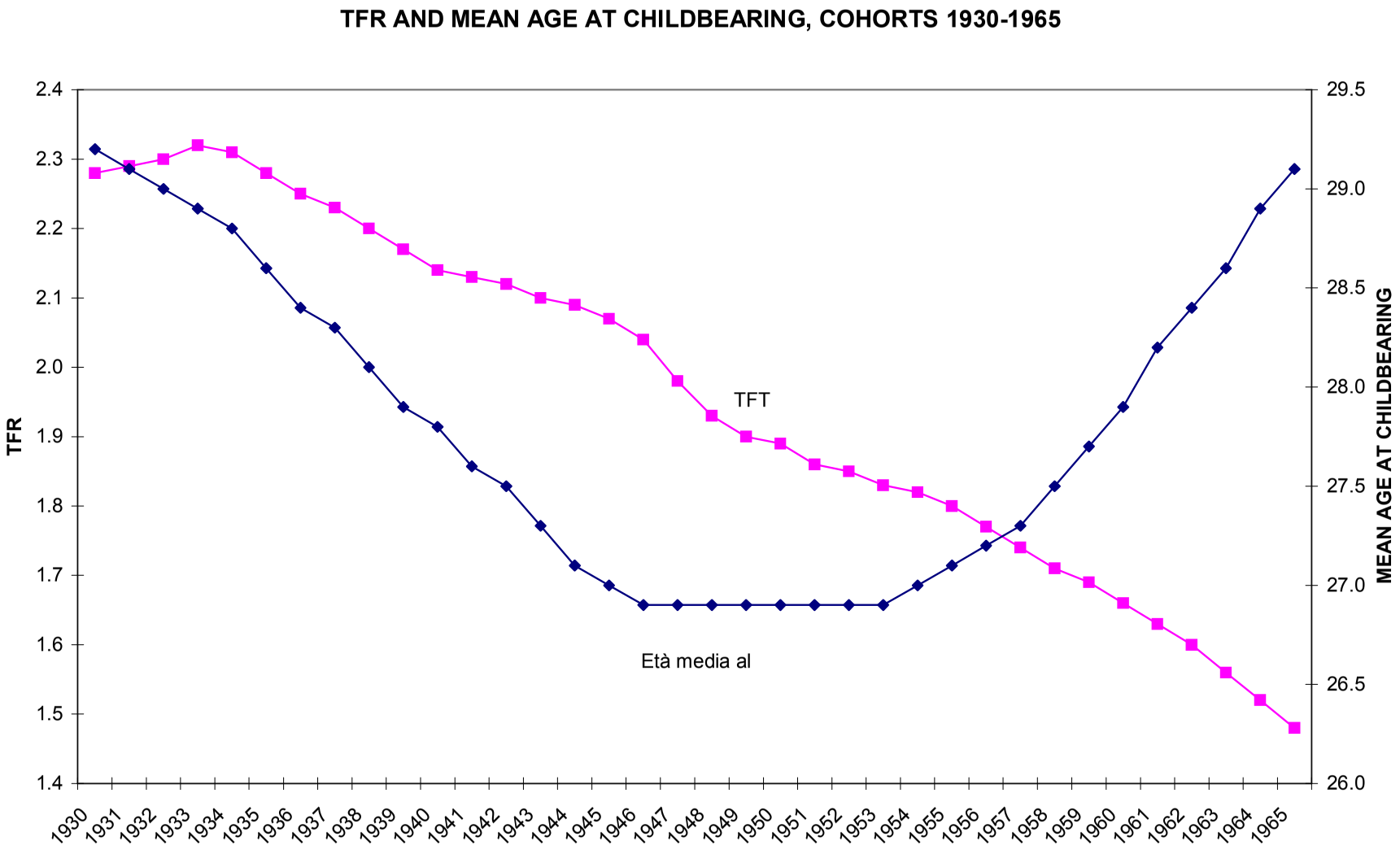

TFR AND MEAN AGE AT CHILDBEARING, COHORTS 1930-1965
TFR
MEAN AGE AT CHILDBEARING
TFT
Età media al
2.4
2.3
2.2
2.1
2.0
1.9
1.8
1.7
1.6
1.5
1.4
29.5
29.0
28.5
28.0
27.5
27.0
26.5
26.0
1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945 1946 1947 1948 1949 1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964 1965

FIGURE 3

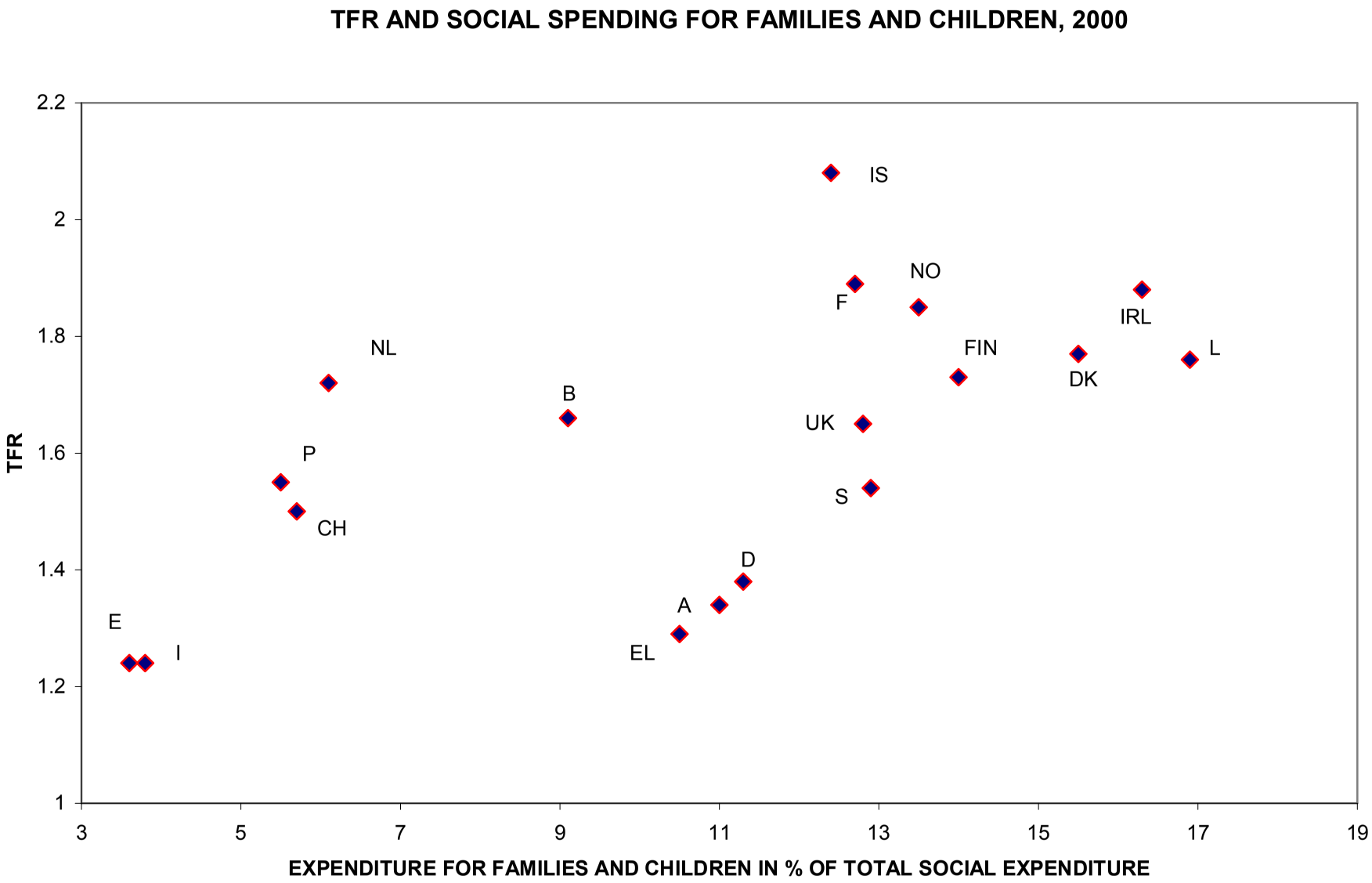

TFR AND SOCIAL SPENDING FOR FAMILIES AND CHILDREN, 2000
TFR
2.2
2
1.8
1.6
1.4
1.2
1
3
5
7
9
11
13
15
17
19
IS
NO
F
IRL
NL
FIN
L
DK
B
UK
P
S
CH
D
A
E
EL
I
EXPENDITURE FOR FAMILIES AND CHILDREN IN % OF TOTAL SOCIAL EXPENDITURE

FIGURE 4

MEAN TFR, 5 SCANDINAVIAN COUNTRIES AND FRANCE, AND 4 MEDITERRANEAN COUNTRIES, 1960-65 TO 2001

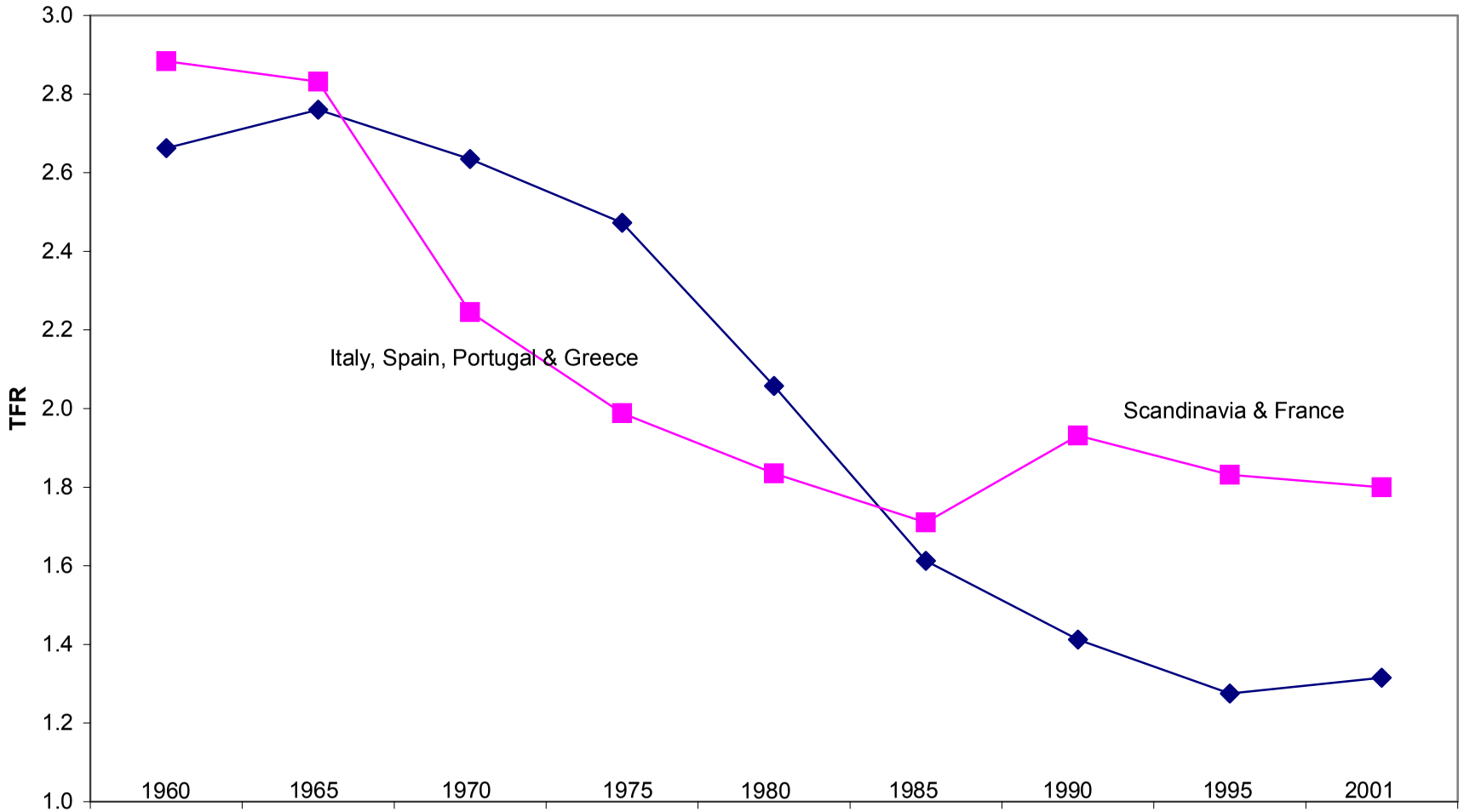


FIGURE 5

MEAN TFR, 5 SCANDINAVIAN COUNTRIES AND FRANCE, AND 4 MEDITERRANEAN COUNTRIES, COHORTS 1930-35 TO 1965-70

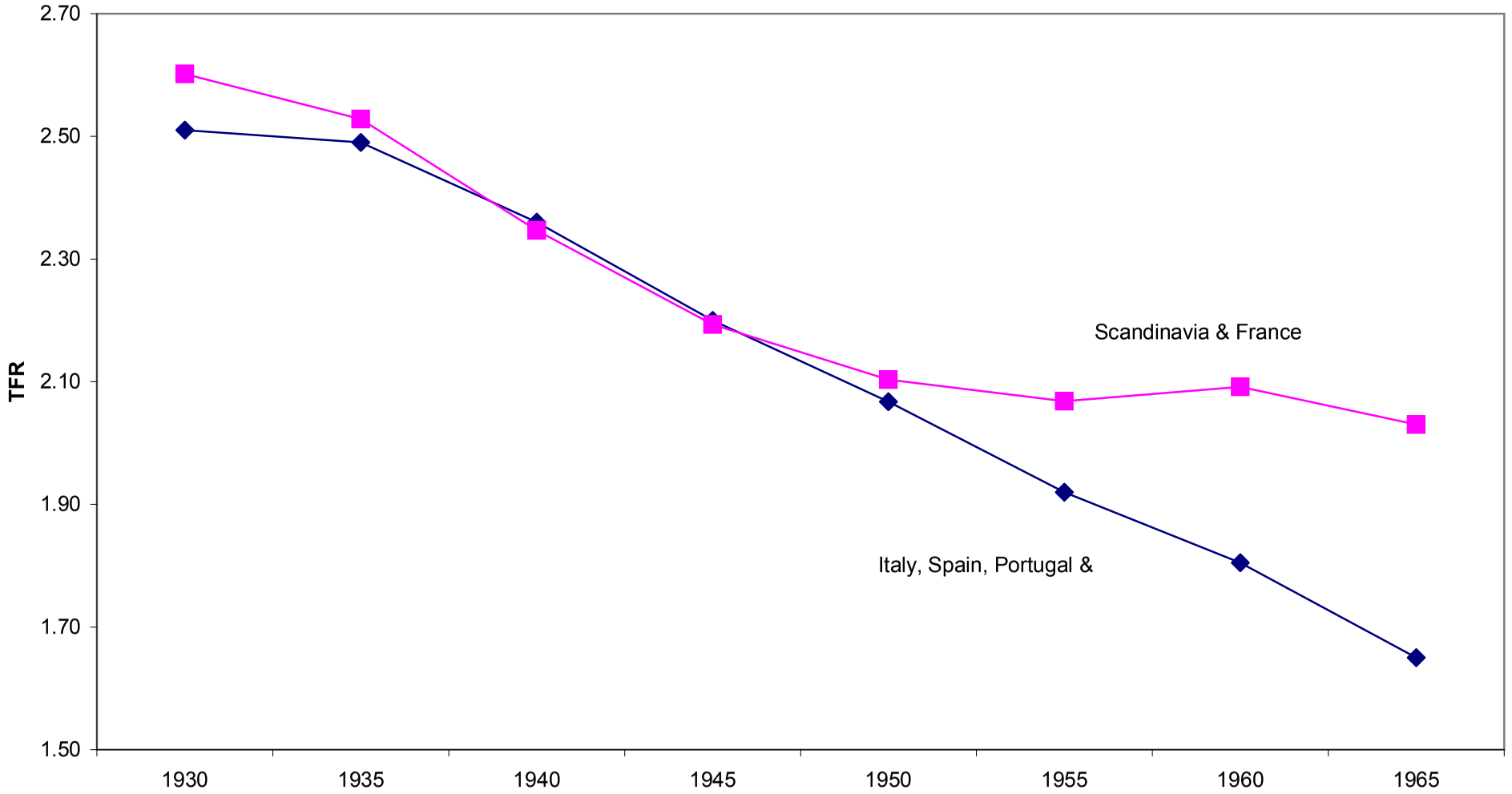
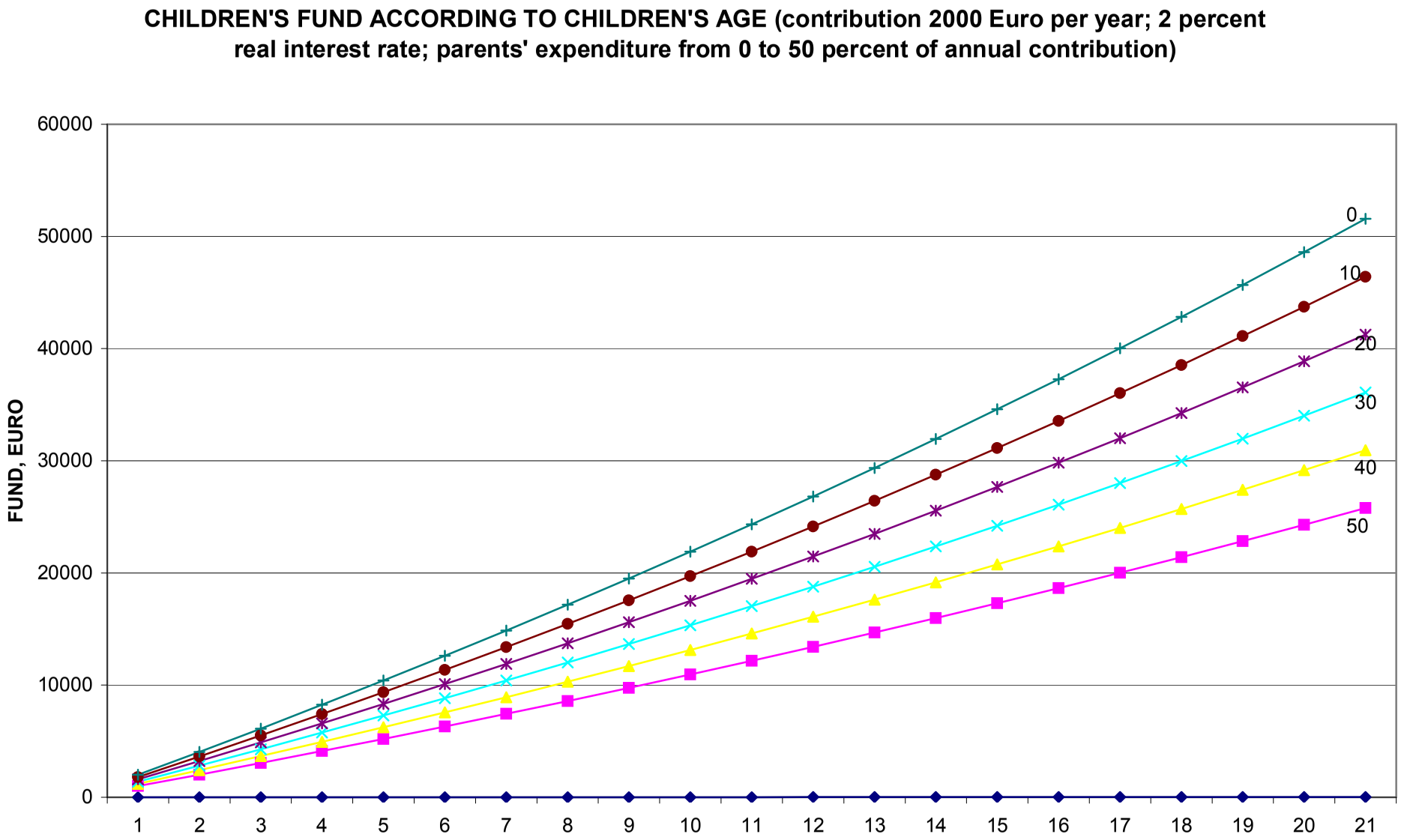


FIGURE 6


CHILDREN'S FUND ACCORDING TO CHILDREN'S AGE (contribution 2000 Euro per year; 2 percent real interest rate; parents' expenditure from 0 to 50 percent of annual contribution)
FUND, EURO
60000
50000
40000
30000
20000
10000
0
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
0
10
20
30
40
50