

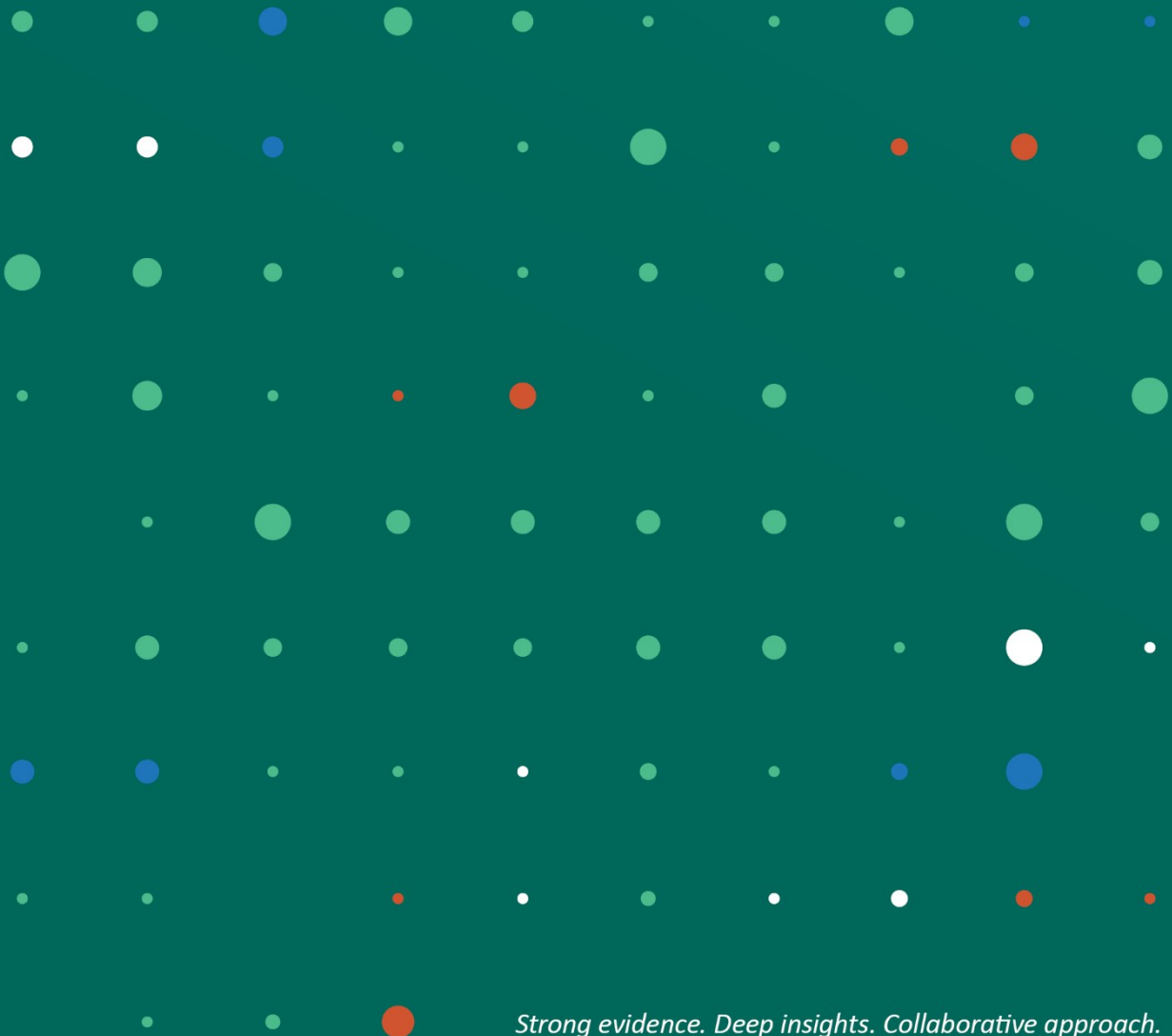


Australian Government
Centre for Population

Fertility decline in Australia: Is it here to stay?

PREPARED BY THE CENTRE FOR POPULATION

OCTOBER 2024



Strong evidence. Deep insights. Collaborative approach.

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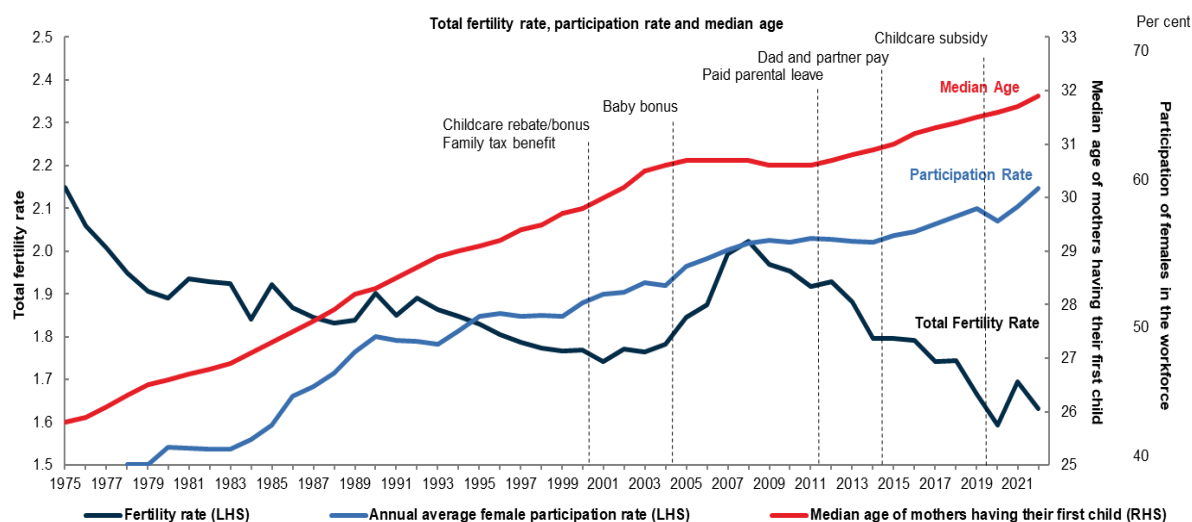
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FOREWORD

FERTILITY RATES IN AUSTRALIA HAVE BEEN IN DECLINE SINCE THE 1960s

Fertility rates in Australia and other advanced economies have been declining since the 1960s. People are becoming parents at a later age, having fewer children when they do, and an increasing number of people forgo having children altogether (either by choice or involuntarily). This note explores trends that are associated with declines in fertility.

Chart 1. FERTILITY RATE, ANNUAL AVERAGE FEMALE PARTICIPATION RATE AND MEAN AGE OF MOTHERS HAVING THEIR FIRST CHILD BY YEAR.



Source: ABS 2023b, ABS 2024a

In demography, fertility refers to the number of children born, rather than the ability to have children. The total fertility rate estimates the number of children a woman would have during her lifetime if she experienced the age-specific fertility rates for a given year at each age of her reproductive life.

Key messages outlined in this analysis:

- Low fertility is here to stay. The causes of low fertility are complex and interconnected. Changes in society and the economy, such as rising female labour force participation, declining housing affordability and societal norms around family composition, continue to influence fertility decisions.
- Fertility desires differ from fertility outcomes. Fertility desires relate to how many children people would like to have compared to how many children they end up having. In Australia fertility outcomes are lower than fertility desires.
- A growing proportion of individuals and families choose to postpone parenthood, taking time to prepare by developing financial stability, career, relational and personal growth before parenthood. Others choose to not become parents at all.

This publication discusses fertility and family formation. We recognise that every person has a unique experience, whether a parent or not. Infertility, miscarriage and pregnancy are sensitive topics that we recognise may be emotionally challenging for some readers. If this raises any issues for you, Lifeline provides confidential one-to-one support for people who are feeling overwhelmed or having difficulty coping. You can call Lifeline on 13 11 14 or visit lifeline.org.au.

HOW ARE FERTILITY CHOICES MADE?

MACRO-LEVEL CONDITIONS AFFECT INDIVIDUAL DECISION-MAKING

Over the past sixty years, the economy, labour force and society have changed significantly. Although the factors in fertility decline are highly complex and interconnected, increases in female education, labour force participation, housing market changes and changes in social norms and values have contributed to the decline. While rising female education and labour force participation rates are well established factors impacting individuals' fertility choices, other factors such as the rising costs of living and raising children have also emerged as contributors in recent decades. Fertility decline has also been enabled by widespread contraceptive availability since the early 1960s, which has allowed women to plan and adjust their childbearing, depending on their context and personal circumstances (Gray et al. 2022, p 9). The relative importance these factors play in individual fertility decision making is not easily determined.

These broad macro-level factors influence the paths taken by individuals and couples. For previous generations, marriage and childbearing occurred at younger ages and this was considered the beginning of adult life (Lesthaeghe 2014, p 18113). Nowadays, this sentiment is rare. Much more prominent is the idea that one needs to be properly set-up in terms of a career, job security, home ownership, relationship experience and personal identity before beginning a family (Boivin et al. 2018; Gray et al. 2022, p 33-37; Lesthaeghe 2014, p 18113). Not only may these expectations be higher than for previous generations but these goals may be harder to secure.

EDUCATION AND LABOUR FORCE

Female education levels and labour force participation have grown considerably over the past sixty years. Female rates of secondary and tertiary education now exceed those of males (ABS 2023a) and since 1966, the female labour force participation rate has climbed from 37 per cent to 63 per cent (ABS 2024a). Despite changes in women's workforce participation, women perform more unpaid work in the home than men, especially if they have children (Gray et al. 2022, p 35). This results in women, especially mothers, undertaking a "second shift" in the home in addition to work outside the home (Gray et al. 2022, p 33), discouraging them from having children or having more children.

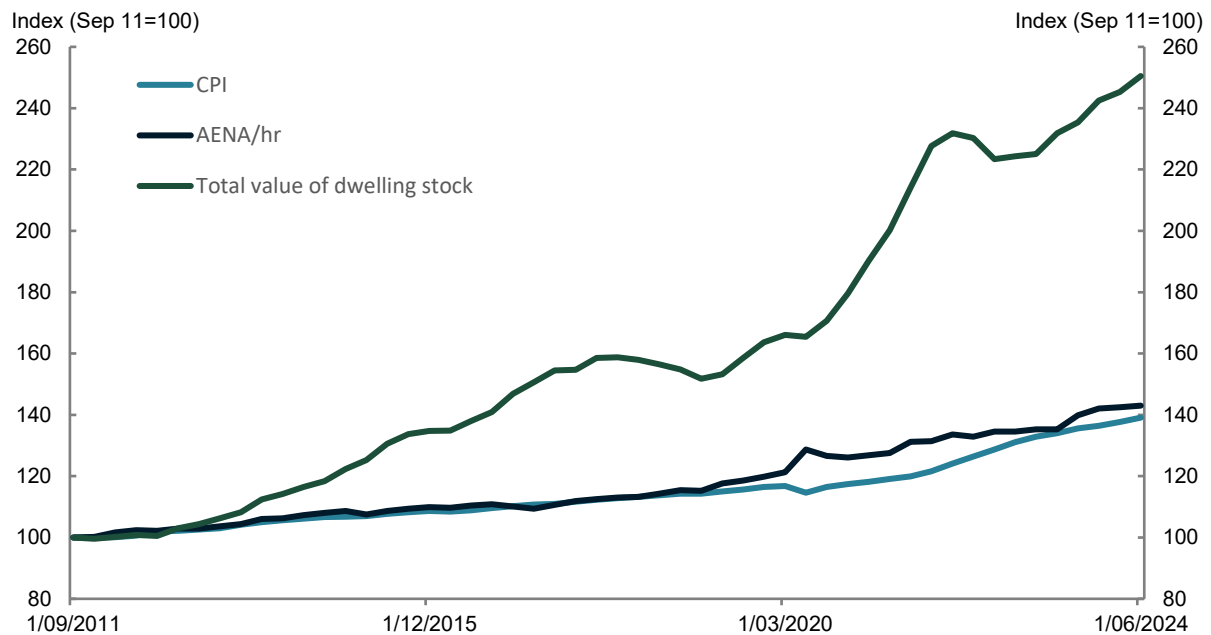
To be prepared for the implications of taking time out of the workforce to have a child, many women want to achieve financial and professional stability before having children (Gray et al. 2022, p 20). Building financial and professional security can take many years and could be influencing decisions to begin childbearing later in life. Further, these factors may cause them to limit the number of children they do have or, as discussed in a later section, forgo having children altogether. This is seen particularly for highly educated women, who have lower fertility rates than women with less education (Gray et al. 2022, p 32). Between 2011 and 2016 in Australia, women with a post-secondary qualification had their first child 3.5 years later and had 0.14 fewer children than women without a post-secondary qualification (McDonald & Moyle 2019).

Labour market conditions have also changed during this time. The labour market has experienced a decline in stable, low-skilled job opportunities, creating job insecurity particularly for younger adults (the Australian Government 2023, p 11, 49-50; Gray et al. 2022, p 24, 33). This causes young people to spend more time investing in their education and job experience and makes it economically riskier to have children at younger ages.

HOUSING AND COST OF LIVING

Home ownership among younger adults has become less common in recent decades but is still viewed as an important milestone before beginning a family (Gray et al. 2022, p 34). As seen in Chart 2, house values have increased substantially compared to wages since 2011. Higher housing costs make it increasingly difficult for young adults to achieve their homeownership goals prior to starting a family. This causes people to postpone childbearing until they are financially ready to purchase a property (Gray et al. 2022, p 34).

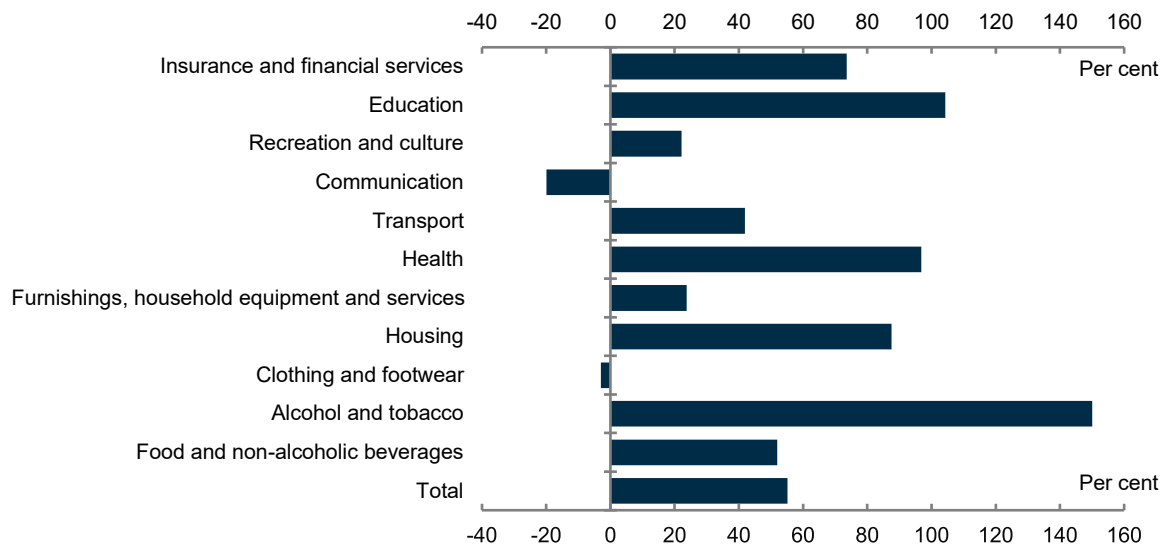
Chart 2. CHANGE IN HOUSE VALUES, AVERAGE WAGES PER HOUR AND INFLATION, SEPTEMBER 2011 – JUNE 2024



Source: Consumer Price Index (CPI), Average Earnings National Accounts (AENA), Total value of dwelling stock, Australia – Australian Bureau of Statistics (ABS).

The cost of living and cost of raising children is another factor impacting fertility decisions. As seen in Chart 3, living costs in Australia have increased by 55 per cent in employee households from 2007 to 2024 (ABS 2024c) and house values increased 150 per cent from 2011 to 2024 (ABS 2024b). Meanwhile, average wages per hour increased by 70 per cent from 2007 to 2024 (ABS 2024d). This increase is not consistent across all categories that make up the cost of living for families. Education, health and housing, which includes mortgages but not the purchase of new dwellings, are the categories most related to raising children and are among the most affected categories. Even when controlling for the increase in consumer prices, the costs of raising children have increased significantly over the past two decades (Gray et al. 2022, p. 30), which deters people from having children. In an Australian sample, 39 per cent of childless people considered the general cost of raising children to be a very important factor in their decision making around fertility (Gray et al. 2022, p. 30).

Chart 3. PERCENTAGE CHANGE IN COST OF LIVING INDEX IN EMPLOYEE HOUSEHOLDS BY CATEGORY, JUNE 2007 – MARCH 2024



Source: ABS 2024c

SOCIAL NORMS

In the social realm, social norms and values have changed. Individualism has become more prominent, with a focus on high-order needs such as self-expression, autonomy and fulfilment, which young adults pursue before becoming parents (Gray et al. 2022, p 36).

Similarly, secularisation has also occurred in Australia, affecting childbearing values (Gray et al. 2022, p 37). Patterns of partnering have also changed, with an increase in the prevalence of cohabitation, relationship dissolutions and lifelong singleness (Gray et al. 2022, p 37). Cohabitation is now widely used to trial a relationship before committing to marriage or childbearing (Gray et al. 2022, p 37), but is occurring later in life than marriages were for previous generations (McDonald 2020, p 15).

Social norms around parenting have changed too. Intensive parenting, which expects higher levels of money and time spent on active parenting than ever before, has become the norm (Gray et al. 2022, p 32). This means that prospective parents must make a careful trade-off between the number of children they choose to have and the amount of time and energy they want to dedicate to other opportunities.

These societal shifts have expanded the opportunities available to many people, causing them to pursue life paths that don't involve parenting. An increasing share of the population is not having children (AIFS 2023). In some cases, not having children is choice, because of the personal or career cost, or simply not wanting children. In other cases, it is not by choice, such as when people were unable to conceive after postponing having children to later in life (Dariotis 2004).

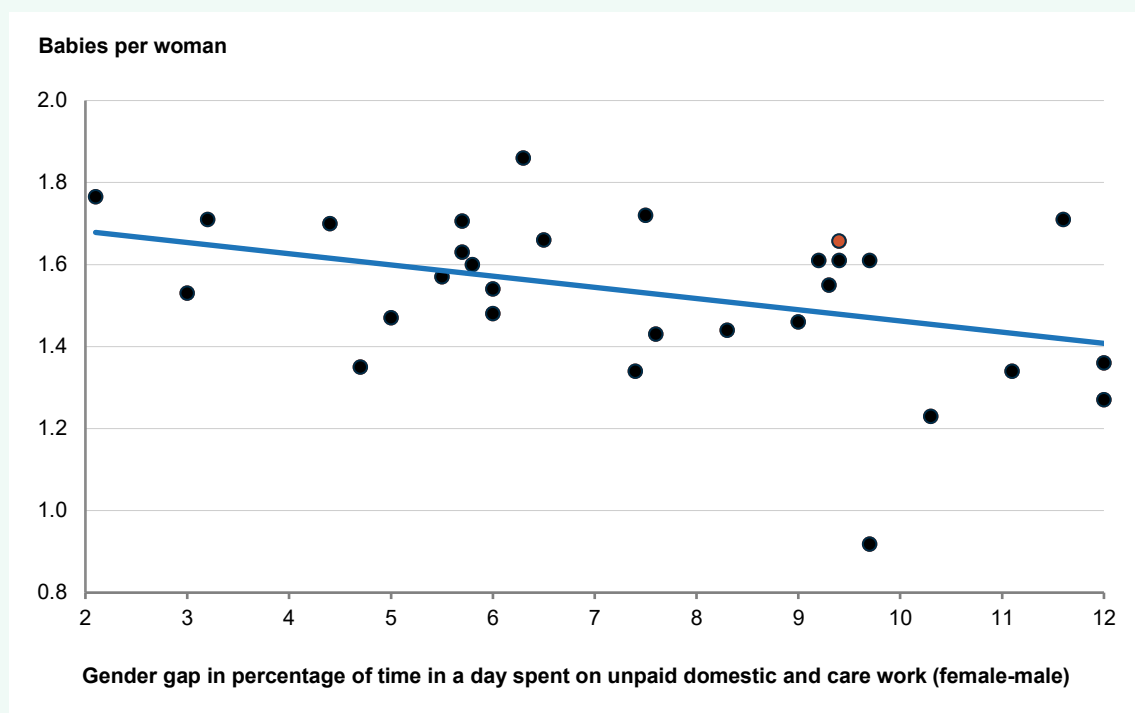
Box 1. DEEP DIVE: FERTILITY, FEMALE LABOUR FORCE PARTICIPATION, AND HOUSEHOLD DIVISION OF LABOUR

The relationship between low fertility and female labour force participation is a complex one. Shocks or policies that cause fertility to decline, such as restrictions on the number of children a family can have or limiting IVF to only single-embryo transfers, often also lead to increases in female labour force participation (Bhalotra, Clarke & Walther 2021, p 14, 19, 21-22, 25). In the other direction, it is well-established that female labour force participation is correlated with low fertility (Gray et al. 2022, p 32).

Accessible and affordable childcare is an enabler to supporting higher female labour force participation and higher fertility rates. In Sweden and Denmark, where female labour force participation is high and childcare is easily accessible, fertility is higher than countries with less accessible childcare.

In addition, a study of mostly European countries found fertility to be higher in countries with an equitable division of childcare and housework compared to those where this work disproportionately fell to women (Doepke et al. 2022). This trend can also be seen in Chart 4.

Chart 4. HOUSEHOLD DIVISION OF LABOUR AND TOTAL FERTILITY RATE IN SELECTED OECD COUNTRIES, 2019



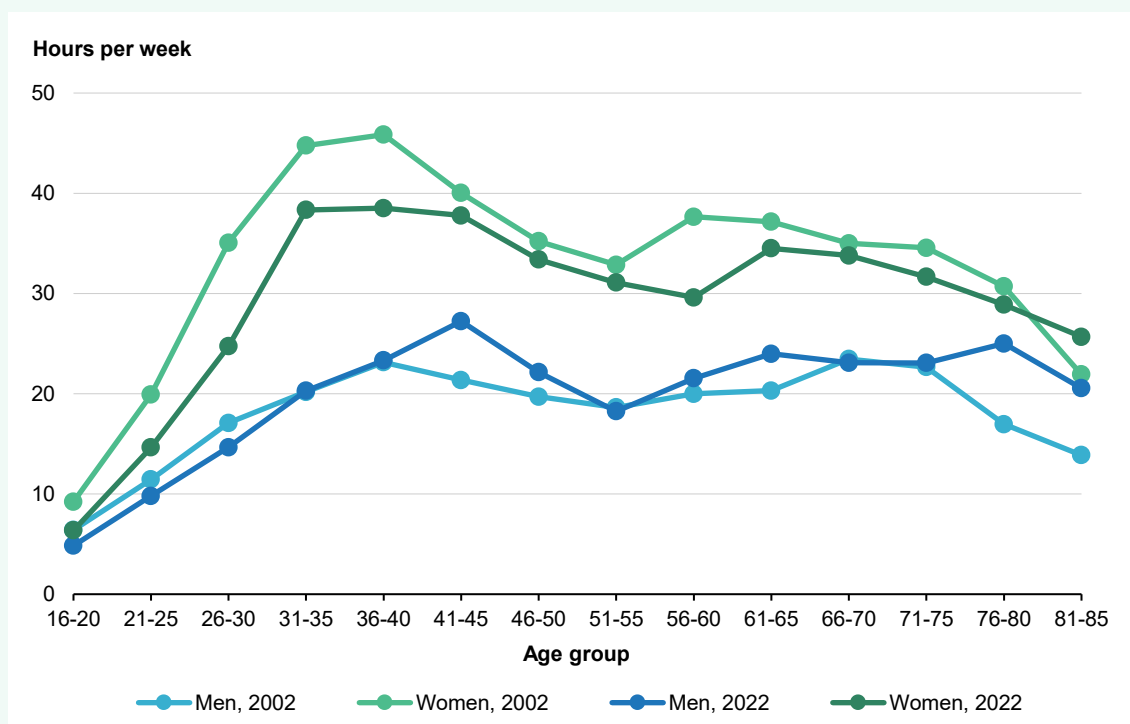
Source: UN 2022a & World Bank 2024

In Australia, the gender gap in unpaid care time and household labour has remained relatively steady over the past 20 years (HILDA 2022). These gaps show that women undertake a higher and disproportionate amount of unpaid care and household labour compared to men. This trend has continued over timeframes where women's labour force participation has increased, and the fertility rate has fallen. These outcomes are consistent with international literature that finds a potential response to balancing work and family obligations is to postpone or forgo childbearing (Gray et al. 2022, p 35).

BOX 1. CONTINUED

Policies that support a more equal division of unpaid care and household labour have the potential to positively affect fertility in Australia. Several studies have found that higher contributions of housework by men raise fertility intentions as well as fertility outcomes (Gray et al. 2022, p 35). Moving towards greater equality in unpaid care and household labour is challenging due to persistence in attitudes towards traditional gender roles. International studies indicate higher educational attainment is associated with more equitable division of home and family roles (Gray et al. 2022, p 35). Despite relatively good educational attainment levels, Australia continues to have a significant gap in the division of household labour and childcare.

Chart 5. HOURS PER WEEK SPENT ON UNPAID WORK AND CARING, BY AGE AND SEX, 2002 AND 2022



Source: HILDA Restricted Releases 2 and 22. Note: Includes all surveyed men and women, regardless of couple status of household type. Time use includes time spent caring for a relative, caring for own and others' children, domestic household work and errands, and outdoor domestic tasks

THE SECOND DEMOGRAPHIC TRANSITION

These fertility trends are not exclusive to Australia. They have also been occurring in other countries, in a phenomenon that demographers term the ‘second demographic transition’. The second demographic transition occurs as a population shifts from replacement level fertility (2.1 babies per woman) to sub replacement and declining fertility. Importantly, this change in fertility rates is accompanied by a diversification in family structures, particularly the uptake of cohabitation. Once this transition occurs, low fertility becomes sustained by society (Lesthaeghe 2014, p 18112-18113).

The second demographic transition occurred first in Northwestern Europe after the Second World War (Lesthaeghe 2014; Zaidi & Morgan 2023). Next, it occurred in the United States, Canada, Australia, New Zealand and Southern and Eastern Europe. It has more recently occurred in East Asia and Latin America (Lesthaeghe 2014).

Countries such as South Korea, Japan and Italy have experienced much larger declines in fertility (with TFRs of 0.8, 1.3 and 1.3, respectively; Human Fertility Database 2023) compared to Australia. This may be due to growing educational and labour force opportunities for women which, until recently, were coupled with limited workplace support for parents and a persistent unequal division of household labour between spouses (Tsuya 2022; UN 2015; Seo 2019). Births outside of marriage are rare and less socially acceptable in Japan and South Korea (Tsuya 2022; Seo 2019) and rates of singleness and childlessness are high (Tsuya 2022; Seo 2019).

LOW FERTILITY – WHERE NEXT?

Based on our research, it appears that low fertility will persist. Within the 38 OECD countries, the only countries with a fertility rate above 2.1 in 2011 were Israel, Mexico and Turkey. Ten years later, in 2021, Israel was the only country with a fertility rate above 2.1. Almost all OECD countries experienced fertility decline within this ten-year period (UN 2022b). The only exceptions were Eastern European states, Germany, Austria and Portugal, which generally had higher fertility rates to begin with. This supports the theory of the second demographic transition that once fertility is low, it remains low.

Many factors contributing to the fertility decline in Australia reflect strong societal change that is unlikely to revert to what it once was. For example, female labour force participation has increased steadily for decades and is projected to remain stable over the next 40 years (Department of the Treasury 2023, p 67). The rise in non-permanent work that occurred in the 1980s and 1990s and has remained stable (the Australian Government 2023, p 49).

Even if it were possible, addressing many of the macro-level factors in the fertility decline may come at the cost of more desirable social outcomes. For example, the social ramifications of limiting contraception availability would limit women’s choices to pursue opportunities, a crucial step in female empowerment.

Although many of the factors in low fertility, such as female labour force participation and contraceptive availability represent positive change in society, low fertility should not be considered as entirely positive for all women. Surveys consistently show that people are having fewer children than they intend to (Gray et al. 2022, p 4).

As seen in this analysis, the financial and career barriers to having children are a large part of the current low fertility story. Based on our research, policies that support working parents, encourage egalitarian division of household labour, alleviate the financial risk of having children and promote housing security could be effective in raising fertility to meet the desires of individuals. Noting the gap between fertility intentions and outcomes, policies that support people to have the family size and composition they aspire to should be prioritised.

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