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For Love or Money: Has Neoliberalism Impacted Fertility? A Historical Comparison

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FOR LOVE OR MONEY: HAS NEOLIBERALISM IMPACTED FERTILITY?
A HISTORICAL COMPARISON

by

Elizabeth Kiester

A thesis submitted in partial fulfillment
of the requirements for the degree

of

MASTER OF SCIENCE

in

Sociology

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ABSTRACT

For Love or Money: Has Neoliberalism Impacted Fertility?

A Historical Comparison

by

Elizabeth A. Kiester, Master of Science

Utah State University 2010

Major Professor: Dr. Christy Glass
Department: Sociology

Known as neoliberalism, an economic philosophy has spread throughout the world and may be contributing to total fertility rates that have fallen well below replacement value. I present two neoliberal mechanisms and how they may have driven total fertility rates around the world well below replacement levels and inhibited growth. These include increased social risks in the labor market as well as in the household. I then build a theoretical framework based on the social embeddedness of markets as conceived by Karl Polanyi and the concept of social risk as suggested by Richard Breen, suggesting that the unique combinations of speed and degree of adaptation can be broken into four ideal types. For each combination I indicate a unique hypothesis that indicates expected fertility patterns to emerge. Using the above mechanisms and framework, I use four historical case studies (Sweden, Germany, France and the UK) to represent each of the ideal models and test the validity of my theoretical framework and assertions. Finally, I draw conclusions regarding the impact of neoliberalism on fertility from these case

studies and present future implications of these findings as well as proposed future research.

(70 pages)

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Elizabeth Kiester

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CHAPTER I

INTRODUCTION

Over the past ten years, rather unexpected discussions over declining population due to stagnating, below replacement fertility levels in conjunction with rising life expectancies have been brought to the table. A few examples of these discussions include the conception of "lowest-low" fertility (Goldstein, Sobotka, and Jasilioniene 2009), the impact of depopulation on world economies (Fehr, Jokisch, and Kotlikoff 2008), the contribution of modernization on fertility and population sustainability (Riche 2004), and the "crisis status" of low fertility (Morgan 2003). While the transition from an agricultural to a manufacturing society brought about a predictable decline in fertility (as children were no longer considered labor assets) the invention, widespread use, and social acceptability of birth control also gave women a choice in family planning and reduced the number of unwanted births (Knodel and van de Walle 1979; Lesthaeghe 2010). Yet, few would argue that birth control itself directly reduces fertility levels, but rather, gives women a means for controlling the number of children which she feels capable of providing for-often based on economic circumstances (Axinn and Yabiku 2001).

As women are a key factor in fertility discussions, it is important to understand how structural mechanisms may affect the way they behave. The role of women has changed dramatically over the past 30 years. No longer can they be classified as "stay at home moms" or "business professionals." Instead, women are faced with juggling both titles. In 1975, 47% of women with children under the age of 18 worked outside the home. By 2008, that number had risen to 71% (Gibbs, Fitzpatrick, Ford, Van Dyke 2009).

In addition, what was once considered a matter of equal rights and opportunities has become a necessity for maintaining a middle class lifestyle. "There are now 3.3 million married couples in which the wife is the sole earner. That is 2.4 million *more* than in 1970" (Gibbs et al. 2009:29). It is thus unsurprising that the changing role of women in the labor market would impact the the family unit as well.

While existing fertility transition theories acknowledge the economic aspects associated with marriage and childbearing (Lesthaeghe 2010), I contend that a shift in economic philosophy pursued by developed nations starting in the late 1970s and early 1980s has played a significant role in altering age at first marriage, postponed childbearing, fertility decline, and most notably, below replacement total fertility rates-all trends found in the Second Demographic Transition (SDT) (Lesthaeghe 2010; Lesthaeghe and Neidert 2006). Known as neoliberalism, this economic philosophy has since spread throughout the world and may be a contributing factor in falling total fertility rates (TFR). Since the implementation of neoliberal policies in 1980, most advanced industrialized nations' TFR have fallen well below the replacement value of 2.1 while allowing for only modest fertility recuperation since. This paper asks how the rise of neoliberal policies in the 1980s may have impacted fertility rates. Specifically, I develop a theoretical framework that identifies two key mechanisms by which neoliberal reforms have impacted individual and household risk, thereby influencing fertility decisions. I then apply this theory to four empirical case studies that compare how the unique combinations of speed and degree of neoliberal policy adaptation impacts fertility. I intend to contribute to the current discussions on declining fertility levels by adding theoretical insight regarding the impact of macro economic policies regarding both the

labor market and the welfare state on fertility over the past thirty years. This research is significant in that it addresses the rising concern of negative population growth that occurs with stagnate below replacement fertility. Policy makers struggle to create effective policies that can promote the necessary fertility rates to support rapidly aging populations and weak national economies. This paper offers insight into the policy formation ideas that would provide both security and mitigate social risks faced by the individual and the household.

Economic changes instituted in the late 1970s and early 1980s have impacted the way in which the state interacts with the market as well as how the market impacts employer-employee relationships and have brought about the retrenchment of the welfare state. The impact of market influence, specifically on women's fertility decisions, has also become a subject of interest to sociologists, demographers, and economists alike. Particular topics pertaining to women's labor market participation and fertility include maternal benefits (Ellingsaeter 2009), unemployment and insecure labor contracts (Adsera 2004), female labor market behavior (McNown, Rajbhandary, and Cigno 2003), the wage penalty on motherhood (Budig and England 2001; Gangl and Ziefle 2009), and levels of female employment (Brewster and Rindfuss 2000; Gibbs et al. 2009; Romeu Gordo 2009).

In order to understand what impact neoliberalism may have had on fertility decisions over the past 30 years and how the current understanding of the SDT may not fully account for the impact of this economic philosophy, I first present existing theories of fertility decline and macro economic structures impacting women's labor market decisions. Next, I address the impact of neoliberalism on labor policies and the net

impact on labor security and declining social insurance. By doing so, I identify the mechanisms that may create downward pressure on fertility patterns. Thirdly, I build a theoretical framework based on the social embeddedness of markets by Karl Polanyi and the concept of social risk by Richard Breen. Based on this framework, I hypothesize that the speed and degree to which each country adapted to these neoliberal economic philosophies via policy changes will impact their fertility patterns differently. I then identify four ideal types of countries based on their unique speed and degree of neoliberal adaptation. Using the two primary mechanisms that impact fertility and four ideal models in which these mechanisms will operate, I present historical case studies of four countries,¹ each of which has been selected to represent one of the ideal models. Finally, I draw conclusions regarding the impact of neoliberalism on fertility from these case studies and present future implications of these findings.

¹ Sweden, Germany, France, and The United Kingdom

CHAPTER II

THEORETICAL FRAMEWORK

Theories of Fertility Decline

In 1986, Ron Lesthaeghe and Dirk van de Kaa coined the term *Second Demographic Transition* (SDT), suggesting that populations displaying certain demographic trends would experience a predictable decline in fertility behavior (van de Kaa 1987). These trends primarily focused on an increase in age at first marriage and the postponement of childbearing (Lesthaeghe 2010; van de Kaa 1987). They viewed the start of these trends in the 1950s, encompassing revolutions in contraception, sexuality, and gender. Each was perceived as a cultural shift. Fertility levels also began to decline in an apparent correlation with these culturally acceptable demographic changes. Figure 1² demonstrates the noticeable decline in total fertility rates in developed countries starting in the 1950s.

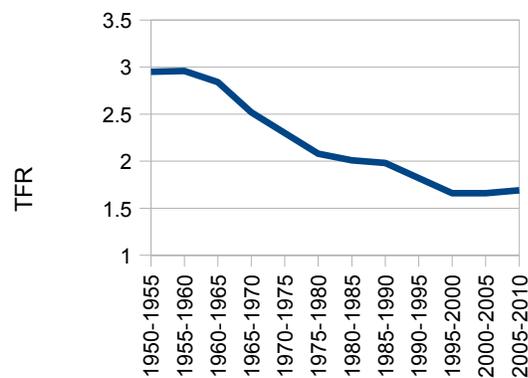


Figure 1. Total Fertility Rates in Developed Countries, 1950-2010

2 All TFR data is provided by the World Research Institute at earthtrends.wri.org and derived from the "Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat" in the *World Population Prospects: The 2006 Revision* (2007). I use 5 year intervals to mitigate year-to-year fluctuations based on local or environmental context. The 2005-2010 period is based on population estimates. I do not show the TFR range from 0-.99 as there is no activity.

I contend that while fertility was declining prior to the spread of neoliberalism, it is specifically neoliberal mechanisms that increase social risk and create a downward pressure on fertility. Such pressure has resulted in below replacement fertility in many countries around the world, reaching lowest low levels of 1.3 and below and with modest if any ability to recuperate.

In a contemporary revisitation of the original theory, Lesthaeghe (2010) examines both marriage trends and declining fertility levels around the world since the second half of the twentieth century. In doing so, he discusses his concern that fertility levels had reached lowest-low total fertility rate levels of 1.3 or below, that such low rates have been sustainable, and that so many countries would remain at below replacement fertility levels for such an extended period without signs of recuperation. Additionally he addresses critiques of the SDT as a European phenomena as he suggests similar trends can now be seen outside of Western Europe (Lesthaeghe 2010; Lesthaeghe and Neidert 2006). He notes the continuing trend of increasing age at marriage and postponement of childbearing around the world. He reiterates a correlation of fertility decline with increases in "individual autonomy," "higher-order needs," and the satisfaction of basic needs met through a welfare state (Lesthaeghe 2010:222). While this correlation appears sound, I will suggest a sub-narrative that there has been a change in state-market-employee relationships and welfare state retrenchment that have increased social risks for individuals and families which create a downward pressure on fertility. This pressure may impact the childbearing decision.

Lesthaeghe (2010) relates changes in female education and labor force participation to increased age at first marriage and postponement of childbearing as

indicators of these socially acceptable changes in culture. Other researchers critique this assumption of a cultural shift, and instead highlight ecological and structural demands that later may create the conditions amenable to a cultural change (Bryant 2007; Crenshaw, Christenson, and Oakley 2000; Mason 1997). I seek to expand on the importance of macro level state and economic structures and their influence on individual social risk in fertility outcomes. By doing so, I hope to expand on the structural mechanisms that have created a contemporary need out of trends found in SDT including postponement of marriage and childbearing due to increased time gaining education and building labor market and economic security.

John Bongaarts (2002) is also concerned with the sustained lowest-low fertility levels spreading throughout the world. Like Lesthaeghe, he focuses on the increased age of first marriage as well as the mean age of childbearing. Bongaarts (2002:427) examines childbearing intentions with completed fertility and finds that completed fertility falls short, citing "career preferences, marital disruption, celibacy, and infecundity" as explanatory factors. He then attributes differences in period and cohort fertility to the resulting tempo effects on total fertility rates. However, he minimizes ecological factors that may be contributing to women's delays in marriage and child bearing. The role of state and market institutions and risk mechanisms should not be overlooked as they may contribute to Bongaarts' explanatory factors.

The neoclassical *Economic Theory of Fertility* addresses the link between fertility and economic circumstances in a classical tradition (Becker and Barro 1988). This theory describes the altruism of parents towards their future children while weighing the utility of children along with economic factors including consumption, interest rates,

capital accumulation, and inheritance. Becker and Barro (1988) suggest that as long as current economic circumstances are beneficial, having children is a rational decision. The assumption of rational choice is inherently dangerous in that it dismisses free agency of individual actors. Additionally, Becker and Barro (1988) act as proponents of free market economics and fail to see the unintended consequences of their imperfections. This argument is controversial at best as markets are not always predictable, which I contend is also due to the absence of thought given to free agency. It would suggest that those with more money have more to offer and would have more children of which there is no evidence. Quite the contrary. Those with more money often have fewer children as to provide a higher quality of life for a few then spreading it out over many. Additionally, if this theory holds true, fertility rates would fluctuate with economic highs and lows. Yet historical trends show declining fertility over the past six decades. The theoretical approach I will suggest addresses these concerns by suggesting that there is a broad array of macro structural influences on fertility of which individuals and families will have to address when considering whether or not to have children, when, and how many. Becker (1992:187) does address the "price of children" and the role of the state in subsidizing (or in some instances taxing), he does not go far enough in addressing the choices individuals may have for minimizing that price or the way in which they accept or reject structural circumstances. While some instances may be considered rational and predictable by Becker and Barro's theory, others clearly may not.

John C. Caldwell (1997) provides a critique of fertility transition theorists by suggesting that observable declines were inevitable and could have been predicted. "Demographic pressure was intertwined with ideas, ideologies, and organized assistance

(Caldwell 1997:809). In other words, Caldwell is suggesting that declining fertility trends are man made even if they are considered unintended consequences. In a subsequent article Caldwell, Caldwell, and McDonald (2002) describe some contemporary concerns with low fertility. They first suggests that the number of women who wish to enter the labor market may still be rising which may contribute to the continuation of declining fertility trends. Second, they reiterate concerns about an aging population's reliance on taxation of the working population which appears to be shrinking. This concern also merges with concerns over ability to retire, retirement taxation, workforce structure and experience. Lastly, they foresee a possible increase in nationalism due to shrinking population size and power. This last issue would be of great concern if policy makers were to adopt a pro-migration stance to boost working age populations and address the above labor market concerns. In summary, Caldwell et al. (2002) suggest that "social changes are driven by economic [changes]" and also suggest that they may be interpreted and affect populations differently based on historical and cultural foundations.

Additional research indicates that macro level processes often influence micro level decisions. Berik, van der Meulen Rodgers, and Seguino (2009:2) specifically argue that "macroeconomic theory and policy should be constructed within the broader framework of human well-being" while Axinn and Yabiku (2001:1219) concur that there are empirical implications stemming from "social context as a determinant of individual behavior." Subsequent research then presents compelling arguments that levels of unemployment (Adsera 2004; Ellingsaeter 2009; Goldstein et al. 2009) availability of social security measures (Brewster and Rindfuss 2000; Crompton and Keown 2009;

Ellingsaeter 2009; Goldstein et al. 2009; Riche 2004), industrial shifts from manufacturing to services (Crenshaw et al. 2000; Kongar 2008; Stiglitz 2010), stagnation and inequality of wages (Budig and England 2001; Gangl and Ziefle 2009; Gibbs et al. 2009; Kongar 2008; Stiglitz 2010), demand for female labor (Berik et al. 2009; Boushey 2008; Crenshaw et al. 2000; Hartmann 2009; Kongar 2008), and percentage of workforce that is female (Adsera 2004; Brewster and Rindfuss 2000; Boushey 2008; Gibbs et al. 2009; Hartmann 2009; Oppenheimer 1994) all contribute to whether or not a woman is likely to consider having children and how many. Adsera (2004:19) conducts research that suggests "whenever employment is low and institutions easily accommodate the entry-exit of the labor market, fertility rates are around replacement rate." She also finds that labor markets play a key role in setting wages and employment security. Subsequent research provides compelling evidence that state-sponsored social insurance can positively correlate with replacement rate fertility levels (Ellingsaeter 2009).

I contend that individuals and families have opted to mitigate their own individual social risk in the contemporary labor market by decreasing or eliminating childbearing. This research fills an important gap in the existing literature by integrating labor market participation research with that of social insurance and welfare state research. It builds upon on the SDT by adding a more economic explanation for rising age at first marriage, age at first child birth, and increased education and labor force participation.

Existing research suggests that when it comes to the changes facing women in global labor markets, there is much to be said for the influence of the market-oriented policies of the 1980s and the retrenchment of the welfare state (Berik et al. 2009; Esping-Andersen 1999). Cuts in public services and welfare protections increased economic

insecurity and burdens of reproductive labor on women. These cuts reduced a woman's ability to hedge her social risks in a free market (Breen 1997). In both domestic and foreign firms, labor arrangements are becoming more flexible and informal (Berik et al. 2009; Kalleberg 2009; Krinsky 2007). These informal arrangements often leave women working long hours, without any benefits, and unprotected by national labor laws. "That part-time work is chosen by some workers as a means of achieving work-life balance does not imply women's preferences for part-time jobs, but rather the absence of alternatives to paid work given family responsibilities" (Gash 2008:658). The increasing demand for cheap, female labor creates a dilemma not only for women, but for the men who are unable to find jobs or wages sufficient to support a family in a traditional breadwinner role (Berik et al. 2009; Boushey 2008; Hartmann 2009; Kongar 2008; Oppenheimer 1994). Thus if fertility decisions are impacted at both the individual and household levels, then the labor market consequences for men and for women are likely to interact and create additional increase risk at the household level, thereby putting downward pressure on fertility. Due to the increasing risks facing both men and women, women's full time labor force participation is increasingly vital to household survival. Women must therefore work longer hours and have less flexibility to exit and re-enter the labor force due to the birth of a child. This means that, in the absence of publicly funded childcare, in order to have kids, households must be able to pay a full time caretaker. The viability of marriage has also been affected, as neoliberal economics appear to have created a situation in which raising children in a secure environment requires not only two parents, but two incomes (Warren and Tyagi 2003).

While other scholars have identified a variety of macro-level factors that influence

fertility, no previous study that I am aware of has fully explored the impact of neoliberalism—specifically the market and state-based arrangements that have increased household risk thereby creating downward pressure on fertility. Previous research indicates that each of these areas has been altered since the globalization of markets and the spread of this economic philosophy (Esping-Andersen 1999). However, existing research is either focused on the impact of market structures or pronatalist and gender-egalitarian policies on fertility trends. This paper contends that both areas are equally important in influencing fertility decisions. By desegregating this research, I hope to help identify contributing mechanisms that dually influence the rising trend developing over the past thirty years of below replacement fertility. Additionally, I seek to contribute to the conversation of the SDT and the economic forces that help foster an environment conducive to cultural change.

The Neoliberal Impact on State and Social Policy

Neoliberalism was the brain child of Milton Friedman, winner of the 1976 Nobel Memorial Prize in Economic Sciences (Friedman, M. 1982). This ethos espoused free markets, increased privatization of the public sector, deregulation of the labor market, and fiscal responsibility, where the role of the state should be limited to guaranteeing private property rights and enforcing contracts between individuals (Harvey 2005; Huber and Stephens 2001; Starke 2008). Changes began at a national level but were quickly encouraged and adopted at the corporate level.

Friedman's economic philosophy was ushered in to the 1980s by Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom. It was felt that free

markets were the best mechanisms for generating growth, development, and innovation, which were most often measured by gross domestic product (GDP) (Harvey 2005; Huber and Stephens 2001; Starke 2008; Stiglitz 2010). In order to allow the markets to maximize potential, many industries saw a weakening of regulations (Berik et al. 2009; Stiglitz 2010). Examples of deregulation include reductions in banking oversight, decreased import safety inspection, and reductions in workforce protections. In addition, social insurance was minimized or eliminated to meet the goals of modest government spending, balanced budgets, and reduced national deficits (Huber and Stephens 2001; Starke 2008). Neoliberal economists also felt that minimizing public sector competition with the private sector would increase options and decrease costs to the consumers. Moderate economists would later suggest that the combination of deregulation and reduction of social insurance left individuals at the mercy of the free market race to increase GDP (Stiglitz 2010).

With the aid of technological advancements in transportation and communications and the destruction of the Berlin Wall in 1989, neoliberalism spread rapidly throughout the globe (Friedman, T. 2008; 2000) and influenced the social organization of families (Axinn and Yabiku 2001; Esping-Andersen 1999). Improved transportation and communication abilities along with population growth brought about an increased division of labor within society which also extended to the creation of non-family institutions to organize care activities (Axinn and Yabiku 2001). These new institutions sought to aid in reproductive responsibilities but therein reorganized the way in which families were organized. In order to maintain international competitiveness, national corporations eliminated social benefits to their employees. Companies including General

Electric, Merck, and Chiquita eliminated pension benefits and pensions as well as health care plans during "corporate mergers" (Schultz 2000). Labor force flexibility became key and accomplished in several ways. Employers maintained flexibility through short term contracts and part time work, often referred to as "precarious work" (Kalleberg 2009:2; Krinsky 2007). This type of work is characterized by the risky relationships formed between employers and employees. There has also been a decline in attachment to a single employer, an increase in long-term spells of unemployment, increased perceptions of job insecurity, and growth of nonstandard work in an informal economy (Kalleberg 2009).

During the 1980s and 1990s there was also a massive industrial shift as a response to the lifting of spatial limits around the globe (Friedman, T. 2000; Kongar 2008; Stiglitz 2010; Tilly and Tilly 1994). Manufacturing fled the developed nations and rapidly expanding service markets for developing nations with a surplus of low-skilled, low-wage and often female labor force (Adsera 2004; Berik et al. 2009; Brewster and Rindfuss 2000; Budig and England 2001; Crenshaw et al. 2000; Gibbs et al. 2009; Hartmann 2009; Konger 2008). In its place came the growth of the service industry (Esping-Andersen 1999). The consequences of this industry shift have been "mass unemployment and stagnant earnings" (Esping-Andersen 1999:13). Women's labor force participation was also on the rise as men's jobs were disappearing and wages were shrinking. As mobility spread, so did inequality. Wages were driven down globally and across industries (Gangl and Ziefle 2009; Gibbs et al. 2009; Kongar 2008; Stiglitz 2010). The highly skilled manufacturing jobs were disappearing and being replaced with low-skill, low-wage and often female-centric jobs.

The Social Embeddedness of Markets

While writing 30 years prior to the implementation of neoliberalism, Karl Polanyi (1944) warned of the social dislocation and mass inequality that would arise if market systems were disembedded from society. These dislocations included unemployment, homelessness, poverty, and an insecure malaise. He described the political and economic changes brought upon the world by the Industrial Revolution and viewed the ideology of a self-regulating free market as flawed and historically failed. These flaws included massive social dislocations that could only be prevented by government intervention. In addition, he hypothesized that the pace of change and development greatly affect the severity of social consequences – consequences that primarily impacted those most marginalized in society. Speed and dislocation were positively correlated, as communities and markets had little time to adapt to changing market demands and population pressures. Polanyi (1944:39) hypothesized that "the rate of change is often of no less importance than the direction of change itself." Contemporary authors would reflect on this same time frame and view the same free market failures, only to be dismayed as market failures continued to occur cyclically-most recently on a global level in 2008 (Krugman 2009; Stiglitz 2010).

Polanyi (1944) also introduced the concept of embeddedness -- that market economies were inherently social due to the commodification of human labor. Additionally, he argues that markets are socially constructed and depend upon social and cultural processes including trust, reciprocity, and shared understandings. "The economic system is . . . a mere function of social organization" (Polanyi 1944:52). Hence, Polanyi

is critiquing market liberalism for its ideological practices that attempt to disembed the market from said social processes which then lead to the consequences of social dislocation. These consequences included physical dislocation from homes and jobs, mass unemployment, hunger, and poverty but also the intangible consequences of insecurity and fear as generated by reliance on an unpredictable and unforgiving free market system. While both the tangible and intangible consequences would seem to place downward pressure on fertility, I am primarily concerned with the insecurity and risk that can be generated when markets are disembedded from society. Additionally, I borrow Polanyi's notion that markets are not inherently evil but can function successfully when boundaries that prevent social dislocations are set up and enforced by the state as "regulation and markets grew up together" (Polanyi 1944:71).

Hedging Risk in Society

Richard Breen (1997) presents the social consequences that may occur from an unregulated, free market in a more contemporary setting with a unique analysis of the concept of risk in society. The process of transferring social risk for an individual is one in which a person holds proxy in a larger group either through reciprocity or payment, and from which they may seek redistribution. This is often done through the family, but can also be achieved through state intervention. The rise of the welfare state in the mid 1960s through the 1970s was an attempt by advanced democracies to promote equality, security, and employment opportunities for all citizens. The creation of these elaborate safety nets also mitigated social risks. Examples included food aid, child and health care subsidies, and unemployment distributions. Breen (1997) then suggests that individuals

now bear the primary burden whereas previous generations had a shared commitment to invest in society as a whole, thus sharing risk.

When markets are socially disembedded as feared by Polanyi, Breen (1997) finds the family to be the number one resource for hedging social risk. He is therefore primarily concerned when familial intervention is no longer adequate. Examples include the rise of single-parent families, the inability of the traditional male breadwinner family model to provide enough resources, as well as the overall stagnation and decline in wages over the past 30 years. Each example poses a change in family structure as well as increasing economic insecurity. Secondly, he is concerned with the elimination of state intervention and social insurance and the deregulation of market institutions that would mitigate social risk. When individuals are forced to turn to the private market for basic needs such as child care, education, or health care, a monthly payment is required, thus creating a reliance on the labor market for not only payment in the form of wages but for affordable services as well. In addition, the reduction or elimination of state-sponsored social insurance programs including food aid, supplemental daycare and healthcare stipends, and unemployment or Social Security wages also increases dependence upon the private market not only for wages but for costly services.

The volatility of a flexible and global market can also cause insecurity (Esping-Andersen 1999; Polanyi 1944). Additionally, insecurity arises from things commonly associated with neoliberalism including flexibility, short-term contracts, and a rise in part-time labor. Therefore, workers cannot be truly decommodified from labor until they can opt out of work when necessary without fear of repercussion while also maintaining the ability to re-enter the workforce when desired. This can include paid sick or

maternity leave and access to health benefits that could prevent economic hardship. The elimination of labor market repercussions through adequate social insurance could prevent the social dislocation, insecurity, and fear associated with a free market system (Esping-Andersen 1990; Polanyi 1944).

Breen (1997) also finds that this shift in the burden of risk has not only impacted the individual by way of the family, but through the welfare state and the state-market-employee relationship. Examples include the current globalization of free markets which has encouraged and made possible the increased de-regulation, privatization, short-term contracts, part-time labor, and general work force flexibility (Kalleberg 2009; Krinsky 2007). Each of these labor market changes has shifted the burden of risk away from the employer as a cost-saving mechanism and onto the individual employee (Esping-Andersen 1999).

CHAPTER III

RESEARCH AND METHODS

The Neoliberal Impact on Fertility

The neoliberal philosophy can be thus broken down into two categories: the change in state-market-employee relationships and the retrenchment of the welfare state. Both of these outcomes have increased household social risk—first through the individual and secondly through the household unit. Within each of these areas, a mechanism can be found with which to measure the implementation and outcomes of said policy decisions. State-market-employee relationships are no longer about security and protection. Rather, the state has opted out of the market via deregulation and privatization of national industries while the flexibility businesses perceive as necessary to remain competitive in a fast-paced global economy has increased the level of market risk an employee assumes when entering into a labor contract (Esping-Andersen 1999). In a European study of labor market practices, Burgoon and Dekker (2010) found that part-time and temporary work increase labor market risk as well as subjective employment and income insecurities. Giesecke and Grob (2004) also discover the existence of a wage penalty and barrier to permanent, full-time employment present in temporary and fixed-term contracts.

For women, this increased risk diminishes the likelihood that she will choose childbearing over the labor market (Gash 2008). Additionally, the decrease in wages that accompany the shift from industrial to service labor and the rapidly expanding labor pool around the world have also created higher levels of insecurity and inability to financially

provide for a child once the woman has left the workplace, even if only temporarily. I contend that the mechanism by which the impact of these state-market-employee relationship changes can be measured is the aforementioned increased labor market risk. Operationalizing the labor market risk mechanism includes the increased risk that accompanies market liberalization, privatization, and deregulation. Additional risks occur with high levels of unemployment, part-time employment, contractual and self-employment, insufficient wages as well as the retrenchment of government in dealing with labor security and social insurance issues.

To compound this risk, the retrenchment of the welfare state brought about diminished aid for society as a whole (Esping-Andersen 1999). I utilize the definition of welfare state retrenchment as provided by Peter Starke (2008:13): "a political decision to reduce the level of social protection guaranteed by the state." With state level reductions, the household unit became the primary source for minimizing against risk. This concept is also known as "familial welfare regime" in that the way social risk is distributed between states, markets, and families "makes a huge difference" (Esping-Andersen 1999:36). There was also a reduction of employee benefits that accompany decreased spending at both the national and corporate levels, each of which creates a higher burden for both individuals and families, thereby also decreasing the likelihood of choosing to have children. I also contend that the retrenchment of the welfare state and the shrinking role of government in societal protection can best be measured through the mechanism of increased household risk. Operationalizing the household risk mechanism includes two types of benefits: those that protect the individual worker and those that protect the family as a household unit with specific emphasis towards children. Examples of work-

related social insurance include unemployment, pension, and maternity benefits. Household-related social insurance examples include the availability of publicly subsidized or universal health and child care. Areas of maternity and healthcare may have some overlapping functions pertaining to both individual workers as well as household units. Figure 2 demonstrates the duality of increased labor market risk and increased household risk resulting in the downward pressure being placed on fertility.

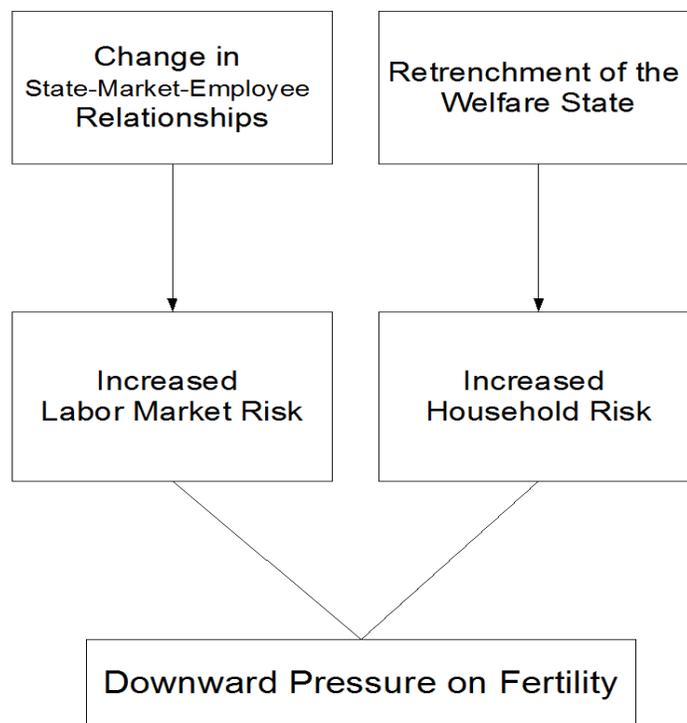


Figure 2. The Neoliberal Impact on Fertility

Four Ideal Types of Neoliberal Adaptation

Using Polanyi's insight that both the speed and degree of structural changes impact society, I hypothesize that the same is true with regard to the downward pressure

of neoliberal mechanisms on fertility. The unique combinations of speed and degree of adaptation to neoliberalism can be broken into four ideal types. For each combination I suggest a unique hypothesis that indicates expected fertility patterns to emerge when applied to case studies. Figure 3 reflects each of the ideal cases to be examined.

Speed is a crucial element and can affect the way in which a society adapts to a structural change. The more rapid the change, the more dramatic the impact as people adjust to new expectations, limits, and benefits. Polanyi (1944) used the example of migration during the Industrial Revolution as masses of agrarian workers moved to urban centers looking for work. However, due to the speed of this migration, neither the job market nor the housing market could keep up with the demand. Countries making a rapid change to market liberalization, increasing service sector, vanishing industrial markets, and welfare retrenchment will see the most dramatic drops in fertility, even if only temporarily due to postponement.

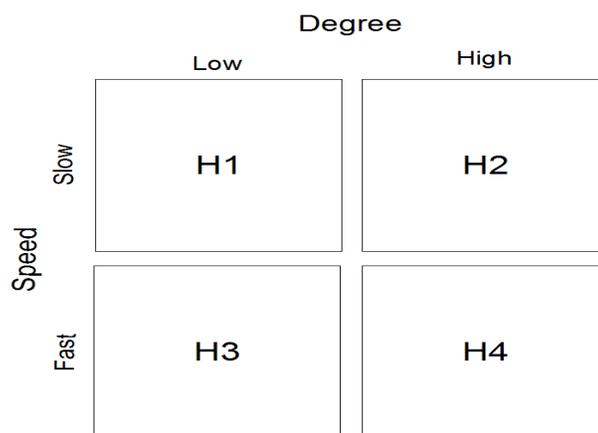


Figure 3. Ideal Types of Neoliberal Adaptation

Degree will also impact fertility due to the nature and austerity of these economic changes. Countries adopting and implementing a high degree of neoliberalism will be altering the state's contract with its citizens thereby changing the structure, security, and expectations with which people provide for themselves and their families. Below I provide four hypotheses based on the four unique combinations of speed and degree of neoliberal adaptation.

H1: *Slow* adaptation and a *low* degree of degree of neoliberalism will continue fertility decline but at a modest pace and will allow for quicker recuperation to replacement levels. The slow pace allows ample time to accommodate a low level of structural change. In addition, as national or global economic circumstances change, fertility rates may adjust themselves accordingly.

H2: *Slow* adaptation and a *high* degree of neoliberalism will continue any existing fertility decline at a modest pace and will sustain below replacement fertility levels with modest recovery. The slow pace allows time to adapt to structural changes. However, the severity and nature of those changes may impede fertility levels to return to replacement levels.

H3: *Fast* adaptation and a *low* degree of neoliberalism will accelerate the downward trend initially, but allow for a quicker return to replacement levels. The fast adaptation to structural changes may cause an initially sharp decline in fertility, if only due to postponement, while a low level of adaptation would be a less dramatic change and allow fertility rates to recover.

H4: *Fast* adaptation and a *high* degree of neoliberalism will accelerate the downward trend and allow only modest, if any, upward trend toward replacement levels.

These would be the countries that are most likely to have sustainable lowest-low fertility due to the shock of severe changes in such a short time frame.

A Historical Comparison

In order to begin testing both the neoliberal mechanisms of downward pressure on fertility and the impact of speed and degree of adaptation, I present a historical comparative of empirical policy decisions made starting in the late 1970s and early 1980s to the present. I use this time frame based on Friedman's 1976 Nobel Prize in conjunction with the 1980 elections of neoliberalism's two biggest proponents: Thatcher and Reagan.

Using the four ideal conditions in the model presented above, I identify four case studies as candidates to test each hypothesis. So as to minimize geographical and cultural noise, I have selected four cases within Western Europe. I will address the applicability to other countries in the findings section. After an extensive review of European history and policy research, I was able to select four countries as representative of the four ideal types presented in the model above. These selections were based not only on saturation within the research, but confirmed theoretical framework research as well (Esping-Andersen 1999; Huber and Stephens 2001). Each country has been selected based on how well it fits the speed and degree criteria. In addition, each case study represents a country with democratic values as is often necessary for allowing women control over reproductive issues as well as controlling for some political and cultural similarities.

In order to understand the speed and degree of adaptation to neoliberalism, I conduct a comparison of changes made, starting in 1980 to the present, in each country

based on the two prior mechanisms that apply downward pressure to fertility: labor market risk and household risk. Finally, I analyze the fertility patterns in each country during the period of neoliberal policy reform to analyze whether and how neoliberal policies contributed to observed fertility trends. All TFR data is provided by the World Research Institute at earthtrends.wri.org and derived from the Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat located in the World Population Prospects: The 2006 Revision (2007).

Sweden will serve as a test case for H1. Previous research concurs that it is a prototypical case for examining social democracies (Esping-Andersen 1999; Huber and Stephens 2001; Starke 2008). In addition, having one of the most universally guaranteed social insurance systems would also leave this country highly exposed to risk under the adoption of neoliberal policies. Sweden also has a history of expanding programs, especially those that benefit women's equality, at the same time other European countries are shrinking similar programs. Sweden was able to escape the recession of 1991-1992 with modest social insurance cuts, many of which were restored by the end of the decade (Bonoli and Emmenegger 2010; Huber and Stephens 2001; Starke 2008). In addition, the state chose to preserve the policies that most directly impacted the female labor market and working families while deregulating and liberalizing their markets to be competitive with the rest of the world (Bonoli and Emmenegger 2010; Huber and Stephens 2001; Starke 2008). Generally speaking, policy adaptations to the neoliberal ethos were modest, occurred over a long period of time, and in many cases, were fully reversed.

Germany presents the ideal case for testing H2. Dually referred to as a "Christian democracy" (Huber and Stephens 2001:35) or a "conservative welfare regime (Esping-

Andersen 1999:81), social insurance policies have always played a key role in the government contract with its citizens. However, the direct impact of economically absorbing Eastern Germany, along with the global integration of its markets after the fall of Communism, promoted the adoption of strict austerity measures (Huber and Stephens 2001; Prasad 2006). Starke (2008:158) considers Germany one of the "pioneers of welfare state retrenchment", starting as early as 1975. Over the next 10 years, cuts were made in a broad spectrum of policy areas including pension index adjustments, unemployment insurance reductions, child benefits, social assistance, and housing (Starke 2008). At the same time, employee and employer contributions to social insurance programs rose from 26.5% to 41.2% (Starke 2008). Germany resisted political backlash by creating implementation delays and reducing benefits across the spectrum rather than specifically targeting entire programs. While women's labor force participation rose to 64% by 1994, gender-egalitarian policies were modest at best (Huber and Stephens 2001). Lack of child care essentially forced mothers out of the labor force and into the realm of unemployed. Meanwhile, family policies upheld the traditional "male-breadwinner model" (Fagnani 2002: 111). These policies also increased women's dependence on wage earning husbands. Even for highly skilled professional women, the cost of working while children are young often outweighs the cost of dropping out of the labor force. The severity of policy changes within both the labor market and welfare state were high and widespread but occurred over an extended period of time.

France, having adopted a low level of neoliberalism similar to Sweden while rapidly trying to keep up with the growing global market as did the United Kingdom, is the third selection and used for examining the validity of H3. The "statist" approach to

capitalism pursued by France suggests there is something unique about their approach to contemporary economic demands (Schmidt 2003:526). Deregulation of the labor market included increased flexibility in hiring and firing and performance-scaled pay (Schmidt 2003). France was also able to maintain a hands-on role in business via state-led policies on labor, education, and social insurance. Social insurance changes between 1980 and 2000 look quite different than Sweden or Germany. Taxes were raised, individual contributions were increased, active labor market policies (ALMP) were created, and eligibility requirements were tightened (Swank 2002). The state also began to play an active role in community-funded day care centers, family allowances, and support for the long-term unemployed. Generally speaking, changes in the labor market and the retrenchment of the welfare state have been modest but swift.

The United Kingdom presents the final example and will be used to test H4. As one of the two primary proponents of neoliberalism, the "liberal market" (Schmidt 2003:526) or liberal welfare regime (Esping-Andersen 1999) policy changes in the UK highlight one of the most dramatic shifts in the world and the most dramatic shift in Europe (Starke 2008). Within three years of taking office, Thatcher implemented severe austerity measures known as "the big bang" that slashed everything from health care to education to housing subsidies (Schmidt 2003). Additional changes included deregulating businesses, eliminating state regulatory agencies, contracting private regulatory agencies, and increasing employers' ability to hire and fire (Schmidt 2003). Through a series of tax breaks and educational campaigns, private investment in the open market or a corporate account was encouraged, placing more risk and responsibility on the individual (Kus 2006). Generally speaking, the UK is last in "employment

protection, length of worker employment, and provision of vocational training" (Schmidt 2003:543-44). The degree of adaptation was as severe as in Germany with periods of extremely fast implementation of these changes.

CHAPTER IV

FINDINGS AND ANALYSIS

Sweden

Overview

Sweden represents an ideal country that experienced low levels of neoliberal adaptation at a slow pace. Based on the ideal types of neoliberal adaptation, I would anticipate finding continuation of trends, relative recovery without dramatic declines, and the absence of lowest low fertility periods.

By the 1990s it became clear that the global market was rapidly expanding and Sweden would have to adapt. Unemployment rose above 8%, economic growth turned negative, and the Swedish krona was devalued due to international interest rates and to attract foreign investment and remain competitive within their industries (Starke 2008). Such policy decisions are consistent with the market liberalization associated with neoliberalism as an attempt to increase capital flow. In Sweden, welfare models tend to focus individuals as the main recipient of social insurance, and its labor market strategy includes a strong public sector (DiPrete, Goux, Maurin, and Tablin 2001). The state limits the demands of employers with gender-egalitarian parental leave rights that encourage men and women to aid in childcare (Warren, Pascall, and Fox 2010).

Increased Labor Market Risk

Labor market relationships in Sweden have changed in a number of ways. The massive social services public sector was opened up to private vendors albeit under strict

government regulation (Huber and Stephens 2001). This not only increased competition but provided consumers with more choice and more control over the services they received. There was also an increase public sector growth which was primarily filled with women seeking to enter the labor market (Rosen 1996). These jobs were meant to fill employment needs while also expanding social insurance services. Conservative party members also sought tax reductions and budget austerity that would eventually lead to modest cutbacks in social insurance (Merriman 2010). However, raises in employee contributions and market incentives to remain employed helped mitigate social insurance reductions.

In order to compete in the global labor market, employers demanded deregulation of labor laws and cited the need for flexibility to quickly move with unanticipated economic cycles. Swedish employers implemented the use of fixed-term contracts (FTC) as did many other European nations. These FTC allowed businesses greater flexibility in hiring and firing practices as well as needed flexibility to cope with cycles of high demand and seasonality (DiPrete et al. 2001). Bonoli and Emmenegger (2010:830) use the term "flexicurity" to describe a state that seeks to provide labor market flexibility while providing security to employees. They cite Sweden as an effective implementor of this model by providing flexible labor contracts while securing generous unemployment benefits in conjunction with ALMP which emphasize full employment practices (Bonoli and Emmenegger 2010). Research suggests that increased labor market risk was incurred as the Swedish labor market was subjected to market liberalization, privatization, and FTC. However, the continued regulation by the state and ALMP sought to mitigate these risks.

Increased Household Risk

Sweden has a unique combination of high fertility and high rates of female labor market participation among advanced countries (Rosen 1996). When it comes to the retrenchment of the welfare state in Sweden, what may seem severe locally is still significantly more comprehensive than anywhere else in the world outside of Scandinavia. Heading into the 1980s with what was considered universal coverage in unemployment and health related benefits, unemployment rates remained between 1-3% until the start of the 1990s (Huber and Stephens 2001). Additionally, the late 1980s saw the expansion of "gender-egalitarian policies" including parental leave, public daycare, paid sick leave, and paid vacation time (Huber and Stephens 2001:243).

While the rest of world started reducing social insurance in the 1980s, Sweden responded as if the market changes were cyclical and would soon self-correct. Sick pay was reduced from 90% to 80% as was unemployment insurance (Starke 2008). Pension indexes were also reduced. Temporary cuts were made in parental benefits and child allowances in 1995-97 but fully restored by 1998 (Duvander and Andersson 2006; Starke 2008). In general, Sweden protected the household from increased risk via short-term retraction of social benefits and promotion and protection of gender-egalitarian policies.

Fertility Trends

The impact of neoliberalism on total fertility rates generally supports the above assertions. Increased household risk can be evidenced by the decline in social insurance when sick leave, unemployment pay, and parental benefit are cutback which then appear to adversely impact fertility rates (Duvander and Andersson 2006). The most noticeable

decline comes during the period of high unemployment and welfare state retrenchment as these two mechanisms merge together. Yet we start to see recovery by the end of the decade after flexicurity practices including ALMP were implemented, household benefits were reinstated, and the security provided by expected levels of social insurance were restored. See Figure 4.³ Overall, Sweden's ability to recover from a fertility decline appears to support H1 due to the low adaptation of neoliberalism. The slow speed at which they adapted appears to mitigate sharp declines with the exception of the mid 1990s when the most radical changes were implemented and then repealed, thus correlating with the most dramatic fertility decline and recovery in this 35-year time frame. Sweden appears to have effectively mitigated increases in labor market and household risk with its use of state regulation, ALMP, and strong social benefits and gender egalitarian policies. Families have thus had minimal downward pressure on fertility decisions from the adaptation of neoliberal policies.

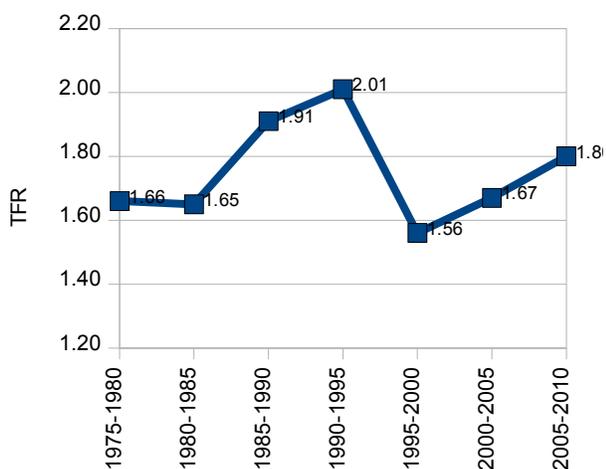


Figure 4. Sweden, 1975-2010, Total Fertility Rates

³ In order to highlight the changes occurring within each country, I do not show the TFR range from 0-1.19 as there is no activity. Instead, I focus on a range that is inclusive of lowest-low fertility at 1.3 and replacement fertility at 2.1.

Germany

Overview

Germany represents an ideal country that experienced high levels of neoliberal adaptation at a slow pace. Based on the ideal types of neoliberal adaptation, I would anticipate finding modest yet persistent decline, only possible recovery, and periods of lowest low fertility.

In Germany, strict dismissal regulations were an important source of labor market protection with public employees granted life-long employment (Giesecke and Grob 2004). General social assistance and unemployment insurance were merged into one benefit, effectively decreasing income benefits (Clasen and Clegg 2004). This new all-encompassing benefit also reduced eligibility duration from 32 to 12 months. Previous studies suggest that wages and unemployment have been negatively impacted by changes in labor market relationships.

Increased Labor Market Risks

The liberalization of financial markets started in in Germany in 1995 as well as the privatization of state owned businesses (Schmidt 2003). German employers fought for privatization of social services, benefit reductions, and limits to income redistribution based on the need to compete internationally (Swank 2002). FTC accounted for 8% of total employment in Germany by 2000 (Gash and McGinnity 2007). However, Germany had strong collective bargaining institutions including both traditional trade unions to address wage issues and work councils to address non-wage conditions including overtime and nonstandard employment contracting (Burgoon and Raess 2009). In 2001,

63% of employees were covered by unions and in 2003, 53% were covered by work councils (Burgoon and Raess 2009).

Giesecke and Grob (2004) conducted a study specifically looking at the impact of precarious labor market relationships in the form of temporary employment. Throughout the 1980s and 1990s this type of employment was on the rise. Findings indicate that men in temporary jobs earn 18% less than men in permanent jobs while women earn 10% less than their permanent counterparts (Giesecke and Grob 2004). These wage gaps only increase in public sector temporary employment where it is used more often and where permanent positions are heavily protected and insured. The other significant correlation discovered in this study is the interrelated nature of past and future employment with currently holding a temporary position. If a person, regardless of gender, has previously been unemployed, they have an increased probability of currently holding a temporary job (Giesecke and Grob 2004). Additionally, there is a significant probability that they will become unemployed again once the temporary job has ended rather than moving on to a permanent position. Both the likelihood of currently holding a temporary job due to previous unemployment and becoming unemployed again after temporary employment has ended are magnified by multiple periods of unemployment and having held multiple temporary jobs (Giesecke and Grob 2004). This pattern creates a "chain of uncertainty" for workers in the German labor market (Giesecke and Grob 2004:376). The implementation of neoliberal policies that allowed the increased use of temporary employees and FTC increased risk and shifted the burden or risk onto individual workers.

The role of women in the labor market has been an adjustment from non-employment to part-time employment. Wage research suggests that "changes in

employment patterns" and "relative earnings positions" still leave women disadvantaged and discriminated against (Eberharter 2003:527). This environment only restricts a woman's ability to work for pay while reinforcing her non-paid role in the home. Additionally, women with higher education often find themselves restricted to temporary jobs and the inequalities that inherently accompany those positions (Giesecke and Grob 2004). Thus, as child bearers and primary caregivers, women find that they are dually subjected to increased risk at both the individual and household level, impacting fertility decisions.

In summary, Germany was exposed to multiple changes in a broad array of fields that all increased labor market risk. These changes included market liberalization, privatization, and increased use of FTC and temporary employment, both of which perpetuated chains of uncertainty. Additionally, gender inequalities have not been mitigated by state intervention.

Increased Household Risk

The reunification with East Germany created an external shock to the West German welfare state, increasing demands on all programs dramatically with an initial set of social insurance cuts. Unemployment benefits were cut from 90% in 1975 to 60% by the 1990s (Huber and Stephens 2001). The entitlement period was shortened and eligibility requirements were increased (Starke 2008). Sick pay shrank from 100% to 80% (Starke 2008). However, during the mid 1990s there was modest expansion to some family policy areas including long-term care insurance (Starke 2008).

Paid maternity leave was replaced with a gender-neutral education allowance that

was equivalent to 25% of the average female blue collar worker's wages (Huber and Stephens 2001). Child care facilities were basically non-existent for children under age 3 while services for children 3 years old to school age were not full-day programs and thus insufficient to meet full-time needs (Huber and Stephens 2001). During the 1990s, constitutional courts implemented some basic subsistence levels to aid families caring for children. Tax deductions for low-income families were raised and the child benefit was increased but only for the first child (Huber and Stephens 2001). Again, these benefits were structured to benefit traditional two-parent families in which the mother stays home and provides all social services for the family (Fagnani 2002). The general theme of welfare state retrenchment in Germany forced households to absorb the majority of risk with the reduction of so many welfare programs and entitlement benefits.

Fertility Trends

Fertility trends in Germany suggest that adherence to the traditional male-breadwinner roles, increased utilization of precarious employment relationships, and broad welfare state retrenchment has given German women a clear choice-labor market OR childbearing. Labor market risk has clearly risen with privatization and increased use of FTC and temporary work leading to a chain of uncertainty. Increased household risk is politically and culturally enforced with regard to women via reduced social insurance and labor market restrictions. The sustainability of lowest-low fertility for the past 20 years appears to support H2 in that the severity and nature of economic changes has impeded total fertility rates' return to replacement levels. The most severe drop can be found between 1985-95 which includes the reunification of East and West Germany. See Figure

5. Overall, the retrenchment of the German state from the market as well as the welfare system has placed a large portion of labor market risk on individuals while the household absorbs increasing social demands. Under such neoliberal pressure, families find themselves forced to choose between labor market participation or having children.

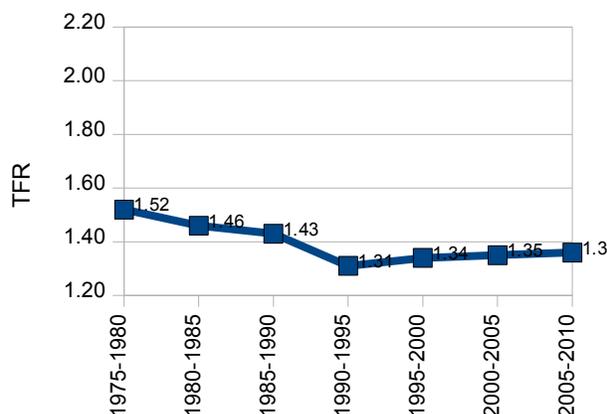


Figure 5. Germany, 1975-2010, Total Fertility Rates

France

Overview

France represents an ideal country that experienced low levels of neoliberal adaptation at a fast pace. Based on the ideal types of neoliberal adaptation, I would anticipate finding modest levels of decline, possible sharp declines with ease of recovery, and the absence of lowest low fertility periods.

France took a different approach to the economic downturn of the 1970s and modified their own take on neoliberal answers. Each change represented a change towards neoliberalism via financial market liberalization, business deregulation and privatization, and labor market decentralization (Schmidt 2003). The French state pursued

"competitive disinflation" and was also forced to devalue the franc (Kus 2006:515).

When it came to industry and the deflating demand for manufacturing by industrialized nations, France chose to abandon its interventionist *dirigisme* policies (Schmidt 2003). In 1986, nationalized businesses were sold off and wage and price controls were eliminated (Kus 2006; Merriman 2010). These market liberalizations increased sources of funding for businesses and created new levels of independence (Schmidt 2003). Additionally, in France, welfare models tended to focus the household unit as the main recipient of social insurance (DiPrete et al. 2001). A key policy decision that supported the French household was the reduction of maximum full-time working hours to 35 hours per week (Warren et al. 2010). This policy provided men and women an equal opportunity to help with unpaid work and childcare.

Increased Labor Market Risk

When it came to industrial relationships, trade unions were often overshadowed by a dominant state. By 1990, France eliminated the state-run system of wage bargaining, thus decreasing union membership and authority (Schmidt 2003). Unions represented about 56% of workers and wage negotiations were typically more confrontational and less successful than in Germany (Gash and McGinnity 2007). It was through this "enhanced" role that the French state maintained more control over all economic decision-making and setting themselves on a unique path via "statism" (Schmidt 2003:533). In 1986, France experienced a "little-bang" of economic boosts with the replacement of state funding and bank debt with equity financing, sell-offs in industry and banking, and a decline of public ownership and decrease in public

employment; from 10.5% in 1985 to 5.3% in 2000 (Schmidt 2003). However, in statist fashion, government officials played a key role in dividing up shares and hand-selecting "hard-core investors" for the conversion from public to private (Schmidt 2003:534). Additionally, public utilities remained as such with an exceptions in telecommunications and modest deregulations in electricity and transportation (Schmidt 2003).

The nature of Independent Regulatory Agencies (IRAs) impacted state-market-employee relationships as well as the ability of national industries to compete in an international atmosphere. French creation of IRAs during the dismantling and privatization of national industries focused on several key goals. Policy-makers sought to adapt to changing international and European market demands while protecting national interests. Regulators were chosen in light of their political background and knowledge of state interests. Between 2002-2006, "50% came from the *grandes écoles* and 33% from the *grands corps*" (Thatcher 2007:1035). These politically groomed regulators were more adept at upholding state interests over corporate interests.

The French government also maintained significant powers over key industries post-privatization and actively denied access to the French market by undesirable overseas competitors (Thatcher 2007). Generally speaking, France used its statist approach to protect national corporate and employee interests. It maintained a large public sector and remained heavily involved in the realm of private business as well (Prasad 2006). Taxation remained stable and non-volatile resulting in sufficiently high tax levels for maintaining state-sponsored services (Prasad 2006). Additionally, the legitimacy of government involvement in the market translated into corporate social responsibility. This then translated into companies aiding in the "general interests of

society," "stimulating employment," enacting "proactive policies towards female workers," and guaranteeing basic social rights (Antal and Sobczak 2007:17-19).

Labor market relationships in France were mixed. Businesses and unions were focused on creating employment security and high mobility barriers but often left the young, new workforce and the unemployed highly vulnerable (DiPrete et al. 2001). Thus, there became a high demand for FTC. As in Germany, FTC gained prominence, growing from 1.4% of salaried employment in 1983 to 10.8% in 2000 (Blanchard and Landier 2002). FTC account for 13% of total employment by 2000 (Gash and McGinnity 2007). The higher percentage in France appears to stem from the more generous employment insurance, thus enticing businesses to circumvent the welfare state with these non-traditional work contracts. However, unlike Sweden, renewal of these contracts was highly unheard of (DiPrete et al. 2001). The improved flexibility granted to businesses appeared to increase worker turnover and the impact on the younger workforce was negative (Blanchard and Landier 2002). With regard to women, 55% were active labor market participants and only 20% held part-time jobs (Gash 2008). This indicates that the French labor market is more accommodating to women who want or need to work in secure full-time jobs than other European counterparts.

The overall picture in France is painted by the high levels of statist intervention in everything from privatization to politically minded deregulation. Additionally, limited market liberalization and the government legitimization of social protection allowed national corporate interests to remain profitable and socially responsible which mitigated the individual labor market risks.

Increased Household Risk

In 1988 French policy makers enacted "*revenu minimum d'insertion* (minimum insertion income or RMI)" providing basic income support to socially excluded groups including the long-term unemployed (Swank 2002:71). In 2001, a "job bonus" was created that acted as a supplement for families earning less than 140% of the minimum wage (Gilbert 2002). These policy changes represent a move towards economic austerity while providing a high level of social protection for all citizens.

In the realm of gender-egalitarian policies, France has had a fairly successful history. Due to a labor shortage in 1978, France began providing "community funded day care centers" to entice women to work (Fagnani 2002:110). Additionally, the Ministry of National Education runs nursery schools for children age 2-6 while also providing generous child care allowances to aid families (Fagnani 2002). Overall, France invested 1.2% of GDP to state-sponsored childcare policies which benefited 38% of children and ensuring that 99.2% of children ages 3-5 were able to attend nursery school (Gash 2008). The primary drawback to French family policy is that eligibility and benefits decrease after the birth of the first child (Fagnani 2002). Household risk in France was minimized by the state's continued role in providing social insurance and promoting gender egalitarian labor policies.

Fertility Trends

Fertility trends in France appear supportive of H3. Policy adaptation speed appears quicker than Sweden but the initial decline in fertility is modestly less dramatic. The low level of neoliberal adaptation in France correlates with a less dramatic change in

fertility between 1975-2010 and has allowed fertility rates to recover, though still modestly below replacement levels. See Figure 6. In the case of France, it would appear that the high level of state intervention in both the labor market and provision of social insurance mitigate the speed of implementation while the low degree of adaptation mitigates any dramatic or sustained low fertility rates. Statism appears to have played a significant role in minimizing social risks incurred by French citizens under neoliberal policy adaptation. While markets were liberalized and deregulated and welfare benefits scaled back, the way in which the state was able to maintain social security diverted most of the downward pressure on families' fertility decisions.

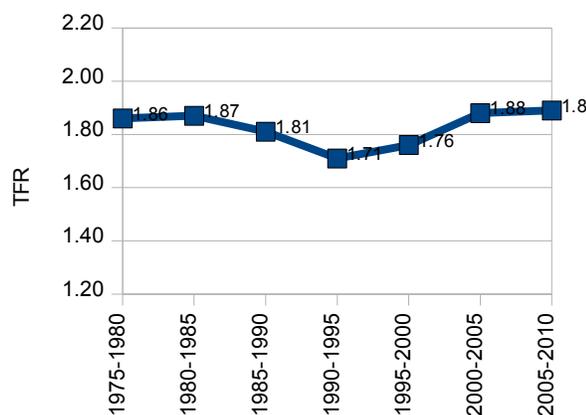


Figure 6. France, 1975-2010, Total Fertility Rates

The United Kingdom

Overview

The United Kingdom represents an ideal country that experienced high levels of neoliberal adaptation at a fast pace. Based on the ideal types of neoliberal adaptation, I would anticipate finding sharp declines, only possible recovery, and periods of lowest

low fertility. This is the country's TFR that I contend will be the most severely impacted based on speed and degree of neoliberal adaptation.

The election of Margaret Thatcher in 1979 brought about radical changes in The United Kingdom (Kus 2006; Merriman 2010). Manufacturing dried up and nationalized services were sold off, causing unemployment to reach 12% by 1983 (Merriman 2010). Twenty-five state-owned firms were sold off in the private market (Prasad 2006). Thatcher's neoliberal policies sought to reduce state intervention in the market, minimize the role of trade unions, and eliminate welfare programs (Kus 2006). These goals were achieved through privatization, upholding business interests over general interests, progressive taxes, and a more redistributive welfare state that created opposition between the middle and lower classes (Prasad 2006).

Increased Labor Market Risk

In the UK, the state has removed itself from all forms of business and industrial interests with the largest decline in the public sector of all four case studies (Prasad 2006). Tax rates have been volatile and tied closely with political party power. IRAs acted as licensing bodies without any direct control thereafter. Regulators typically came from the private market and a competitive mindset, with only 1-3% coming from a political background (Thatcher 2007). British IRAs opened markets to overseas competitors, withdrew from regulation, and promoted effective competition without protecting national interests (Thatcher 2007). Job dismissal legislation in the UK was abolished throughout the 1980s and 1990s and what remained was viewed as highly unrestrictive (Giesecke and Grob 2004).

The German study on the impact of precarious temporary employment and the chain of uncertainty was also conducted in the UK with many similar findings. Males in temporary jobs are subjected to a 21% wage penalty while women are only subjected to a 2% wage penalty compared to permanent counterparts (Giesecke and Grob 2004). A key difference between Germany and the UK is that there does not appear to be a wage penalty in the public sector in the UK as found in Germany. Unfortunately, the chain of uncertainty is equally apparent and, in some instances, more pronounced in the UK. This indicates that both the likelihood of currently holding a temporary job due to previous unemployment and becoming unemployed again after temporary employment has ended are magnified by multiple periods of unemployment and having held multiple temporary jobs (Giesecke and Grob 2004). The most significant gender difference is that women in the UK with a higher education and qualifications also appear more restricted to temporary employment and corresponding work uncertainty and wage penalties.

In the UK, 66% of women were active in the labor market and 40% of those women only held part-time jobs (Gash 2008). The low wages and gender inequalities in labor law continue to reinforce the traditional male-breadwinner model. Prior to the birth of her first child, a woman in the UK can expect to make approximate 91% of her male counterpart and only 67% after childbearing (Warren et al. 2010). Such findings also suggest that women in the UK who choose to have children will only earn 50% of the wages of her male counterpart over a lifetime (Warren et al. 2010). Overall, the UK demonstrates the largest gender and family pay gaps relative to other advanced industrial nations (Gash 2008).

Changes in regulation agencies from national to corporate interests, increased

flexibility of dismissal regulation, and increased use of FTC and temporary employees perpetuated chains of uncertainty. Thus, the individual level of risk in the labor market rose significantly with research suggesting that women bore a large share of that risk.

Increased Household Risk

The retrenchment of the welfare state in the United Kingdom was ideologically rather than need-based driven and more widespread than any other country in Europe (Huber and Stephens 2001). This ideological motivation differs from need-based motivation in that political agendas and political party power shape decisions more than economic principles, historical contexts, or popular opinions. Everything from pensions to sick pay to unemployment compensation was reduced and privatized (Huber and Stephens 2001). Between 1980 and 1990 there was a 60% increase in program dependents and a 200% increase in claims while social expenditures by the state were being cut (Kus 2006). Between 1979 and 1995 reductions included work accident compensation: 70% to 20%; sick pay: 60% to 20%; and unemployment compensation: 60% to 24% (Starke 2008). These cuts represent a return to replacement rates equal to or below 1930s levels (Korpi 2003). Between 1994-2001, the UK invested only .4% of GDP on state-sponsored childcare, benefiting only 6% of eligible children (Gash 2008). In addition private childcare was "prohibitively expensive for low [wage] earners" (Gash 2008: 660). Child benefits were cut to a 30-year low (Kus 2006). At 120 weeks, the UK has one of the largest gaps between the end of maternity leave and school age (Warren et al. 2010). Additionally, pension indexes were lowered and the pension age for women rose from 60 to 65 (Starke 2008). For men, parental leave time was extended but taken

unpaid (Warren et al. 2010).

With the election of Tony Blair in 1997, ideologies shifted. While remaining economically austere, the Labour party was able to reinstate and strengthen some gender-egalitarian policies. These included extending paid maternity leave to 26 weeks, reducing pre-leave restrictions, expanding job reinstatement rights, extending mandatory maternity pay benefits, and increasing childcare subsidies (Gangl and Ziefle 2009). In addition, the "New Labour" movement that took hold with Blair's election sought to protect labor market flexibility in the name of profit while compensating for "the inequalities and failures of deregulated labor markets" (Clasen and Clegg 2004:92). A minimum wage was established and additional subsidies and tax credits were implemented for those in low wage jobs. The UK appears to have experienced one of the most significant welfare state retrenchments including universal reductions in social benefits and thus placed the highest level of risk on households.

Fertility Trends

The fertility trend in the United Kingdom is the least conforming to my above stated hypotheses. The UK has radically redefined the role of the state in the market as well as reducing social insurance placing large amounts of risk on individuals and households, especially women. Yet, it never reaches lowest-low fertility nor are there any dramatic declines correlated with changes in market relationships or welfare state retrenchment. While H4 would predict an accelerated downward trend and only modest, if any, upward trend toward replacement levels, the UK reflects a very even total fertility rate. See Figure 7. It has modest fluctuation that may simply reflect temporary changes

in political leadership, ecological circumstances, or natural rhythm fluctuations. Further analysis in both the UK as well as additional application of this theory are necessary to understand if there are other spurious variables to take into consideration or if there is something unique about the UK.

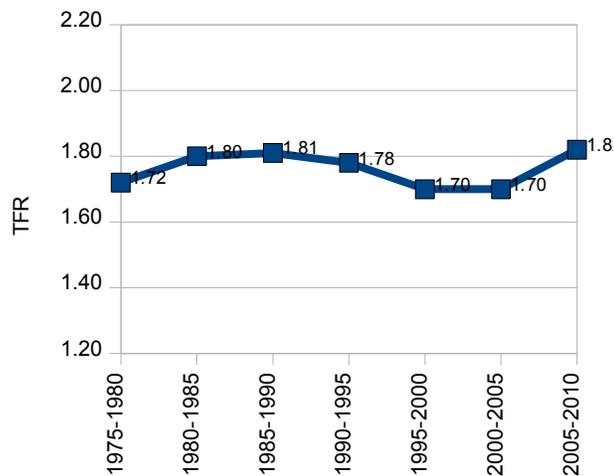


Figure 7. United Kingdom, 1975-2010, Total Fertility Rates

CHAPTER V

SO WHAT? DISCUSSION AND CONCLUSIONS

Findings

The case studies presented above provide a compelling argument. Each country represents a geographically and culturally similar advanced Western democracy. Yet each country has its own distinct fertility pattern as seen in Figure 8. Each entered into the global market at approximately the same time but the policy decisions implemented appear to be quite distinct in each country.

Sweden and France both moved towards a low degree of neoliberalism and protected their gender-egalitarian policies that allow women to work and care for children. Both states remained highly involved in the public and private sectors without allowing political leadership changes to dramatically shift labor market relations or

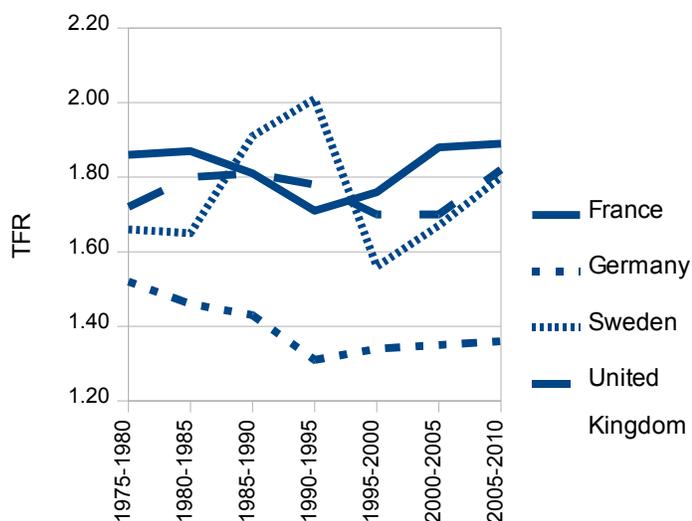


Figure 8. Total Fertility Rates, 1975-2010

household risk. The speed at which each country adapted to the neoliberal ethos was modestly different. Sweden appears to have taken a slower pace-both in entry and policy adaptation. The exception would be the period between 1996-1999 in which changes occurred rapidly but were also reversed equally as fast. This "fertility dip" is quite noticeable and seems to correlate with these policy decisions. In the case of France, it is difficult to explain how a country can quickly adapt to a low level of change. However, market liberalization and decentralization began to occur in the early 1980s and remain to this day. Changes in regulatory bodies and procedures and labor contracts occurred rapidly but were still heavily monitored and influenced by statist protection. Against the backdrop of these changes, the state also remained committed to protect individuals as well as families from market risks and insecurities. The end results are TFRs in both countries on an upward swing and current levels at 1.8 in Sweden and 1.89 in France.

Germany and the UK both implemented extremely austere measures and used the realm of social insurance to find savings and cut costs. Both made sweeping changes that affected most state-market-employee relationships as well as individual social insurance programs. Germany moved at a more gradual pace up until re-unification when population size, existing structures, and rising demand forced radical and quick decisions. The UK was equally austere but at a much quicker pace. Sweeping changes began with Thatcher's election in 1979 and dramatic changes occurred until 1983. She remained highly successful in the realm of market liberalization and decentralization and moderately successful in welfare state retrenchment. By the start of her unprecedented third term in 1987, she began to try to dismantle national healthcare but failed under popular dissent (Prasad 2006). The final outcome in these countries is complicated.

Current TFR trends in Germany remain extremely stagnate with the 2005-2010 estimate predicting a TFR of 1.36. This is a negligible improvement over the lowest low TFR of 1.31 during the reunification process. The UK, however, appears to have the most stable TFR of all four case studies over the 35 year time frame in question. Like Sweden and France, the UK appears to be on a strong upward trend and has the second highest current TFR at 1.82. It remains unclear why the neoliberal mechanisms outlined above do not seem to have the same downward pressure on fertility nor do speed and degree of adaptation appear to interrupt fertility trends as found in the other three case studies. The unique role of ideological motivations may play a crucial role in determining what sets the UK apart from the other case studies. The United States is also typically described as highly ideological in its decision making and could be used as a counter study to see if the UK and the US share similar deviations from my theoretical model and, if so, how to account for those in future studies. Table 1 provides a summary of neoliberal policy decisions that impacted both labor market and household risk. I combine this empirical evidence with the theoretical impact of speed and degree of adaptation using each of the four historical case studies. Table 2 then provides a summary of the policy decisions made by each country to mitigate the impact of the above policy decisions. I also suggest to what degree each country was capable of doing so.

Table 1. Neoliberal Adaptation by Mechanism and Country

		Degree					
		Low		High			
		Increased Labor Market Risk	Increased Household Risk	Increased Labor Market Risk	Increased Household Risk		
Speed	Slow	Sweden - Increased unemployment - Use of Fixed Term Contracts (FTC) - Reductions in sick pay, unemployment benefits, pensions indexes, parental leaves, and child allowances		- Privatization of state-owned businesses - Increased unemployment - Use of FTC - Increased use of part-time and temporary positions - Reduction of window of eligibility for social benefits - Decrease in unemployment wage and sick pay replacement levels - Reduction in maternity leave - Inadequate childcare facilities		Germany	
	Fast	France - Privatization of state businesses - Elimination of state-run system of wage bargaining - Decreased state funding - Decline in public employment - Use of FTC		- Privatization of state businesses - Private regulatory agencies - Abolition of job dismissal legislation - Increased unemployment - Increased use of part-time and temporary positions - Increased use of FTC - Notably wage penalty on mothers - Reductions in sick pay, unemployment wages, pensions indexes, accident compensation, maternity leave, and child allowances - Financial barriers to childcare		United Kingdom	

Table 2. Policies for Mitigating Social Risk by Country

	Individual Risk	Household Risk	Overall Mitigation of Social Risk
Sweden	- Active Labor Market Policies (ALMP)	- Increases in: parental leave, public daycare, paid sick leave, and paid vacation time - Restoration of cuts	MEDIUM
Germany	- Strong collective bargaining institutions	- Increases in long-term care insurance	LOW
France	- Statist intervention of national sell-offs - Use of state-interested Independent Regulatory Agencies (IRA) - ALMP	- Maximum 35-hour work week - Creation of a job bonus - Community-funded childcare centers	HIGH
United Kingdom	- Establishment of a minimum wage and wage subsidy	- Reinstatement of gender-egalitarian policies including: increasing paid maternity leave, reducing pre-leave restrictions, expanding job reinstatement rights, extending mandatory maternity pay benefits, and increasing childcare subsidies	MEDIUM

Limitations

When trying to address micro level decisions from a macro perspective, there are sure to be limitations. With this project, I simply seek to add theoretical insight into the conversation of decreasing global fertility. Additional application of this framework to other unique geographical, cultural, political, and economical situations would be necessary to re-evaluate my theoretical and methodological frameworks. The use of ideal models may discourage some readers, but which additional case studies may help lend credibility. For the purpose of this study, the empirical case studies have validated my theoretical model and highlighted the importance of desegregating labor market and welfare state retrenchment literature. As demonstrated by the United Kingdom, this model is far from perfect. I intend for my future projects to discover if the UK is inherently unique or if there are additional mechanisms that may need to be added to my model. Additional cases studies are also necessary to utilize the ideal types model in creating a more generalizable theory of how neoliberal economic policies have impacted fertility on global scale.

Future Implications

While the impact of these state and social policy changes on women in emerging economies and developing nations requires similar analysis, I contend that it is out of the scope of this paper and remains a topic of viable interest for future research. Additionally, this new theoretical approach to fertility decline based on the downward pressure of labor market risk and household risk on women and their families should be

tested in less traditional and less ideal countries including the Eastern Block post-1989, the Asian Miracle markets, and the politically polarized, ideologically driven United States. One other area of interest may be the impact of forced neoliberalism through structural adjustment as imposed by the International Monetary Fund and the World Bank.

As all good theories should, I seek to provide a theoretical framework that can be practically applied in real life situations. As the research examining below replacement fertility and the influence of macro structures continues, policy implications may start to be derived. Researchers or advocates concerned with pronatalist policy implications would want to further understand in what ways policies have the potential to impact fertility. Primary areas of interest include fertility promotion, fertility reduction, and the impact on age structure and dependency ratios. European pronatalist policy attempts have been considered modestly successful at best. I contend that the existing policies are too one sided-they either aid in providing social insurance to families or increase women's ability to work. Policies that want to effectively promote higher fertility rates should seek to address both labor market and household risks.

Another area that may seek to build on this research includes migration studies and the role that immigrants play in boosting TFRs and positive population growth. While politically unpopular, acknowledgement of below replacement fertility levels and the impact on population structure and economic stability may provide a useful migration advocacy argument (Lesthaeghe and Neidert 2006).

Finally, there are consequences that will continue to stem from globalization as states seek to remain internationally competitive while protecting national interests.

"When one peels back the outer layers of rhetoric and sorts through the different measures to advance privatization, targeting, employment, and individual responsibility, we arrive at a common core of market-oriented social policies that . . . represent the triumph of capitalism" (Gilbert 2002:182). Corporations may need to re-evaluate business practices or be held accountable by governmental legislation before the working age labor force shrinks beyond their control.

Conclusion

The combination of Polanyi's conception of socially embedded markets and Breen's analysis of hedging risk in society have provided a useful framework for examining the impact of neoliberal policy adaptation on fertility decisions. My integration of their ideas has successfully led to the identification of labor market risk and household risk as empirical mechanisms that appear to exert downward pressure on fertility. Using case studies to test my ideal examples of adaptation based on speed and degree have helped to support my hypotheses while also providing a path for continued research in this field. While other elements of downward pressure on fertility may still remain undiscovered, this paper is persuasive in suggesting that both state-market-employee labor relationships and social insurance programs are both influential over fertility decisions. This paper has also provided a compelling argument that a negative relationship between labor market and household risk and fertility trends may exist.

When it comes to individual, micro level decision-making processes, complete understanding of those processes is unrealistic, but in the case of women's fertility decisions, previous research indicates that the neoliberal economic policies of the 1980s

have influenced the way in which women consider the risk of childbearing. Changing industries, declining wages, privatization, deregulation, increasing globalization, and decreased social insurance tip the scale of risk and re Commodify women's labor in the market. Society will have to re-evaluate their priorities as a population before the market shapes women's decisions on its own. The burden of running the home and the economy may grow too large for women to bear alone. Without the aid of governmental social insurance and an accommodating labor market, fertility levels may continue current trends of negative population growth as women maintain or even increase current levels of labor force participation and thus may choose to forgo childbearing. It would appear that fertility is no longer determined by the love of a child, but for the money needed to survive in a neoliberal economy.

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