



NEW REPORT: “Baby Bonus” is often ineffective in addressing low birth rates in post-socialist countries

With the United Nations International Family Day coming up next Monday (15 May) [IZA World of Labor](#) will be publishing a timely report showing that post-socialist countries continue to experience low birth rates despite costly pronatalist policies

Since the start of the transition period, all former socialist states have been going through significant demographic changes, resulting in negative population growth, skewing their overall demographics toward old age. Thus, a number of post-socialist countries have chosen to address the issue of low fertility by devising pronatalist policies (with the amount of child subsidy ranging from 0.8% of GDP in Poland to 2.2% in Hungary). These policies aim to offset the cost of raising children, thereby encouraging childbearing.

According to economist Olena Nizalova of the University of Kent there is little evidence of the effectiveness of child subsidy schemes in addressing the demographic challenge. This indicates that women and their families face other factors aside from direct costs of childrearing when making decisions about having children. Nizalova suggests the “Baby Bonus” in post-socialist countries has been undermined by the Motherhood Wage Penalty (MWP) that now exist in these countries. As part of the gender pay gap, the motherhood wage penalty can represent a significant cost to being female and having children.

There is significant variation in estimates of the MWP across countries. On the one end there are countries where mothers’ wages are practically the same as that of non-mothers (Australia, Belgium, Finland, Greece, Israel, Italy, and Sweden); on the other countries with very large penalties of 20% or greater (Germany, Ireland, and the Netherlands). Interestingly studies in Canada and Israel where there is almost no MWP show that child subsidy has had a positive effect on birth rates, while in countries with a higher MWP there seems to have been no effect on fertility.

Nizalova suggests that based on these findings policy measures to decrease the motherhood wage penalty may be better alternatives than baby bonuses, as they will also reduce the gender pay gap. Studies have found that the MWP is affected by policies that target mothers’ labor market attachment, such as moderate-length maternity leaves, publicly funded childcare, lower marginal tax rates on second earners, and paternity leave; these policies are all correlated with smaller MWPs.

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