

# **DO INDIVIDUALS FROM WEALTHY FAMILIES HAVE MORE CHILDREN? PARENTAL WEALTH AND FERTILITY IN EUROPE**

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## **Abstract for EPC 2024**

### **Short Abstract**

Even though the relationship between education and fertility has been widely documented, few studies have looked at alternative markers of socio-economic status (SES). In this paper, we look at parental wealth, a characteristic that might be less endogenous to fertility as compared to education, and that allows us to zoom in on the fertility behavior of economic elites. We ask the following research questions: Is parental wealth associated with the transition to childbearing and its timing? Is the association between children's fertility and parental wealth different from that observed for parental income, parental education, and own education? Do associations vary between countries?

To answer these questions, we use data from SHARE for 28 countries. SHARE collects information on wealth of individuals aged 50 and above, as well as information on the fertility behavior of any children they might have. This allows us to calculate the association between parental wealth and fertility for the SHARE respondents' children. Preliminary results show generally small associations between parental wealth and fertility. Parental wealth is related to lower fertility in Southern Europe, but to higher fertility in Nordic countries, even though parental education was not (yet) related to fertility in those countries.

Do individuals from wealthy families have more children? Even though the relationship between education and fertility has been widely documented, few studies have looked at alternative markers of socio-economic status (SES). Individuals' education is not always an ideal marker of SES when trying to understand unequal opportunities to fulfil fertility desires because education is often endogenous to fertility behavior. In addition, the coarse nature of educational categories does not allow studying the behavior of the most advantaged groups in society, who might be spearheading the diffusion of new fertility behaviors. We argue that studying fertility differences by parental wealth, even though not free of problems, can address some of these limitations related to studying educational differences in fertility: parental wealth is less endogenous to own education and can be used to identify fertility behavior among (economic) elites. Therefore, we ask the following research questions:

1. Is parental wealth associated with the transition to childbearing and its timing?
2. Is the association between children's fertility and parental wealth different from that observed for parental income and parental education?
3. Do associations vary between countries?

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## **Background**

A vast literature in demography and sociology studies the link between individual education and fertility (Skirbekk, 2008). In the past decades, a negative gradient has been documented, especially for women, but in the last year it has been shown that in Nordic European countries, this negative relationship has been reversed, with women with higher education reaching higher parities. This is interpreted in the light of decreasing opportunity costs for women in such countries because of advancements in public and private support to mothers (Goldscheider et al., 2015). Results on men are mixed: some find a positive relationship between education and fertility, while others do not (Kravdal et al., 2008).

The use of education as a proxy for socioeconomic status has some drawbacks. First, education is endogenous to fertility behavior. For instance, it can be that more family-oriented women do not pursue education to have kids earlier, or drop out of education when they have children. This has been shown by literature on young mothers, who report low educational attainment (Hoffman et al. 1993; Hofferth et al. 2001; Lee 2010). If fertility and education decisions are made jointly, it becomes hard to interpret relationships between fertility and education as indicators of unequal opportunities or, more generally, as an impact of SES on fertility.

The same critique extends to other socioeconomic characteristics such as earnings or income. Income is a frequently used measure linked to fertility, with similar findings as education (Ewer & Crummins, 1978). However, the use of current income before the birth of a child is discussed among scholars, since it is thought of not being an accurate predictor of the family's socioeconomic situation. Economists have proposed to rather use permanent income, which is conceptualized as the future expected income, which is modeled based on present characteristics. A recent paper by Kolk (2021) shows indeed that when looking at life-long income, high earners tend to have more children. Even though lifelong income might be less endogenous with fertility behavior than education or income, it does not entirely overcome this issue.

Thus, the question of how to properly monitor the effects of socioeconomic resources on fertility is still open. In recent years scholars have been increasingly highlighting the role of family background in shaping socio-demographic transitions, as they determine the set of opportunities and chances

children have in their lives. It has been largely documented how children and parents interact and transfer to each other monetary and non-monetary resources (Pessin et al., 2021), but it is not clear how parental socioeconomic status is associated with offspring fertility. Parental socioeconomic status has the advantage that it precedes fertility behavior by definition and can therefore provide a clearer picture of how greater access to socioeconomic resources affects fertility than own socioeconomic resources. Among others, we focus on wealth as a distinct dimension of socioeconomic background.

According to us, wealth provides a good measure for a set of reasons. It represents both an economic and cultural asset that parents can provide to their children (Hällsten & Thaning, 2022), that is easily transferable and not directly affected when having children, as can be the case for education and income. Parental wealth might also be used as a proxy for the level of material well-being to which their children are accustomed and aim in their labour-market careers (Easterlin, 1976). Moreover, differently from other indicators, parental wealth allows distinguishing more clearly different social groups and to identify, for instance, elite groups. Lastly, it is an understudied dimension; whereas there is solid literature looking at parental wealth and children's educational and occupational careers (Pfeffer, 2018), to the best of our knowledge there are no studies that explicitly address the relationship between parental wealth and fertility in contemporary Western countries.

### **Data and variables**

We use Wave 2 of the Survey of Health, Ageing, and Retirement in Europe (SHARE), a large representative biennial panel database of individuals aged 50 years and over that allows studying several domains of the life course across 27 European countries and Israel. Among others, respondents are asked about the number of children they have, and the number of grandchildren from each son and/or daughter. In this way, we are able to construct a three-generation dataset, including the grandparents' generation –the respondent – (G1) the parents' generation – the offspring of the respondents' generation (G2) – and the grandchildren (G3). Our unit of analysis is G2, that is, the children of SHARE respondents.

SHARE provides detailed information on wealth at the household level for the respondents (G1). Wealth is measured as net household worth, which is the sum of net financial and net real assets. Net financial assets are the sum of bank accounts; bonds, stocks and mutual funds; and savings for long-term investments minus liabilities. Net real assets cover the share of the value of the home that is owned, the share of the value of own businesses owned, the value of car(s), and the value of other real assets minus mortgages or outstanding loans on these assets. To account for the highly skewed wealth distributions and outliers, we use decile rank scores (relative within each country). This allows us to more easily compare across years and countries, and to include negative values. Previous research has shown that income-wealth correlations turned out to be highly similar whether using rank scores, 99-percentile top-coded, or logarithmic transformations (Killewald et al., 2017). Due to many missing values on specific wealth components, we use the imputations provided by SHARE. To isolate elite groups, we create a dummy variable of parental wealth distinguishing between those belonging to the highest decile of the parental wealth distribution and the rest.

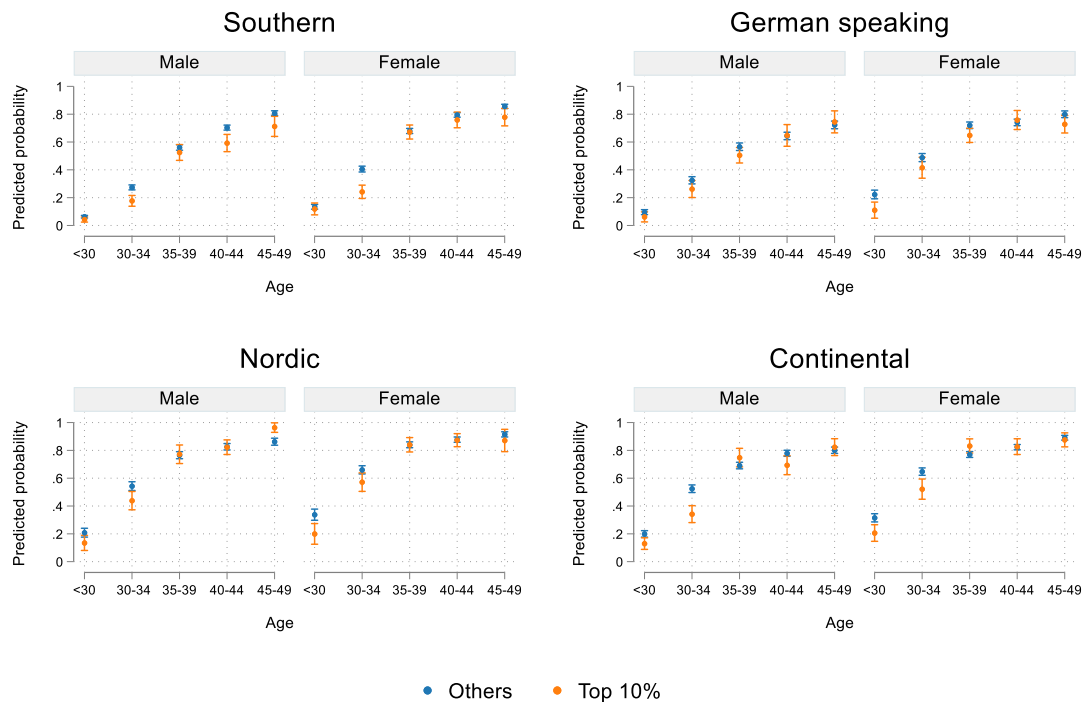
We also look at fertility differences by parents' education and income. For education, we use a dominance criterion, considering the highest educational attainment between the respondent (G1) and their current partner (ISCED 1-2; ISCED 3-4; ISCED 5-6). Parental income is the total household income of the respondent (G1) transformed to decile rank scores (calculated separately by country).

We restrict our analysis to children (G2) between 25 and 49? years of age (born between 1957 and 1985) and for whom we have information on the number of children (G3) and the parents' (G1) net household wealth. Our sample is made of 29,131 individuals from different European countries, which we separate into clusters: Southern (Greece, Italy, Spain), German speaking (Germany, Austria, Switzerland), Nordic (Sweden and Denmark) and Continental (France and Belgium) countries.

## Preliminary results

In the first set of logistics models, we model the probability of having at least one child as a function of the dummy variable of parental wealth (top 10% vs others), that we interact with the respondent's age group (<30, 30-34, 35-39, 40-44, 45-49). We add as controls the interview year, relationship status (in the full paper we will also present models without relationship status to monitor its importance) and country. We run separate models by sex and country groups. We present results in the form of predicted probabilities.

Figure 1. Predicted probabilities of parenthood by age groups and country clusters



Note. Predicted probabilities taken from logistic regression models explaining having at least one child or not.

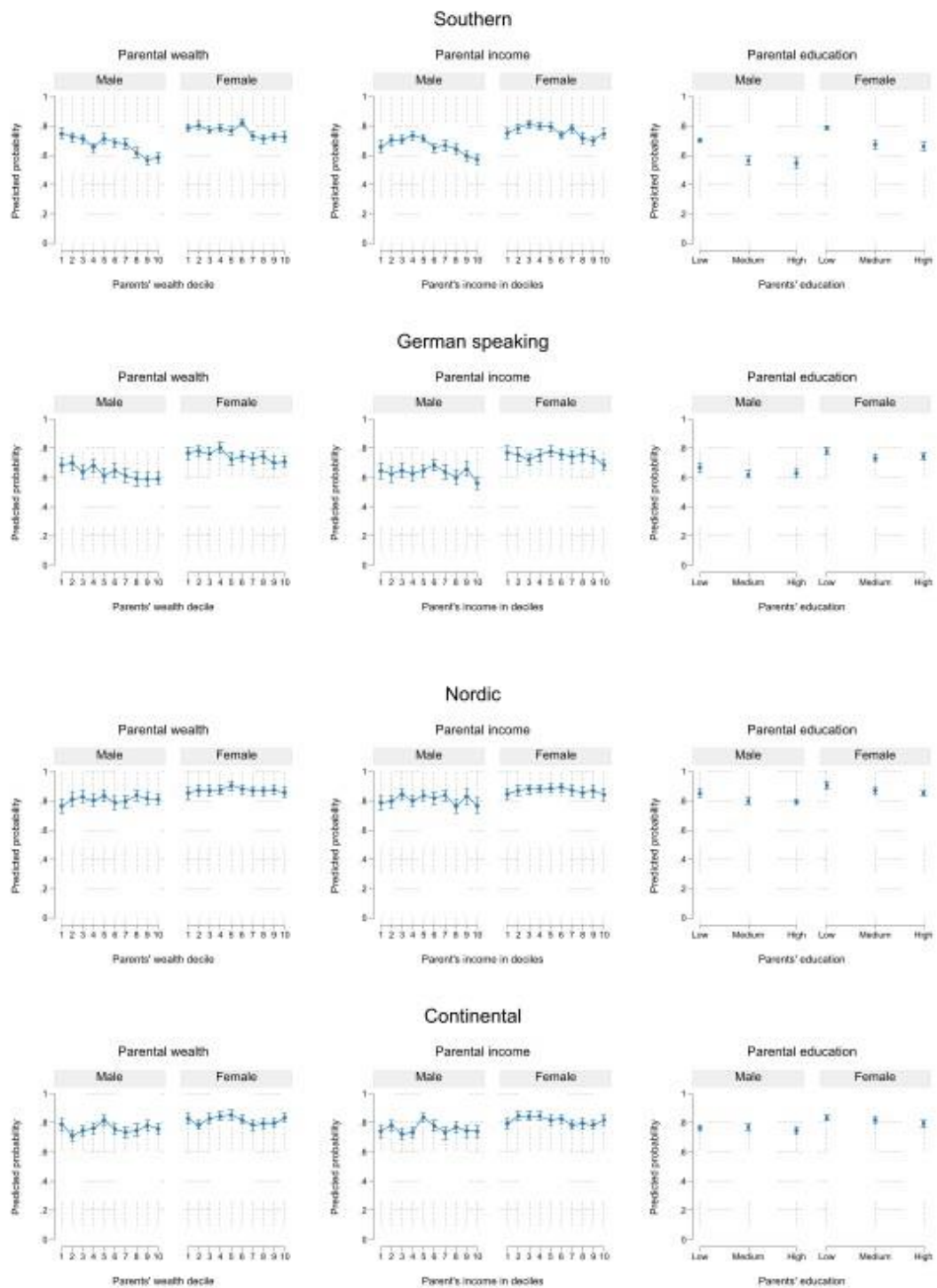
Figure 1 shows predicted probabilities of parenthood for individuals from the top 10% and the bottom 90% of the parental wealth distribution across countries. Overall, we can observe that individuals from wealthy families have children later, but that in most groups of countries, parenthood rates barely differ by parental wealth. In Southern countries, and especially among men, children of the wealthiest family maintain lower levels of childbearing. We see the opposite happening in the Nordic countries, with those men displaying higher levels of fertility at the age 45-49. Differences are less pronounced among women.

Figure 2 shows how parental wealth differs from other indicators of parental SES in predicting parenthood. Among Southern, German speaking and Continental countries we can observe how the gradient is the same across different measures of parental socioeconomic status; for instance, in Southern countries we observe a negative gradient of parental wealth, income and education in the probability of childbearing. Interestingly, Northern countries show a different pattern. Whereas individuals with lower educated parents have a higher probability of childbearing, parental wealth performs differently, with higher levels of parental wealth being associated with a higher probability of childbearing.

In conclusion, our results underline the existence of a certain but modest degree of heterogeneity in the association between wealth and childbearing. In further steps we will look into the role of partnering, and how these estimates differ from associations with own education. These analyses will

help use interpret the variation in results across countries. Some explanations might point towards the stage of the Second Demographic Transition in which countries are (Lesthaeghe, 2014). Nordic countries are known to be the forerunners of the adoption of new behaviors, in this regard parental wealth might be better at capturing these forerunners than parental education, which can shed new light on our understanding of demographic change.

Figure 2. Predicted Probabilities at age 35-49 of childbearing by parental wealth, income and education.



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