

Assessing the impact of national and regional financial incentives for childbearing in a lowest-low fertility setting

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Extended abstract for PAA 2005

1. Introduction

Italy has been, together with Spain, the first country that has reached the threshold of so-called “lowest-low” fertility (Kohler et al., 2003), below 1.3 children per woman, during the early 1990s. Within Italy, some regions have even lower fertility levels, as a high heterogeneity exists between regions. In 2003, regional-level TFR data indicated that Friuli-Venezia Giulia, a Region endowed with special autonomy levels in the North-East, had a TFR of 1.16 (against the national level having reached 1.29).

Whether policies may affect fertility at such levels is still to be proven. And in general, in her overview on the impact of policies on fertility, Gauthier (2001) stated that “Overall, thus, the multivariate studies provide mixed conclusions as to the effect of policies on demographic and economic behavior, once other factors such as education, income, etc. are ‘controlled’ for. The effect – if any-- tends moreover to be small. Methodological issues may be at the basis of these inconclusive findings...”.

In this paper we present an assessment of policies that help families with children at two levels (national level and regional level, focussing on Friuli-Venezia Giulia for the latter).

2. The national level

At the national level we want to assess the impact of a new law (“Legge Turco”, 448/1998), that introduced two measures, with the purpose of supporting economically disadvantaged families and families with only one income.

The first measure (FAM), for families with very low income levels and children under 18, provided a cash transfer of 2.6 million lire per year (about 1,340 Euros); the share of families receiving this transfer has been particularly sizeable for large families, especially in Southern Italy (see table 1). About 538 billion lire were transferred in total in 1999, about 584 billion (about 300 million Euros) lire in 2000.

	1999	2000
North	14.8	16.2
Center	21.7	23.7
South	58.8	64.2

Table 1. Percentage of families with three or more children under 18 who received FAM.

The second measure (MAT), started to provide a transfer to families in which one of the partner (typically the woman) was not employed, with relatively mild restrictions on income levels. The transfer, for 5 months, went from a monthly 200,000 lire in 1999 to 500,000 lire (about 258 Euros)

in 2001. Given the relatively low labour force participation of Italian women, an important share of women received this transfer, especially in the South (see table 2).

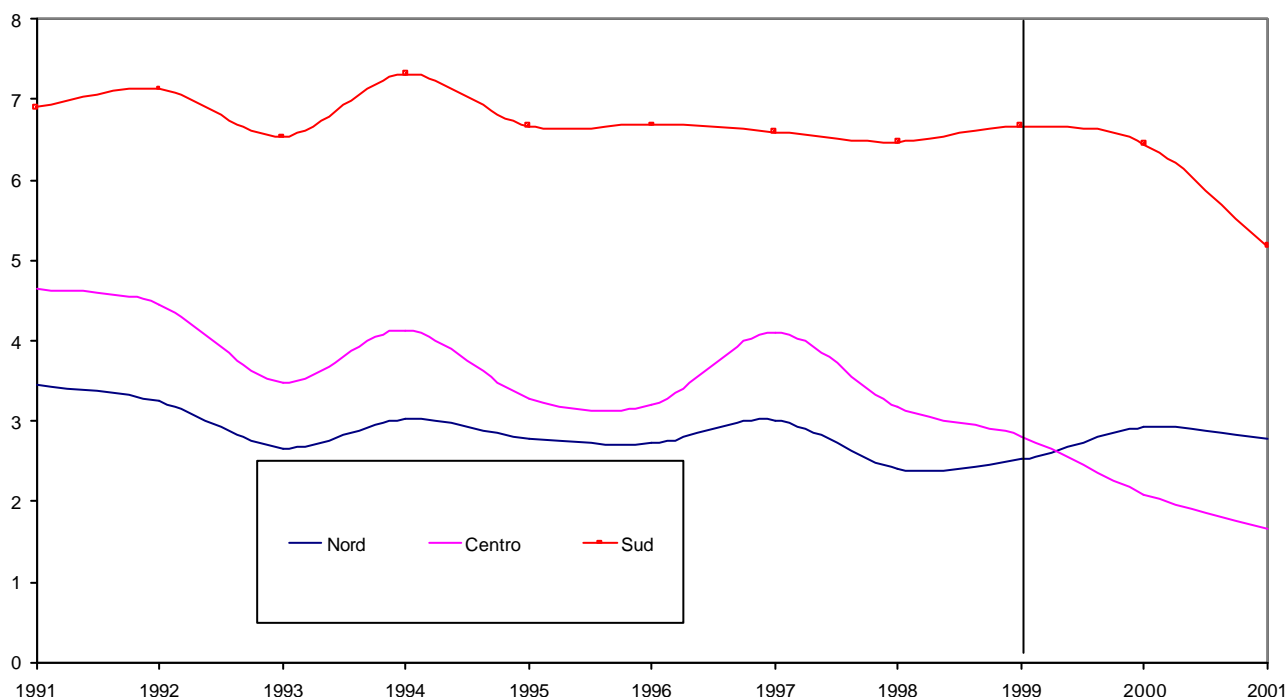
	1999	2000
NORD	11,9	12,3
CENTRO	22,8	24,1
SUD	51,3	56,5

Table 2. Number of women receiving MAT over total live births.

As we have no access to data allowing us to identify who has received FAM or MAT we would like to assess their impact using a sort of “regression discontinuity” design. We use two approaches. The first approach uses official statistics on births on abortions by area of residence, number of children and level of education--we assume that families with relatively low income with the woman who is already pregnant may be the most affected by financial transfer measures. Our hypothesis is that if an impact is visible this should be more the case for women living in Southern Italy with low education, who may recur less to abortion after the introduction of FAM and MAT. An exploratory analysis (Figure 1) shows that the ratio of the number of abortions for women at higher parities with respect to abortions for women at lower parities has declined after the introduction of the measures. Other exploratory analyses (not shown here) have assessed the ratio of abortions to women with lower education with respect to abortions to women with higher education.

Figure 1. Ratio of abortions from women with 2 or more children to women with 0 or 1 child, low (elementary school) education.

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Our second approach uses recent Labour Force Surveys data. They can be used for two purposes: 1) to build the denominator (women exposed to risk) for the preceding analysis of abortions; 2) to analyse, in a retrospective fashion, fertility choices.

3. The regional level

The Friuli-Venezia Giulia region, in North-Eastern Italy, has introduced since 1993 financial transfer measures for families with children. The law was modified in 2001. The aim of the Regional Law 4/2001 was to “put incentive on demographic increment and to help maternity”, with a focus exclusively on married couples. The modification of 2003 puts more emphasis on equity purposes and extends the benefits to cohabiting couples.

Under relatively mild income limits, the measures adopted are 1) for the fi