

Workplace Peer Effects in Fertility Decisions

Abstract

This paper studies the effects on individuals' fertility of the fertility behavior of their co-workers. Using matched employer-employee data from the Italian Social Security Institute (INPS) for the years 2016-2020, we estimate how the fertility rate among co-workers of the same age group and in the same occupation affects a worker's likelihood of having a child. We exploit the variation in workplace peer fertility induced by the Jobs Act reform, which weakened employment protection – and therefore reduced the fertility rate – for the employees affected, i.e. those in larger firms hired on open-ended contracts after 7 March 2015. Our analysis focuses on similar workers hired before the Jobs Act and uses the fraction of co-workers hired after 7 March 2015 as an instrumental variable for average peer fertility. We find that a 1-percentage-point reduction in the average peer fertility at year $t-1$ leads to a reduction in the individual probability of having a child at year t by 0.3 to 0.4 percentage points, or a 10% reduction in average fertility. Heterogeneity analysis suggests that while workplace peer effects may operate primarily through social influence and social norms, information sharing and career concerns tend to attenuate individuals' responses to the fertility of their co-workers, especially among women. Our findings also help to understand the potential spillovers that employment protection reforms may have on fertility rates through social interactions.

This paper is joint work with Maria De Paola (University of Calabria, INPS and IZA) and Vincenzo Scoppa (University of Calabria and IZA).

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Federico II