CHAPTER 1

The Political Economy of Low Fertility

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Introduction

Japan's fertility rate is at a historic low, at 1.25 children per woman on average in 2005 (Organization for Economic Cooperation and Development 2006). This is considerably lower than the population replacement rate of about 2.1, meaning that Japan's population is shrinking. Japan is not alone among industrialized countries in trending downward in population size: Italy, Spain, and Korea rival Japan for the lowest fertility rates on earth, and Europe south of Scandinavia comes close.

Why should we care about low fertility? One oft-cited reason is fiscal health. Governments of low-fertility countries are in a near panic about who is going to pay taxes and social security premia when the demographic crunch produces more retirees than workers. They also worry about what will happen to the economy as the number of consumers shrinks, and about the geopolitical implications of smaller absolute size as a nation. On the other hand, lower population density can, with strong productivity gains, increase per capita income and quality of life and environmental health, and population size has never had a very close connection to national peace and security. The economic problems associated with low fertility can be overstated.

In this book, we are interested in fertility for a different reason: it may be a fairly good indirect measure of female welfare. Peter McDonald and Shigemi Kono, two demographers working on separate continents, each find a connection between "gender-friendly policies" and higher

fertility in comparative data (Kono 1996; McDonald 1999, 2000). Alicia Adsera, an economist, notes that fertility rates and female employment have become positively correlated across developed countries since the 1980s (Adsera 2003).

This will strike some readers as an appalling idea. After all, feminists in the United States have struggled for women's equality in the public sphere by downplaying their reproductive role, and celebrate the ability of women to reduce the number of children they bear in order to advance in other realms. What we argue here, however, is that low levels of fertility in Japan and in much of the developed world may not be freely chosen, but rather reflect how hard it is for women to work in the labor market and care for their families at the same time. Rather than give up on the labor market in the face of childcare burdens or an inhospitable workplace, many women seem to be striving all the harder, even when it means delaying, curtailing, or forgoing having children. If, as we argue in this book, gender-friendly policies can boost fertility by relieving women of choices they would rather not make, we can use variation in fertility as a useful comparative measure of the constraints on women's ability to balance family and career.

We are not interested in touting fertility as a normative good, nor do we have any "target" fertility that we expect to see when women and men share more equally in productive and reproductive work. Once men internalize more of the costs of childrearing, they are likely to favor fewer children than before, even as women feel freed up to balance family and career a little more easily. These are empirical questions, in answer to which the countries with the most gender-friendly policies provide some clues, as we will discuss below.

To put our thesis in simplest terms, fertility tends to be depressed where vested interests impede female access to the workforce, and higher where easy labor market accessibility and childcare support make it easier for women to balance family and career. Contrary to the possibility that women discouraged from the labor market will go home and have babies, women may instead expend more effort—forgoing children in the process—to get in the door, climb the promotion ladders, and struggle against glass ceilings.

Embedded in this explanation is the notion that women actually want to work outside of the home in addition to taking care of their families at home. Few people question that the average man wants to both work and have a family, but some readers may counter that men as well as women would prefer to stay at home if social norms permitted.

As I discuss more fully below, the argument is less that women like working outside the home (although many undoubtedly do) than that the labor market provides them with a source of economic independence. Without a potential source of livelihood outside of the home, women risk poverty in a world where divorce rates are relatively high, and risk misery should their husbands take advantage of their inability to strike out on their own. If we assume that women, as well as men, benefit from the household bargaining leverage and exit options that come with an outside source of income, specialization in childrearing and housework may serve women poorly. Knowing this, women may seek a place in the labor market even if it means having fewer children. All else equal, the harder it is for them to secure a foothold in the labor market, the fewer children they will bear.[1]

In the remaining sections of this introductory chapter, I lay out some alternative hypotheses to the idea that low fertility reflects constraints on female labor market participation. I then present some evidence for the argument offered here, comparing Japan with other countries and comparing different regions of Japan that have different labor market properties. I conclude by providing a layout for the remainder of the book.

Alternative Hypotheses

Here I recount two explanations of low fertility that many readers will find more familiar: culture and economic efficiency. They are not so much wrong as inadequate. I will then begin to build the case for why these conventional explanations do not fully account for the facts that we observe. The chapters in the rest of the book pick up some of these threads and examine them in greater detail.

Culture: Japan and Elsewhere

Most scholars of Japan well know the special claims made for the power of Japanese culture. The strongest—and least defensible—versions imply that there is something immutable, or at least very ancient, about the core values of Japanese society, and that these values mold young Japanese minds in much the way that they have from time immemorial, through many layers of reinforcing socialization. The flaw in this position, of course, is that Japanese social norms have changed a great deal over the past two millennia of "Yamato" civilization.[2] The ideal

of the devoted stay-at-home wife and mother (*ryosai kenbo*) probably emerged sometime during the thirteenth to seventeenth centuries in the small, elite samurai class that lived free of an economically productive role in society. The vast majority of the Japanese were farmers, artisans, and merchants who were rarely in a position to spare the wife from an economically productive role, and children were cared for by grandparents, older siblings, or—when income permitted—servants from poorer families. Women are, it seems, in a weaker economic position in agricultural societies than in hunter-gatherer or postindustrial societies, given the greater importance of brawn in much agricultural work than in gathering. In hunter-gatherer societies, women typically provide the bulk of caloric needs for themselves and their families (Hrdy 1981, 6). But the woman's role was also important in much of Japanese agricultural history, and women were allowed to own property until the fourteenth century (Amino 1999, 59). What Goode cleverly calls the "samurai-ization" of the Japanese populace—where the at-home mother that in one era only samurai could afford became a generalized cultural ideal—seems to have emerged only in the last 150 years with the emergence of the large firm sector where "the lord" of each family had to commute to a factory or corporate office and earn money for his family (Goode 1993).

I have no intention of trying to discredit the power of cultural norms, but wish rather to show how these norms are subject to the reinforcing or corrosive pressures from the economic and political systems that intertwine with the social. I take culture to include the composite and cumulative effects of mental shortcuts that people use to simplify life decisions. There is at least a weak efficiency bias inherent in many of these rules of thumb: the norms that "work" are reinforced naturally. To the extent that political systems distribute power unevenly, however, norms may also be manufactured and reinforced deliberately. Some norms, such as deference to authority or the importance of female submissiveness, for example, are more of an admission of what is tolerated by the powerful than what would be preferred by a majority if a genuine choice were available. Given the costs of fighting the powerful at every turn, it is not surprising that there is a strong human tendency to internalize constraints or even oppression and to self-interpret them as preferences (Sen 1990; Folbre 2005).

It is true that many Japanese today—including many young women—believe that a virtuous mother stays at home until her child is at least three years old, and that pursuing career ambitions is as selfish and

disgraceful for a woman as it is self-sacrificing and noble for a man. But it is also true that many young Japanese mothers feel trapped and isolated.[3] To infer from that widespread belief that there is a unique Japanese position on motherhood ignores the labor market constraints that render these norms tenable. We can see from a comparison of the present with Japan's own past, and a comparison of Japan with other countries, that the idea of mothers as exclusive nurturers of children is an idea that gains power from a particular configuration of incentives. When a woman's labor outside the home becomes more remunerative, these norms tend to become destabilized (Badgett, Davidson, Folbre, and Lim 2000; Geddes and Lueck 2002; Rindfuss, Brewster, and Kavee 1996).

Neoclassical Economics: Opportunity Costs

Another lens with which to view fertility comes from economics. Economic assumptions about human behavior, in particular the notion of optimization (maximizing welfare, subject to constraints), provide a useful way to get around the problem of constraint-conditioned preferences that sometimes goes unattended in cultural approaches. Constraints are typically more visible than the preference-formation process, making the examination of constraints a useful way to help us understand the choices people make.

Gary Becker won a Nobel Prize for his work applying economic reasoning to social behavior, including the household division of labor, fertility, and divorce (Becker 1962, 1981, 1985). In his model of household specialization, couples maximize family welfare by an extensive division of labor in which one spouse specializes in market work and the other specializes in household work. He makes no presumption that the man or the woman will stay at home, other than to say that a woman's career interruption on account of childbirth may give her the comparative advantage of producing family-specific "goods" such as higher-quality children. The gains from trade, where each spouse contributes where he or she is most productive, produce an efficient household economy in the sense that welfare is maximized.

An underlying premise in Becker's specialization model is increasing returns to human capital, by which he means that people get better and better at what they do with experience, and are remunerated accordingly. Some have also taken him to mean that the investment in the "quality" of children—meaning how well nurtured children are

emotionally and intellectually—is best made at home. But nowhere does he write that.

Following the work of labor economists such as Jacob Mincer (1958), Becker argued that declining fertility reflected higher opportunity costs of staying at home in industrial countries with diverse economies. As the value of children as farm labor declined and as women found more opportunities for remunerative work outside the home, the calculation of household welfare tipped in favor of female labor market participation and fewer children and/or subcontracted childcare.

These economic models are elegant and provide the best available explanation for the universal relationship between industrialization and lower fertility. What they do not explain, however, is the variation in fertility in rich countries, and why fertility is higher for some countries at the upper ends of female labor force participation. By treating the household division of labor and fertility as family decisions, these models miss the distributional consequences of these choices and the power structures that may underlie them.

Household Bargaining

By looking at spouses as individuals rather than as fragments of a fused family unit, bargaining models reveal an important dimension of potential inequality within the family (Folbre 1994; Gustafsson 1993; Iversen and Rosenbluth 2003; Lundberg and Pollak 1996). A division of labor in which the man works outside of the home may load him down with the stress of the workplace, but it also confers on him assets that are more mobile than the woman's. In the event of marital dissolution, he has the ability to take his work experience more or less seamlessly with him and maintain his economic standard of living. The woman in this scenario has not built up work experience and, absent stringent alimony laws and enforcement, could find herself in relative poverty. Nature adds another liability of its own, because the male attraction to youth and beauty makes it harder for the woman to find another marriage partner as she ages.[4]

Given the potentially large costs to a woman of not maintaining some level of economic independence, the efficiency explanation for why women are more likely to stay at home misses something crucial. Even if, for the sake of argument, household welfare would be higher with these gains from trade, the fact that the man has greater bargaining leverage on account of his superior exit options affects, at

least potentially, how those gains are distributed. It is even possible, as Braunstein and Folbre (2001) have argued, that a man might prefer a smaller overall (welfare) pie if he has sufficient family bargaining power to give him a big enough slice to compensate. By keeping his wife at home, he can use her fear of marital breakdown to transfer more housework and other tasks onto her shoulders.

I do not wish to argue that men explicitly think this way, nor that men have collectively organized society in such a way as to subordinate women. Self-interested behavior is subtle, pervasive, and often invisible to ourselves when we are the protagonists. Because much of this behavior is unconscious, I put little stock in the possibility that men as an entire group have managed to act collectively to promote selfish ends. The long-standing nature and near universality of gender inequality requires a different kind of answer than male conspiracy.

An explanation that looks at labor markets for insights into the relative exit options of spouses seems closer to the mark.[5] To oversimplify, hunter-gatherer societies gave both sexes important, if different, access to food self-sufficiency, leading to relative equality between the sexes. With the adoption of sedentary cultivation, particularly heavy-tool- and animal-based farming that favored the use of brawn, women became less central to the production of food and specialized in tasks that could not by themselves ensure a woman's survival on her own. Industrialization probably deepened, at least for a time, the specialization of family labor, given the commutes and work away from home that factory work entails. Women were even less able to care for their children while working, and retreated into the home upon childbearing.[6]

In the pages that follow, I consider the usefulness of this line of argument by evaluating evidence from Japan and other developed countries. If we find that fertility is unrelated to work opportunities for women, or if we find that better work opportunities for women lead invariably to lower fertility—the opposite of what our argument predicts—we would appear to be wrong. If, on the other hand, we find that fertility correlates positively with favorable labor market conditions for women, it is time to reevaluate the simplest cultural or opportunity-cost arguments.

Explaining Japan's Low Fertility

In this section I lay heavy blame for Japan's low fertility on the relative inaccessibility of Japan's labor market to women. Given how hard it is for women to make it in corporate Japan, even the government's

increased support of childcare over the years has been inadequate in motivating women to mix working life with motherhood.[7]

At least until the asset bubble burst in the early 1990s, a large literature in institutional economics was devoted to detailing how the particular institutions of Japanese capitalism improved on unconstrained markets. Cross shareholding among *keiretsu* firms and ties to main banks allowed firms to stabilize their cost of capital, which in turn allowed them to guarantee lifetime employment to their core workforce.[8] At least in the rapid-growth years, when the demand for labor exceeded the supply, Japanese firms had an incentive to woo workers with this kind of guarantee.

This "isomorphism between financial markets and labor markets," as Aoki called it, was believed to be a linchpin of Japan's superior productive capacity. Big corporations did not have to worry about fluctuating stock prices affecting their cost of capital and could therefore focus on longer-run objectives. Core workers of large firms were not afraid of being laid off, so they invested in firm-specific capital. Firms, in turn, could invest heavily in the training of these workers without fear that they would take that investment out the door with them (Aoki and Patrick 1994; Aoki 1984, 1990; Hoshi, Kashyap, and Scharfstein 1990; Koshiro 1994).

As Margarita Estévez-Abe, in this volume, insightfully points out, the implications for women of low interfirm labor mobility are ominous. The costs to an employer of hiring and promoting women are higher when workers are expected to build up firm-specific investments over the course of their careers. If a woman interrupts her career to care for children, the firm's investment in that woman is reduced, and lost altogether if she doesn't come back. Moreover, if firms make lifetime commitments to their core workers in order to elicit investments in firm-specific skills, they need an expendable part of the labor force to accommodate business-cycle ups and downs. Either a woman gets herself into the core workforce, or finds herself in the buffer zone of part-time employment where jobs are not secure. Getting in is hard for a woman because firms want a cheaper category, and it easier for them to have such a category if women are socially labeled as housewives.

Even if a woman succeeds in getting hired or promoted into the core workforce, if her husband is also in the core workforce, they *both* have to make a success of their careers in their respective firms or they are out of luck because there is little interfirm labor market in case they need to look elsewhere. If they are competing with other employees who share

this all-or-nothing attitude, they are not likely to say no when their bosses ask them to stay late, or when their bosses take a group of (almost always) guys out for drinks when the day is done. Working days for the core workforce are long. Who takes care of the kids? to paraphrase the memorable phrase of Nancy Folbre (1994).

A weakness of this new institutional analysis of the Japanese economy is that it doesn't explain where these institutions came from. A functionalist explanation that points to the efficiency-enhancing features of these institutions fails to explain why these institutions did not emerge elsewhere. More damning still, some economists have pointed to the darker side of Japanese economic institutions. Weinstein and Yafeh (1995) argue that industrial policy led by the Ministry of International Trade and Industry (MITI) was cartel management at the expense of economic efficiency rather than the construction of market-improving mechanisms. In another paper (1998), they present empirical evidence for the case that main banks misallocated capital more than they helped firms solve management problems. If they are right, the inaccessibility of the labor market to women was not the inevitable if unfortunate result of a more efficient form of economic organization. There were noneconomic reasons for the particular form that Japanese economic institutions took.

Politics and Public Policy

Economic organization is shaped in part by government regulation, and economic efficiency is rarely the only thing government cares about. To grasp how the Japanese labor market has disadvantaged women, it is important to think about why the Japanese government created a regulatory environment that produced interfirm labor market immobility in the first place.

A single majority party, the Liberal Democratic Party (LDP), dominated postwar Japanese politics beginning in 1955 and continues in power in diminished form to the present day. The party has maintained strong bases of support in big business, agriculture, and small business and has used funds and voter mobilization capacity from these groups to appeal to voters. The electoral system that remained in place until 1994 pitted multiple LDP members against each other in most districts, so instead of running on a party platform, LDP members had to cultivate groups of voters who would be loyal to them personally. This generated strong political pressure for regulatory, budgetary, and tax fa-

vors for businesses, in exchange for campaign contributions to pay for expensive electoral machines (McCubbins and Rosenbluth 1995; Ramseyer and Rosenbluth 1993).

The effects of this political system on economic policy are not hard to find. The LDP coddled many producer groups with cartel-like legislation and other policy favors. One of the strongest cartels was in the banking industry, which, along with suppression of nonbanking forms of capital formation, led to the main bank form of financing that new institutional economists write about. It is straightforward to see how the rest of the labor-immobility story follows. But its origins are not in efficiency-maximizing institutions. They reside at least in part in the motivations of politicians seeking to secure their electoral fates.

If backbenchers' political motives interfered with microeconomic management, macroeconomic policy is harder to target to special interests. To be sure, the budget itself was carved into small, politically strategic pieces. But the *size* of the government budget was typically kept low with an eye toward protecting a favorable business climate.

We have seen that the government's probusiness policies underpinned low labor mobility by managing the bank cartel that made this possible. The LDP was also on the side of business when it came to keeping women out of the core workforce. Early party platforms of the LDP stated explicitly that women should stay at home to help their husbands be good workers (Jiyu minshuto 1979). The alternative—making it possible for women to join the labor force on an equal standing with men—was politically disagreeable. First, it would have required the government to pay potentially huge amounts of money for childcare support, which violated the party's pledge to its business supporters of keeping government expenditures to a minimum. Second, it would have increased the cost to firms of making lifetime employment guarantees. As we have seen, this guarantee works only when there is some buffer zone in the labor market that can expand and shrink with the business cycle. Third, it is quite possible that the LDP understood that working women would favor government expenditures to socialize some of the costs of family work. Either the LDP would have to spend more money, making its business constituency unhappy, or face the possibility that working women would vote systematically for the left. Given that trade-off, keeping mothers at home seems an entirely sensible political strategy.

It would be a serious exaggeration to characterize the entire Japanese economy as a large firm environment. To be sure, the big companies are

at the top of the food chain, so to speak, and many of the most talented and ambitious young Japanese seek the status and job security of the large firm sector. But if medium to large firms produce three-quarters of the country's output, they account for only about 30 percent of the labor force. To the extent that large firms are more likely than small and medium-sized firms to have internal labor markets and therefore to place a premium on firm-specific skills, we might expect that women in the small firm sector do better in career terms. In fact, we do find stronger labor market attachment for women employed in small firms in Japan (Shirahase, this volume, Chapter 2). Although fertility data broken down in this way are unavailable, our line of argument would lead us to expect that women employed in the small and medium-sized firm sector might have somewhat higher fertility as well. On the other hand, employment in the small firm sector is less stable (there are far more bankruptcies and these firms typically don't have the luxury of making lifetime labor commitments), which explains why women are not flocking there.

The same is true when we consider women in the agricultural sector. Female labor force participation rates and fertility are both positively correlated with residence in relatively rural areas, even beyond the positive effect that comes from having grandparents available to provide some childcare. Fertility varies in Japan from Tokyo's rate near 1, to relatively rural areas with fertility closer to 1.8. Fertility and female labor force participation rates are positively correlated: working mothers are not having fewer children. Rather, it is the working women for whom combining work and family is made difficult by the labor market structure who are choosing not to have children. Of course, Japan has become heavily urbanized, so higher rural fertility does little to boost overall fertility rates.

The graph of Japanese women's labor force attachment over the course of their life cycle forms an M shape. M-curves show the dip in employment for women with small children, which, as Brinton (1989, 2001) and others have shown, is notoriously steep in Japan's case. Moreover, the second "hump" is not only lower, but also qualitatively inferior to the first, because many of the women reentering the job market after a break of some years take part-time work with lower wages, benefits, and job security than for full-time jobs.

More rural prefectures in Japan have flatter M's, suggesting that women are more likely to continue working during their childbearing years. The economic requirements of the household farm never permitted the idea of working mothers to disappear in rural Japan,

despite a certain degree of "samurai-ization" of Japanese social norms with industrialization. Far be it from us to say that rural women "have it made"; they have struggles all their own. But compared with women trying to carve out careers in the big firm sector, women in the agricultural sector seem to be less squeezed in their choices.

The Topography of Constraints for Japanese Working Mothers

Both fertility and female labor participation were higher in prewar Japan than they are today. Prior to industrialization, it was taken as natural and unavoidable that mothers, as long as they were able-bodied, would help in the fields while in-laws or siblings took care of younger children. As we have just seen, the pattern still holds in relatively rural regions in today's Japan. With industrialization, fertility dropped without increasing female labor participation.

Industrialization brought with it urbanization, and a flocking of the population into cities. This new environment discouraged mothers from working in several ways. The previous section already recounted the labor practices of large firms that kept working mothers out, and these large firms are disproportionately in big cities. Second, many urban families lived as nuclear families, so the working mother could no longer rely on her mother-in-law to help with the children. Third, commuting times lengthened with urban congestion. On top of a long working day, a long commute can mean having someone else keep the child(ren) for twelve to fourteen hours a day, five and a half or six days a week.[9]

Clearly, the labor market situation was grim for a mother who aspired to a career. As we saw in the previous section, the LDP's probusiness orientation disinclined the government to step in aggressively with childcare support to make the balancing act manageable. Instead, the LDP government consistently reinforced the incentives for women to stay at home.

- In the early years, the government made childcare support available only to low-income families who needed income from both spouses, and put up high entry barriers to families with the means to live off of the husband's income. Expansion of availability, as well as in hours of operation, has come grudgingly and slowly.
- Tax policy favors spouses with a small amount of outside income.
- The government adopted Equal Opportunity Employment legislation in 1986, but was slow to enforce violations vigorously.[10]

- Japan is in good company in having no mandatory paternity leave policy, which would even out the cost to a firm of hiring a man or a woman for a career track position. Only a few Scandinavian countries have such a policy in place, but even theirs is of short duration.

All else equal, the market discounts a woman's wages by the cost of replacing her when she interrupts her career path for childbearing and family work (Katz 1997).[11] Margarita Estévez-Abe (this volume, Chapter 3) draws on the "varieties of capitalism" literature to argue that this is even more true for economies or sectors that reward employees on the basis of firm-specific or industry-specific skills. Although Japan's large firm labor market can be characterized as a firm-specific-skills market, the coordinated markets of Western Europe are more likely to encourage investment in industry-specific skills. Corporatist wage bargaining and industrial job security increase returns to skills that an employee can take to another job in the same industry. In the English-speaking countries, by contrast, labor markets tend to be a more fluid part of a liberal market economy.

In summary, government policy has done relatively little to compensate for a working environment that is inhospitable to working mothers. Given the party's political incentives, particularly under the old electoral rules, this is not hard to understand.

Fertility Elsewhere

The plight of Japan's working mothers—or of Japanese women who have to choose between work and motherhood—is shared by women everywhere to some extent. But the severity of the plight seems to vary across and within countries quite substantially. An examination of this variation gives us a useful way to check our analysis of the Japanese case. The overall pattern we observe is that fertility tends to have a nonlinear relationship to the strength of labor: fertility is relatively high in countries with weak left/labor power, declines with the power of unions, and then rises again as the strength of the left passes some threshold. This section lays out the logic behind this pattern and then compares Japan to Germany, Sweden, and the United States in some detail to check the links in the argument.

Variation in the strength of labor does not rest solely on different cultural milieus. Electoral rules seem also to have a discernible effect. Proportional representation electoral systems that operate in European

countries are more likely to adopt coordinated market economies (CMEs), because coalition bargaining produces logrolls among the intense preferences of coalition parties and the organized groups they represent. By contrast, single-member district systems tend to have lower levels of public services, less generous social insurance schemes, and lower taxes for two reasons: first, parties are forced to appeal to a broader swath of interests before formulating party platforms; and second, voter turnout is systematically lower on the left than on the right, producing weaker demands for redistribution (Bartels 2002; Bawn and Rosenbluth 2006; Iversen and Soskice 2002; Rogowski and Kayser 2001; Rosenbluth and Schaap 2002).[12]

The Japanese electoral rules that prevailed until 1993 were not entirely proportional, though they were centrifugal in that intraparty competition produced a factionalized dominant party. A switch to more genuinely proportional rules such as a closed list system would have empowered a left party as proportional rules do elsewhere—because proportionality would have made a group such as labor, which is never a majority by itself, a strong and enduring niche for a national political party. A strong labor party and strong unions tend to reinforce each other. But as we will see in the German case, greater proportionality and labor power would not necessarily have increased female employment opportunities and fertility. Moving in the majoritarian direction—which Japan did in 1994 and which I will assess in the conclusion of this book—will likely push Japan's labor market institutions toward greater fluidity. We can expect the eventual demise of lifetime employment contracts for core male employees and, as a result, easier access for women into the labor market. Japanese fertility rates may be in for some recovery, but we have to wait first for the old institutions to gasp their last breath. They are still gasping.

Liberal Market Economies

More or less synonymous with liberal market economies (LMEs), majoritarian countries typically have weak unions and fluid labor markets and, as a result, build in less incentive for workers to invest in immobile firm- or industry-specific skills.[13] The costs of career interruption tend to be lower, both for the employer and for the employee, when workers bring with them portable skills. Ironically, women are advantaged by men's job insecurity, at least in the sense that a woman's career interruptions for childbearing are relatively less disadvantageous in the

general-skills economies. Her job insecurity becomes less of a liability when everyone is insecure.

Female labor participation rates tend to be quite high in the LMEs of the United States, United Kingdom, Australia, and Canada. Employers have less reason to discourage women from work. Employers are not investing in a woman's firm-specific skills, so her career interruptions on account of childrearing represent less of a cost to the firm.[14] In 2000, 74.1 percent of American women aged twenty-five to fifty-four participated in the labor force, including 56.6 percent of women with a child under three years of age (Organization for Economic Cooperation and Development 2005). Moreover, women are more likely to work full-time than part-time, and are quite likely to continue working after marriage and childbirth. The gender wage ratio, which is the ratio of male to female wage medians for all hourly wage and salary figures, was in the 75–80 percent range in these countries in 2003 (Institute for Women's Policy Research 2004). This puts them in the middle tier for the CMEs, which exhibit more variance.

If we accept our proposition that fertility should be higher when women find it easier to combine a career with motherhood, we might expect LMEs to have relatively high fertility, compared to CMEs. This is, in fact, the case. To be sure, the high aggregate fertility masks substantial differences by income. As Figure 1.1 shows, women at the lowest income quartile are the most fertile, largely because they occupy

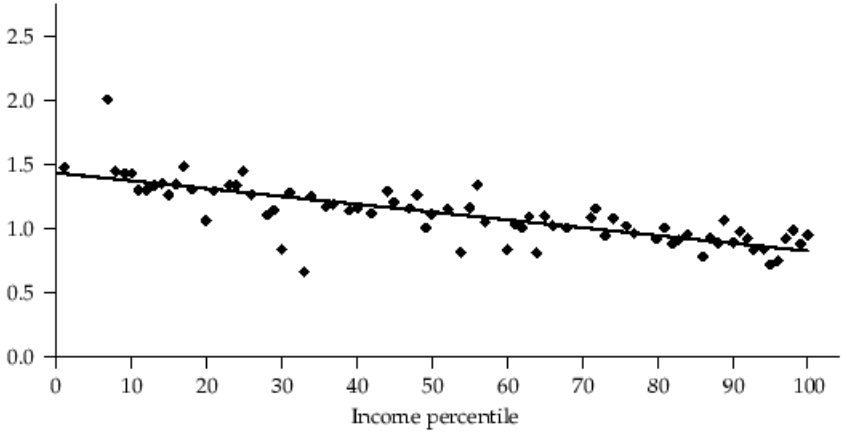

FIGURE 1.1 Average Number of Children of U.S. Working Women Ages 18–45, 1997

low-wage, low-skill jobs that apply smaller penalties for temporary absence from the labor market (Anderson, Binder, and Krause 2002). By contrast, women in the middle of the income curve may be unable to afford not to work, but may not make enough to subcontract much of their childcare. For them, the need to work seems to put a low bound on the number of children they bear. At higher income levels, women face higher opportunity costs in having children, but that is partially offset by large intragender wage inequality in liberal market economies that allows high-income women to pay others to help take care of their children. As a result, fertility relative to the woman's income does in fact decline in the United States but perhaps not by as much as one might expect.

Coordinated Market Economies

Consider, by contrast, the countries of Western Europe, which tend to have proportional electoral rules and coordinated market economies. Strong labor unions negotiate for a compressed wage distribution, employment guarantees to the extent possible, and generous unemployment insurance. An unintended byproduct is that workers are encouraged to invest in industry-specific skills because the likelihood of losing that investment is relatively small (Estévez-Abe, Iversen, and Soskice 1999; Estévez-Abe, this volume). Women are disadvantaged in the skills-investment game, unless left/labor is beyond some threshold of strength that frees the government to employ women in the public sector in sufficient numbers to offset the relative exclusion of women from the private sector. In Scandinavia, where women are disproportionately hired in secure government jobs that are unhinged from strictly productivity-based wages, both female labor force participation and fertility are considerably higher. Liberal market economies, such as those in the United States and the United Kingdom, have female labor force participation and fertility rates that are comparable to Scandinavia's, but by way of general-skills jobs in the private sector rather than public sector service jobs.

Note that Japan is anomalous here. Japan's strong internal labor markets, as we noted above, put downward pressure on fertility *despite* the weakness of the left and resulted instead from the competition for skilled labor among large firms in a growing economy. Long-term, secure loans from banks (and the financial cartels that underpinned them) made it possible for firms to make similarly long-term commitments to

a core group of lifetime employees, with the result that other workers, including women, were needed as a flexible, expendable workforce.

Coordinated market economies exhibit wide cross-national (as opposed to intracountry) variation in fertility, which suggests by our framework that not all is equal in the nature of constraints that women face in entering the labor market. For women to enter the labor market on an equal footing with men in a specific-skills economy, the government makes up for the advantage men enjoy in the private sector either by disproportionately hiring women in secure public jobs or by heavily subsidizing the costs of childcare, or both. A comparison of Sweden and Germany bears out the importance of these differences in government roles.

The Sweden-Germany Comparison

Despite the many obvious similarities in their culture, their political and economic systems, and their overall level of development, Sweden and Germany pursued strikingly different policies in the decades after 1960 with respect to women's employment. The difference seems to have been on account of the relative strength of the political left in Sweden compared to Germany. Policies that help women gain access to the labor market are a nonlinear function of the strength of labor, where moderately strong labor—such as in Germany and most of non-Scandinavian Europe—keeps jobs secure for core male union workers by relegating women (and immigrants) to less secure jobs. In Sweden and the other Scandinavian countries, left governments were sufficiently strong and long lasting that they expanded the public sector without checks from the right, absorbing large percentages of women into public sector service jobs.

Women responded to the opportunities by moving into those jobs. Public provision of childcare, which is generous and nearly universal in Sweden, appears to have been more of a response to the need of working mothers by a spending-inclined government than a cause of their initial foray into the market. Now that Swedish women are well represented in public sector unions, and because public sector unions tend to be more militant than their private sector counterparts, women have gained a strong voice in left-leaning governments (Curtin and Higgins 1998, 77; Garrett and Way 2000).

It should by now come as no surprise to the reader that Swedish fertility levels are high by European, CME standards.[15] Public sector jobs

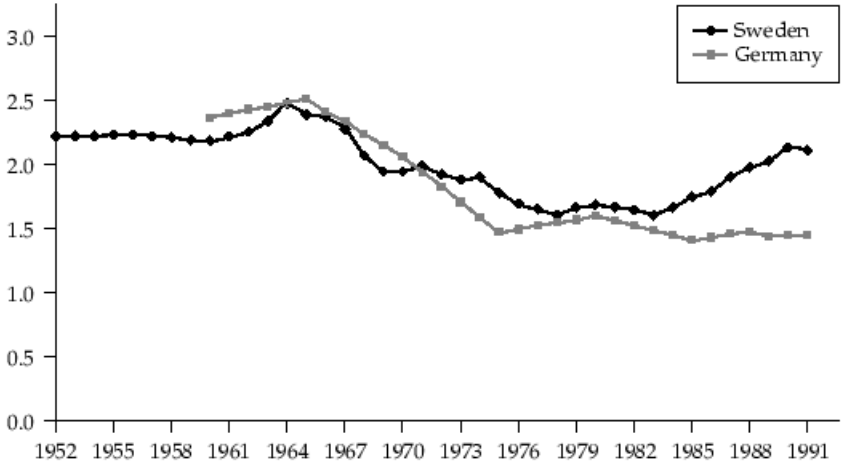

FIGURE 1.2 A Comparison of Swedish and German Total Fertility Rates
SOURCE: Data from Luxembourg Income Study Micro Database

that do not penalize women for career interruptions appear to allow Swedish women to be working mothers with as little struggle and conflict as any place in the world. Many Swedish women are single mothers, but both the gender wage gap and child poverty levels in Sweden, after taxes and transfers, are among the lowest in the world.

It is also worth noting that, although Swedish fertility is relatively high, it fluctuates *positively* with female employment levels (Adsera 2003; Ahn and Mira 1999; Hoem 2000). This is the most direct challenge to a simple opportunity-cost explanation for female fertility that we find anywhere. When government spending increases and public sector employment rises, women move at the margin into the labor force and fertility rises. When the government has to cut budgets, as it did in the 1990s, fertility declines in only slightly lagged response.

Germany's low female labor force participation of about 60 percent and low fertility of around 1.4 contrasts unfavorably with the Swedish case (Figure 1.2). What accounts for this difference, just a few hundred miles away? The German left, though not particularly weak, faced a strong and consolidated party on the right with which it alternated in government and with which it shared oversight of the Bundesbank. Because the Bundesbank does not face a monolithic party in power, it enjoys greater independence and freedom to react against wage settlements that it feels are inflationary (Franzese and Hall 2000). Even when

the social democrats are in power in Germany, they cannot expand the public sector with as much abandon as the left party in Sweden. The percentage of women working in the private sector does not differ by all that much between Sweden and Germany. The stark contrast is in the percentage of women working in the public sector: nearly half of all working women in Sweden are government employees, whereas only about 5 percent are in Germany.

The German government is also less generous than the Swedish in subsidizing the costs of childcare. Although Germany, like most European countries, has a system of family allowances, the amounts paid out do not even approach the cash costs of rearing a child. Modest subsidies for parents, combined with structural constraints on women's employment, have predictably led to a stagnant birth rate (Dorbritz and Hohn 1999; Kreyenfeld 2004; Walby 2001; Wendt and Maucher 2000; Witte and Wagner 1995). German women who have career ambitions seem to know they must not interrupt their careers too much or too often.

Conclusions and Plan of the Book

This chapter has made the case for thinking about fertility as an indirect indicator of constraints on women deciding how to allocate effort and time between home and career. It is important to look for indirect indicators such as this, because more direct measures, such as preferences expressed in opinion polls, can often deceive. Women who understand how their choices are limited will not necessarily challenge them, even in an anonymous survey. As Amartya Sen (1984, 1987, 1990, 1992) and others have recognized, people with curtailed options often incorporate environmental constraints into their own mental terrain, where the constraints can become invisible and a part of the "common sense" or "normality" that is passed on from generation to generation.

It is certainly possible that unconstrained women will still choose to have fewer than the replacement number of children, and that is not our concern. Rather, we want to draw attention to the uneven burden that women bear in reproduction, and the consequences for their welfare that comes of a family-specific distribution of labor. When a woman does not have the possibility of economic independence from her spouse, she risks poverty in the event of divorce, and by extension, a weak bargaining position within the family on account of having poor exit options.

By comparing patterns of female labor force participation and fertility in Japan and elsewhere, we find strong evidence for the proposition that low fertility is at least in part a response to women's perceived need to try harder to make a go of it in the labor market. Some Japanese men suggest that "Japanese women are too selfish now to sacrifice on behalf of their children and families."[16] The next generation is a worthy cause, and there are undoubtedly biological as well as social reasons for the sacrifices parents have and will continue to make. But the notion that women should disproportionately bear the burden of investing in child welfare—sometimes defended by reference to a woman's larger physical investment in her children—ignores the substantial costs she pays in doing so. The partial embargo on childbirth that we observe in Japan and some other countries is, we believe, the inevitable result of not recognizing these costs.

The chapters that follow explore the various ways Japan's labor markets make it difficult for mothers to achieve career success, what the government has done about it, and what it must still do if it worries about low fertility. Our conclusion is that, to increase Japanese fertility—and indeed, this applies to the problem of low fertility in other developed countries—women have to be convinced that having children will not block their chances of keeping their jobs.

We do not go deeply into the question of whether women work because they have to or because they want to, but we note that women are disadvantaged in household bargaining in the traditional family where only the husband works. A woman who stays at home faces the possibility of a substantial loss of welfare in the event that her marriage breaks up, and therefore has a large stake in maintaining the marriage. Young Japanese women have watched their mothers make all sorts of sacrifices to keep their marriages going and seem to recognize that a woman who has the possibility of economic independence can relate to her marriage partner on more equal terms.

The following chapter by Sawako Shirahase provides a close statistical look at the relationship between a woman's economic status and fertility. She finds that in Japan, a woman's fertility declines with her income, suggesting that the more ambitious a woman is to be a financial success, the more she has to forgo having children. This parallels the situation of German women, who face challenges similar to those of Japanese women, on account of the high cost of career interruption in a specific-skills economy. As we have shown, women's income is less closely connected to fertility in the United States and Sweden because

of the general-skills nature of the U.S. labor market and because of secure public sector jobs and generous childcare subsidies in Sweden. Reducing women's obstacles to career success is likely to be the most direct way for the Japanese government to stop the decline in fertility.

Part Two of the book contains three chapters on precisely how and why demand for female labor in Japan is limited. Margarita Estévez-Abe draws on the "varieties of capitalism" literature to argue that the cost of career interruption varies by how much economies or sectors reward employees on the basis of firm-specific or industry-specific skills. Given the high returns to firm-specific skills in Japan's large firm sector, she argues, it would take substantially more government subsidization of childcare to counteract the dampening effect on demand for female labor. Mary Brinton takes a look at the clerical sector, where women in the United States first made serious inroads into the man's working world, and asks why Japanese women have not met with much success there.

The chapter by Eiko Kenjoh undertakes an explicitly comparative statistical analysis comparing a woman's likelihood of dropping out of the labor market with childbirth in Japan, Britain, Germany, the Netherlands, and Sweden. She argues that government policies make a substantial difference in boosting labor market attachment in Sweden, and that the low quality of part-time work in Japan compared to, for example, the Netherlands, discourages more women from reentering the labor market. By implication, the Japanese government might boost fertility by either increasing public sector employment as in Sweden, or by regulating the part-time labor market to require better wages, job security, and benefits, as in the Netherlands.

In these three chapters, the conclusion is largely the same—the need of employers to make long-term commitments to core male workers makes them reluctant to incorporate women into the core category. The social classification of women as homebodies makes it easier for employers to treat women differently, but this is not just a cultural rut. As long as women disproportionately bear the responsibilities of childcare and other family work, the cost to an employer of hiring any given female is higher in probabilistic terms than that of hiring a male, who is more likely to stay in his job acquiring firm-specific skills all the while. The increased likelihood of a woman interrupting her career on account of her family responsibilities gives firms an incentive to discriminate against women. This is especially true in countries such as Japan, where the widespread use of long-term employment contracts

accentuates the difference to employers of men, who can expect to work without interruption, and women who cannot.

Part Three of the book turns to constraints on a woman's supply of labor, holding constant the demand for her labor. The main constraint, as we have been discussing all along, is her role as the family's primary caregiver. The overarching point of this section is that government policy dealing only with childcare provision is likely to be insufficient to boost fertility, without dealing also with the problems that Estévez-Abe, Brinton, and Kenjoh discuss on the demand side. Patricia Boling recounts the history of public subsidization of childcare in Japan, and finds it wanting. Even if the levels of support are higher than in the United States, the subsidies would need to be even larger to have a positive effect, given the limited demand for female labor to start with.

Junichiro Wada looks at the politics of government funding for daycare and finds that, although the overall levels are inadequate to meet the demand for childcare, there are distributional consequences in how the money is allocated. Wada finds that there has been a substantial rural bias to funding and operational guidelines of childcare facilities. He argues that bias was in part due to electoral malapportionment that gave rural voters more clout, and in part due to the strength of the child minders' unions in rural districts. With electoral reapportionment in 1994, we should see—and he does—some evening out of rural and urban childcare subsidization. But again, because the labor market is so inhospitable to women, current subsidies are not nearly enough to induce more women to have children.

Keiko Hirao looks at another constraint on a mother's ability to work: the time demands placed on her by the Japanese market for education. This, too, is related to internal labor markets: because graduating from a good school is such an important signal to firms seeking skilled labor, and because workers cannot expect to move easily from one firm to another once they are placed, there is a large premium on getting into the best possible school. Mothers face an insurmountable collective dilemma—as long as some women are boosting, or at least perceived to be boosting, their child's chance of lifetime success, everyone else feels tremendous pressure to do the same. Runaway competition for childhood education in cram schools and homework is the result.

Part Four turns to policy prescriptions in my concluding chapter, which discusses implications of our analysis for policy choices. Japan's political economy is in transition, with major changes under way in both its party system and its labor markets. Japan is not likely to look

the same in twenty or even ten years as it looks today. But it seems certain that Japan's fertility will languish as long as women fail to achieve more equal standing with men in the labor market. I discuss the tradeoffs involved in various policy choices the Japanese government might consider to increase gender equality, and assess the political feasibility and likelihood of these policies. But don't take my word for it. Read on for a deeper understanding of Japan's labor markets, their effects on female employment opportunities, and why government policies so far have failed to solve the problem.

Notes

1. Robert Goodin suggests instead a "feminist withdrawal rule" whereby, in the event of divorce, each partner takes "an equal share of all that has been invested in the household when they leave. By that standard, it is exploitative for the man to be able to withdraw a larger portion of his investments than the woman, simply because there are more 'caring' investments in her portfolio" (Goodin 2005, 24, cited in Folbre 2005, 15). Until divorce courts formulate and enforce a more even distribution of family assets upon divorce, it is safe to bet that women will continue to seek to secure their own economic resources.

2. On the basis of archeological and osteological evidence, scholars now believe that the modern Japanese people are a mixture of the hunter-gatherer Jomon people who probably migrated from north central Asia during the Ice Age some 15,000 or so years ago, and the more recent comers from the Asian mainland via the Korean peninsula, perhaps in several waves, between 500 B.C. and A.D. 300. This latter group established sedentary agriculture over much of the islands, known as the Yayoi culture. They called their country "Yamato," and today "Yamato damashi" or "Yamato spirit" is used to mean "Japaneseness." What this actually means is another matter, given how much Japanese society has changed in the intervening years.

3. Departing from the derisive characterization of motherhood as a cushy job that "comes with three meals and a nap" (*sanshoku hirune tsuki*), municipal governments in Japan have come to recognize that young mothers are vulnerable to depression and that child battery is not a rare and isolated phenomenon. An official in Yamagata told me that the typical at-risk child had a stay-at-home mother rather than a mother overstressed by trying to manage work and family (Interview, June 2001). For heart-rending tales of frustration collected from a hotline for mothers, see Joliet (1977). These anecdotes comport with evidence from the United States and United Kingdom that at-home mothers are at greater risk of depression than working mothers.

4. Although there is probably a cultural element to the premium on youth and beauty in a female partner, there also seems to be some hard-core universality to this male preference that is asymmetric with female preferences. Evolutionary biologists and psychologists explain this as a sort of hardwiring that evolved under a specific division of labor and the resulting sexually differentiated duration of fertility (the female's is much shorter).

5. This is not meant to be a complete or exclusive explanation, but one that nevertheless accurately captures some of the big patterns of human life. Another factor in the emergence of gender inequality, which I do not discuss here, is warfare. To the extent that community life is threatened by aggressors, we can expect preference to be given to features that can help protect the community, such as male solidarity, male aggressiveness, and male heirs.

6. The broad contours of this argument have support from a wide range of scholarly traditions, including Marxism, broadly construed (Engels 1884), economic history (Kuznets 1955), development economics (Boserup 1970), and evolutionary psychology (Hrdy 1991).

7. For a similar conclusion, see Leonard Schoppa (2006).

8. *Keiretsu* are Japanese corporate groups.

9. Not to mention, of course, the sick days and evenings she spends caring for her children, and her loss of productivity in the event that she is tired from the work she does at home.

10. Moreover, as economists point out, equal opportunity legislation can lead corporations to pay women less, unless something is also done about the cost to employers of hiring and promoting women. Perhaps the best to hope for from such legislation is in combating the corporate tendency to think of women primarily as part of the part-time buffer force.

11. This includes, of course, the sick days and evenings she spends caring for her children even upon returning to work, and her loss of productivity in the event that she is tired from the work she does at home.

12. Of course, as Carles Boix (1999) has pointed out, the configuration of interests at the time the electoral rules were adopted probably has much to do with which rules were chosen in the first place.

13. An important caveat here is that economies can only in the most abstract sense be characterized by an overarching type of labor market. Labor markets can vary substantially across sectors, as we saw in the Japan case. We use the CME-LME distinction here to draw broad brushstrokes, but expect to see considerable variation at the sectoral level.

14. The cost does not go away entirely because the employer still has to cover for her in her absence. But since the employer does not invest heavily in either men or women, her departure, even if it is permanent, does not represent as great a loss as it would for an employer who invests in employees in the expectation of a long-term return on that investment.

15. Though Swedish fertility had fallen to 1.5 in 1999, projections were for a stabilized fertility rate of 1.8 by 2010, based on the expectation that women are more likely to give birth when job prospects for women improve (Bernhardt 2000).

16. An unfortunate comment from a close academic friend.

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