

# A Proposal for solving low fertility rates in the US

Michael Voelkelt  
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# Thesis

This paper proposes that the state of New Mexico adopt a Paid Family Leave policy (PFL) to encourage families to increase the Total Fertility Rate (TFR) because providing paid leave will increase the likelihood of increasing TFR, reduce workforce stagnation, and reduce population decline.

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# Background

- There is a growing aging population and a stagnant working age population.
- The replacement level rates are below 2.1
- Overall decline in birth rates since 2007 Great Recession

# Background

- There is a growing aging population and a stagnant working age population.
  - Large increase of the aging population due to baby boomer retiring.
  - With so many retiring the working age population can't keep up with the rates.
  - Creating a disproportion

# Background

- The replacement level rates are below 2.1
  - The replacement level fertility rate means that if sustained, the population will exactly replace itself each generation
  - Below 2.1 births per woman means little growth and stagnation

# Background

- Overall decline in birth rates since 2007 Great Recession
  - Teen births: “Overall decline was 75 percent” (Melissa, Phillip, & Luke 2022).
  - Older population has remained mostly constant

# Problem #1 Welfare and Public Assistance Programs

- Challenges to Social Security and Medicare
  - Larger amount of non-workers and less workers
  - Less workers creates higher costs to fund programs
  - Lower fertility rates produce less workers

# Problem #2 Economic Growth and Fiscal Stability

- Pose problems for GDP and economic growth and stability
  - GDP per capita will reduce with less workers due to productivity loss
  - GDP is dependent on the output of worker, but there will be less workers
- “growth in the size of the workforce has the potential to produce longer-term economic growth” (Melissa & Phillip 2023).



# Problem #3

- The cost of childcare is unaffordable
  - Childcare services are experiencing staff shortages and can't raise prices for parents
  - The price of infant care in New Mexico is considered unaffordable to majority residents
  - “By this standard, only 11.1% of New Mexico families can afford infant care” (Economic Policy Institute 2020).
  - Considered affordable if no more than 7% of families income

# California's Solutions

- California's Paid Family Leave Policy (PFL)
  - California enacted a PFL in 2002
  - Provides up to 8 weeks of pay leave
  - Applies for bonding with new child, caregiving, and military assist

# Japan's solution

- Japan has one of the lowest fertility rates
  - Japan has implemented policies to address the low fertility rate
  - The policies have been offered since 1992
  - Policies aimed at providing improved childcare, financial incentives for men to become involved in childcare, flexible work hours, and education/healthcare.

# My Solution

- The Proposal is modeled after the California PFL
  - Follows many of guidelines from California
  - Policies differ in terms of wage contributions and how much the tax ceiling is
  - Bring the same benefits of previous PFL to New Mexico residents

# My Solution

- Aims at eliminating one factor that affects the declining fertility rates
  - Help encourage families because it builds better family dynamics and helps cover rising childcare costs
  - Beneficial to provide an added wage replacement for those that have or are planning on paying the expensive cost on childbearing

# Cost Benefit Analysis

Employer and Employee Costs:	Costs 1	Cost 2	Cost 3
Employee Leave Compensation (WBA)	Higher Income 60% of paycheck	Lower Income 70% of paycheck	8 weeks of compensation
Employer Temporary Replacement	Replace previous employees hours	40 hours full-time off	Prop. Hours part-time
	Hire a temporary replacement	Prop. to previous employee wage	Pay based on duration of replacement
Training Temporary Cost	Training time for one employee	Software training	
		Skill training	
		Onboarding	
Productivity loss	Work disruptions	Extra responsibilities	
	Project delays	Delay of projects	Delay in profit for company

# Cost Benefit Analysis

Government Costs	Costs 1	Cost 2	Cost 3
Program management	Employers at New Mexico's EDD	35-40 hour week per employee	
	Training management for PFL	35-40 hour week	
Time to pass the Bill	Time for the bill to run through legislation	2 years	
	Possible vetoes on the bill can delay	Short delay	Long delay
	Governmental employees pay during the legislation		
Tax Implications	Contribution rates	Benefits to workers, administrative, minor changes	1.45 x Disbursements from the Fund – Fund Balance /State Plan Taxable Wages
	Taxable Wage Ceiling	(4 x the Maximum Weekly Benefit Amount x 13) / 0.55	
	Adequacy rates	Determines whether rates need to increase or decrease	

# Cost Benefit Analysis

Benefits	Costs 1	Cost 2	Cost 3
	Increase in Employee satisfaction	Reduce stress and increase retention	
	Increase in Health and well being	Benefits for families	Increase fertility
	Improve family dynamics	Improves parent-child relationships	Support elderly family care
	PFL will draw people to New Mexico	Policy benefits workers so it increases workers	New Mexico population increases



# Conclusion

By adopting a new Paid Family Leave policy in New Mexico it can serve as supporting factor to address low fertility, and the problems that come along side a decreasing Total Fertility Rate. The implementation of a the PFL policy emerges not only as a helpful measure for families but as a deliberate investment in the long-term sustainability of the state and country.

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