

Social Institutions and Low Birth Rates*

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Abstract

We document three cross-sectional stylized facts on labor supply and family formation. First, female labor force participation (LFP) and fertility rates are much lower in Eastern societies compared to Western economies. Second, labor hours and the gender-pay gap are much higher in the East than in the West. Third, parents spend very high amounts of time and money per child in Eastern societies. To account for these features, we develop and estimate a rich heterogeneous-agent model with endogenous marriage, fertility, labor supply, and time and money investment in children. Estimates using data from South Korea and the United States highlight the importance of gender norms and long work hours practices in driving down female LFP while child quality mores drive down fertility in South Korea. Our results suggest that a multi-pronged policy approach or reductions in the gender-pay gap may help boost both female LFP and fertility in East Asia.

Keywords: Female labor supply, fertility, child quality, gender norms, long work hours

JEL Codes: D13, E24, H31, J13, J16, J22

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