Financial crisis: Fewer babies... (WEO, 2018)

Greece/Spain: 1.5 (2007) to 1.3 (2016)

Sources: Organization for Economic Co-operation and Development (OECD); World
What is driving this trend?

• Employment and Income -

• Social changes (preferred family size, higher female labor force participation) -

• Tax wedge on couples +

• Labor market conditions (family allowances, job protection during maternity) +
Job in the FORMAL economy

Demand side:

• Structural reforms to improve the business climate and attract FDIs and improve export competitiveness

• Labor market reforms (adequate flexible, adequate minimum wage, well-balanced parental leave policy)

• Product and service market reforms

• Financial sector reform (access to credit, sound financial intermediation)

Supply side:

• Education reforms (update curricula, focus on labor market needs, teacher evaluation, etc.)
Fiscal policy:

• Revenue side: taxation of second family income

• Expenditure side:
  • Investment in high-quality infrastructure, education, and healthcare
  • Affordable childcare
  • Social Safety Net
New Strategy for IMF Engagement on Social Spending (June 2019)

• Raising INEQUALITY in the aftermath of the crisis

• Not just sustainable growth, but also INCLUSIVE growth

• Intensified interest in social spending (education, health and social assistance) is a key policy lever to achieve this

• Focus is on (i) fiscally sustainable; (ii) effectiveness; (iii) efficiency