

Fertility, Efficiency Wages and Social Security

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Abstract

This study analyses how fertility is affected by social security system when efficiency wages are considered in an overlapping generations model of a small open economy. Unemployment of this economy is due to the efficiency wages by firms. It reveals that when the childrearing costs are at higher level, both pensions and unemployment insurances will decrease the fertility; while when the costs are at lower level the effects are opposite. On the other hand, the higher effort or labor efficiency level leads to higher ability to raise children, improving fertility.

Keywords: fertility, efficiency wages, unemployment, pension

JEL: J13, J18, J31, J65

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