

Abstract:

This paper studies the effect of co-workers on female individual fertility. More specifically, we estimate how the average fertility rate among peers at the workplace affects a worker's likelihood of having a child using matched employer-employee data from the Italian Social Security Institute (INPS) during the period 2016-2018. We leverage variation in workplace fertility induced by the Italian Jobs Act, which reduced employment protection – and as a consequence fertility – for workers on open-ended contracts hired by large firms (more than 15 employees) after 7 March 2015. Our analysis focuses on workers in large firms and uses the fraction of co-workers hired after 7 March 2015 as an instrumental variable (IV) for the average peer fertility. We find that a woman's probability of having a child decreases if her co-workers recently had relatively fewer children. Our IV estimates indicate that a 1 percentage point reduction in the average peer fertility induced by the increased fraction of co-workers hired after the Jobs Act – hence exposed to the reduction in employment protection – leads to a reduction in the individual probability of having a child by around 0.1 percentage points. This corresponds to a reduction in fertility by 2.5% compared to the average fertility of 4.2%. The effect is robust to several checks, including using alternative firm size categories and different definitions of peers that consider co-workers in the same job position and/or in the same region. Our findings provide evidence that peers not only affect the timing of births but potentially also completed fertility. Moreover, our results enhance the understanding of the potential spillovers that labor market reforms that increase flexibility may have on total fertility rates through social interactions.