

Accepted Manuscript

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PII: S0927-5371(18)30077-0
DOI: <https://doi.org/10.1016/j.labeco.2018.07.003>
Reference: LABECO 1669



To appear in: *Labour Economics*

Received date: 12 December 2017
Revised date: 2 June 2018
Accepted date: 26 July 2018

Please cite this article as: Hannah Liepmann, The Impact of a Negative Labor Demand Shock on Fertility - Evidence from the Fall of the Berlin Wall, *Labour Economics* (2018), doi: <https://doi.org/10.1016/j.labeco.2018.07.003>

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The Impact of a Negative Labor Demand Shock on Fertility - Evidence from the Fall of the Berlin Wall*

Hannah Liepmann[†]

July 2018

Abstract

How does a negative labor demand shock impact fertility? I analyze this question in the context of the East German fertility decline after the fall of the Berlin Wall in 1989. I exploit differential pressure for restructuring across East German industries which led to unexpected, exogenous, and permanent changes to labor demand. I find that throughout the 1990s, women more severely impacted by the demand shock had relatively more children than their less-severely-impacted counterparts. Thus, the demand shock did not only depress the aggregate fertility level but also changed the composition of mothers. My paper shows that these two effects do not necessarily operate in the same direction.

Keywords: Fertility, Labor Demand Shock, Industrial Restructuring, East

Germany

JEL Codes: J13, J23, P36

*I thank Alexandra Spitz-Oener for her support of this project. I also thank Henry Farber, Anette Fasang, Bernd Fitzenberger, Knut Gerlach, Albrecht Glitz, Heidi Hartmann, Ariane Hegewisch, Ilyana Kuziemko, Jürgen Kühl, Olivier Marie, Adriana Lleras-Muney, Jesse Rothstein, Daniel Schneider, Stephen Trejo, Till von Wachter, Felix Weinhardt; my colleagues Niko de Silva, Friederike Lenel, and Arne Thomas; and seminar participants at the Essen Health Conference, the IRLE at UC Berkeley, Humboldt-University, the CRC 190 Workshop in Schwanenwerder, SOLE Annual Meetings, the Lindau Nobel Laureate Meeting, the Institute for Employment Research (IAB), and the seminar of the Berlin Network of Labor Economists for valuable comments and discussions. I am grateful to Daniela Hochfellner, Tatjana Mika, and Dana Müller for their generous support with the BASiD data; and to Vera Dahms for helpful advice on the GDR establishment survey. Financial support by the German Science Foundation (DFG) through the Research Training Group 1659 and the Collaborative Research Centers 649 and 190 is gratefully acknowledged. Access to the BASiD data was provided via on-site use at the Research Data Centre (FDZ) of the Institute for Employment Research (IAB). Results were reviewed by the FDZ/IAB to ensure data protection requirements. All errors are mine.

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