

Tim Sargent

DECLINE AND FALL

Trends in family formation and
fertility in Canada since 2001



May 2024

IN PARTICIPATION WITH



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Executive summary | *sommaire*

In this paper we examine three questions: do people gain significantly from being part of a family; what are the trends in family formation in Canada over the past two decades; and what factors explain these trends?

We find that being part of a family is very beneficial, both in terms of income and of overall well-being. Adults in a couple earn significantly more per person than singles of the same age, and married people live longer and have better mental health and well-being than non-married people, even common-law couples. Children in two-parent families have a much higher standard of living than children in one-parent families, even allowing for benefits and child support. Furthermore, children raised by their original parents have, on average, better life outcomes than children raised in one-parent families or in stepfamilies.

However, despite these advantages, fewer people in Canada are getting married or cohabiting, and those that do are having fewer children. An increasing proportion of Canadians in their late twenties and beyond are living with their parents, and an increasing proportion of this age group is remaining single. These proportions are higher than in the US or the UK, countries that are culturally comparable to Canada.

Furthermore, Canadian women are having fewer babies. Canada's birth rate is the lowest ever recorded, with women in their twenties putting off childbirth to their thirties, or foregoing it altogether. Canada now has the third-lowest fertility rate in the G7, lower even than Germany, and significantly lower than the US or the UK.

At least a third of Canadian children will see their families break up by the time they are 14, and more than a quarter live in one-parent families. While the proportion of children in one-parent families has remained stable in recent years, it is higher than in the US, the UK, or France.

Explanations for these trends fall into two categories: economic factors, such as incomes of young people and housing affordability; and broader social and cultural factors. From an economic perspective, incomes of young people, especially couples, have been advancing. However, real housing prices have risen dramatically in Canada over the last 15 years, both absolutely and relative to the US and the UK, and home ownership rates have been falling for younger people.

The nature and impact of broader social and cultural trends is hard to measure, but it is clear that there has been a marked reduction in the mental health of young adults, and a corresponding rise in anxiety about the future. Nonetheless, when surveyed, women still say that on average they would like to have 2.2 children, well above current levels.

Our findings imply that current assumptions about fertility rates embedded in official projections are significantly over-optimistic; indeed, these projections do not even match current fertility rates let alone the further drops we are likely to see as a result of the trend to reduced family formation. Furthermore, a higher proportion of singles in the population is likely to have other negative fiscal consequences for governments.

Given the clear individual and social benefits of marriage and children, there is a case for making sure that public policy does not impede – and preferably promotes – family formation and fertility. Clearly such policies would need to target housing affordability but would likely need to go beyond this to engage with some of the broader social and cultural trends prevalent among young Canadians, particularly anxiety about the future.

We close the paper by suggesting some next steps for research. These could include modelling future dependency rates based on the trends we have found in marital status by age, as well as more in-depth analysis, including across countries, provinces, and characteristics such as immigration status, to learn more about the causal factors leading to the trends we observe. This work could help lead to the development of a comprehensive policy agenda to deal with these negative trends, which could be illuminated by the experience of many countries around the world that are grappling with low rates of family formation and declining birth rates. [MLI](#)

Dans ce document, nous examinons trois questions : si les gens retirent de grands avantages à faire partie d'une famille; les tendances en matière de formation d'unités familiales au Canada depuis deux décennies; et les facteurs qui expliquent ces tendances.

Nous constatons que le fait de faire partie d'une famille est très bénéfique, tant sur le plan du revenu que du bien-être général. Les adultes en couple gagnent nettement plus par personne que les célibataires du même âge, et les personnes mariées vivent plus longtemps, jouissent d'une meilleure santé mentale et ressentent plus de bien-être que les personnes non mariées, et même que les couples en union de fait. Le niveau de vie des enfants est bien plus élevé dans les familles biparentales que dans les familles monoparentales, y compris après prise en compte des avantages sociaux et des pensions alimentaires. En outre, les enfants élevés par leurs premiers parents réussissent mieux dans la vie, en moyenne, que les enfants élevés dans les familles monoparentales ou recomposées.

Toutefois, malgré ces avantages, au Canada, moins de personnes se marient ou cohabitent en union de fait et, lorsqu'elles le font, elles ont moins d'enfants. Dans une proportion croissante, on vit encore chez ses parents à l'approche de la trentaine et un peu au-delà et, également dans une proportion croissante, dans ce groupe d'âge, on demeure célibataire. Ces proportions sont plus élevées qu'aux États-Unis et au Royaume-Uni, pays comparables au Canada sur le plan culturel.

Par ailleurs, les Canadiennes ont moins d'enfants, le taux de natalité au Canada étant le plus bas jamais enregistré. Dans la vingtaine, elles repoussent la maternité à la trentaine, voire y renoncent entièrement. Le Canada vient maintenant au troisième rang des pays du G7 au taux de fécondité le plus bas, un taux inférieur même à celui de l'Allemagne, et nettement inférieur à celui des États-Unis et du Royaume-Uni.

À l'âge de 14 ans, au moins le tiers des enfants canadiens ont vécu une séparation familiale, et plus du quart vivent dans une famille monoparentale. Bien que stable ces dernières années, la proportion d'enfants vivant dans des familles monoparentales est plus élevée qu'aux États-Unis, au Royaume-Uni et en France.

Les explications de ces tendances relèvent de deux catégories : les facteurs économiques – tels que les revenus des jeunes et l'abordabilité du logement – et certains grands facteurs sociaux et culturels. Du point de vue économique, les revenus des jeunes, en particulier des couples, ont progressé. Toutefois, les prix réels des logements ont augmenté de façon spectaculaire depuis 15 ans – tant en termes absolus que par rapport aux États-Unis et au Royaume-Uni – et les taux d'accession à la propriété ont baissé pour les jeunes.

Si la nature et l'impact des grandes tendances sociales et culturelles sont difficiles à mesurer, en revanche, il ne fait aucun doute que la santé mentale des jeunes adultes se détériore de façon marquée, de pair avec une hausse correspondante de leur anxiété face à l'avenir. Néanmoins, lorsqu'elles sont interrogées, les femmes, en moyenne, déclarent toujours vouloir 2,2 enfants, un nombre bien supérieur aux niveaux actuels.

Nos conclusions laissent supposer que les hypothèses retenues pour projeter les taux officiels de fécondité sont beaucoup trop optimistes; en effet, les projections ne correspondent même pas aux taux actuels de fécondité, et c'est sans parler des reculs additionnels que pourrait causer la tendance à la baisse dans la formation de ménages. Par ailleurs, une proportion plus élevée de célibataires dans la population devrait entraîner de nouvelles conséquences fiscales négatives pour les gouvernements.

Compte tenu des avantages individuels et sociaux évidents qu'offrent le mariage et les naissances, il convient de favoriser les politiques publiques qui n'entravent pas – et de préférence encouragent – la formation de ménages et la fécondité. Or, si, de toute évidence, ces politiques doivent cibler l'abordabilité du logement, il va falloir qu'elles dépassent même cet objectif pour influencer certaines des larges tendances sociales et culturelles qui prévalent parmi les jeunes, en particulier l'anxiété face à l'avenir.

Nous proposons dans ce document, en guise de conclusion, certaines étapes pour la recherche. Ainsi, on pourrait, entre autres, modéliser les futurs taux de dépendance sur

*la base du lien décelé entre la situation familiale et l'âge et, afin d'élucider les facteurs responsables des tendances observées, procéder à une analyse approfondie par pays, province et d'autres caractéristiques comme le statut d'immigrant. Ces travaux pourraient contribuer à l'élaboration d'un programme politique global visant à contrer ces tendances négatives, en mettant en lumière l'expérience de nombreux pays aux prises avec de faibles taux de formation de ménages et une natalité en baisse. **MLI***

Introduction

Families matter. Not only are families the place where children, the future of any society, are born and raised, but for most people, forming a stable relationship, setting up a home, and having children are amongst the most fulfilling and important achievements of their lives. Having strong and stable families is an essential goal for any society that wants to maximize human flourishing, both now and in the future.

And yet, not just in Canada but across the Western world, families have been buffeted for more than a generation by changing economic and social trends, including the decline of well-paying jobs for less-educated workers, changing laws and social norms around marriage and divorce, the rise of the internet and social media and its impacts on everything from mental health to dating behaviour, declining housing affordability, particularly for first-time buyers, and in the last three years, COVID and the resultant lockdowns.

Now that COVID appears to be behind us and the first smartphone generation – Generation Z – is entering adulthood, this is a good moment to take stock of Canadian families: is being in an intact two-parent family uniquely beneficial? Are younger generations finding it harder to form and maintain families? What is happening to birth rates? Are more children living in one-parent families?

To answer these questions, we use data, mainly from Statistics Canada, to investigate trends in Canadian families over time and to compare Canada to other G7 countries, especially the US and the UK. Section I begins by looking at the potential benefits for adults of being in a couple, and for children of being in a two-parent family. We use income data to understand the economic advantages of being in a family, and then look at the literature on happiness and well-being to understand the benefits for mental and physical health of being in a couple or in an intact family.

Section II looks at the trends in family formation and fertility in Canada. We begin by examining the trends over the last 20 years in the proportion of young adults still living at home and the proportion of young adults who are remaining single and compare these percentages to other countries. We then look at fertility rates and how changes in fertility at different ages has affected the overall trend. Finally, this section considers the trends in the proportion of children who are still living with their original parents, as well as the proportion living with only one parent, and the proportion living in a reconstituted family.

In section III we turn to potential explanations for these documented trends and attempt to determine which of them might be broadly consistent with the data. We look at the economic situation of young adults, particularly with respect to housing, which is a key enabler of both family formation and fertility, as well as time spent in higher education. We then go beyond the usual economic statistics to look at measures of anxiety and psychological health among young adults. We also look at whether lower fertility is something that people desire or whether they are having fewer children than they planned for.

The last part of the paper details our conclusions, sketches out some implications for public policy, and lists some potential next steps for research in this area.

“Young Canadians are increasingly delaying leaving home, delaying marriage or cohabitation, having fewer children.”

Overall, we find that while both children and adults benefit enormously from being in a family, young Canadians are increasingly delaying leaving home, delaying marriage or cohabitation, having fewer children, and that a significant fraction of those children will see their families break up. Canada is doing worse in all these respects than the US and the UK, culturally comparable countries. The high cost of housing is likely one factor, but there seem to be other deeper cultural and social reasons for these phenomena, which may be reflected in the rapid deterioration in mental well-being among young adults that began in the mid-2010s.

These trends call into question the demographic projections that underlie long-term federal and provincial fiscal forecasts, as well as projections upon which public pension plans such as the Canada Pension Plan are based. Given the significant economic, emotional, and health benefits individuals receive when they are in a family, as well as the broader benefits to society from families, there is also a good case for governments to look at policies that would make it easier for young adults to leave home and form relationships, and to have and raise children. To understand what is causing the steady erosion in family formation and fertility, and the policies that might be deployed to ameliorate these trends, research must focus separately on each of the key life transitions that comprise the path of forming a family and having children who can then have families of their own: leaving home, finding a permanent job, forming a stable relationship, buying a house, and having children.

Benefits of being in a family

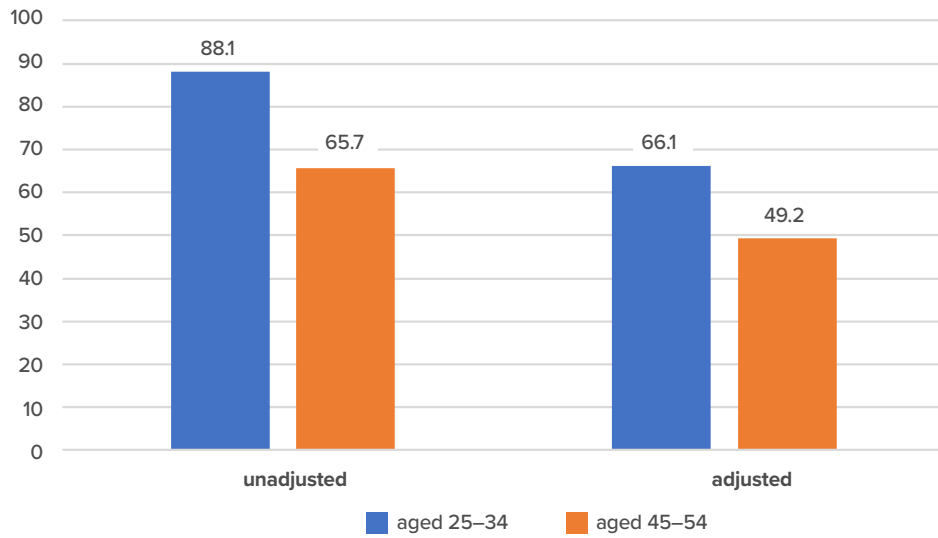
This section looks at the potential benefits of being in a family, for both adults and children. We begin with the more easily measurable economic benefits, and then examine the impacts on health and well-being.

Economic benefits for adults

To understand the economic benefits of being in a family we look at data from Statistics Canada's T1 Family File (Statistics Canada 2023j). These data are taken from income tax filings and cover individuals in census families (i.e., families consisting of a married or cohabitating couple and children) as well as unattached individuals. One way to compare economic well-being is to ask whether the median single person earns as much as one person in a couple. To do this we assume the couple's income is split equally, and so the question becomes whether the median single person earns as much as half the median income of a couple.

However, this comparison does not consider the economies of scale that exist when sharing a household with other family members. To take these

FIGURE 1: Pre-tax income of a single person relative to a person in a couple, 2019



Source: Statistics Canada 2023a, Table 11-10-0012-01.

economies of scale into account, analysts typically use “equivalence scales” to adjust income for different family sizes. We use a measure called the “OECD modified scale” (OECD 2013), which assumes that a couple requires only 1.5 times the income of a single person to have the same standard of living.

Figure 1 compares the median incomes of single people to couples, both adjusted and unadjusted by equivalence scales. We use data from 2019 to avoid the confounding influence of work disruptions and of various temporary benefit programs put in place to deal with the COVID-19 pandemic. We do this for two age groups: people aged 25–34, and people aged 45–54. We break the data down into these age groups to avoid comparing seniors, who have lower incomes and are more likely to be single (often due to widowhood), with middle-aged people who are at their peak earnings and who are more likely to be in a couple.

The data show that there are clear benefits to being in a couple. Single people have incomes that range from 88 percent of the income of a person in a couple for 25- to 34-year-old people when not adjusting for economies of scale, to only 49 percent for single people aged 45–54 when adjusting for economies of scale.

These gaps are sizable, and do not take into account that many couples also have children and so one partner might not be working full time. Whether the gaps are due to more productive people being more likely to be in a couple (a sorting effect), or whether being in a family makes someone more productive, perhaps because they have more of an incentive to earn income, is hard to say from these data. However, even if what we observe were purely a sorting effect, an increase in the proportion of couples would significantly raise living standards purely because of the economies of scale of being in a family. The modified OECD scale mentioned above suggests that two single people forming a couple would increase their combined standard of living by 33 percent.

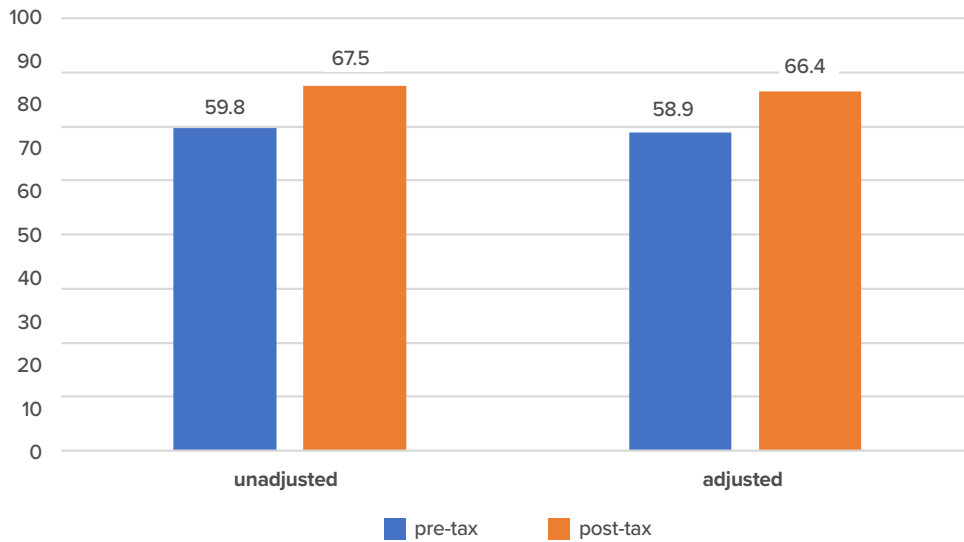
Economic benefits for children

How much do children benefit economically from being in a two-parent family as opposed to a one-parent family? Figure 2 shows how the income for each member of a two-child family compares depending on whether or not they are in a one-parent family. To construct these data we take family income, both pre- and post-tax, for 2019. We then divide that income by the number of family members (four for two-parent families, three for one-parent families), to get the unadjusted measure. For the adjusted measure, we divide income using the modified OECD equivalence scale (2.1 for two-parent families, 1.6 for one-parent families).

The data show that members of one-parent families have pre-tax incomes of only 60 percent of members of two-parent families; when adjusted for family size using the modified OECD equivalence scale the figure is very similar at 59 percent. After tax, these figures rise, but only a little: to 67 percent (unadjusted for family size) and 66 percent (adjusted for family size). The figures are similar for families with one child.

These figures indicate that one-parent families have only two-thirds the standard of living of couples in families. Put another way, the standard of living for members of a two-parent family is 50 percent higher than for one-parent families. This is despite the fact that the incomes of one-parent families in these data often include child support payments from the other parent. Clearly then, children in one-parent families have a significantly lower standard of living than children in two-parent families.

FIGURE 2: Income per family member of a lone-parent family relative to a two-parent family, two children, 2019



Source: Statistics Canada 2023c, Table 11-10-0017-01.

Health and well-being benefits for adults

Beyond the immediate economic benefits conferred by family membership, there are considerable health and happiness benefits, too. There is a large literature on “marriage protection” – the extent to which marriage increases longevity – which finds that married people live significantly longer than unmarried people. For example, Rendall et al. (2011) examined a large US data set. They found a highly significant benefit for marriage among both men and women, even after controlling for a variety of socio-economic characteristics including health status. Unmarried men were 33 percent more likely to die in the next year than their married counterparts, and unmarried women were 14 percent more likely to die. Controlling for socio-economic variables allowed the authors to separate out this marriage protection effect from the marriage selection effect, which is the tendency for people with characteristics associated with better health to marry.

These longevity benefits come from a variety of sources. Martinuk (2016) summarizes evidence from over 50 studies. She finds that married people have healthier lifestyles, have fewer unhealthy habits, and are less stressed. As a result,

married people have significantly lower incidence of, and better survival rates from both cancer and cardiovascular disease than unmarried people.

Martinuk (2016) also looks at mental health. Across the literature she finds that married individuals are significantly less stressed and less likely to suffer from depression and other emotional pathologies than unmarried people. Married people are also happier. In a recent study, Pelzman (2023) uses successive General Social Surveys in the US to look at the evolution of happiness since 1972. He finds “a very large happiness gap between those who are married and those who are not: the married population is over 30 points happier than the unmarried, and that number has hardly changed since the 1970s. It is the same [...] for men and women. Mean happiness for the non-married hovers near zero (as many Sad as Happy) throughout the sample period.” This gap is the largest happiness gap he finds: no other sociodemographic characteristic (age, sex, race, etc.) comes close to this difference.

Married individuals are significantly less stressed and less likely to suffer from depression (...) than unmarried people.

Grover and Helliwell (2014) use a UK data set that allows them to control for selection effects by using information on pre-marriage well-being. They find that even after controlling for the selection effects, marriage has positive impacts on happiness, particularly at middle age when happiness is usually lower than at other points in the life cycle. Because the authors control for income, these impacts are in addition to the potential increase in happiness that results from having more financial resources.

What about cohabitation as opposed to marriage? Although the literature on this issue is smaller than that on marriage, it seems that the benefits of cohabitation seem to be significant, but less than those of being married. In their survey of the relevant literature, Robles et al. (2014, 142) found that “the prevailing view is that cohabitation is associated with greater advantages for well-being relative to being non-partnered, but fewer economic, psychological and health benefits relative to being married.”

Well-being benefits for children

There are considerable benefits for children of being in an intact two-parent family. Surveying the literature on this issue, Anderson (2014) finds that children from intact homes have higher educational attainment, are less likely to engage in risky or delinquent behaviour and have lower rates of incarceration and teen pregnancy. Echoing this conclusion, McLanahan and Sawhill (2015, 4) find that “most scholars now agree that children raised by two biological parents in a stable marriage do better than children in other family forms across a wide range of outcomes.”

Furthermore, these benefits are not simply a result of greater resources such as income or (in the US) access to health insurance. Ribar (2015, 22) looks at the empirical evidence and finds that these financial factors provide only a partial explanation for the advantages of living with both biological parents, a pattern that he concludes is “repeated across many, many studies.”

If parents split up and form new relationships, this is often not as beneficial to children as being in an intact family. In the US, children who live with a mother who has a new male partner are 11 times more likely to be abused than those who live with both biological parents, and six times more likely to be neglected (Wilcox 2011).

Summary

The data are very clear. Being in a family confers very significant benefits, both for adults and for children. These benefits go beyond simply having more economic resources: married people live longer and have better mental and physical health than singles, and children who live with their original parents have better life outcomes than those who do not. It could be argued that this simply reflects a sorting effect, with happier and healthier individuals more likely to marry. However, many of these studies control for a variety of observable characteristics and still find that family membership confers significant advantages for both adults and children.

The evolution of Canadian families

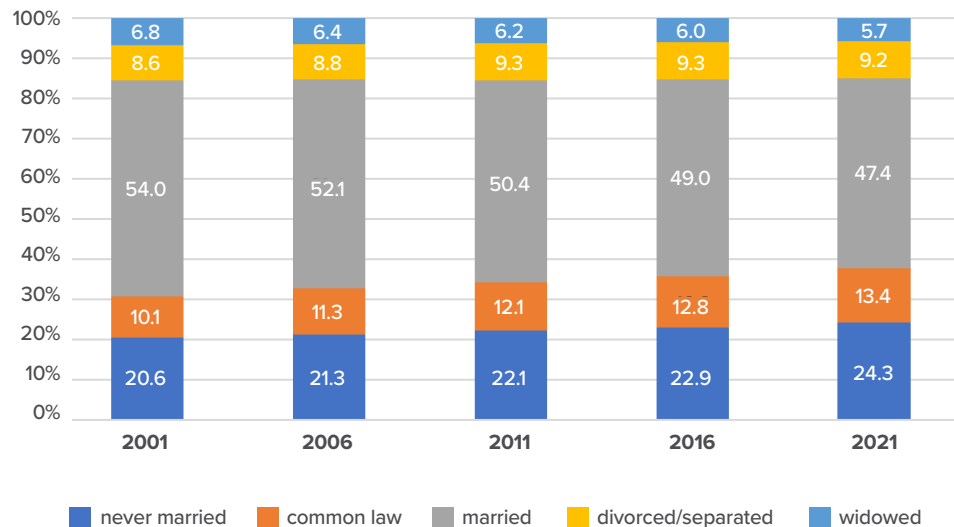
This section explores what the available data tell us about how families are evolving over time given changes in family formation, family dissolution, and fertility.

Trends in the family status of adults

We begin by looking at the family status of adult Canadians, defined as those aged 20 and over. Figure 3 below shows the data on the marital status for this group from successive semi-decennial Canadian censuses, beginning in 2001 and finishing in 2021.

The proportion of adults aged 20 and over who are married has declined between 2001 and 2021: it fell from 54.0 percent in 2001 to 47.4 percent in 2021. This decline was partially offset by an increase in the proportion of adults in common-law relationships, which rose from 10.1 percent to 13.4 percent. However, this rise was not enough to offset the decline in marriage rates, so that the proportion of adults in couples – those who were either were married or common-law – fell, from 64.1 percent in 2001 to 60.8 percent in 2021, a decline of 3.3 percentage points.

FIGURE 3: Marital status of adults aged 20 and over, 2001–2021

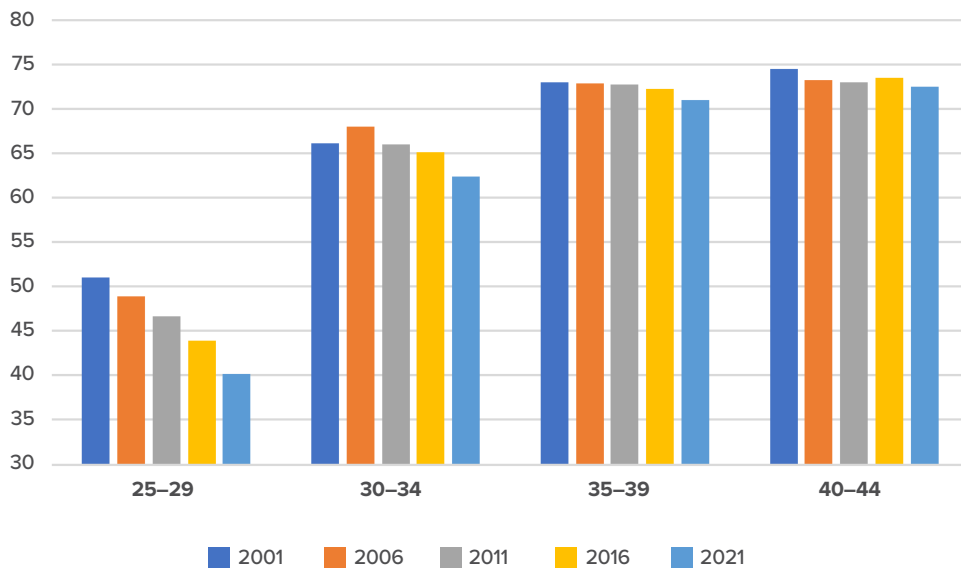


Sources: Statistics Canada 2022c, Table 98-10-0125-01; 2001 data are estimated from Statistics Canada 2022d, Table 17-10-0060-01.

The decline in the proportion of adults in couples was not driven by a higher proportion of divorced or widowed people: while there was a slight increase in the number of divorced adults, this was offset by a slight decline in the proportion of widowed adults. Rather, the decline in couples is driven by an increase in the number of adults who are single – which is to say that they were neither married nor living together as common-law partners – and had never been married (although they might have formerly been in a common-law relationship). This figure has grown over time, rising from 20.6 percent in 2001 to 24.3 percent in 2021, an increase of 3.7 percentage points.

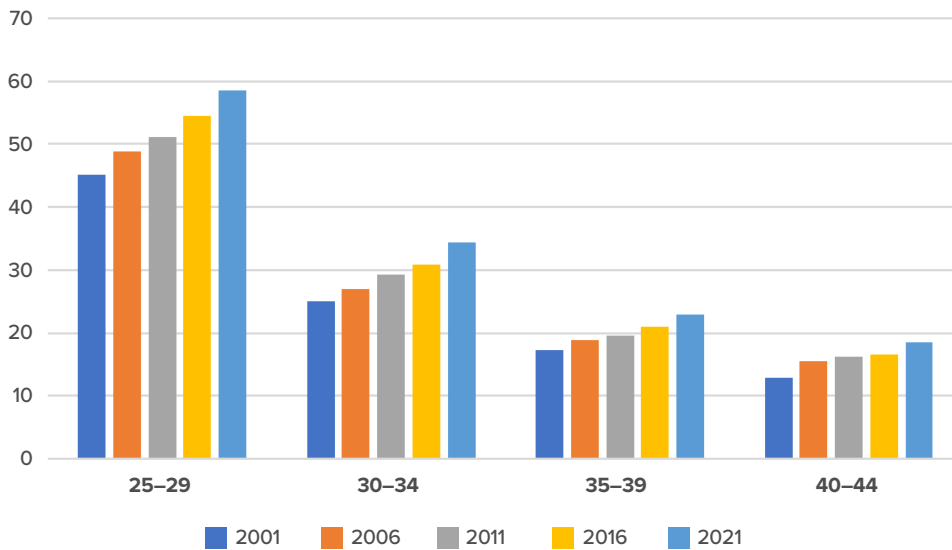
While an increase of 3.7 percentage points over 20 years is not dramatic, the picture changes when we break down the data by five-year age groups, as shown in Figure 4. For the 35–39 and 40–45 age groups, the proportion of couples has dropped by only 2 percent between 2001 and 2021. However, for younger age groups there has been a much steeper decline. The proportion of those aged 30–34 who are in a couple dropped by 5.3 percentage points, and the proportion of those aged 25–29 who are in a couple dropped by 10.9 percentage points, so that by 2021 slightly more than half of young adults aged 25–29 were neither married nor living common-law.

FIGURE 4: Proportion of adults who are in couples, by age group, 2001–2021



Source: Statistics Canada 2022c, Table 98-10-0125-01.

FIGURE 5: Singles who have never married as a proportion of the adult population



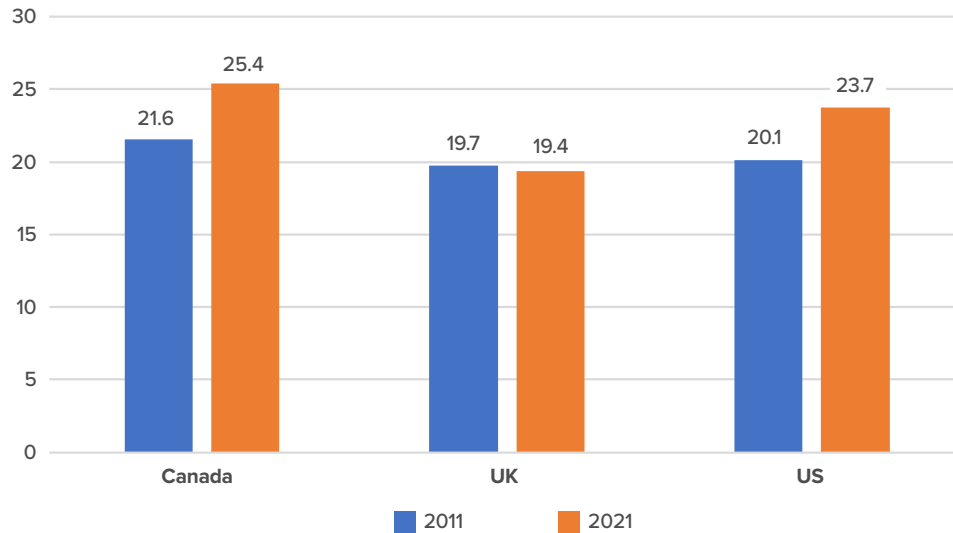
Source: Statistics Canada 2022c, Table 98-10-0125-01.

This marked decline in marriage or common-law status among younger adults is not driven by more divorces – indeed the proportion of divorced people in that age range has declined. Rather, it is entirely explained by an increase in the proportion of young adults who are single and have never married. Figure 5 shows that the proportion of single, never married 25- to 29-year-olds has risen quite significantly, from 45.2 percent in 2001 to 58.5 percent in 2021, an increase of 13.3 percentage points. The proportion of single, never married 30- to 34-year-olds rose from 25.1 percent to 34.3 percent, a 9.2 percentage point increase.

Even older age groups are seeing a significant increase in the proportion of single and never married adults. This proportion rose from 17.2 percent to 23 percent for 35- to 39-year-olds, an increase of 5.8 percentage points, and from 12.9 percent to 18.5 percent for 40- to 44-year-olds, an increase of 5.6 percentage points.

Figure 6 looks at comparable data from the US and the UK for 2021 (2019 for the UK) and for 2011. We look at the 30–44 age group as the UK data do not allow for a more detailed breakdown. For Canada, as one would expect from Figure 5, the proportion of never married singles rose from 21.6

FIGURE 6: Proportion of never married singles aged 30–44 for Canada, the UK, and the US, 2011 and 2021



Note: 2021 data for the UK are for 2019.

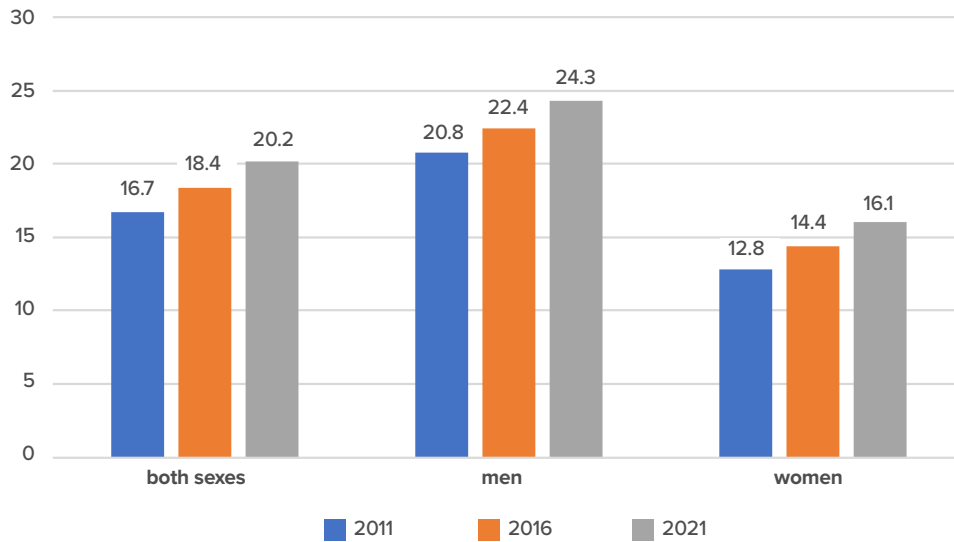
Sources: Canada: Statistics Canada 2023d, Table 98-10-0132-01; UK: Office for National Statistics 2021a, Annual estimates of population by legal marital status and cohabitation status; US: Author's calculations and US Census Bureau 2023c, Current Population Survey Public Use Microdata.

percent to 25.4 percent. The US has a slightly lower proportion than Canada – 23.7 percent – but with a similar increase, rising from 20.1 percent in 2011. The UK has a smaller proportion of never married singles; interestingly, this proportion is little changed from 2011.

Thus, the overall trends in marital status mask some quite significant shifts within age groups. Essentially what seems to be happening is that younger cohorts are increasingly delaying not just marriage but also common-law relationships until their late 30s or early 40s, with a growing fraction of people remaining single well into middle age.

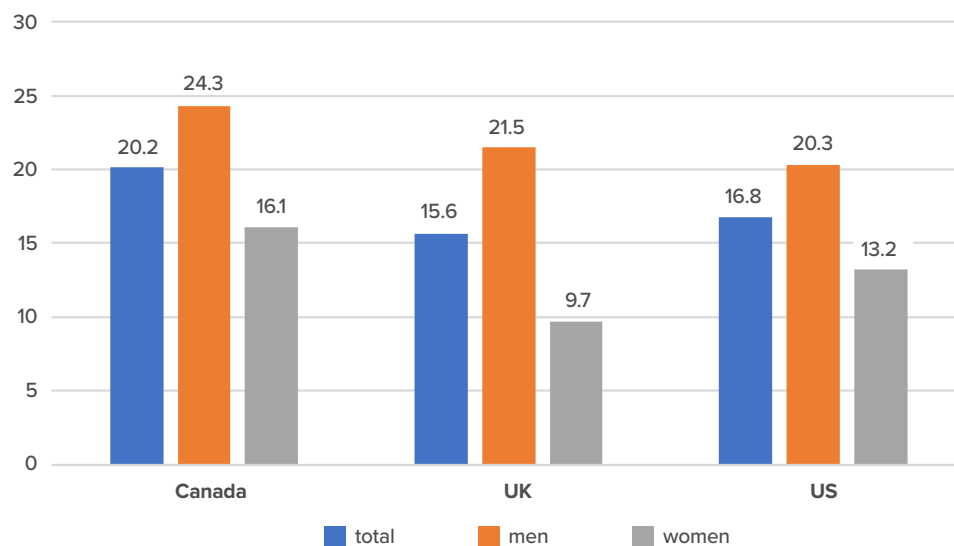
This postponement or retreat from cohabitation is reflected in a rising proportion of young people who are remaining with (or going back to) their parents. Figure 7 shows trends in the proportion of people aged 25–34 who are living with their parents, by sex. The data show that this proportion has increased significantly: for men it has risen from 20.8 percent in 2011 to 24.3 percent in 2021, and for women from 12.8 percent in 2011 to 16.1 percent in 2021. It is striking that almost a quarter of 25- to 34-year-old men live with their parents, despite being beyond the usual age at which higher education ends.

FIGURE 7: Proportion of people aged 25–34 living with their parents, 2011, 2016, and 2021



Source: Statistics Canada 2022e, Table 98-10-0134-01.

FIGURE 8: Proportion of people aged 25–34 living with their parents, Canada, the UK, and the US, 2021



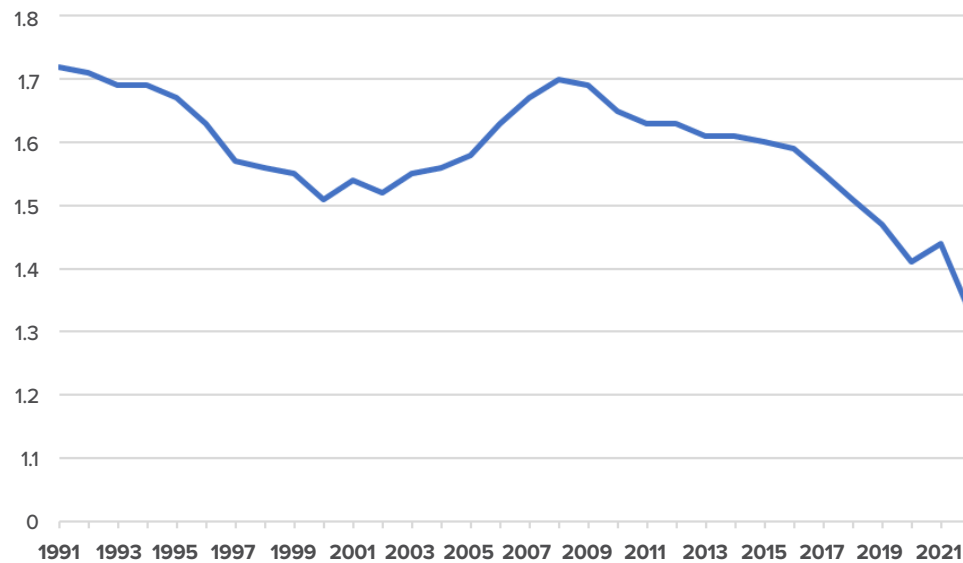
Sources: Canada: Statistics Canada 2022e, Table 98-10-0134-01; UK: Office for National Statistics 2023a, Young Adults Living With Their Parents; US: US Census Bureau 2023a, Historical Living Arrangements of Adults.

Figure 8 compares Canada with the UK and the US for 2021. For both men and women, Canada has the highest proportion of 25- to 34-year-olds living with their parents. For men, it is 24.3 percent, as mentioned above, compared to 21.5 percent for the UK and 20.3 percent for the US. For women, Canada has 16.1 percent living with their parents, compared to 9.7 percent for the UK and 13.2 percent for the US. Thus, Canada has not only the highest proportion of never married singles in this age group out of the three countries, it also has the highest proportion of people in that age group living at home with their parents.

Trends in fertility rates

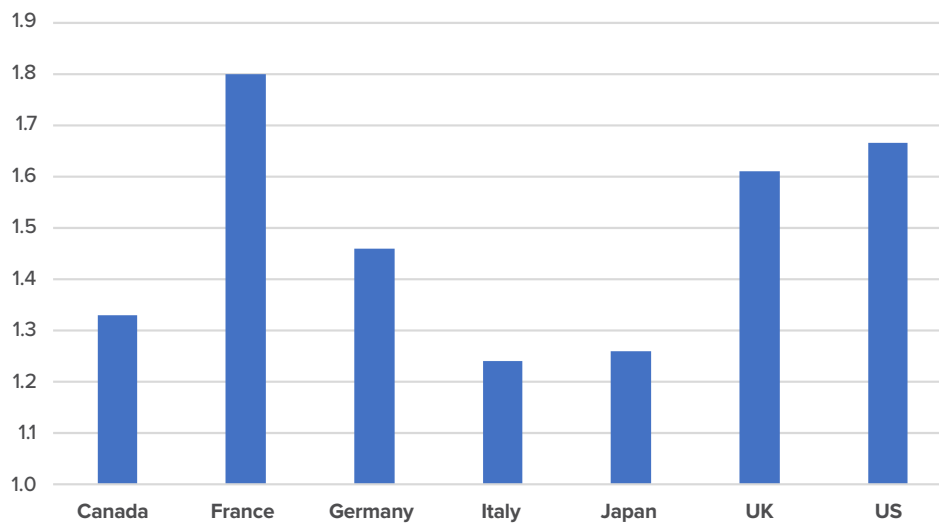
In this subsection we look at what has been happening to fertility in Canada while marriage and cohabitation rates have been dropping. The most common metric of fertility is the fertility rate, which is the number of children a woman could expect to have in her lifetime if current age-specific fertility rates persist. As Figure 9 illustrates, Canada's fertility rate, which had dipped in the late 1990s to about 1.5 but subsequently recovered to 1.7, was only 1.3 in 2022, down from 1.6 only six years earlier in 2016.

FIGURE 9: Total fertility rate per woman, 1991–2021



Source: Statistics Canada 2023e, Table 13-10-0418-01.

FIGURE 10: Fertility rates in the G7, 2022



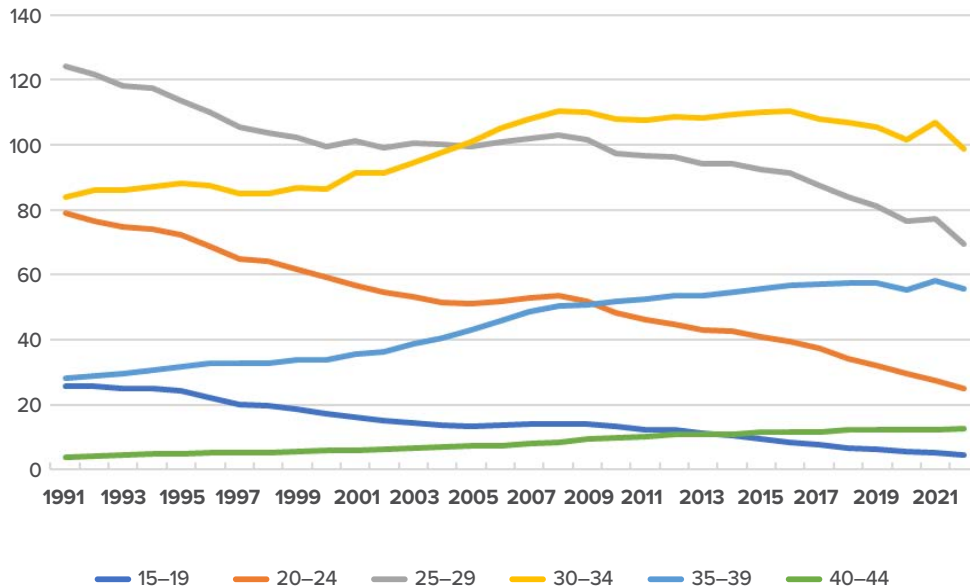
Sources: Canada: Statistics Canada 2023e, Table 13-10-0418-01; France: INSEE 2023a, Bilan démographique 2022; Germany: Statistisches Bundesamt 2023; Italy: Istat 2023; Japan: Otake 2023; UK: Office for National Statistics 2021b; US: Hamilton, Martin, and Osterman 2023. Note: UK data are for 2021.

This is the lowest fertility rate ever recorded in Canada and, as Figure 10 shows, is the third lowest in the G7, close to Italy and Japan, and well below even Germany, let alone the UK, the US, and France. It is also well below the replacement rate, which is slightly above 2 children per woman.

Both a woman's desire to reproduce and her ability to do so vary quite significantly over the course of her reproductive years. Figure 11 breaks down the aggregate fertility rate by five-year age group. We can see from the figure that there are two distinct periods. From 1991 to 2008 or so fertility rates declined markedly for women under age 30, before plateauing. This is what leads to the decline in the overall fertility rate between 1991 and 2000. However, the fertility rate of women 30 and over started rising, especially after 2000, helping to push the total fertility rate back up. This is consistent with what is called a tempo effect: women delaying having children but not putting it off altogether.

The picture after 2008 is quite different. Fertility rates for women under 30 started to drop again, as they had in 1990s, and have kept dropping, so that by 2022 fertility rates for women aged 20–24 were less than half what they were in 2008, and fertility rates for women 25–29 were only two-thirds of

FIGURE 11: Fertility rates in Canada by age group, 1991–2022



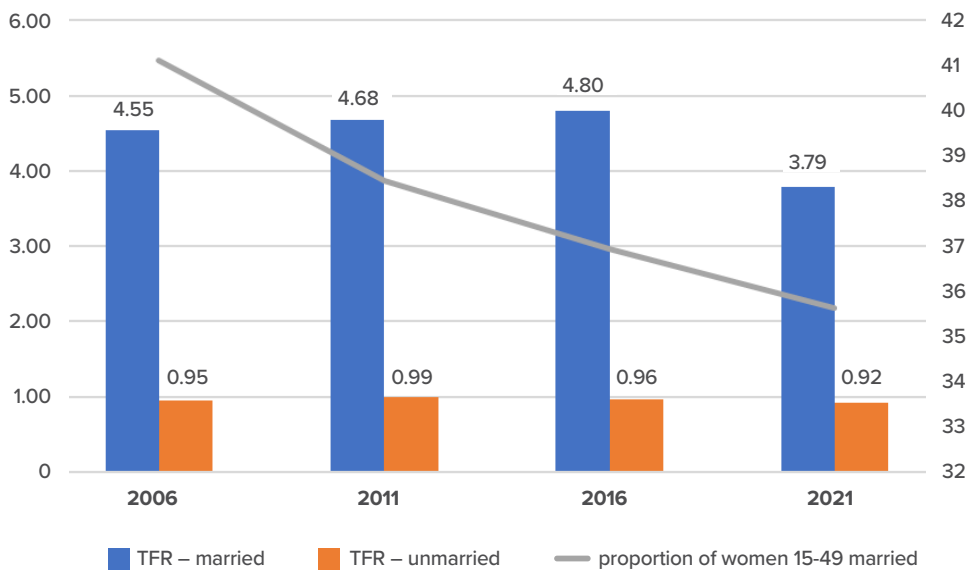
Source: Statistics Canada 2023e, Table 13-10-0418-01.

2008. Teenage pregnancy has almost vanished: a woman aged 40–44 is now more than twice as likely to give birth than is a teenaged girl.

However, unlike before 2008, these declines have not been matched by a significant increase in fertility rates in older age groups overall. While there has been a slight increase for women aged 35 and over, fertility rates for women aged 30–34 have declined, so that overall fertility for women 30 and over has actually declined slightly. This suggests that what we are witnessing is not a tempo effect – delaying childbearing – but a decline in overall lifetime fertility – less childbearing overall. One very salient factor here is that a woman’s fertility starts declining after the age of 30 or so, and particularly after age 35 (Delbaere et al. 2020) and so at some point, even with modern technologies, postponing childbirth means foregoing it altogether.

Another way to look at the fertility data is by comparing it to marital status. Figure 12 shows total fertility rates for both married and unmarried women, along with marriage rates for five-year intervals between 2006 and 2021. (Unfortunately the data on births by women in common-law relationships is not consistent over time). Unsurprisingly, the total fertility rate for married women is much higher than for unmarried women, as most women prefer to have the security of a committed partner before having a family – indeed, about

FIGURE 12: Fertility rates (TFR) by marital status and proportion of women Age 15–49 who are married, 2006–2021



Sources: Statistics Canada 2022c, Table 98-10-0125-01; 2023f, Table 13-10-0419-01.

60 percent of births are to married women. Interestingly, between 2006 and 2016, total fertility rates for married women rose slightly, offsetting a decline in the proportion of married women of childbearing age. However, between 2016 and 2021, fertility rates for married women fell significantly, from 4.80 to 3.79 children per woman. Fertility rates for unmarried women remained largely stable over the whole period.

This raises the question of which factor is more important for explaining the overall decline in fertility rates: is it the decline in the number of married women, or is it the decline in the number of children per married women? In order to gauge the relative importance of these factors we decomposed the change in the fertility rate using a technique called shift-share analysis.¹ Looking at the overall period from 2006 to 2021, we found that 66 percent of the change in fertility rates was attributable to lower marriage rates, and 34 percent to lower fertility rates among married and unmarried women. However, if we look just at the 2016–2021 period the proportions reverse: only 29 percent of the change is attributable to lower marriage rates, and 71 percent is attributable to lower fertility rates. Thus, the steady decline in marriage has put downward

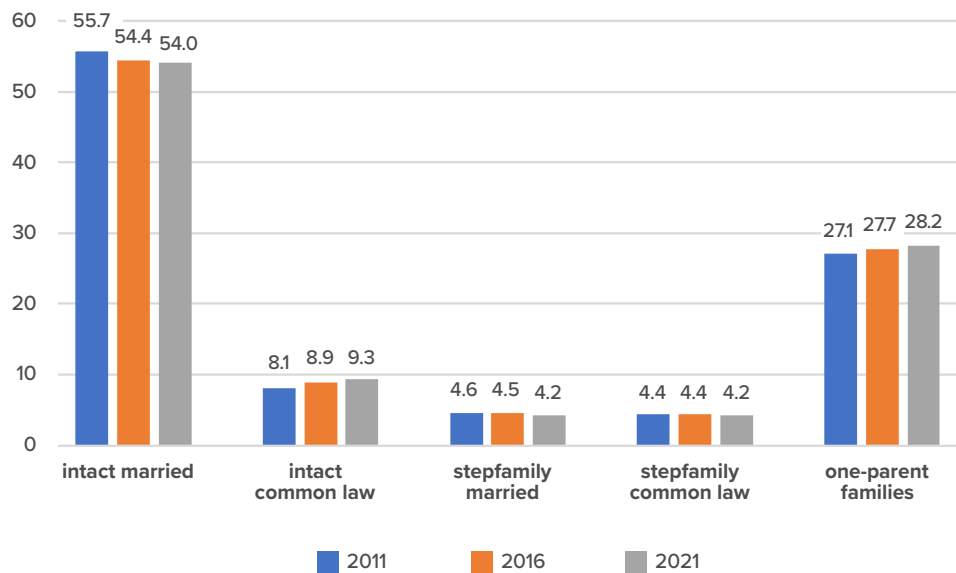
pressure on fertility rates (recognizing the endogeneity between marriage rates and fertility means that lower (desired) fertility will put downwards pressure on marriage rates if fertility is an important motive for marriage, as seems plausible), with declining fertility among married women now adding significantly to that downward pressure.

Trends in the structure of families with children

We now turn to an overview of the kind of families in which Canadian children live. These could be intact families where all the children are living with both original parents, single-parent families headed by one of the original parents, or stepfamilies where one of the two parents is not the original parent of at least one of the children.

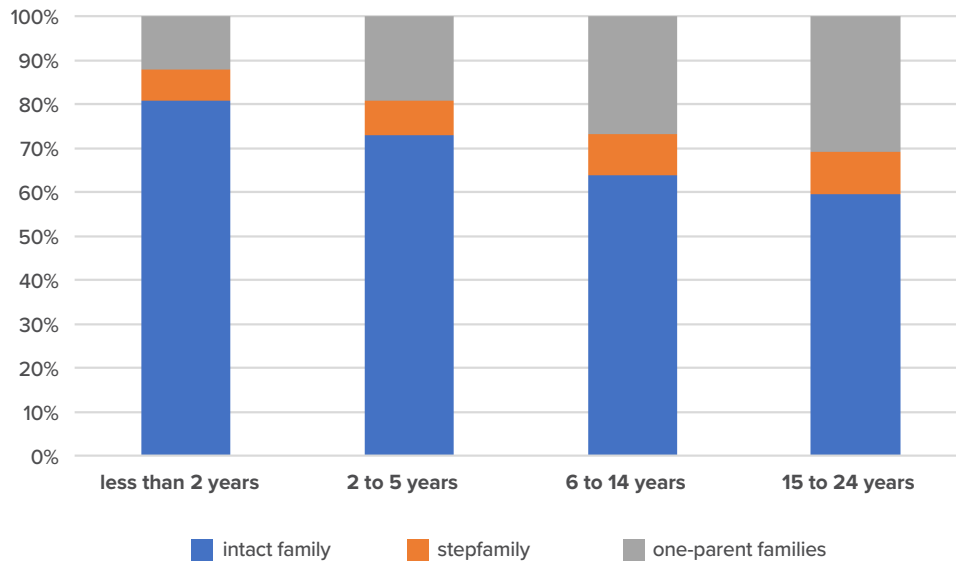
Figure 13 shows the proportion of children in each of these family types, broken down by married and common-law couples. These data show that in 2021, 63.4 percent of children were living with both of their original parents, down very slightly from 63.9 percent in 2011. Of those original parents, 54 percentage points were married couples, and 9.3 percentage points were common-law couples, so intact families were overwhelmingly headed by

FIGURE 13: Proportion of children in various family types, 2011, 2016, and 2021



Source: Statistics Canada 2022f, Table 98-10-0124-01.

FIGURE 14: Proportion of children by family type and age of the youngest child, 2021



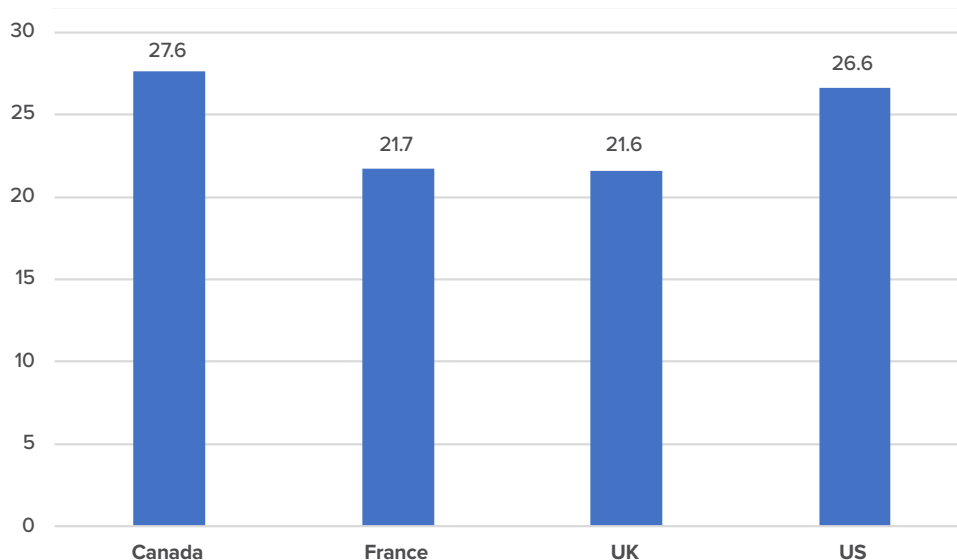
Source: Statistics Canada 2022f, Table 98-10-0124-01.

married couples. A further 8.4 percent of children lived in stepfamilies, down from 9.0 percent in 2011. Interestingly, half of these stepfamilies were common-law couples, indicating that when families with the original parents break up, the children are much more likely to end up in a common-law couple family than they were to be born into such a family. Finally, 28.2 percent of children lived in one-parent families, up from 27.1 percent in 2011. Thus, overall, slightly more than a third of children no longer live with both of their original parents.

Figure 14 breaks down the data for 2021 by the age of the youngest child. Of children in families with a child under the age of two, only 12 percent are in a one-parent family, with an additional 7 percent in a stepfamily. However, these proportions rise with age, so that 27 percent of children in families where the youngest child is aged 6 to 14 are in a one-parent family, with an additional 9 percent in a stepfamily. Only 64 percent of children in a family where the youngest child is in this age group are still living with both original parents.

From these numbers we can extrapolate that approximately a third of Canadian children will see their original parents separate by the time they are

FIGURE 15: Proportion of children under 18 living in a one-parent family in four G7 countries, 2021



Notes: Canada: Data are not publicly available for the general under-18 category so we estimated proportions using data for children aged 6–14 and 15–25; France: Data are for 2020; UK: Data are for dependent children 18 and under and exclude children aged 16–18 who are not in full time education or who have a spouse, partner, or child living in the house.²

Sources: Canada: Author's estimates based on Statistics Canada 2022f, Table 98-10-0124-01; France: INSEE 2023b; UK: Office for National Statistics 2023b, Families and households; US: Census Bureau 2023b, Historical Living Arrangements of Children.

14. Of this proportion, a third or so will become part of a new stepfamily, while the remaining two-thirds – around a quarter of all children, will live in one-parent families.

How does the situation in Canada compare with other countries? Figure 15 compares the proportion of children in Canada under 18 living in a one-parent family in 2021 with three other G7 countries: France, the UK, and the US. Canada has the highest proportion of children living in one parent families, 27.6 percent, closely followed by the US at 26.6 percent. France and the UK have significantly lower proportions at 21.7 and 21.6 percent respectively.

Canada is therefore on the high side internationally when it comes the proportion of children living in one-parent families, surpassing even the US in this respect.

Summary

We find clear evidence that a rising proportion of young Canadians are increasingly less likely to leave home, get married or cohabit, and have children. This is true not just compared to the recent past, but to culturally similar countries. While the trends are stable, Canadian children are more likely to live in one-parent families, and family breakup will affect a large minority of Canadian children. Thus, at each point in the process of forming a couple and having a family, we see worsening trends, and of course the fewer people getting married or cohabiting has negative implications for fertility rates, suggesting further decreases in the future.

Possible explanations for the negative trends in family formation and fertility

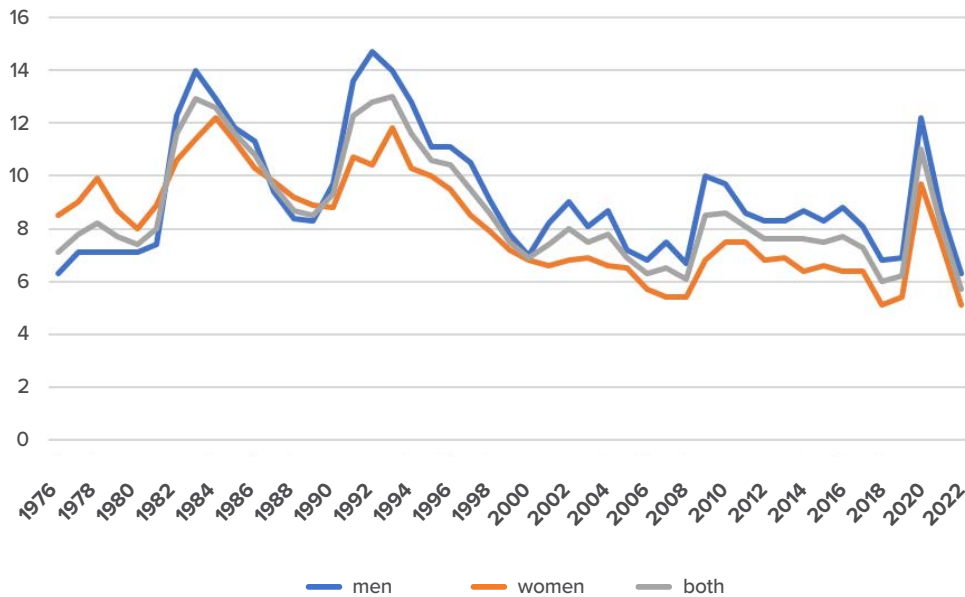
In section I we found that families confer very significant benefits on their members. However, in section II we found that younger generations are more likely to live with their parents, less likely to cohabit, and are having fewer children. Furthermore, Canada is doing relatively poorly compared to the US and the UK on this metric, even though these countries show some of the same trends. This section turns to possible explanations: while an in-depth examination is beyond the scope of this paper, we do attempt to sketch out and narrow down the range of possibilities.

Employment and incomes of young people

We will first look at the economic position of young people, particularly in the 25–29 age group, which is the group where we would normally expect to see people settling down and forming families. Most people at this age have completed their formal education and they have entered the labour market. For women, as noted above, this is the period of maximum fertility, before this starts to drop after the age of 30 or so.

One obvious impediment to leaving home and starting a family is the inability to find a job. Bellido and Marcen (2021), for example, find a negative

FIGURE 16: Unemployment rate for people aged 25–29 by sex, 1976-2022



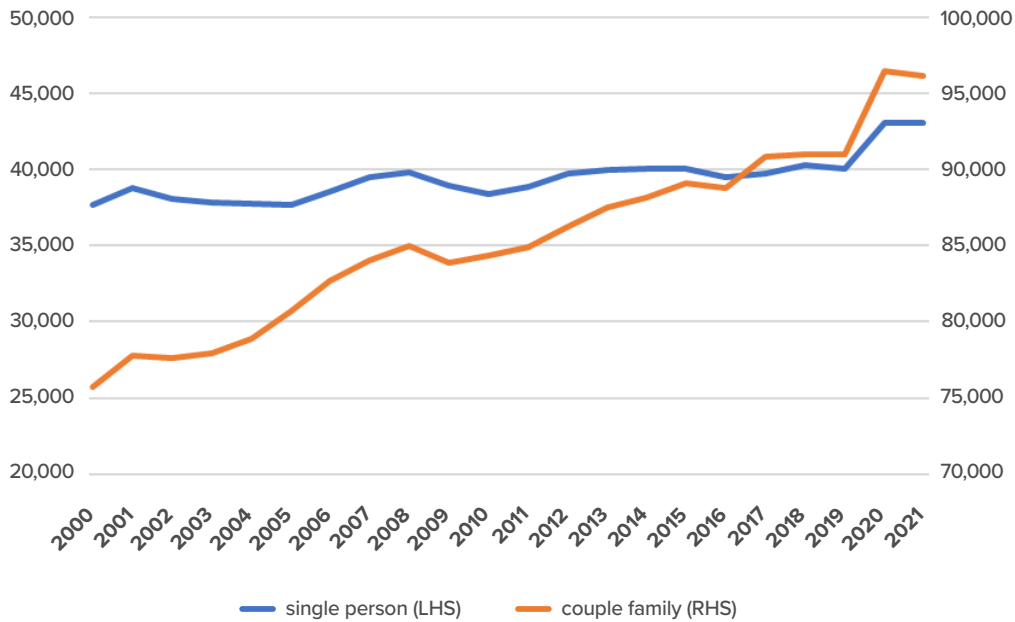
Source: Statistics Canada 2024a, Table 14-10-0327-01.

relationship between higher unemployment and marriage rates using European data. However, as Figure 16 shows, unemployment rates for both men and women in the 25–29 age group are at historical lows, and, apart from the COVID lockdown period, are significantly lower than in the 1980s and 1990s.

Of course, even with low unemployment it might be that incomes are stagnating if wages for young people are flat or declining in real terms. However, this does not seem to be the case. Figure 17 shows real median incomes for both single people and couples aged 25–34. Incomes rose considerably for both groups during the COVID period – largely owing to government income support schemes. Prior to COVID, real incomes for single people did indeed stagnate from 2012 onwards – after the recovery from the Great Recession – although over the decade of the 2010s incomes were higher than in the decade of the 2000s by about 3.1 percent. Couples, however, saw a much greater increase in their family incomes, so that incomes for them in the 2010s were 9.7 percent higher than in the 2000s.

Thus, while real incomes of single people are not growing anywhere nearly as quickly as those of couples, there is certainly no declining trend, although the 2022 data will likely show a decline with the expiration of government

FIGURE 17: Real median total income for individuals and couples aged 25–34, 2000–2021



Note: Incomes are in 2021 dollars.

Source: Statistics Canada 2023b, Table 11-10-0012-01; 2024b, Table 18-10-0005-01.

COVID programmes and the increase in inflation. It therefore seems unlikely that incomes alone can explain much of the delay in leaving home and forming a couple that we see in the data.

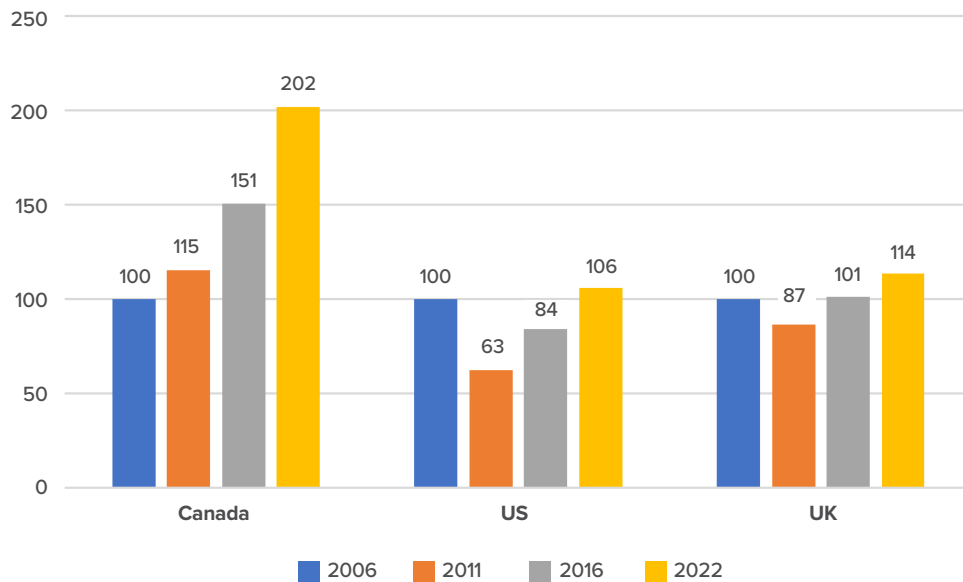
What would be the impact of higher incomes on fertility? The data for couples aged 25–34 do not suggest any decline in the overall resources available to them when they start a family. On the contrary: the sharp decline in the birth rate since 2008 has coincided with a steady increase in real median incomes. However, as Kearny et al. (2022) outline, it is important to distinguish between the impacts of higher incomes *per se*, which means people can afford a larger family, and the impacts of higher wages, which increase the opportunity cost of time, particularly of the primary caregiver (usually the woman), and make children more expensive. It is not obvious from the literature which of these two effects will predominate. An increase in women’s wage rates relative to men would, everything else being equal, be more likely to lead to lower fertility, but in Canada there has not been a large change in the ratio of women’s median hourly wages to those of men in recent years (see Statistics Canada 2024c, Table 14-10-0417-01).

Housing affordability

Another economic explanation for both declining rates of family formation and falling fertility rates is housing affordability. Each of the key transitions we have been examining – moving out of the parental home, moving in with a life partner, having children – require access to affordable housing. If housing is very expensive relative to incomes, that will act as a disincentive for people to move out of the parental home, either to live alone or in a couple, and will also make it more expensive to have children, who require additional space in the form of bedrooms and play areas. Couples hoping to start a family are also likely to place more value on owning a house or apartment than renting one, given the greater financial stability associated with owning a property.

Because land is in limited supply (particularly land close to large population centres), and because productivity growth in construction has been low, housing prices in Western countries have tended to rise faster than inflation. This has been especially true when immigration levels are high. Housing costs have certainly been rising in Canada in recent years, both in absolute and relative terms. Figure 18 shows residential property prices in Canada, the US, and the

FIGURE 18: Real price of residential property in Canada, the US, and the UK, 2006, 2011, 2016, and 2022, 2006=100



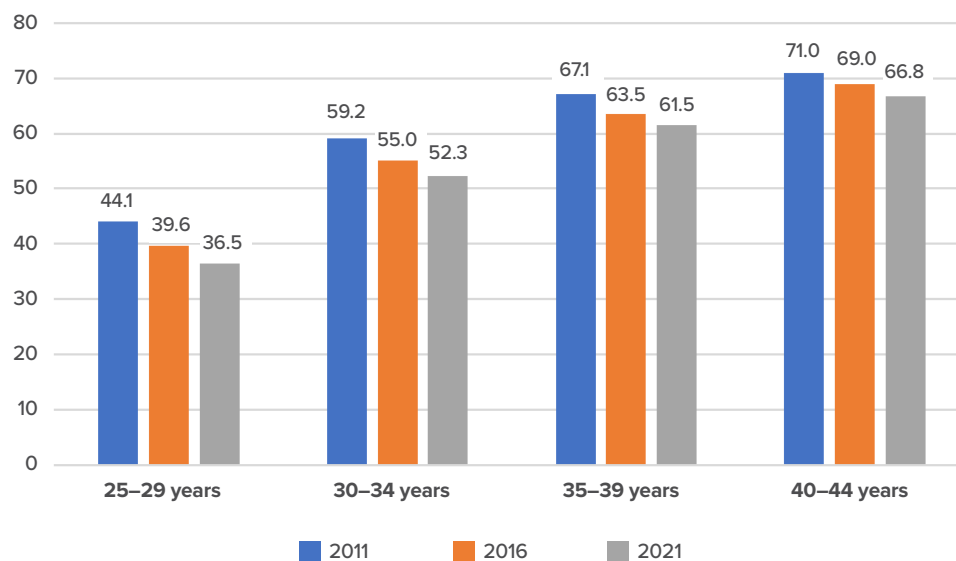
Sources: National sources: Bank for International Settlements 2023; Statistics Canada 2024b, Table 18-10-0005-01; US Bureau of Labor Statistics, various years; OECD 2024.

UK, deflated by the all-items consumer price index in each country. Prices for residential property, which includes condominiums and single-family homes, have doubled since 2006 in Canada, with most of that increase coming since 2011. This compares to quite modest increases in the US and the UK, where real property prices in 2022, although rising in recent years, were only slightly above where they were in 2006 prior to the great recession.

These increases are clearly fuelling the perception that in Canada housing is much less affordable for young people. Statistics Canada recently surveyed young Canadians about this issue, and found that “in 2022, 32 percent of youth said that they wanted to buy a home or move to a new rental but decided not to because of price concerns, compared with 20 percent of the overall population” (Statistics Canada 2023a).

This trend in higher housing costs is reflected in lower home ownership rates. As Figure 19 shows, home ownership for younger age groups has declined steadily since 2011, particularly for the youngest age groups. In 2011 44.1 percent of 25–29-year-olds owned their home, compared to only 36.5 percent in 2021, a drop of 7.6 percentage points. For those aged 30–34 the drop was 6.9 percentage points.

FIGURE 19: Home ownership rates by age group, 2011, 2016, and 2021



Source: Statistics Canada 2011, National Household Survey; 2019, Census Profile, 2016 Census; and 2023g, Census Profile, 2021 Census of Population (3901).

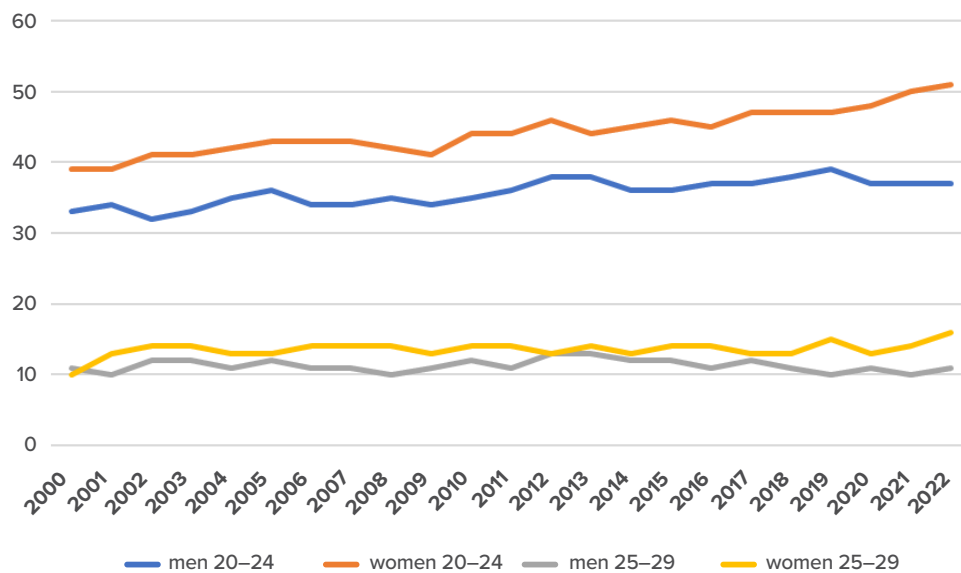
Time spent in higher education

Another potential explanation for lower couple formation and lower fertility rates, especially among those in their 20s, is that young people are now taking longer to complete their education and enter the labour market. This delay postpones the time when they can afford to start a family and, at least for women, uses up a significant part of their reproductive window.

Figure 20 shows the proportion of young people in different age groups who are in education.³ For men there has not been a large change. In 2000 33 percent of men aged 20–24 were in education; this rose by 4 percentage points to 37 percent in 2022. In 2022, 11 percent of men aged 25–29 were in education, the same percentage as in 2000. For women the picture is quite different. The proportion of women aged 20–24 in education rose from 39 percent in 2000 to 51 percent in 2022: an increase of 12 percentage points. For women aged 25–29, the proportion in education rose from 10 percent in 2000 to 16 percent in 2022, an increase of 6 percentage points.

It therefore appears that women are staying in education longer: it seems plausible that this could have an impact on marriage and cohabitation rates, and particularly on childbearing. This is likely to be particularly true for the

FIGURE 20: Proportion of people in education by age group and sex, 2000–2022



Source: Statistics Canada 2023h, Table 37-10-0196-01.

younger age group; the proportion in education in the 25–29 age group is probably not large enough to have had a big impact on couple formation and fertility, although the latter would be more affected to the extent that women want to spend a few years in the labour market before having children.

Mental well-being and attitudes about the future

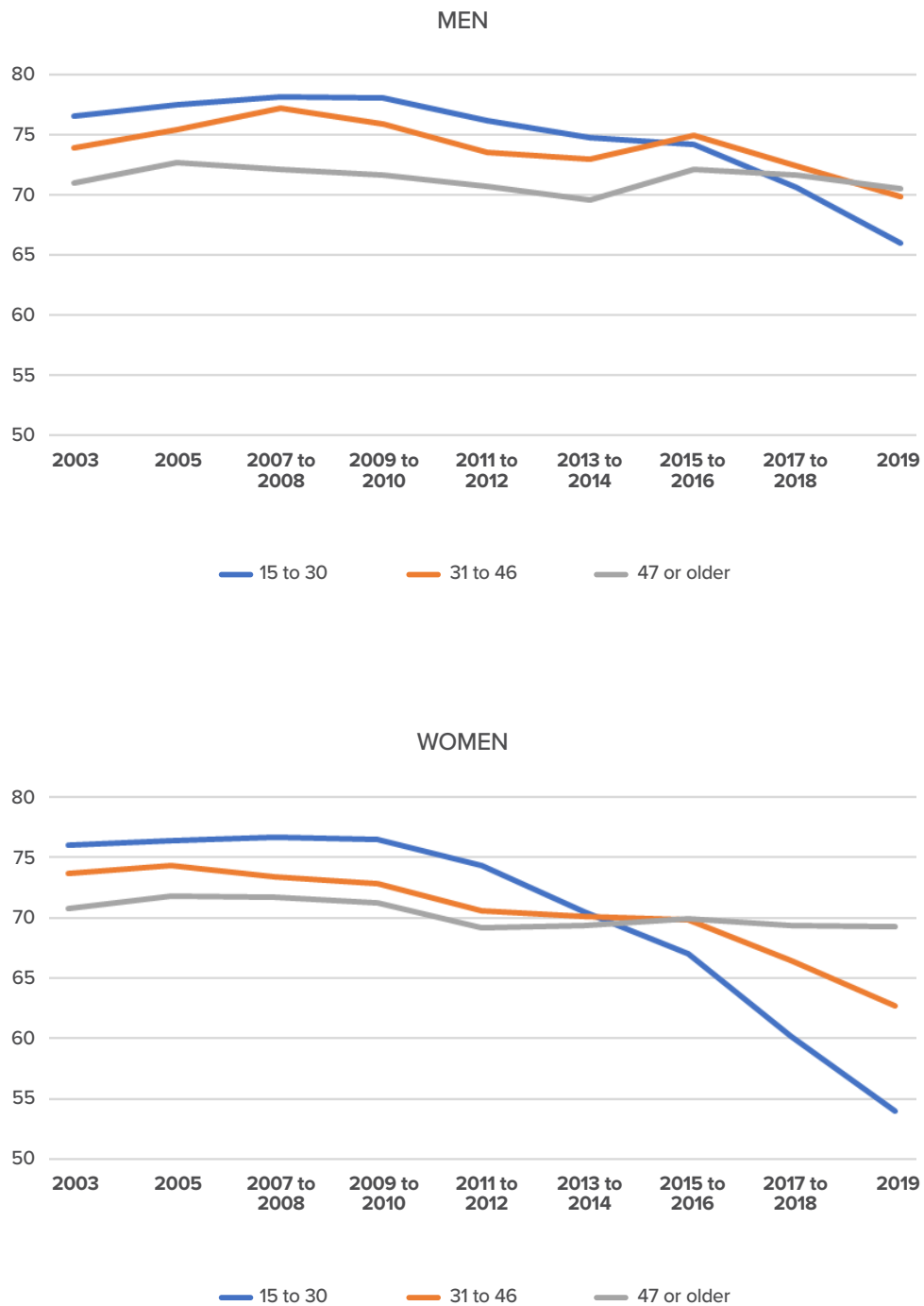
The major life decisions that we analyze in this paper all depend not only on immediate economic factors, but also on a person's state of mind and his or her expectations for the future. Since 2003 Statistics Canada's Community Health Survey has asked people describe their mental health status. The results are shown in Figure 21 (see page 35).

The results show a marked deterioration in mental health for younger age groups, particularly for women. As recently as 2009–2010 women aged 15–30 had better mental health than older women, and about the same as men in the same age group, with 76.5 percent reporting excellent or very good mental health. By 2019 that figure had dropped 22.5 percentage points to 54 percent. For women aged 31–46 there was also a significant drop of 10.1 percentage points, from 72.8 to 62.7 percent. It is notable that these drops precede the COVID epidemic, which put a further (although perhaps temporary) strain on mental health.

There is no obvious economic explanation for this decline in mental health. It is tempting to blame technology for these trends, particularly the rise of smartphones and the consequent ubiquity of social media in young people's lives – trends that have also been observed in other countries (Twenge 2017).

The drop in mental health levels is accompanied by increased anxiety about the future. Statistics Canada also tracks the degree of hopefulness about the future. In 2016, 78 percent of Canadians aged 15–34 were always or often hopeful about the future. However, by 2021–2022 that proportion had fallen by 15 percentage points to only 63 percent (Statistics Canada 2022a). Although this period coincides with COVID, more recent data suggests that if anything the downward trend has continued, with the proportion of people always or often hopeful dropping significantly for all age groups and both sexes (see Statistics Canada 2023i, Table 13-10-0848-01).

FIGURE 21: Proportion of people reporting excellent or very good mental health



Source: Garriguet 2021.

Number of children women desire

Another set of explanations for lower fertility is that women simply do not value childbearing as much as before, especially given the greater opportunities available to women today. Lower fertility may simply be a result of individual preference, and indeed if this were true it might well mean that women would take longer to complete their education and be less inclined to become a couple than would have been the case in the past.

One way to get at this issue is to ask women whether they are having as many children as they desire. This was done recently in Canada by the research institute Cardus. Cardus surveyed 2,700 women aged 18–44 and found that women are having 0.5 fewer children than the 2.2 they would ideally like (Stone 2023). Furthermore, nearly half of women at the end of their reproductive period indicate that they had had fewer children than they would have liked. This group also reported lower life satisfaction than women who achieved their fertility goals.

This result is consistent with data from the European Union. The OECD (2016) looked at 22 EU countries (including the UK, at that point still a member), and found that while women's average intended number of children was 2.3, the actual number of children per woman was below 1.5. The OECD found little difference by sex: the intended family size for men was only slightly lower at 2.2 children.

Of course, results from these kinds of hypothetical questions have to be viewed with caution, particularly when asking about the intended number of children, as views could change once the actual reality of the costs and benefits of child-rearing are taken into account. Nonetheless, these results do suggest that people still value having children: if every woman had as many children as she wanted fertility rates would be a little above replacement rates. It seems that other factors are reducing female fertility to well below desired levels.

Summary

It is hard to blame lower rates of family formation in Canada simply on higher income or higher unemployment. While fertility does seem to be negatively correlated with higher incomes, this cannot explain the recent rapid drop in fertility in Canada, as incomes, including for women, have not shown any particular change in trend. From an economic perspective, a more plausible

culprit for lower family formation and fertility is housing. The increases in housing costs in Canada over a 20-year period have been significant, both absolute and relative to other countries. Lack of affordable housing unquestionably looms large for younger Canadians as a key barrier to moving out of the family home and then having space to raise a family.

However, housing is unlikely to be the whole story, and, in fact, the data do reveal a sharp decline in mental health and a significant rise in anxiety about the future, beginning in the mid-2010s. These trends are particularly evident for young women and may be linked to the changes in the broader social and cultural environment.

Conclusions, implications for public policy, and next steps

Conclusions

This paper has looked at three key questions: whether individuals gain from being part of a family; the nature of the underlying trends in family formation in Canada; and possible factors that might explain these trends.

The answer to the first question is very clear: there are very significant benefits to being in a family, both in terms of income and broader well-being.

- An adult aged 25 to 34 in a couple has a standard of living one-third higher than a single person.
- A child in a two-parent family has a standard of living 50 percent higher than a child in a one-parent family.
- Married adults have higher longevity and better overall mental and physical health than single adults.
- Children raised by two biological parents do better than those raised in one-parent families or in families with a step-parent.

Thus, the evidence is clear that the lifetime benefits from being raised by two biological parents, and getting married and staying married, are very

significant indeed for most people. However, despite these advantages, young people in Canada are less likely to form couples and have children, and when they do, a significant proportion of children will see the break up of their family. Specifically, we find that:

- **Young Canadians are delaying leaving home:** One-fifth of adults (and one-quarter of men) aged 25 to 34 live with their parents, and this proportion has been growing over the past 20 years and is significantly higher than in the US or the UK.
- **Canadians are remaining single longer:** Almost 60 percent of 25- to 29-year-olds, and a third of 30- to 34-year-olds, are single and have never been married. This proportion has been growing over the past twenty years and is higher than in the US or the UK.
- **Canadian women are having fewer babies:** The fertility rate in Canada has dropped to 1.3 children per woman, down from 1.6 only six years earlier, because of a rapid decline in fertility among women under 30. Canada now has the third-lowest fertility rate in the G7, significantly lower than in Germany, the US, or the UK, and close to Italy and Japan.
- **A high proportion of Canadian children no longer live with their original parents:** A third of Canadian children will see their original families break up by the time they are 14. More than a quarter of Canada's children live in a one-parent family, significantly more than in France or the UK, and more even than in the United States.

These trends are quite long-standing and are certainly not simply the result of short-term economic and social disruptions such as those brought on by the COVID-19 pandemic. Looking at some of the potential explanations we find that:

- The economic position of young adults has not been deteriorating; if anything, it has improved. Unemployment rates for 25- to 29-year-olds are at historic lows, and real median incomes for couples aged 25–34 have been rising.
- However, young people are finding it harder to afford a house. Housing prices have risen considerably since 2006, both relative to other prices and to other countries, and in consequence home ownership rates are down, particularly for younger people.

- Women are spending longer in higher education, although the impact on family formation and fertility is probably not large. The proportion of women aged 20 to 24 and 25 to 29 primarily engaged in getting an education has risen significantly over the last 20 years.
- The mental health of young people has deteriorated sharply, and anxiety about the future has risen significantly. Only half of women aged 15 to 30 reported very good or excellent mental health, down from three-quarters 10 years previously. The proportion of Canadians aged 15–34 hopeful about the future has declined by 15 percentage points since 2016.
- Nonetheless, women still want to have children. Lower fertility does not seem to be driven by children being less of a lifetime priority. When surveyed, women say that they would like to have 2.2 children on average, which is well above the current level.

Implications for demographic projections

Our results have significant implications for public policy, both from a positive standpoint – the realism of assumptions being made about the future – and a normative standpoint – which issues policy-makers should be focusing on to improve social welfare.

From a positive standpoint, our findings clearly suggest that government agencies' current assumptions about fertility rates in Canada are too optimistic. For example, Statistics Canada's population projections for Canada from 2021 to 2043 assume a fertility rate of 1.59 for 2043 in a medium growth scenario, compared to 1.40 in a low growth scenario and 1.79 in a high growth scenario (Statistics Canada 2022b). In her 31st Annual Report, the Canada Pension Plan's (CPP) chief actuary assumes that fertility will rise to 1.54 by 2029 (Office of the Chief Actuary 2022). Not only is the current fertility rate of 1.33 well below even the most pessimistic of these scenarios, but our analysis suggests that the fertility rate will continue to fall. The younger generation that has not yet hit peak childbearing age is composed of people who are even less likely to leave home, form a couple, and buy a house than the current generation.

If future fertility rates are significantly overestimated, this will have implications for long-term economic and fiscal projections, both for pension plans such as the CPP and for federal and provincial governments that are

already facing significant pressures from population aging. Fewer children in the population saves money in the short term, as it means less expenditure on schools and universities, but in the long run it means fewer taxpayers to support health care, pensions, and long-term care for old people, and thus higher taxes and contributions, either now or in the future. Lower birth rates will reduce GDP per capita if older workers work less and if their productivity falls (Maestas, Mullen, and Powell 2016).

“Fewer people living in couples also has implications for governments that go beyond the impacts on fertility.”

Fewer people living in couples also has implications for governments that go beyond the impacts on fertility. As we outlined, single people have worse mental and physical health, and have fewer people to turn to for help, implying greater costs for home care and health care. Single people also earn less: to the extent that this reflects the impacts of being single on health or work incentives rather than a selection effect, this earnings disparity implies lower output growth and tax revenues.

Implications for public policy

Governments have every reason to worry about the trends in family formation and fertility we have uncovered in this paper. Not only do marriage and childbearing very significantly benefit the individuals concerned, they also benefit society and the economy overall. There are good reasons therefore to look at policies that would promote families and that would try to ameliorate the negative trends we are observing. Any such policy agenda would have to consider all three life cycle events where we see negative trends: leaving home, forming a couple, and having children.

An exhaustive examination of what a such an agenda would look like is beyond the scope of this paper. However, we can make a few observations based on our analysis of some of the underlying factors.

Housing policy

An obvious area of focus is housing, which affects all of the three key life cycle events crucial to family formation. Policies to reduce the relative price of housing – of all kinds, including rental apartments and condominiums but particularly single-family homes – would make it cheaper and easier to leave home, to settle down with a partner, to have a first child, and to have second and subsequent children. Anxiety about housing is clearly weighing on the minds of young Canadians: significant changes in housing affordability would be required to change this mindset.

Making housing more affordable is currently a topic of intense debate in Canada. The significant appreciation of house prices has been driven by strong demand, attributable to lower interest rates and high immigration, and weak supply, attributable to strict zoning requirements, lengthy approval processes, shortage of skilled labour, and low productivity growth in residential construction. Policy action to make housing more affordable is complicated because all three levels of government – federal, provincial, and municipal – have potential levers at their disposal. At the provincial and municipal level initiatives could include allowing more land to be zoned residential, allowing higher density housing, simplify and shortening application times, and reducing and simplifying building codes. At the federal level, there would need to be a better matching of immigration levels, both permanent and non-permanent, to likely housing supply.

Within an overall housing affordability agenda there might be a role for governments to play by ensuring that developers are building housing that can accommodate couples and families. This means ensuring there is an adequate supply of single-family homes – perhaps by insisting that municipalities open up sufficient land for new subdivisions, and not charge excessive amounts for new infrastructure such as water and sewer connections – and by requiring new multi-family units such as condominiums to have a certain number of three- or four-bedroom units that are suitable for families.

It is also possible to have tax relief or subsidies that would assist couples and families to buy houses. The challenge with these kinds of policies is that unless supply becomes more elastic, these policies will simply increase prices and would largely benefit current homeowners. Initiatives to construct social housing will likely run into the same problems, to the extent that they use up the supply of buildable land and increase demand for scarce skilled trade labour.

Tax and transfer policies

One policy tool governments have that can directly affect people's choice to form a couple and have a family is the tax system. In Canada the tax system is largely neutral with respect to whether an individual is married or single, particularly if both people are working. There is an allowance for a dependent spouse although this is a credit, not a deduction. Unlike in the US there is no provision for joint filing, although there is some ability to shift tax credits within the couple. One consequence of this approach is that because of Canada's progressive tax system, a couple where one partner earns a higher income and the other a lower income, perhaps because one of them works part time, will pay a higher average tax rate than if both earned the same amount. One approach for dealing with this issue is income splitting, which allows the higher earner to transfer income to the lower earner in order to have the income taxed at a lower rate. Not only would this provide an incentive for people to form couples (or marry if this provision were made conditional on marriage), it would also make it easier for one partner to take time off to look after children, providing an incentive for higher fertility. Canada had a version of this approach until 2016 (the non-refundable income splitting tax credit for couples with children under 18).

The tax system can also be used to provide direct support for families with children. Canada has a tax credit for dependent children: this could certainly be extended, or turned into a deduction. Canada also has a deduction for childcare expenses, which is claimed by the lower income earner. Some countries have gone much further in their attempts to give incentives to families to have more children: Hungary has exempted women who raise four or more children from income tax for the rest of their lives (Albert 2020).

Governments can also provide direct support to families through transfers, which are often delivered through the tax system (indeed, the distinction between a tax measure and a transfer measure can become quite blurred). In 2016 Canada introduced the Canada Child Benefit, which provides a significant monetary benefit (up to \$7,400 per child at the time of writing) to the primary caregiver and replaces the earlier and less generous Universal Canada Child Benefit. Although the benefit is not taxable, it is dependent on income, and is reduced for higher income families. The amounts are the same for each child. An alternative and less costly but possibly less effective approach is to condition transfers on birth order, so that second and

subsequent children receive a higher transfer amount. Quebec adopted this approach between 1988 and 1997 in its Allowance for Newborn Children (Milligan 2005): the program paid \$500 for the first child, \$1,000 for the second child, and \$8,000 for the third child and any subsequent children. Similar programs have been introduced in other countries such as Poland (Stone 2020).

Finally, policies that address parental leave can also make it financially easier to have children, assuming that a parent wants to stay home with a new baby. Canada's employment insurance program provides up to a year of leave (15 to 18 weeks for the mother; the rest can be taken by either parent), with benefits paid at 55 percent of insured earnings. Both the duration and generosity of benefits could be increased to allow parents to spend more time with their new child.

Childcare policies

Subsidized daycare policies can encourage women to have children, as subsidized daycare enables women to (re)enter the workforce more easily after the birth of a child. In principle this should help increase fertility and boost tax revenues. However, the question from a policy perspective is whether those resources might have more impact if they were simply given to women with no strings attached. If many women actually prefer to stay home with their young child, then a transfer along the lines of those discussed in the previous section, which could be spent on child care if desired, would be more attractive to some women and thus have more of an incentive effect.

Education policy

As we have seen, young people are staying longer in higher education than in the past, which is likely delaying family formation and fertility. While there are obvious benefits to having a more skilled workforce, it may be that part of this trend represents increased credentialism, with employers valuing higher education as a sorting mechanism rather than for the intrinsic value of what has been taught (see Caplan 2018). To the extent that this is true, finding ways to reduce the formal educational requirements for jobs would allow young people to marry, afford a house, and have children earlier.

Next steps

The literature on the benefits of being in a family is reasonably conclusive; although most of it pertains to other countries, particularly the US, there is little reason to believe that the results do not reflect the reality in Canada, especially given our analysis of the income data for Canada.

Where there is more work to be done is on the factors behind the declines in family formation and in fertility. We could break the phenomena down by province: it might be particularly interesting to see if trends are different in Quebec given its unique culture and higher rate of common-law relationships. The data are also available by immigration status, a dimension that is also relevant given Canada's current high immigration levels. Researchers could also do more cross-country comparisons: we have largely confined comparisons in this paper to the US and the UK, two countries culturally similar to Canada, but this could be extended to other OECD countries that have quite different tax and family policies. We could also do more cross-country comparisons of the trends in fertility rates over time.

“ *If we could better understand these trends we could project future fertility rates.* ”

If we could better understand these trends we could project future fertility rates. As noted earlier, we think that current projections of fertility rates, and therefore of measures such as old age dependency ratios, which are key determinants of fiscal planning, are too optimistic. It would be useful to understand what more realistic projections might mean for governments' long-term fiscal projections. As a recent paper by Morland and Pilkington (2023) did, we could also calculate what immigration rates would have to be if a government wanted to offset the impacts of lower fertility on dependency rates.

Finally, there is clearly much work to be done on the details of any policy agenda that attempts to address the trends in family formation and fertility. Given the close relationship between marriage and fertility, this agenda would need to focus on policies that address both these issues, recognizing

that the causality potentially runs in both directions. Given the complexity and deep-seated nature of these issues, such a policy agenda would need to use the full range of policy tools, from housing policy, tax and transfer policy, and education policy, and carefully consider the international experience in this area. It is likely that these trends reflect not only economic factors, but also more deep-seated cultural and social trends that are not easily influenced by economic policies. However, the most important step in addressing these problems is perhaps the first, which is to recognize that the declining family formation, dropping marriage rates, and deteriorating fertility are serious problems facing our society, and they should be a top priority for policymakers in our country. [MLI](#)

About the author



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Endnotes

- 1 Shift-share analysis decomposes a change in a given variable into the part that is due to changes in composition, holding constant the behaviour of the component groups, and the part that is due to changes in behaviour, holding constant the composition of the population.
- 2 Including all children of all ages gives 24.2 percent living in one-parent families in the UK, still well below the comparable Canadian proportion of 28.2 percent of children of all ages living in one-parent families in Canada.
- 3 Note that the data do not allow us to distinguish between the people who have essentially embarked on their careers and are simply taking a few courses in the evening, and students in who are still in full-time education and who are working part time. These numbers therefore represent an upper bound on the proportion of people who are still focussed on their studies rather than full-time employment.

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