Income and the Transition to Parenthood: How and Why Past Income Matters

Teodora Maksimović[1] and Daniël van Wijk[2]

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Introduction

In more developed societies, entering parenthood is not perceived anymore as a necessary step of the life-course, but rather a choice and a planned decision (Bodin et al., 2021). Because children entail substantial financial costs, individuals may postpone or forego parenthood if they perceive their financial situation as unfavourable (Brauner-Otto & Geist, 2018). Since the Great Recession, however, individuals within childbearing age (20–39) have faced stagnating or declining income levels across many European countries (Hammer et al., 2022). At the same time, the rise of non-standard employment has made income less predictable and more unstable, reinforcing perceptions of economic precariousness (Guzzo & Hayford, 2020). The necessity of a dual-earner family model has also grown, as a single income is increasingly insufficient to sustain a family (Mills & Blossfeld, 2003), particularly given the rising financial prerequisites of parenthood (van Wijk & Billari, 2024).

These developments illustrate the need to study how young adults' incomes influence their fertility decisions. However, previous research on the link between income and fertility has largely focused on the short-term impact of income, with incomes measured, for example, in the year before birth. This focus on short-term income effects overlooks how income may shape fertility outcomes through longer-term processes over the life course. In our study, we address this issue by exploring how current and past income relate to the transition to parenthood for men and women in the United Kingdom. We add to the small number of studies that underline the importance of past circumstances and the accumulation of (dis)advantage throughout the life course for fertility behaviour (e.g., Ciganda, 2015; Busetta et al., 2019; van Wijk et al., 2022). While several studies examine the role of past employment conditions, in addition to the current state, past income has received comparatively less attention. Moreover, we are the first to examine the potential channels through which past income may shape fertility decisions, investigating the role of partnership status, housing conditions, and subjective financial perceptions.

Theoretical considerations

Income can affect fertility in two opposing ways: by increasing the utility of having children (income effect) (Becker, 1960) or by raising the opportunity costs of parenthood (substitution effect) (Becker, 1965; Willis, 1973). The balance between these effects depends on gender roles and the institutional context, with male income encouraging fertility in traditional settings and both men's and women's income having a similar positive influence in more gender-egalitarian societies. Given the theoretical considerations and past research on the association between current income and fertility in the United Kingdom (e.g., Schmitt, 2012), we expect that current income is positively associated with both men's and women's probability of having a first child (*H1*). Moreover, given the importance of past economic circumstances in fertility decisions, we hypothesise that past income will be positively associated with the transition to parenthood for both men and women (*H2*).

In addition, our objective is to understand through which mechanisms past income may influence fertility. First, past financial circumstances, alongside current ones, can affect both the likelihood of entering a partnership and its subsequent stability and quality. Individuals, particularly men, may face fewer opportunities to form stable unions if their financial resources are limited (see, e.g., van Wijk et al., 2021). Beyond partnership entry, persistent or recurring financial strain can undermine relationship quality and increase the risk of dissolution, as economic insecurity tends to heighten conflict and stress within couples (Palumbo et al., 2025).

Second, individuals who experience higher and more stable income throughout the life course are more likely to start living independently and to access secure housing through homeownership, both by accumulating the resources necessary to purchase a property and by meeting the requirements to obtain a mortgage (Causa et al., 2019). Since secure housing can be a prerequisite for childbearing, income stability may indirectly influence fertility behaviour by improving access to stable housing (Öst, 2012).

[1]Universitat Pompeu Fabra
[2]Netherlands Interdisciplinary Demographic Institute (NIDI)

Third, past economic experiences may shape individuals' perceptions of their current and future financial position. Repeated exposure to economic precariousness can create lasting perceptions of vulnerability, even if current circumstances have improved, as individuals may generalise past instability to future expectations. Those who have experienced uncertain or unstable income are more likely to anticipate future financial insecurity, which can lower overall life satisfaction (Knabe & Rätzel, 2011) and, in turn, reduce fertility intentions.

In summary, individuals who have higher income levels throughout their life course are more likely to be in a union, own a home, and have more positive financial perceptions, all of which are expected to facilitate the transition to parenthood. Therefore, we hypothesise that the positive association between past income and fertility is mediated through partner status (*H3a*), homeownership (*H3b*), and positive subjective financial perceptions (*H3c*).

Data and Methods

In this study, we use combined data from the British Household Panel Study (BHPS, 1991–2008) and Understanding Society (UKHLS, 2009–2023). We follow childless men and women and focus on the event of having a first child (backdated by at least nine months). Our main independent variables are current income (in the year before conception) and average income over the previous three years. To construct both measures, we use gross total monthly personal income adjusted to 2023 prices, expressed in thousands, and transformed into natural logarithms. As explained above, the key mechanisms we aim to explore are partnering, housing, and financial perceptions. To test the mediating effect of partnering, we include a variable indicating whether the individual is currently single, cohabiting, or married. Regarding housing, we distinguish between living with parents, renting a home, or owning a home. For financial perceptions, we use the question *"How well would you say you yourself are managing financially these days?"* and categorize the responses into three groups: living comfortably, doing alright, and just getting by or finding it difficult. We also include a set of standard demographic and socio-economic control variables such as age, education level, employment status and migration origin[1]. We observe income levels starting at age 18, and given that our analysis focuses on the average income during the preceding three years, reproductive behaviour is consequently observed from age 21 onwards. Individuals are censored when they conceive their first child, leave the survey, or reach age 45. Our final samples consist of 6,432 men (29,406 observations) and 5,869 women (25,951 observations). Over the observation period, 18.1% of men and 22.7% of women conceived their first child.

We estimate discrete-time event history models using logistic regression, separately for men and women. In the full paper, we estimate stepwise models through sequential inclusion of income variables and mechanisms. Here, we present preliminary results from reduced models, which include only income variables (current and past) in addition to the control variables, and from full models, which further include all mechanism variables. However, because changes in coefficients across logistic models are not directly comparable due to rescaling, we apply mediation analysis using the KHB method (Karlson et al., 2012) to assess the extent to which the effect of past income is mediated by the proposed mechanisms.

Preliminary results

Several insights emerge from the two model specifications (Table 1). Our first hypothesis (*H1*) is only partially confirmed, since current income increases the likelihood of having a first child for men, but decreases it for women, however only after controlling for past income. Furthermore, for both men and women, past three-year income levels increase the probability of transitioning to parenthood, therefore confirming our second hypothesis (*H2*). As shown in Figure 1, the magnitude of the effect of past income is not negligible, particularly for women. In the reduced model, increasing past income from a lower level of 500£ to a slightly above-average level of 2000£ increases the probability of conception by approximately 42%. Lastly, our findings support the third set of hypotheses: the association between past income and fertility is partially mediated by partner status (*H3a*), homeownership (*H3b*) and positive financial perceptions (*H3c*). For men, all three mechanisms simultaneously influence the probability of a first birth and explain most of the effect of past income, whereas this is not the case for women. Although both partnering and homeownership are positively associated with the transition to parenthood among women, financial perceptions do not influence childbearing after accounting for the other two mechanisms, and the association between past income and first birth probability remains positive and significant. The mediation analyses using the KHB method indicate that the three mechanisms explain approximately 83% of the effect of past income for men, compared with about 30% for women.

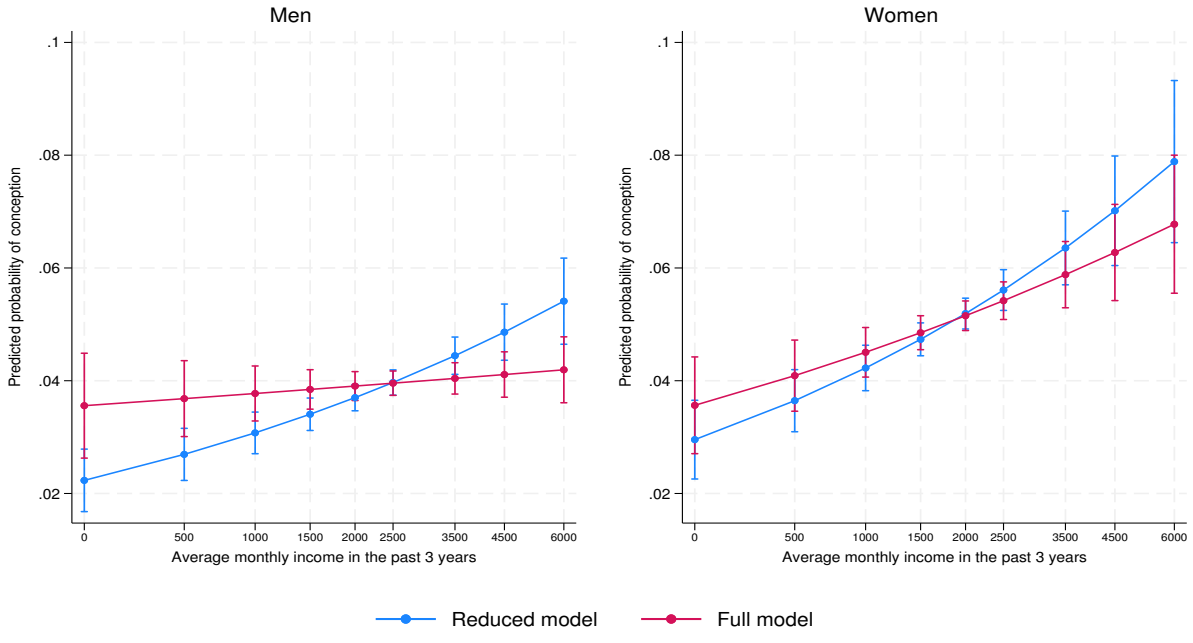
[1]For the full list of control variables, please refer to the caption of Table 1

Table 1: Effects of current and past income on the transition to parenthood for men and women: reduced and full models

	Men		Women	
	Reduced	**Full**	**Reduced**	**Full**
Current income (log in 1000s)	0.231**	0.117	-0.195**	-0.201*
	(0.090)	(0.096)	(0.098)	(0.103)
Past 3-year average income (log in 1000s)	0.481***	0.095	0.545***	0.372***
	(0.102)	(0.113)	(0.115)	(0.120)
Mechanisms:				
Partnering (Ref: No)				
Cohabiting		1.286***		0.831***
		(0.110)		(0.096)
Married		2.243***		1.707***
		(0.103)		(0.091)
Housing (Ref: Rented)				
Owned		0.326***		0.246***
		(0.088)		(0.080)
Living with parents		-0.030		-0.354***
		(0.127)		(0.116)
Financial perceptions (Ref: Getting by/Difficult)				
Living comfortably		0.231**		0.027
		(0.097)		(0.089)
Doing alright		0.183**		-0.023
		(0.090)		(0.082)
Constant	-3.413***	-3.590***	-2.755***	-2.961***
	(0.370)	(0.398)	(0.387)	(0.417)
Individuals	6,432	6,432	5,869	5,869
Individuals × Years	29,406	29,406	25,951	25,951

Logit coefficients and standard errors (in parentheses). *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. All models include the following control variables: interview period, country of residence, religiosity, migration background, employment status, years spent in education, education level, age (linear and squared term) and interactions between age and education level.

Figure 1: Predicted probability of first conception at different levels of average past income for men and women: reduced and full models



Note: Past income used in the models is adjusted to 2023 prices, expressed in thousands, and transformed into natural logarithm. In the figure, absolute incomes are shown on the X axis for reasons of interpretability. Average monthly past income has a mean of 1957£ for men and 1744£ for women.

Discussion and Next Steps

Our preliminary findings indicate the importance of adopting a longer-term perspective when studying the impact of income on fertility decisions, rather than focusing on a single point in time. Individuals who experienced better economic situations in the past have a higher probability of transitioning to parenthood, regardless of their current financial situation. Moreover, the results suggest that higher past income levels help fulfil the different prerequisites for parenthood, including a stable partner relationship, an owner-occupied home, and (for men) favourable financial perceptions, thereby facilitating the transition to the first child.

We plan to further examine the relationship between past income and fertility behaviour by using alternative income measures and timeframes. First, to account for potential non-linearities in the association, we will re-estimate the models by including quadratic and cubic terms of income, as well as by using income brackets in place of a continuous income measure. Second, to test the robustness of using a three-year average of past income, we will replicate the analysis using alternative time periods. Preliminary results based on a five-year average, however, yield findings that are highly consistent with those presented here. Lastly, we aim to explore additional mechanisms, such as career stability or tenure in the current job, to explain the remaining effect of past income on fertility, particularly among women.

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