



ICPS

International  
Centre for  
Policy  
Studies

# WHERE DO THE CHILDREN COME FROM

USING POLICY  
TO RAISE THE BIRTHRATE IN UKRAINE

Policy Studies

#1, 2010

***Policy Studies*** is an ICPS publication that analyzes current issues at the Ukrainian, European and global level that need a response from both Ukraine's government and Ukrainian society.

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Author: Maksym Boroda

Publication team: Oleksandr Zholud and Oleksandra Alioshyna

Production coordinator: Olga Lvova

Translator and English Editor: Lidia Wolanskyj

Typesetting: Tetiana Ivanko

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# IN LIEU OF AN INTRODUCTION

It's hard to find a Ukrainian who has not heard about this problem, a journalist who has not written about it, or a politician who has not tried to do something about it—Ukraine's low birthrate and the continuing decline of its population numbers. Lately, only the economic crisis and pervasive corruption can compete with this issue for the amount of space devoted in the press. We all know that at one time we were "52 million" and that we need to "make love or the country won't have enough astronauts."

Indeed, the demographic crisis in Ukraine is no less serious than the difficult economic one. The question of how to improve the demographic situation has remained an urgent issue since soviet times. The platforms of all leading political parties contain nearly identical planks regarding the necessity to improve the situation by increasing the birthrate. Politicians from different camps compete with one another by promising ever-larger childbirth benefits from the state.

This kind of simplistic approach to what is possibly the most complicated social phenomenon, demographic processes, is striking, at the least. In a way, our politicians bring to mind medieval doctors who, without burdening themselves with accurate diagnoses of diseases, immediately launched into bloodletting. Of course, for most people, this brought temporary relief, some felt no easing at all, and others were done more harm than good. In order to cure a disease, surgical intrusion is not necessarily the solution. What is necessary, though, is to establish all the symptoms, make the correct diagnosis, and select the best combination of medicines and therapeutic procedures for treatment. Why do we continue to reach for the lancet, when developed countries have long limited themselves to pills?

Ukraine's low birthrate and the consequent shrinking and graying of its population are only one of the symptoms of the demographic illness that Ukraine and all of Europe are suffering from. Yet most of the efforts of both our politicians and those in other countries are directed only at it. The reason is simple: other demographic challenges, such as high mortality and uncontrolled migration, are less responsive to political intervention and tend to thus remain outside the focus of most politicians. Instead, raising the birthrate offers an opportunity to relatively swiftly and easily produces visible results. And that offers easy political dividends.

For this reason, we will look at this most politicized aspect of Ukraine's demographic situation in this first issue of Policy Studies, the new ICPS quarterly.

Without any doubt, Ukraine's declining population is not a problem that can or should be ignored. Still, in order to come up with the best policies, it is necessary to understand the nature of this phenomenon and the reasons behind it, to assess the effectiveness of any possible course of action and its potential impact, and to remember the most important maxim of the physician: To do no harm!

## Demographic myths

### *Myth #1. A declining population is an evil that must be fought*

The main problem on the planet today is not depopulation but its opposite, a population explosion. Based on current trends, the population of the world will reach 10 billion by 2050 and nearly 15 billion by 2100. This clearly has catastrophic implications for all of humanity. Most likely, from the point-of-view of sustainable demographic systems, the scenario is one in which the population of the earth gradually goes down as the birthrate declines and returns to the more balanced level that was seen before the population began to multiply radically. This kind of scenario makes the low and extremely low birthrates in Europe and North America an inevitable, unavoidable phase in evolution. In short, what we need is not to fight low birth rates, as this is not really possible anyway, but to learn to live in our new demographic circumstances.

### *Myth #2. Depopulation can be resolved through government action*

Declining populations have presented a challenge to developed countries for decades already. These countries have all the possible economic and scientific tools in the world at their disposal. Indeed, several generations of political leaders have tried very hard to overcome the "demographic crisis." Yet there hasn't been a single instance where political means succeeded in increasing the birthrate to even the replacement level. To this day, the only effective means of maintaining a stable population and workforce remains immigration. It is precisely because of first-generation immigrants and high birthrates in second- and third-generation immigrant populations that countries like France and the United States have not only avoided depopulation but have seen their population numbers grow.

### *Myth #3. If we pay more, more babies will be born*

Long-term experience in many countries has shown that even the most generous childbirth benefits are unable to ensure a real improvement in the demographic situation. The stimulus to have children that such socio-demographic policies appear to provide turns out to be mostly a matter of moving up the “family planning calendar.” That is, women decide to have a child sooner than they had originally planned. Any real change in the birthrate only appears among older women of childbearing age who face nature’s “now or never” ultimatum. Shifting the family planning calendar generally results in a later dip in the birthrate and to unpredictable reproductive behavior.

# UKRAINE'S BIRTHRATE: INEVITABLE OR COINCIDENTAL?

## Explaining the inexplicable

It's actually not difficult to produce a slew of reasons why the birthrate is low in Ukraine and the country's population is in decline. Among them are the chaos of the 1990s, the low standard of living, lack of certainty in the future, problems with reproductive health, insufficient or inadequate housing, a crisis in the nuclear family and the transition to a more individualistic lifestyle, and many other more-or-less significant factors.

What's harder to explain is the difficult demographic situation that has emerged over the last few decades in all developed countries without exception. Their development is also not without its flaws, but it is unlikely that these can explain the manifold difference in birthrates between the most developed countries in the world and the least.

The fact that the highest birthrates are generally seen in those countries with the poorest living conditions also merits some explanation. The nominal division of countries according to the intensity and extensiveness of population growth is too crude to thoroughly reveal the demographic processes observed in Asia, Africa and Latin America in their entirety.

Attempts to explain complicated demographic phenomena by listing simplistic reasons have proved inadequate both at a global level and at the level of individual countries such as Ukraine. Factors that are seen as decisive in the demographic situation may indeed be so but they do not exist in isolation from each other or from any number of other economic, social, societal and cultural factors that too often remain outside the discussion. Likewise, the demographic trends that they affect are not limited to individual cities, regions or countries. Failing to understand these global and all-reaching links or ignoring them will distort the results of any analysis and lead to flawed conclusions.

## Can't see the forest for the trees

Any phenomenon can be explained from two points of view: factors and systems. Moreover, they do not exclude but complement each other. Looking at factors makes it possible to discover the underlying conditions that have the most impact on a given process. Looking at systems brings together factors that have a greater and lesser impact in the context of a single system that operates

according to a single set of rules. This is true even in the context of determining the causes underlying demographic processes.

Problems begin to arise when researchers and theorists cannot see the forest for the trees and try to affect isolated elements in the process, forgetting their systemic nature. This flawed approach is then passed along to politicians who apply their studies and theories. This is precisely what happened in Ukraine with demographic policy: it has become hostage to the factorial approach to explaining demographic processes.

Of course, this situation is quite understandable, given that, from the time that Ukraine became independent until the last few years, a number of key conditions have had a defining impact on the country's demographic situation. Indeed, why look for other explanations for the declining birthrate when most of the population was living below the poverty line and barely made enough to feed itself? Yet the limitations of such an approach became quite obvious when strong economic growth failed to lead to a rise in the birthrate in Ukraine that was strong enough to overcome declining population numbers.

## System error

So far, scientific analysis of demographic processes and the search for practical policy measures to influence them have been dominated by the theory of demographic transition. This takes as its basic premise a significant decline in mortality rates and an increase in life expectancy, which began in some European countries at the end of the 18th century and has been gradually spreading around the globe. As a result, this theory explains demographic trends as the need to switch from balancing high birthrates against high mortality rates, which was common in the previous stages of human development. The new stage involved establishing a balance between low mortality rates and low birthrates.

Still, the theory of demographic transition has proved unable to answer the continuing decline in the birthrate in developed countries—to the point where it is below the natural replacement rate. Getting close to this level is the strategic goal of demographic policy in most countries that are seeing their population numbers go down. Despite having a considerable share of global financial, industrial and intellectual resources at their disposal, none of these countries has so far been able to even approach the natural replacement level.

This turn of events not only casts doubt on the capacity of the theory of demographic transition to offer a reliable basis for undertaking public policy to regulate the birthrate, but could even be a direction marker for those countries who are just beginning to move down this path. Whether it makes sense for Ukraine

to walk into the same pitfalls that Europe and North America fell into nearly half a century ago is largely a rhetorical question. A more interesting question—whether we should recognize a low birthrate as a reality, learn to live with it and even to take advantage of it like, say, the force of gravity—is only now beginning to be considered around the world.

## The birthrate through history

By its very nature, the theory of demographic transition belongs to systemic theories, that is, those that look at demographic changes, not as the impact of individual factors but as a consequence of the systemic transformation of a society. In this sense, it is an alternative to factorial explanations of demographic trends, including a declining birthrate, which continue to dominate the awareness of both politicians and voters.

Any social system or its key subsystems, of which demography is one, is capable of self-regulation and self-equilibration. This statement does not in any way contradict the notion that there are external factors that affect demographic behavior. The question is—how many of these factors are there and how do they interact among themselves? The difference between a systemic approach and a factorial one lies precisely in the understanding that there are too many factors and that the impact of any one of them alone is not enough to move the system from stasis. Moreover, these factors do not simply operate in parallel but are closely intertwined. A change in one of them simultaneously changes all the others and the demographic system reacts to the cumulative effect of the multiplicity of these factors.

The extreme reduction in mortality that began around the world during the demographic transition violated an equilibrium that had governed the demographic system for thousands of years and ensured a high birthrate among humans. Now, this high birthrate began to pose a threat to the existence of human society. Indeed, the crisis in many socio-cultural institutions intended to support a high replacement rate, including marital and familial ties, gender roles and so on, was linked to the search for responses to these challenges.

## A low birthrate: Evil or good?

As strange as it may seem, using Ukraine as an example when the country has lost around 10% of its population in less than 20 years of independence, the main demographic problem in the 21st century is not depopulation at all, but a global population explosion. Based on current trends, in the 150-year period between 1900 and 2050, the population of the Earth will have risen sixfold. To

date, no one has tried to anticipate the economic, political and social consequences of this.

Thus, the main flaw with the theory of demographic transition is its inability to explain post-transition demographic processes, that is, when the birthrate falls well below the death rate. Indeed, how can we talk about a system self-regulating when not a single generation that was born in most European countries since the first decade of the 20th century has replaced itself?

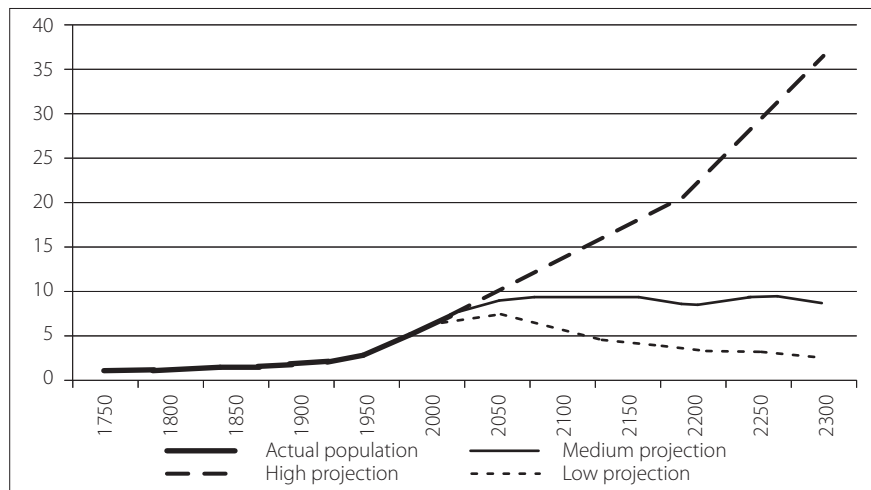
Still, the key question to understanding demographic processes is to determine the limits of the demographic system, including its geographical and political limits. For a long time, it was believed that the demographic transition would take place in every country separately or, in rare cases, for a group of homogeneous countries. Yet the flaw with this approach is especially obvious in the age of globalization, when the borders among countries are becoming more and more porous and are placing fewer and fewer restrictions on economic, migrational, social and cultural exchange. Thus, only the population of the entire planet can really be considered a closed system to which the notion of demographic self-regulation can be applied.

## The demographic future

The balance in the Earth's population was disturbed by the demographic boom that began at the start of the 20th century. In terms of the sustainability of the system, a given system needs to set in motion certain internal mechanisms to return to a state of equilibrium. In this context, the most logical and likely presumption is that after the demographic boom, the wave it raised will have to come down. That is, the Earth's population will not simply stabilize at a new level but will gradually return to the previous base. This is the typical progression of an explosion.

**Chart 1. World population (UN projection)**

billions



This is precisely the scenario for the UN’s long-term projection to 2300. It predicts that in the second half of this century the world population will begin to go into a long-term decline on a global scale. Some evidence for this scenario can already be seen in the major decline in China’s birthrate. Current demographic trends give reason to believe that, soon, India, Brazil and other world population leaders will soon join it. According to this version of the UN demographic projection, the world population will shrink to 2.3 billion by 2300, which is about where it was before the population explosion began. In this way, the Earth’s demographic system will reach a new state of equilibrium.

Looking at other scenarios in the UN population forecast, it is worth noting that the high projection implies that the population explosion is a permanent phenomenon that will destroy humanity sooner or later. But self-destruction is not normally one of the characteristics of social systems. The medium projection matches the theory of demographic transition. However, a chronically insufficient birthrate in most developed countries makes this particular projection highly improbable.

If we ignore the various apocalyptic hypotheses, there is only one path that might bring the population of planet Earth to a new, equilibrated quantity: a birthrate that is well below the replacement level. And this is precisely what we have been seeing in most countries of Europe for some time now. This seems also to be the path that most countries in the world are heading down. Yet this is what Ukraine’s politicians are pointlessly trying to prevent, because they do not see that they are behaving somewhat like the Persian Emperor Xerxes, who demanded that the sea be punished because it had sunk his ships.

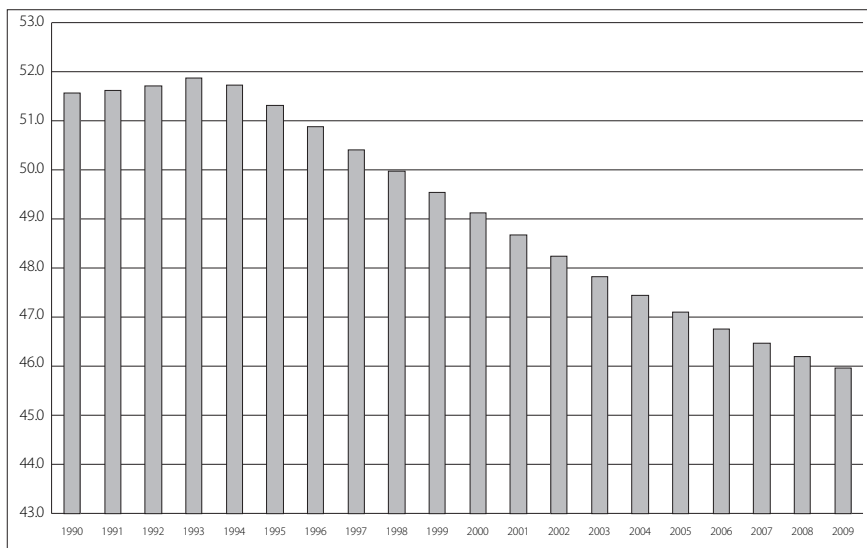
# THERE'S FEWER OF US ALL THE TIME...

## Demographic challenges in Ukraine

Ukraine's population has been in decline since 1993. The independent replacement of the population, that is, a state where there were more people born than died, had been disrupted some years earlier, but positive migrational flows, such as the return of deported Crimean Tatars, kept this weakening indicator from slipping into the negative.

**Chart 2.** *Permanent population*

*millions*

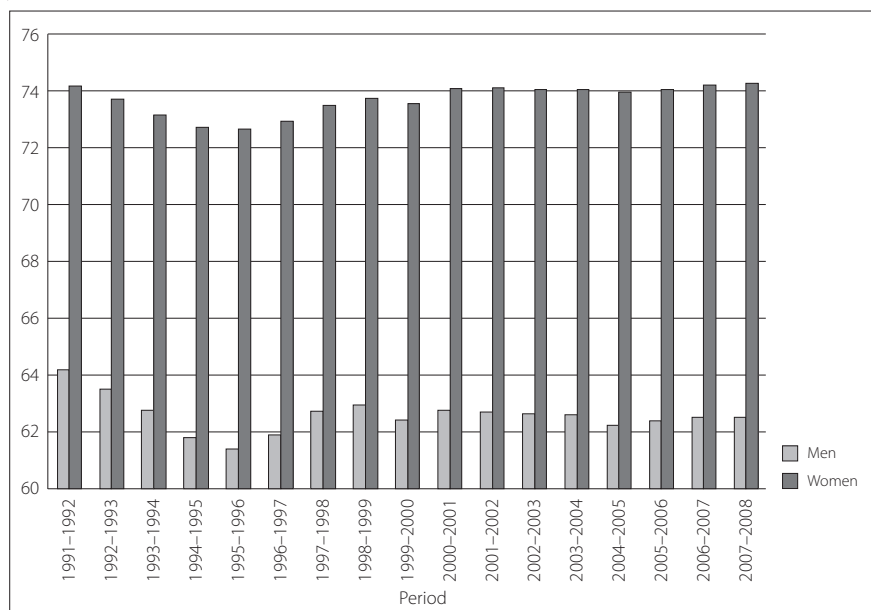


Source: Derzhkomstat

A steep decline in the standard of living, growing unemployment and homelessness, along with uncertainty in what the next day would bring dampened an already far-from-ideal demographic situation. Most of all, this had an impact on the birthrate and on life expectancy.

### Chart 3. Life expectancy

years



Source: Derzhkomstat

In 1990, the total fertility rate (the number of children per woman of childbearing age) was 1.84, although the replacement rate is 2.1. Actually, this indicator was around 2.0, although it was already falling to 1.9<sup>1</sup> in urban areas. By the 1990's, fertility among Ukraine's women was in steady decline, reaching only 1.085 by 2001. In Ukraine's cities, it had fallen below 1.0, becoming effectively the only example of such a low birthrate in the world.<sup>2</sup>

An economic recovery that raised a large part of Ukraine's population from below the poverty line led to a rise in the birthrate to the point where it was more than 34% above its low point. Yet this revival has not been as lively as other baby booms registered in Ukraine in the last century. In 2008, the total birthrate was 1.458, which was lower than the same indicator for 1994 and well below the natural replacement rate.

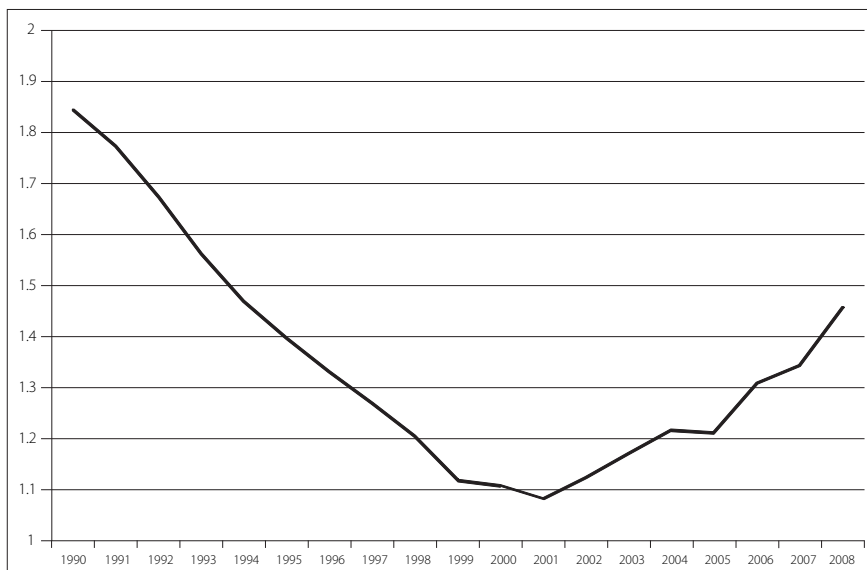
<sup>1</sup> The need to stop the trend towards an ever-lower birthrate caused the soviet government to introduce a number of measures back in November 1982 to increase state assistance to families with children: partly paid leave taken to take care of children up to one year of age and unpaid leave for childcare up to 18 months. The monthly assistance equivalent for paid childcare leave amounted to 20% of the average monthly pay for ordinary workers and civil servants and over 25% of the pay of a farmworker at that time (this was actually the largest benefit paid to families with children at that time).

<sup>2</sup> In demographic research, a new term appeared at this point, lowest fertility rate, referring to a total birthrate coefficient around 1.0.

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## Chart 4. Total fertility rate

*birthrate per woman of childbearing age*



Source: Derzhkomstat

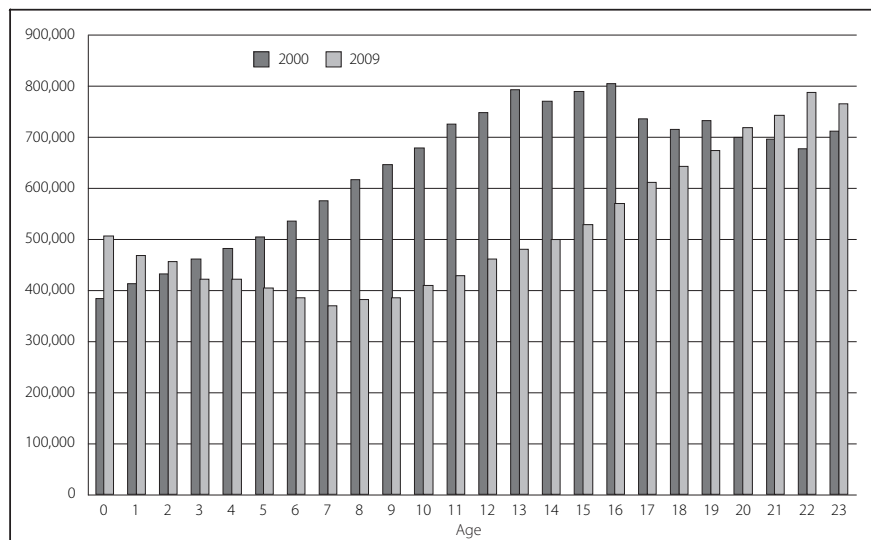
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When we talk about the need to improve the demographic situation, it is important to clearly understand what goal we are trying to reach. A natural rise in the population can no longer be considered a self-evident goal. In an agrarian culture, there was demand for large numbers of unskilled workers, while countries in the 19th and 20th centuries additionally wanted a large standing army. Today's economic and political environment no longer generates that kind of demand. Moreover, the question of ecological balance and minimizing the ruinous effects on the environment demands that we rapidly reduce pressures on the ecosystem.

The main problem facing Ukraine is not the absolute size of the country's population, but its quality, especially the breakdown by age. World wars, artificial famines and negative economic and social conditions have all led to the emergence of waves in the age curve. This means that the growth of total demand for goods and services is not even and industrial capacities are either not fully utilized in certain years or there are shortages. As more numerous generations reach retirement age, the existing pension system causes additional pressure on the working-age population.

**Chart 5. Population aged 14–22, start of 2000 / 2009**

individuals



Source: Derzhkomstat

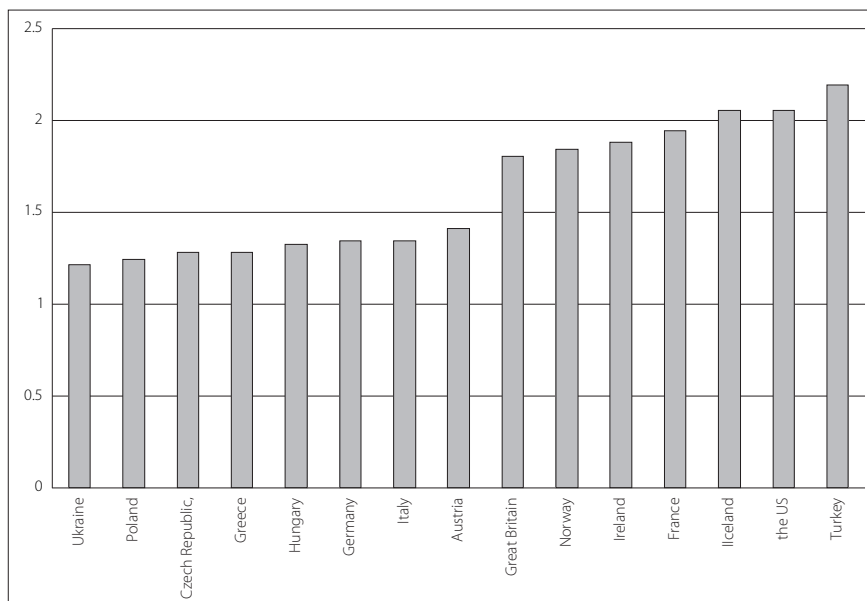
By 2007–2008, Ukraine had reached the birthrate levels similar to other countries in Europe. This was partly due to the birth of children that couples had been postponing and the coming into childbearing age of the last generation born under the USSR, in 1983–1987. Meanwhile, the death rate is far ahead of that in the European Union. This is especially true of the high mortality rate among able-bodied men<sup>3</sup> in Ukraine, which also has a negative impact on the labor market.

## Ukraine's place in world demographic trends

According to UN data, the last few decades have seen the birthrate retreat all over the world. The situation is particularly felt in Europe, where in most countries the total birthrate is below the natural replacement rate.

<sup>3</sup> The higher mortality of men is the difference between the death rate of women and men in a specific age group during a given period.

Chart 6. Total fertility rate by country



Source: OECD

The average weighted birthrate for countries in the Organization for Economic Cooperation and Development (OECD) was 1.63 in 2005, after averaging 1.64 over 1995–2005 and 1.84 over 1985–1995. Among the 30 OECD countries, only four had a birthrate over 2.0.<sup>4</sup>

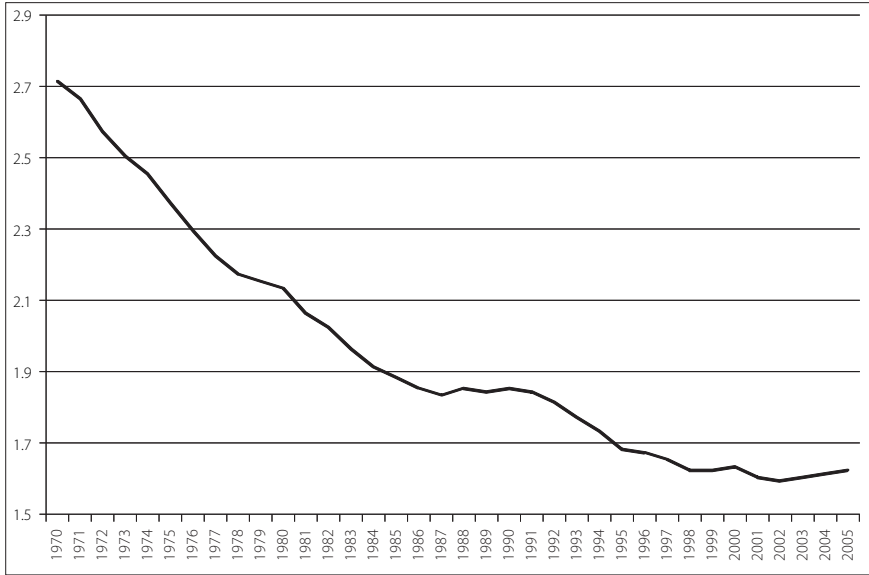
Experts say the reason for this significant decline in the birthrate is a major shift in the worldviews of humans in a post-industrial society. In order to offer a suitable theoretical explanation of the current and future situation, a hypothesis was put forth, calling the situation in Europe “The Second Demographic Transition.” Similar concepts are being proposed under a hypothesis called the fifth phase of demographic transition.<sup>5</sup>

<sup>4</sup> The US, Turkey, Mexico and New Zealand.

<sup>5</sup> The fifth phase is a term given to the development of events after the conclusion of the fourth phase in the theory of the (first) demographic transition. In the fourth phase, the death rate increases to where it is equal to the birthrate, that is, the process of demographic stabilization is complete.

**Chart 7. Average weighted fertility rate in OECD countries, 1970–2005**

*births per woman of childbearing age (15–49)*



Source: OECD

The authors of the concept of a second demographic transition, P. Lesthaeghe and D. van de Kaa,<sup>6</sup> showed that the modern demographic situation and its main feature—a birthrate that is below the simple replacement rate—are driven by fundamentally different reasons than the declining birthrate registered during the first demographic transition in the 19th century.<sup>7</sup> In the 1970s, Europe entered a new phase in its demographic history. Unexpected changes in the situation in the mid-1960s, especially a decline in the total fertility rate to below natural replacement levels, signaled the start of this second demographic transition. The post-war baby boom had ended somewhat earlier and led to a long-term trend to a gradually declining birthrate.

Researchers are not of one mind about the underlying reasons for the second demographic transition, but the most widespread view is that it was the result of a broad shift to individualistic values and the consequent change of behavioral norms, including demographic behavior. The level of personal freedom has increased significantly, both regarding personal choices and the means of attaining them. The second demographic transition is the result of a movement in

<sup>6</sup> D. van de Kaa, “Europe’s Second Demographic Transition,” *Population Bulletin* 42, 1987, pp. 1–59.

<sup>7</sup> Declining mortality followed by a declining birthrate.

mass consciousness to greater tolerance and receptiveness of new values and new models of behavior.

Four main features characterize this transition:

- a transition from the “Golden Age” of the institution of marriage to its decline, that is, the widespread practice of couples setting up house without the benefit of a legal marriage and of alternative forms of family configurations;
- a transition from child-centric family models to individualistically-oriented “mature” parental partners with only a single child;
- a transition from preventive contraception intended to avoid early pregnancies to the deliberate planning of the birth of each child;
- a transition from a “standard” nuclear family to a pluralistic model.

In this way, demographic changes in the 1960s were the result of changes in the behaviors of both individual men and women and couples. Similar changes in marital and childbearing patterns were seen in Ukraine as well. The share of children born out of wedlock grew from 11.2% in 1990 to 20.9% by 2008. This matches overall European trends away from the classic marriage to other forms of cohabiting.

The average age of first marriages in Ukraine has grown over the last 20 years, although it remains lower than in most European countries. For instance, the average age of couples entering their first marriage is 23.5 in Ukraine, compared to 24–25 in Central and Eastern Europe and over 27 in Western Europe. The postponement of marriage “for later” and the disinclination of some portion of young people to marry at all are partly in response to socio-economic factors and show a tendency to grow, although they remain exceptional.

Ukraine continues to be one of the leaders in Europe for the number of registered marriages per 1,000 of population: an average of 7.3 over 2002–2008.<sup>8</sup> Still, the divorce rate is also significantly higher than in the rest of Europe: 3.7 per 1,000 for that same period.

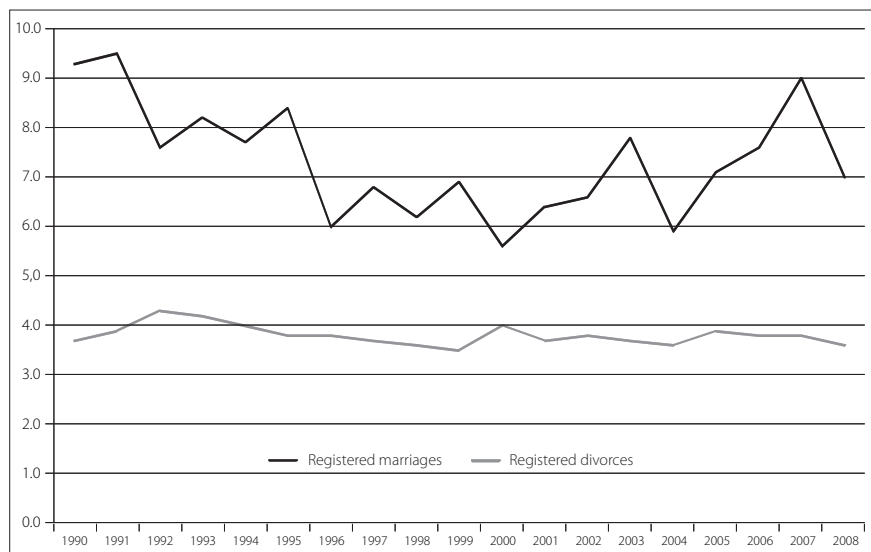
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<sup>8</sup> Only Russia and Belarus have higher rates.

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## Chart 8. Marriage and divorce rates, 1990–2008

per 1,000 of population



Source: Derzhkomstat

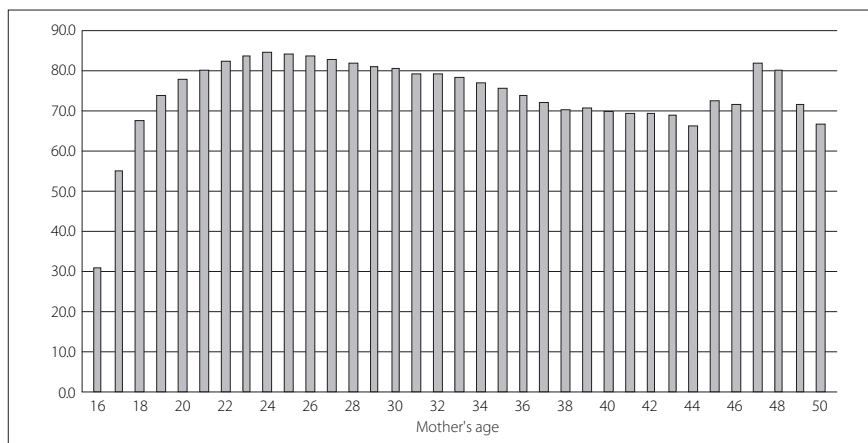
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In Ukraine, as in other countries in Europe, the trend is for unregistered marriages to increasingly form families, a consequence of difficult transformation processes affecting marital and family relations as well as a reduced state role in regulating personal lives. The Ukrainian census of 2001 recorded that 7% of men and women living as couples had not registered their marriages. Moreover, among the very young (15–19) this share is quite significant: 25.3% among young men and 19.2% among young women. This suggests that new forms of marital unions are more widespread among young Ukrainians. Clearly, the unregistered couple is no longer seen by society as an anomaly. Unregistered marriages are the most common in southern and eastern Ukraine, while they remain fairly untypical in the western region.

In 2008, 79.1% of newborns were born to parents in a legal marriage. With age, the share of babies born in wedlock tends to rise for mothers aged 15 through 24, then begins to fall off gradually. This is due to both the considerable rate of divorce among 25–25 year-olds and the deliberate choice of single women to have children by the time they are 30. Interestingly, the percentage of children born out of wedlock is nearly the same for each age group of mothers, regardless of whether they are urban or live in the countryside.

**Chart 9.** *Share of children born in wedlock in 2008*

%



Source: Derzhkomstat; calculations: ICPS

Because single mothers typically have below-average incomes, raising children becomes more difficult in such families. One of the main negative consequences of the collapse of marriages is that children are very often deprived of one of their parents, usually the father. Most married couples who break up have children and this means that, every year, a large number of children suffer through their parents' divorce.

Although the majority of such children is gradually going down, this is not related to a decline in the number of break-ups but to a decline in the number of children being born. The number and proportion of broken families raising minor children in Ukraine is huge. Every fourth family with underage children is incomplete, while in cities the proportion is even higher: every third family.<sup>9</sup>

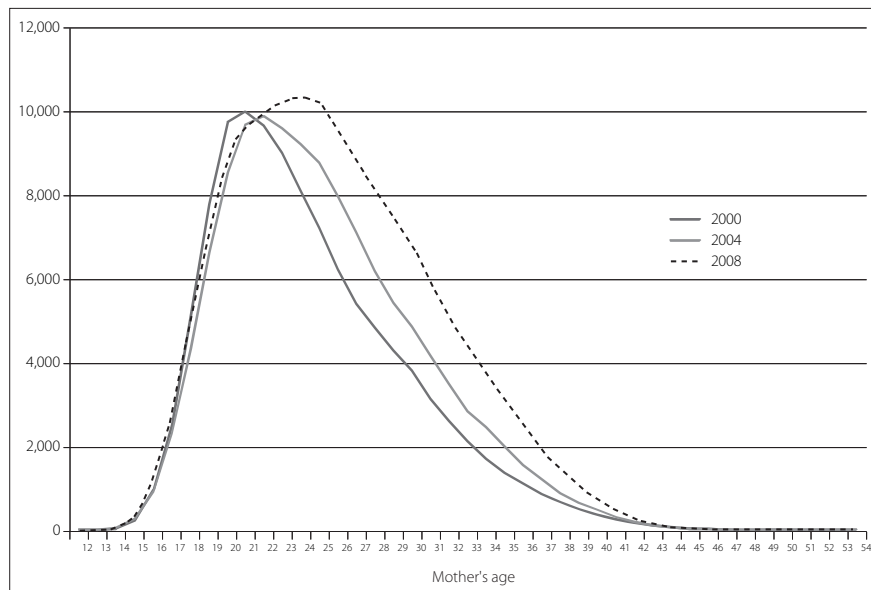
The high divorce rate, including among couples with minor children, emerged back in the 1970s, a demographic behavioral trend that has continued all the years since then: easy to marry and easy to divorce. For the overall divorce rate, Ukraine and Russia lead in Europe.

Over 2000–2008, the age breakdown of mothers shifted. The average age at which a woman gave birth to a child began to rise. This was primarily the result of women finally having the children they had been postponing.

<sup>9</sup> The share of Ukraine's population according to marital status is based on data from the 2001 national census.

## Chart 10. Birthrate and age of mother, 2000–2008

per annum per 100,000 women



Source: Derzhkomstat; calculations: ICPS

The shift in the age of first birth from 21 to 23 years of age seems to mostly be connected to improved expectations of the future, especially from the point of view of raising children in young families, on one hand, and postponed marriages among young people, on the other.

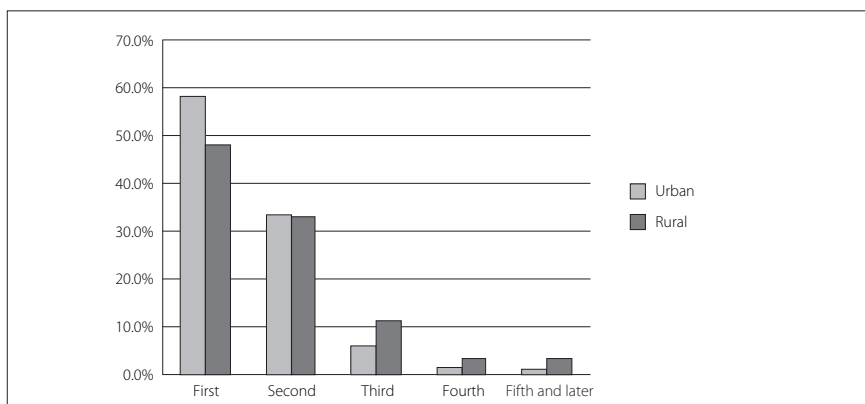
Despite the similarity in demographic trends in Europe as a whole and in Ukraine, there are some major differences. One of the primary ones is the fact that, in Ukraine, there are few people who remain childless, yet there are many families with only one child.<sup>10</sup>

According to various polls,<sup>11</sup> most Ukrainian women feel pressure from their parents and their circle to have at least one child before they turn 30 in order not to be considered an Old Maid and not to have problems with their reproductive health. Many women are afraid of running into health problems that might complicate pregnancy at an older age or even make it impossible altogether.

<sup>10</sup> The number of families with no children or two or more children is higher in Western Europe.

<sup>11</sup> For example, KIIS (2001) “1999 Ukraine Reproductive Health Survey: Final Report,” Kyiv, Kyiv International Institute of Sociology, US Centers for Disease Control and Prevention, and USAID.

**Chart 11.** Birth order and place of residence, 2008



Source: Derzhkomstat; calculations: ICPS

Still, once their first child has been born, many families are in no rush to move on and have a second one. Most likely this is connected to the difficulty raising a child in the current socio-economic environment. Most Ukrainians think it's more important to raise one child well than to raise many children simply for the sake of doing so. Still, surveys have shown<sup>12</sup> that most respondents<sup>13</sup> would prefer to have two children.

At the same time as the birthrate improved noticeably in the 2000's, mortality remains a significant problem. According to the CIA World Factbook, the death rate in Ukraine is better than that of only one other country in Europe, Russia. Higher death rates can only be seen in Afghanistan and in Central Africa. In the case of natural population growth (fertility minus mortality), the situation is even worse.

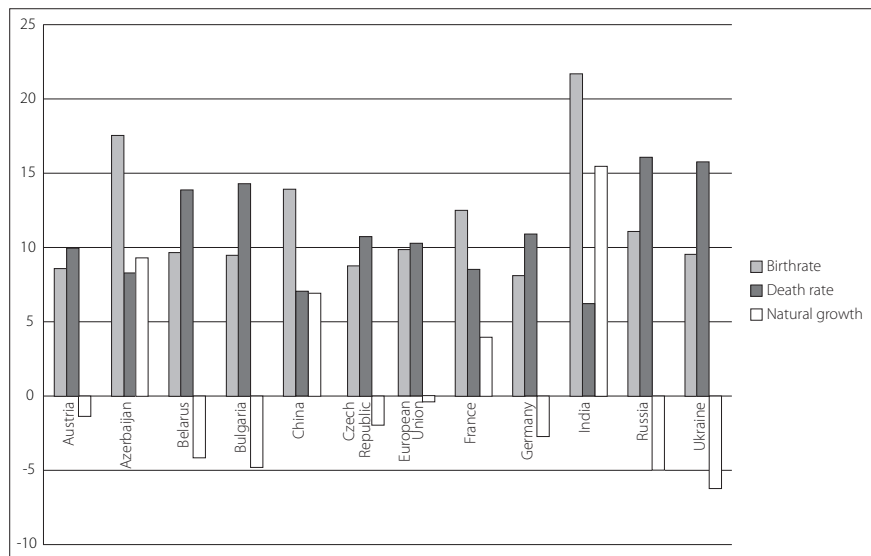
In terms of net natural population growth, Ukraine is in last place in the world. This sad record is primarily the result of a low average life expectancy rate at birth. Notably, in the 1960s, Ukraine was ahead of many countries in Western Europe.

<sup>12</sup> Brienna Perelli-Harris, "Ukraine: On the border between old and new in uncertain times," *Demographic Research*, 2008, Vol. 19, Article 29, pp. 1145-1178.

<sup>13</sup> 66% of women and 64% of men.

## Chart 12. Fertility, mortality and natural growth in selected countries, 2006

annually, per 1,000 population



Source: CIA World Factbook

Of course, the rate of mortality depends not only on the level of health in the population but also its age breakdown: all things being equal, the older a population, the higher its mortality. Still, this factor alone is not enough to explain Ukraine's high mortality rate. For instance, the population of developed countries is noticeably older than Ukraine's: In 2005, the population of Japan consisted of 26.5% persons 60 years of age and older; in Germany, it was 24.9%, in Austria 21.9%, and in France, 20.9%. Ukraine was not much different, with 20.6%. Still, mortality in those developed countries was around half of Ukraine's<sup>14</sup> for that same year. This suggests that Ukraine's high mortality rate is not only and not so much the graying of the population, but because of a high mortality in younger age groups.

<sup>14</sup> Austria's death rate was 9.3 per 1,000 population, France 8.6, Germany 10.3 and Japan 9.1. Ukraine's was 16.

# POLITICAL RESPONSES TO DEMOGRAPHIC CHALLENGES

## Policy options: Basic socio-demographic models

In research circles, socio-demographic policy is a set of measures at the state level that are intended to establish the optimal population dynamic and population breakdown for the country. Consequently, socio-demographic policy can be aimed at increasing, decreasing or maintaining the stability of the size of the population. Socio-demographic policy affects:

- the formation of a population replacement regime that is desirable for society: maintaining or changing the size and structure of the population and the dynamic of related changes;
- the family profile of the population and the processes of internal and external migration.

A huge variety of measures and instruments in demographic policy is used by different countries with greater or lesser depth. Still, despite globalization, demographic challenges and political responses, the tendency to lean towards classic, “ideal” regimes<sup>15</sup> remains typical of most countries and reflects the related socio-cultural values espoused by their societies.

*Table 1. Basic socio-demographic policy approaches*

	Social-democratic	Paternalistic	Liberal
Providing support	Universal	At work	Surplus principle
Public spending	High	High	Low
Influencing labor market	High employment, high pay	Low employment, high pay	High employment, low pay
Countries	Austria, Finland, France, Holland, Norway, Sweden	Germany, Switzerland, Japan	Australia, Canada, New Zealand, UK, US

In Scandinavia, there is a general expectation that the state will satisfy people’s social needs on a universal basis, whereas in the US, the expectation is that the state provides support only to the most underprivileged social groups. A corporatist regime provides for more active involvement by non-state actors such as

<sup>15</sup> A socio-demographic policy regime is a conceptual approach to understanding and carrying out the social functions of the state. This, in turn, is distinguished by its ideological orientation and political traditions that are upheld by one society or another.

unions and employers' associations in enacting both social policy as a whole and its demographic components.

The general tendency that is widespread across all types of demographic policy is a clash between growing expectations regarding state support on the part of the country's citizens and efforts to optimize their economic purpose, usually leading to cutbacks in the related expenditures. Moreover, demographic policy practice in countries with transition economies and developing economies is outside the framework of traditional classifications, although they do tend to move towards one of the three regimes presented in the table.

Depending on the demographic situation in a country, socio-demographic policy can be equally directed at increasing or decreasing the birthrate. Given that the problem of stimulating fertility is urgent for Ukraine and other countries in Europe, we will only look at relevant instruments and models<sup>16</sup> of world socio-demographic policy in this paper.

**Table 2.** *Basic tools of socio-demographic policy*

Area	Instruments	Impact
Economic	<ul style="list-style-type: none"> <li>• Maternity benefits</li> <li>• Childcare benefits</li> <li>• Regulated maternity / paternity leave pay</li> </ul>	Stimulates birthrate
	<ul style="list-style-type: none"> <li>• Free or discounted insurance for individuals with children</li> <li>• System of mortgages for housing for young families</li> <li>• Paid parental leave</li> </ul>	Supports the nuclear family
Social	<ul style="list-style-type: none"> <li>• Regulating working conditions for parents with minor children</li> <li>• Family planning programs</li> </ul>	Stimulates birthrate
	<ul style="list-style-type: none"> <li>• Public housing for young families</li> <li>• Control the material standing of mothers and children during marital breakup</li> <li>• Free medical services</li> </ul>	Raises the standard of living
Migration	<ul style="list-style-type: none"> <li>• Institutional migration services that oversee, supervise and provide public services in migration matters</li> <li>• Institute economic measures to attract skilled migrants</li> <li>• A database of all forms of migration flows to model a promising migration situation</li> <li>• Programs that stimulate educational migration</li> <li>• Increased/decreased timetable for naturalizing migrants</li> <li>• Legalizing illegal migrants</li> </ul>	Regulates the population for both quality and quantity

<sup>16</sup> A socio-demographic policy model is a concrete example of the practical application of a socio-demographic regime policy or its combination in individual countries or groups of countries.

**Table 3. Basic models of socio-demographic policy**

Models	Policy instruments	State role
Anglo-Saxon (Australia, Great Britain, Ireland, New Zealand)	<p>Economic:</p> <ul style="list-style-type: none"> <li>• loans/discounts for attractive housing;</li> <li>• regulated maternity and paternity leave pay;</li> <li>• maternity benefit</li> </ul> <p>Social:</p> <ul style="list-style-type: none"> <li>• largely free medical services;</li> <li>• public housing for young families</li> </ul>	Policy is supported by cooperation with private institutions who are delegated a considerable number of social functions
Scandinavian (Denmark, Finland, Norway, Sweden)	<p>Economic:</p> <ul style="list-style-type: none"> <li>• large social insurance-based maternity benefits;</li> <li>• regulated maternity and paternity leave pay;</li> <li>• tax breaks and social contributions;</li> </ul> <p>Social:</p> <ul style="list-style-type: none"> <li>• a wide range of free social and medical services for the entire population.</li> </ul>	Ensures the exercise of guaranteed rights to social protection, carries responsibility for the functioning of non-state social services
Southern European (Greece, Italy, Portugal, Spain)	<p>Economic:</p> <ul style="list-style-type: none"> <li>• relatively small and time-constrained maternity benefits at birth;</li> </ul> <p>Social:</p> <ul style="list-style-type: none"> <li>• universal medical services.</li> </ul>	Limited financial options in the social sphere
Continental (Austria, Belgium, Germany, Holland, Luxembourg)	<p>Economic:</p> <ul style="list-style-type: none"> <li>• cash assistance and social services during childbirth based on universal contributions to social insurance system.</li> </ul>	Minimal state intervention, considerable role played by employer and special socially-oriented funds
American (US)	<p>Economic:</p> <ul style="list-style-type: none"> <li>• specific maternity benefits only in some states;</li> <li>• widespread social/medical insurance;</li> <li>• state assistance to underprivileged families;</li> </ul> <p>Social:</p> <ul style="list-style-type: none"> <li>• family planning;</li> <li>• program for feeding mothers and infants, children (covers 7.9 mn).</li> </ul>	Cooperation between state and organized market society through free association
Japanese	<p>Economic:</p> <ul style="list-style-type: none"> <li>• maternity benefit: set by insurance companies – 66% of daily wage for 42 days prior to birth and 56 days after birth, provided mother stops working;</li> <li>• financial assistance for childcare;</li> <li>• social and medical insurance systems.</li> </ul>	Considerable state regulation of social programs; cooperation with employers

Depending on the intensity of how one or another policy instrument is used, it is possible to, nominally at least, distinguish six models of socio-demographic policy: Anglo-Saxon, Scandinavian, Southern European, Continental, American, and Japanese.

Migration policy in the American, Scandinavian and Anglo-Saxon models provides political and civil rights to migrants in their full complement. In the Continental and Southern European models, the state carries out a policy of functional integration (social citizenship), that is, a migration policy directed at the socio-economic integration of migrants into the society. In the Japanese model, migration processes are rigidly controlled.

*Table 4. Pros and cons of socio-demographic models*

Models	Pros	Cons
Anglo-Saxon	Relatively low tax rates	Weak social protection for the underprivileged; high cost of social programs
Scandinavian	Policies affect all social groups	High public costs, high tax rates
Southern European	Relatively low public cost	Marginal social benefits
Continental	Social assistance not based on contributions and is available universally	Weak role of wages as a stimulus; principle of mandatory social insurance not always upheld
American	Decentralized, flexible social policy	Absence of nationwide program; high spending on social security
Japanese	State does not need to offer much social assistance to all citizens due to high personal saving rate and employer insurance	Minimal support for the underprivileged, effective absence of related social programs

It turns out that the main weaknesses of all socio-demographic models are the high cost of social programs and/or the weak social support for underprivileged groups of the population. Some of the benefits of socio-demographic policy models can be that they cover all social groups, that they offer many social programs, or that their policies do not cost much to put into effect.

The most costly model of socio-demographic policy is the Scandinavian one. Despite the considerable expenditures involved, the advantage of this model is its high effectiveness and the fact that it encompasses the entire population. These countries spend approximately 1.9% of GDP<sup>17</sup> on social benefits.

<sup>17</sup> Here and further, the source of the presented data is Demoskop Weekly, a demographic journal (demoscope.ru).

The American and Japanese models do not place many demands on the State Budget. These models are more liberal, but one of their main weaknesses is that they tend to be directed at only those groups of the population who are capable of paying for access to a variety of social support programs. To put into play one of these models a necessary condition is to already have a high standard of living. Social spending by these countries adds up to only 0.8% of GDP.

In the Anglo-Saxon and Continental models, the main emphasis is on cooperation between the state and employers and associations. Compared to liberal models, they are more directed at covering the entire population, but they are clearly behind the Scandinavian model. Their social spending budget is around 1.6% of GDP.

The Southern European model is less costly than the Continental one. This is firstly because of the somewhat lower level of development of those countries that use this model. The main element of this social model is its focus on supporting the family. Typically, budgeted social spending under this model is very low, 0.7% of GDP.

The socio-demographic model used in Central and Eastern European countries that are currently in a transition phase is also worth noting. Here, the state guarantees only a minimal level of social support (basic healthcare system, free education) and anything higher comes out of the pocket of the individual. On one hand, these changes in social policy create additional incentives for productivity to grow. On the other, the main weakness in such a system is that a large part of the population remains insufficiently covered social support systems.

## The political economy of demographic policy in Ukraine

Socio-demographic policy in Ukraine is defined in the Strategy for Demographic Development for 2006–2015. This was given the green light by the Concept of Demographic Development for 2005–2015 and a Ministry of Family, Youth and Sport Instruction dated 6 June 2007, “On approving an Action Plan for carrying out the Strategy of Demographic Development to 2015.” Specific instruments for enacting socio-demographic policy and the means of applying it are approved in the Law on the State Budget and other normative acts of Ukraine.

In accordance with this legislation, the purpose of socio-demographic policy in Ukraine is stated as improving the quality indicators of Ukraine’s population and slowing down the pace of depopulation. Ukraine’s Concept of Demographic Development notes the importance of running a balanced demographic policy in the country.

At the moment, there are four priority areas for socio-demographic policy in Ukraine:

- improving the demographic situation;
- fostering economic conditions that will slow the process of depopulation and improve the quality of the population;
- encouraging healthy lifestyles;
- reviving Ukraine’s spirituality, national values and traditions.

The Ministry Instruction also designates the basic instruments of socio-demographic policy in Ukraine:

**Table 5. Basic instruments of demographic policy in Ukraine**

Aim	Instruments
Economic	<ul style="list-style-type: none"> <li>• Gradual paying out of one-time maternity benefit worth 22.6 minimum living allowances;</li> <li>• Setting a fixed monthly benefit for childcare and a gradual increase in the amount.</li> </ul>
Social	<ul style="list-style-type: none"> <li>• Monitoring educational and childcare facilities;</li> <li>• Increasing access to pre-school facilities in rural areas;</li> <li>• Setting the conditions for physical education and sports to develop on a mass scale.</li> </ul>
Migration policy	<ul style="list-style-type: none"> <li>• Drafting legal acts and international agreements regarding the integration of refugees into Ukrainian society;</li> <li>• Drafting international agreements regarding the social protection of citizens with Argentina, Germany, Hungary, Portugal, Russia, and Turkey;</li> <li>• Signing employment agreements for Ukrainian citizens with Argentina, Cyprus, Georgia, Greece, Italy, and Spain;</li> <li>• Developing programs and projects for the social and professional adaptation of Ukrainian citizens who are returning from abroad;</li> <li>• Carrying out a nationwide census in 2011.</li> </ul>

Among all the listed socio-demographic policy measures, the only instrument that is really being applied in Ukraine today is the payment of a maternity benefit at childbirth. All the other measures are either inadequate in size to actually have any positive impact, such as monthly childcare benefits, or they remain nothing more than slogans and declarations rather than real social instruments or migration policy components.

At the same time, the amount of spending to carry out socio-demographic policy is fairly high, compared to other socio-demographic models, reaching nearly 2.0% of GDP.<sup>18</sup> In short, Ukraine spends as much as the Scandinavians for

<sup>18</sup> Based on ICPS calculations.

socio-demographic policies that are far less effective than even the least costly models.

The fact that the country’s top politicians clearly know about all the available instruments of socio-demographic policy, at least on paper, is telling. Indeed, this can be readily seen from the promises they have included in their party platforms, as the table below shows.

**Table 6. Socio-demographic planks of top politicians**

V. Yushchenko “Ten steps to help the people” (2004)	Y. Tymoshenko “Ukrainian breakthrough” (2007)	V. Yanukovich “Stability and well-being” (2007)
<ul style="list-style-type: none"> <li>• Tenfold increase in cash maternity benefit</li> <li>• Access to credit for housing for every young urban and rural family</li> </ul>	<ul style="list-style-type: none"> <li>• Maternity benefit of UAH 10,400 for first child, at least UAH 15,000 for second child, and UAH 25,000 for third child;</li> <li>• Monthly childcare benefit for up to three years of age of at least UAH 500;</li> <li>• Long-term mortgages for young families for 25-35 years at 2-4% p. a.;</li> <li>• Reducing the cost of housing construction through tax incentives;</li> <li>• Mandatory medical insurance.</li> </ul>	<ul style="list-style-type: none"> <li>• Maternity benefit of UAH 11,700 for first child, UAH 25,000 for second child, and UAH 50,000 for third child;</li> <li>• Monthly family allowance of UAH 100 per child aged 3-13 and UAH 200 per child aged 13-18;</li> <li>• Option of 10-year rental agreements on public housing at discounted rates for young families.</li> </ul>

In practice, however, hardly any of the proposed socio-demographic instruments were actually applied, other than the simplest—and probably the least effective one in the long run—, direct incentives for people to have children by paying a sizeable maternity benefit.

## Policy to incentivize childbearing directly

State assistance at childbirth or maternity benefits does indeed play a major role in socio-demographic policy in most developed countries. But it is slowly being recognized as one of a broad spectrum of state policy measures intended to reduce the risk of poverty and social vulnerability. It is this comprehensive use of indirect means to influence the demographic situation, together with direct incentives to have children, that generally explain the link between the size of maternity benefits and the birthrate in different EU countries.

Most European countries ran into the problem of depopulation long ago and have long had solid experience using and combining a wide variety of demo-

graphic policy instruments. Instead of making the same mistakes as other countries, Ukraine should take advantage of this. Incidentally, Ukraine has itself also gone down the dead end of direct incentives for childbearing and can now take satisfaction in the fact that the results are that the age curve demonstrates so many ups and downs it looks more like the Dow Jones Index! At least, that was the impact of soviet demographic policies in the 1980s.

This significant historical data provides the necessary grounds to draw conclusions about the value of maternity benefits. And these conclusions hardly support such broad and unquestioning use of this instrument as is currently the case in Ukraine. Many studies<sup>19</sup> have shown that the cumulative effect of the major public expenditures attached to providing maternity benefits at birth is typically about a 10% increase in the birthrate over the first 3-5 years, after which the effect dies off.

Practice shows that the main change in the reproductive behavior of a population that a direct incentive to have children results in is a shift forward in the “childbearing schedule.” That is, women decide to have their babies earlier than they had planned. This phenomenon actually accounts for the lion’s share of the positive effect of such public policies as Ukraine’s political leaders continue to espouse. And, unfortunately, this is only the first half of the story. The second half promises to be much less pleasant.

This second half is the aftereffect of this shift in the “childbearing schedule.” As the years pass, this earlier wave is followed by yet another drop in the birthrate as a share of the women were simply responding to the generosity of the state by bearing their children sooner. So, after rising for a few years and supposedly demonstrating the effectiveness of the maternity benefit, the birthrate will then begin to decline again. In the end, the effect of this state policy of, essentially, rewarding people to have children is largely wiped out.

Moreover, having been distorted by aggressive policy, reproductive behavior once more becomes unpredictable. This will make virtually impossible to tell which changes in state support, or even changes in the economic situation overall, might have a demographic impact. Demographic processes in the European part of the Soviet Union at the end of the 1980s evolved under precisely this scenario. The decline in the birthrate, which started in 1989 in the Ukrainian SSR and continues today, was so powerful precisely because it combined the long-term consequences of careless demographic policies and structural factors driven by the break-up of the USSR and the major social upheavals that awaited Ukraine.

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19 Inter alia, S.V. Zakharov, “Demographic analysis of the effect of family policy measures in Russia in the 1980s.” (in Russian)

The only way that direct incentives for having children can ensure a real improvement in the demographic situation is increasing childbearing among older women—those who are about to leave their childbearing years behind. It is on account of women who have a choice to either have a baby now or never have one at all that any real improvement in the birthrate can be sustainable. This is the real result that, despite its many drawbacks outside the set of other socio-demographic instruments, a direct incentive to have children can offer.

If we compare a demographic system to a complicated mechanism that we are trying to fix and socio-demographic policy instruments with a set of repair tools, then following our analogy directly stimulating people to have children by paying them money, which Ukraine is actively doing at the moment, can be compared to grabbing the sledgehammer simply because it is the simplest, and at first glance most effective, implement.

Yet any mechanic will assure you that to fix even the simplest mechanism using a sledgehammer is impossible. To do so you need any number of more complex and less forceful tools. Trying to do something using only a hammer could lead to unexpected consequences and completely ruin the mechanism we were trying to fix. Why is it that things that are quite obvious even to an apprentice are still invisible and misunderstood by Ukraine's leadership?

# INTO THE CABBAGE PATCH: OPTIMIZING DEMOGRAPHIC POLICY

In the end, the current socio-demographic policy model used in Ukraine is not even clearly distinguished. It requires relatively high public spending, nearly 2% of GDP, yet it is not especially effective as other, less costly policies followed by other countries. This is mainly because of the lack of proper mechanisms for enacting it. Many features of Ukraine's socio-demographic policy are similar to the Southern European model, especially the emphasis on social support for the family. At the same time, the level of commitments and expenditures are more similar to the Scandinavian model. This is clearly evidence of the country's soviet heritage and Ukraine has shown its complete inability to carry such a social burden. The majority of these political commitments cannot be carried out because of economic limitations.

Based on the socio-demographic policy models we have analyzed, certain conclusions can be drawn about which ones make sense to institute in Ukraine. Despite their effectiveness, the Scandinavian and Anglo-Saxon models need considerable Budget resources, which is not the best choice for Ukraine because of its level of economic development.

The liberal models—American and Japanese—need a well-developed system of non-state institutions, agencies and funds that can work productively with the state in social policy areas. Establishing such a system can become an objective of socio-demographic policy in Ukraine, but at the moment the conditions and opportunities for this are lacking.

The Continental and, even more so, the Southern European models are closer to Ukraine's economic and social realities, as Ukraine combines a developing economy with a developed country's demographic situation.

Analyzing the drawbacks and advantages of these models, we can conclude that the best option for Ukraine will be a blend of the Continental and Southern European models of socio-demographic policy. This means the kind of policy that combines relatively low demands on the public purse with an orientation on support to the family and the option to expand social assistance to all groups of the population.

A look at the current demographic situation in Ukraine and the effectiveness of its socio-demographic policies makes it clear that the country needs to concretize state policy measures and begin the transition from adaptive to active demograph-

ic policies. This will affect the basic factors underlying the current unsatisfactory demographic situation in the country: economic, social, and other factors.

The priorities of Ukraine's new socio-demographic policies and its policies in related areas should include six key objectives:

- shifting the focus from directly incentivizing childbearing to indirect means of influence;
- forming a concept of tax and other incentives in support of families with children;
- drafting and instituting a clear migration policy directed at shaping the desired cultural-ethnic composition of immigrants, providing them with legal status, and encouraging educational migration;
- formulating state policy directed at promoting social values: the institution of the family, healthy lifestyles, and so on;
- reforming the social security system and social welfare by changing the large number of privileges by forms of targeted social support;
- reforming the healthcare system by developing a universal package of medical services and a system of paid services, and by instituting mandatory health insurance.

Ukraine's political leadership and analysts can debate without end about which model of socio-demographic policy the country should take up, or what political instruments are the best. Yet the main question is not even whose point-of-view will win out or what decision will be taken. Whatever they are, the main thing is that their adoption take place in the knowledge of certain fundamentals that are decisive for demographic process, not only in this country but in the world—and that we stubbornly refuse to notice.

Firstly, socio-demographic policy is no different than any other area of government in the sense that, in order to be effective, we first need to be aware of what goal we hope to achieve with it. As long as we continue to live in the snare of slogans about 52 million Ukrainians, as long as we refuse to see that world demographic trends indicate that any attempts to spur a major rise in the birthrate in one particular country is like fighting windmills, any steps our country takes will be little more than quixotic.

And Ukraine can hardly afford to sacrifice such significant amounts of its State Budget year after year for results that are anything but certain.

Secondly, we shouldn't count on buying our way out of a demographic crisis by paying 8,000, 10,000 or even 15,000 for every newborn. No other country has managed to do so in the past. Maternity benefits from the state are no panacea,

but are simply another form of assistance, more social than strictly demographic in nature.

Moreover, restricting ourselves to this one instrument, on which Ukraine's entire socio-demographic policy currently is based, is the same as trying to cure a complicated and difficult disease using a single pill. Only by putting together a comprehensive treatment plan using all possible means in the proper manner can we hope, if not improvement, at least for a stabilization in the demographic situation.

Indeed, this kind of broad and unrestricted use of direct incentives for having children risks stimulating a higher birthrate among the underprivileged and marginal segments of the population. This, in turn, could lead to a series of negative social outcomes, such as abandoned children, growing homelessness among children and so on.

Thirdly, based on conditions today, any socio-demographic policy without a migration component makes little sense. Migration has become the same kind of indivisible part of demographic processes today as low birthrates in developed countries. And, like the low birthrate, it makes little sense to try to overcome or tame migration, as many years of global experience have shown that, in both cases, this doesn't work.

On the contrary, migration is the most effective mechanism to establish a relative balance between the depopulation of some countries and overpopulation in others. It is migration, not political efforts or state support, that will save us from the demographic crisis and the loss of workforce in Europe and North America. Rather than turning into a holding pen for EU migration rejects, Ukraine, too, should learn to use migration process to its own advantage.