

Move beyond economics to boost fertility

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THE Government this week announced a wide-ranging package of measures to boost marriage and procreation rates. This included giving public housing priority to couples with children and letting them rent flats at subsidised rates while waiting for their new homes to be built.

One question that has been raised is how effective the priority housing policies are going to be in raising the total fertility rate (TFR). Given the complexity and interdependence of the issues involved, a mix of policies needs to be tried. This seems to be the approach the Government is taking.

My student Toh Zheng Hui and I looked into the impact of housing affordability on fertility in detail. In the study, we looked into private and Housing Board median prices in relation to lower (25th), median (50th) and upper (75th) income percentiles.

Our focus was on some basic determinants of fertility. What we observed is that rising female education, declining housing affordability and of course the effect of the Dragon Year – the Chinese zodiac year considered auspicious for Chinese couples to have babies – explain about 86 per cent of the trend in the TFR since the 1980s.

More specifically, a 1 per cent rise in housing price while keeping income the same can reduce the TFR by about 0.001 points. This number looks

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small, but bear in mind how rapidly housing prices have grown both in trend and during up-cycles. Therefore, the cumulative effect of unaffordable increases in housing prices on the TFR has been large.

The HDB prices for Build-to-Order flats are in general affordable; therefore, the priority housing scheme should encourage couples to start families early. But some couples may prefer buying an HDB flat on the resale market for various reasons. The affordability of resale units has deteriorated as a result of price increases outstripping the income growth. Bringing down housing prices to affordable levels is still a very important factor, not only in boosting fertility but also in reducing other distortionary effects on the economy.

In this context, the other basic variable we looked into is a bigger concern. It is the impact of rising female education on fertility. The female tertiary education rate, which was below 5 per cent in the early 1980s, is now close to 30 per cent. It has been increasing by about 1.3 percentage points a year since 2000.

Our calculation suggests it contributes to a drop of about 0.07 points in the TFR. Rising female education explains about 90 per cent of the decline in the female marriage rate and the rise of the age at first marriage. These in turn lead to the substantial drop in the fertility rate.

Usually, married couples have at least two children, unless age and other risk factors intervene. Therefore, increasing the marriage rate and lowering the age at first marriage need special considerations. Although economists look at female education through the angle of opportunity cost of time, it might be more effective to go beyond economic assessments and focus more on social and behavioural aspects to try to change attitudes towards early marriage and early parenthood.

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