

Boost fertility by pooling social resources to nurture talent

To raise the fertility rate, policies need to tackle the tension between childbearing and human capital accumulation

Tan Poh Lin and Christopher Gee

For *The Straits Times*

The annual Population in Brief report revealed that the fertility rate for 2021 in Singapore was 1.12, close to the all-time low of 1.1 in 2020.

At only half the replacement rate, this puts the country at risk not only of rapid population ageing and decline, but also social changes such as deterioration of family and community networks. Social isolation will occur at a rapid pace.

Immigration is needed to support the economic and tax base, but cannot address all of these ills. Policymakers have reiterated their commitment to supporting family formation in Singapore but are our marriage and parenthood (M&P) policies bearing fruit?

Currently, a range of support

initiatives are in place, including parental leave, financial transfers, enhancement of childcare options. International studies generally suggest that initiatives such as parental leave, financial transfers, enhancement of childcare options have a small positive effect on fertility.

But if this is the case, why has the fertility rate not only failed to grow since the shift to pro-natalist policies from the 1980s onwards and the introduction of the M&P package in 2001? Instead, the rate has continued to decline inexorably.

To understand the difficulty of tackling the fertility question, we need to recognise the true key competitor in fertility decision making for Singaporean couples today: investment in human capital or talent.

Economists, demographers and other researchers have long recognised the so-called quantity-quality trade-off, where parents choose between having more children versus having a

smaller family but investing more in each child. An important insight is that as standards for child well-being and educational success grew, so did the cost of having an additional child.

For example, if an average family wants to ensure that any child they might have is best equipped with resources to prepare him or her for getting into good schools and then a good university, then having more children might be viewed as something off the table.

Not only is it the case that parents have to grapple with the costs of having children, but often too, to-be parents and especially women are forced to choose between family formation and furthering their careers. As women's educational and economic opportunities have opened up, the opportunity cost of childbearing has skyrocketed.

Hence, a key cause behind fewer children is more creation of human capital.

INVESTING IN OURSELVES

Singapore is ranked first in the World Bank Human Capital Index, reflecting how its deeply held values and initiatives to bring about and support broad-based

upliftment have paid off.

The incentives available to the country to invest in its citizens not only encompass public policies in the form of taxation and redistributive programmes, but also workplace pay structures such as performance-based salaries and social recognition given to those who attain common definitions of what constitutes success. These motivations spur people to keep pushing and working hard from their youth to the beginning of careers, from the first job through the trials and rewards of parenthood to close to retirement.

In a performance-based social and economic structure, metrics are formulated and fine-tuned to calculate and display what each individual has managed to achieve each quarter or year, creating a social consensus about what a person has achieved and contributed, effectively providing a platform to compare and compete. In such a reward system, is it any wonder that parents gravitate to milestone achievements like a child's Primary School Leaving Examination (PSLE) scores, despite the accompanying stress? And how can child rearing, with all

its messes, intangible payoffs, and distinct lack of bronze-plated achievement awards hope to compete?

So it is not the case that parental leave, financial transfers, and childcare subsidies do not help – the evidence says they do – but that their main competition, human capital investment, is simply too successful.

SUCCESSFUL STRATEGY

All this does not mean that human capital is not a good thing. On the contrary, it is what makes Singapore a known success story, and also forms one of the pillars of a fair and just society.

Indeed, highly educated women in developed countries tend to be more likely to get married and, in some cases, have more children because they have access to more resources and can provide a more stable environment for childbearing.

But recognising that a trade-off nevertheless exists – that coping with child educational costs and long work hours are very real issues for couples' fertility decision-making – does tell us what the shape of a successful strategy might look like.

First, and perhaps most obviously, the State can tone down incentives to invest in human capital. This is a non-starter for multiple reasons, not least due to the nation's deep-seated institutional reliance on it as a driver of social well-being.

Second, Singapore may try to resolve the tension by tweaking individual incentives, such as making human capital accumulation cheaper for children to have two or more siblings, making parents think twice about whether a third child is affordable after all. Though relatively cheap to implement and socially egalitarian, these measures still leave individual families to struggle with the above trade-off.

Third, we can retain and even reinforce the emphasis on human capital, and instead of leaving it to families to try to balance and work things out with some help, Singaporeans might view investment in human capital of the next generation primarily as a social project and a future shared resource.

By doing so, society bears less risk of leakages of hard-won human capital due to high-skilled women taking a career break to be a "PSLE mum" or choosing lower career trajectories to save time and energy for their family obligations.

DOUBLING DOWN ON LEVELLING UP

Such a strategy of collective investment will require an emphasis on a set of policy actions that have been labelled as levelling-up.

Recognising that human capital investments are unequally distributed within and across generations, the most effective long-term policy interventions will be those that focus on institutions that produce below average outcomes and allocating additional resources to them. By doing so, society, rather than parents, becomes the primary responsible party for ensuring high levels of human capital accumulation in every child.

A concrete example of such interventions might be to allocate more teaching resources and ancillary support to schools that have lower academic and non-academic performance to boost their student outcomes, for example by increasing teacher to student ratios, or by boosting after-school care and providing more support for co-curricular activities.

Another intervention might be a universal childcare and kindergarten system with access to high-quality early childhood care, learning and development, provided by the state.

Such policies will tend to be costly. Yet the costs are offset by reducing wasteful private expenditure on child-rearing that is associated with participation in specific educational "arms races" amongst Singaporeans in unhealthy and unsustainable competition, that merely serve to raise the stakes for all without yielding much in actual returns.

Only by taking the more social approach of pooling resources in our investments into human capital can Singapore society better handle the quality-quantity trade-off in having children and raising them successfully.

stopinion@sph.com.sg

• Tan Poh Lin is Assistant Professor at the Lee Kuan Yew School of Public Policy, National University of Singapore and Christopher Gee is Senior Research Fellow at the Institute of Policy Studies, National University of Singapore.



Recognising that human capital investments are unequally distributed within and across generations, the most effective long-term policy interventions will be those that focus on institutions that produce below average outcomes and allocating additional resources to them. By doing so, society, rather than parents, becomes the primary responsible party for ensuring high levels of human capital accumulation in every child. And only by taking the more social approach of pooling resources in our investments into human capital can Singapore society better handle the quality-quantity trade-off in having children and raising them successfully, say the writers. ST PHOTO: LIM YAOHUI