

Birth rates are falling, but education and health investments can compensate

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Birth rates are falling, but education and health investments can compensate to some extent, finds new research by Vienna University of Economics and Business.

In many countries, especially in Eastern Europe and East Asia, low fertility, population aging, and population decline pose significant challenges to economic activity and the sustainability of pension systems.

An often-overlooked factor is that children born to parents with fewer offspring tend to be healthier and more educated, thus enhancing their human capital and their productivity when they themselves enter the labor market.

Klaus Prettnner, Professor of Macroeconomics and Digitalisation at the Vienna University of Economics and Business (WU), and his fellow researchers investigated this effect and analysed whether it can compensate for the economic effects of declining fertility.

"In addition to all the desirable effects that higher education and better health have on children and society as a whole, they also have positive economic repercussions," explains Professor Prettnner.

According to the findings of the researchers, a 1% decrease in fertility rates is associated with a 0.124% increase in average human capital, indicating that education and health can partially compensate for declining birth rates.

Migration adds complexity to this issue. Many countries experiencing declining birth rates such as many Eastern European and Asian countries also face emigration, particularly of highly educated individuals, exacerbating problems in these countries.

The study also highlights that in countries with significant population decline, the positive impact of better education and better health is even smaller.

The researcher says that for countries with declining populations due to emigration, it is important to improve the working conditions of highly educated individuals to retain them. For countries with low fertility rates but high levels of immigration, by contrast, it is important to invest in the education and continuing education of children, as well as immigrants.

The findings were published in The Journal of the Economics of Ageing.

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