

Exploring the Implications of Fertility Decline in Malaysia

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Introduction



Malaysia's demographics have changed dramatically since independence. The concern has shifted from the negative impact of rapid population growth in the 1960s to the prospects of falling into a low fertility trap, as fertility decline accelerated in the past two decades, approaching the ultra-low level.

The sustained low fertility has posed and will continue to pose immense challenges to the economic vitality, labor supply, the family system and old-age care and support.

Experience of several Asian countries with ultra-low fertility causing population crises provides invaluable lessons for Malaysia to take proactive actions to prevent such a crisis.

Outline of the Presentation

- Demographic impact
- Impact on the family, women, children and older persons
- Impact on the various sectors
 - Economics
 - Human resources and the labour force
 - Health
 - Education
 - Housing
- Policy responses

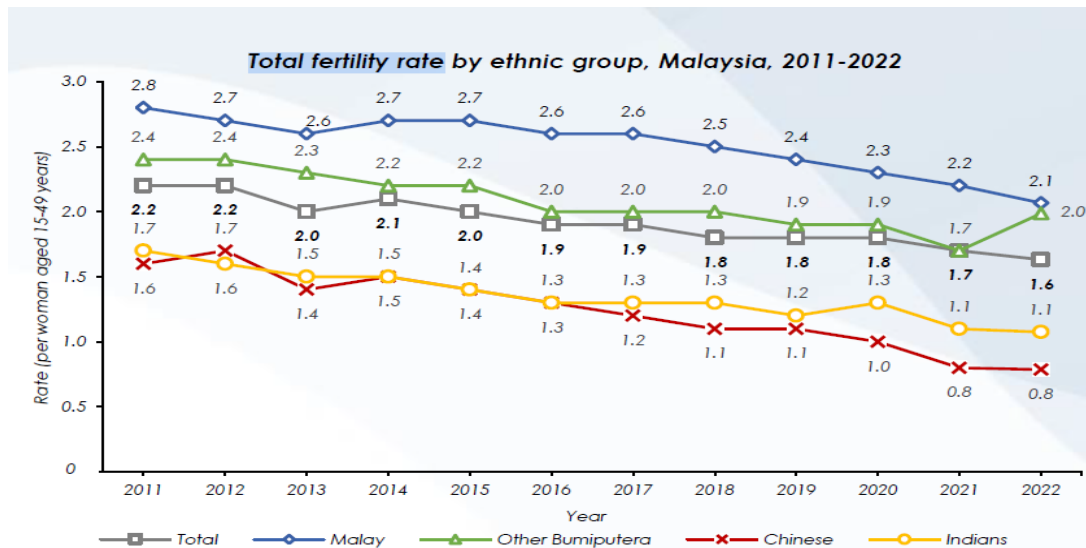
Population Projection

Growth momentum – population continues to grow despite reaching replacement level. Malaysia's population is likely to peak at 42 million by 2060-2070

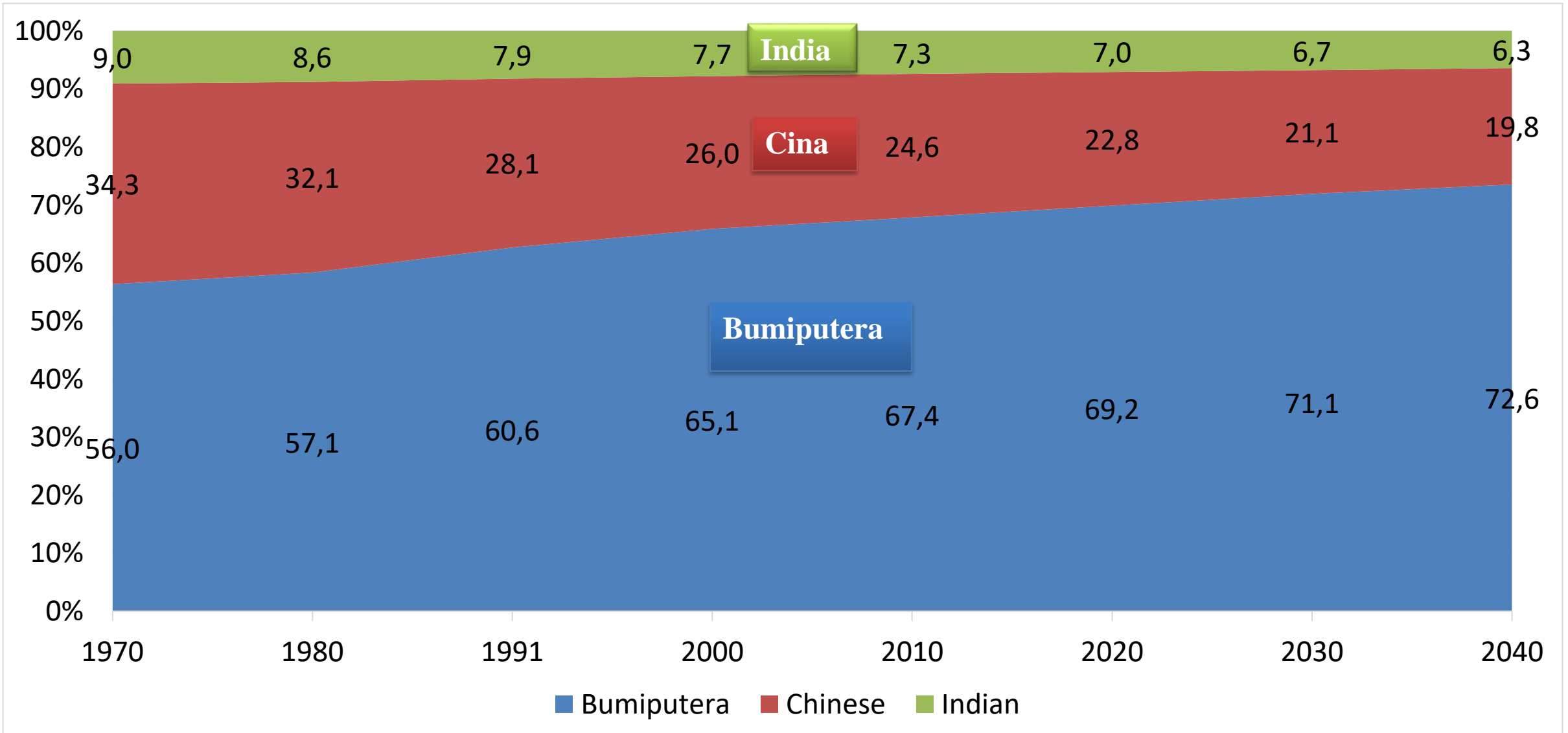
Year	Low		Medium		High	
	Population ('000)	TFR	Population ('000)	TFR	Population ('000)	TFR
2020	32,400	1.80	32,400	1.80	32,400	1.80
2025	34,779	1.51	35,028	1.76	35,277	2.01
2030	35,938	1.33	36,688	1.73	37,437	2.13
2040	37,219	1.19	39,279	1.69	41,343	2.19
2050	37,620	1.18	41,032	1.68	44,489	2.18
2060	37,025	1.16	42,044	1.66	47,385	2.16
2070	35,304	1.15	42,178	1.65	49,954	2.15
2080	32,775	1.15	41,526	1.65	51,907	2.15

Number of Births

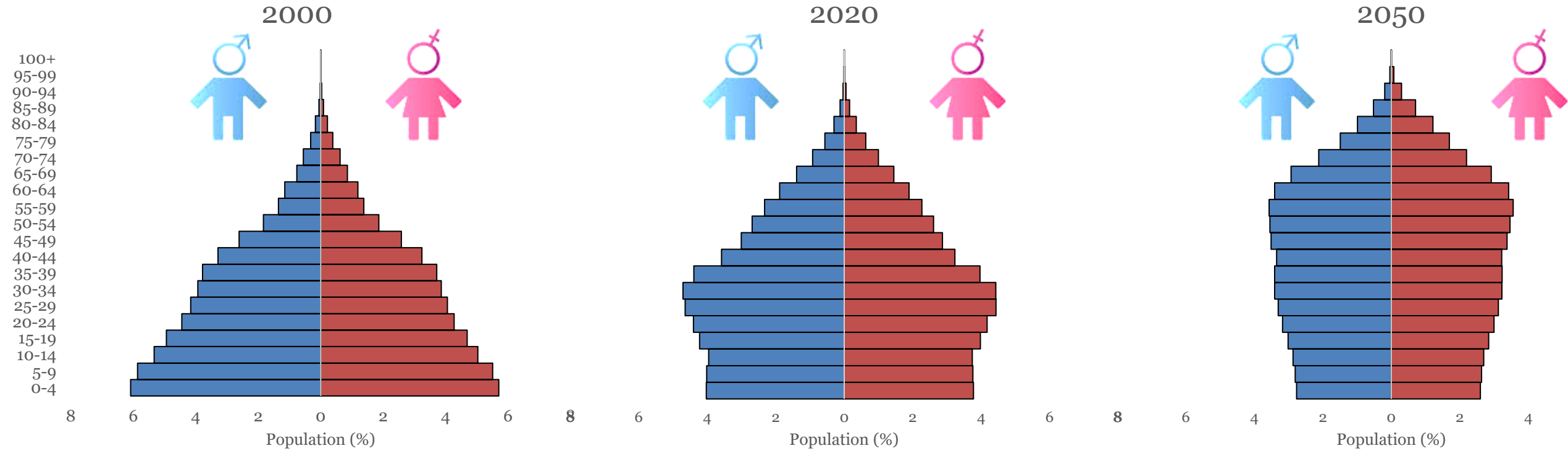
	Bumiputera	Chinese	Indian	Total
1991	340,917	102,732	35,382	511,527
2000	364,280	115,429	35,329	537,853
2010	358,744	74,068	27,556	491,239
2015	399,276	69,985	23,224	521,136
2020	374,032	51,241	20,379	470,195
2023	344,281	40,249	17,439	444,279*



Changes in the Ethnic Composition, 1970-2040

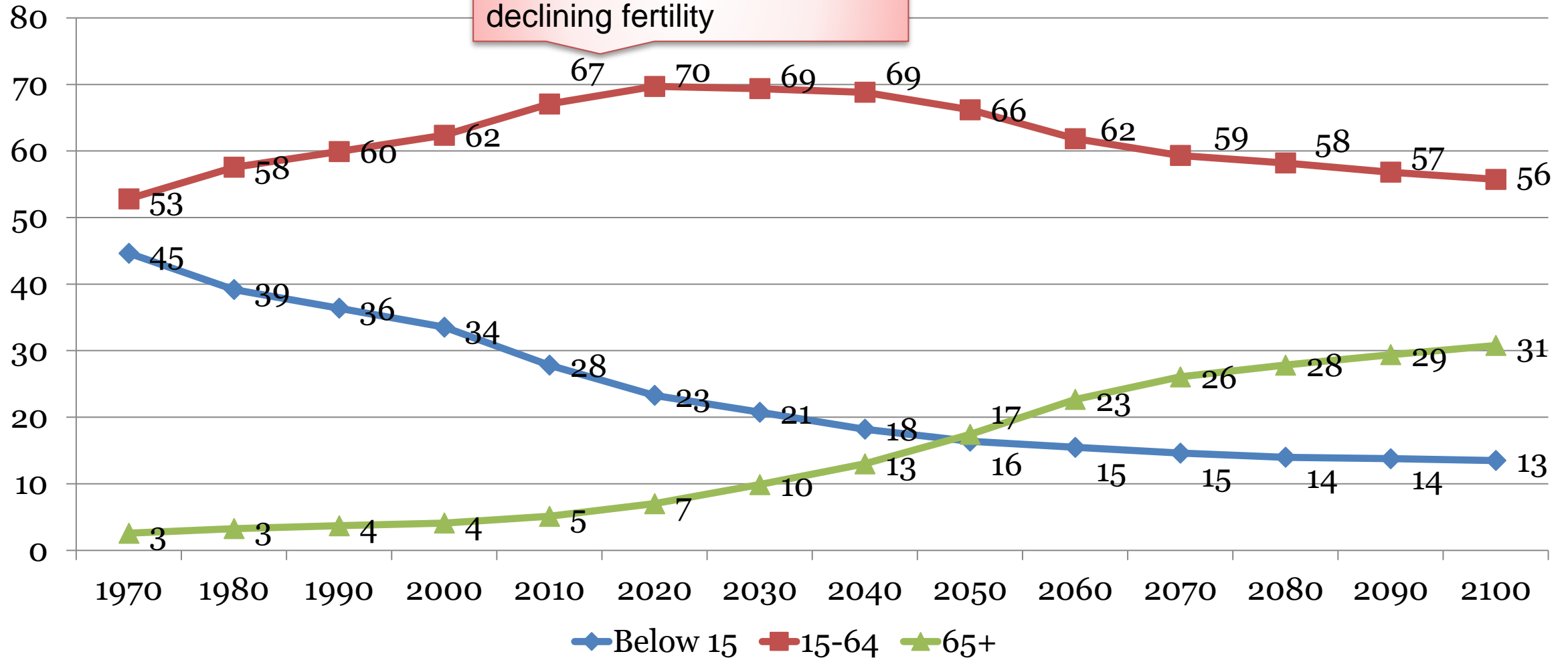


Population Pyramid



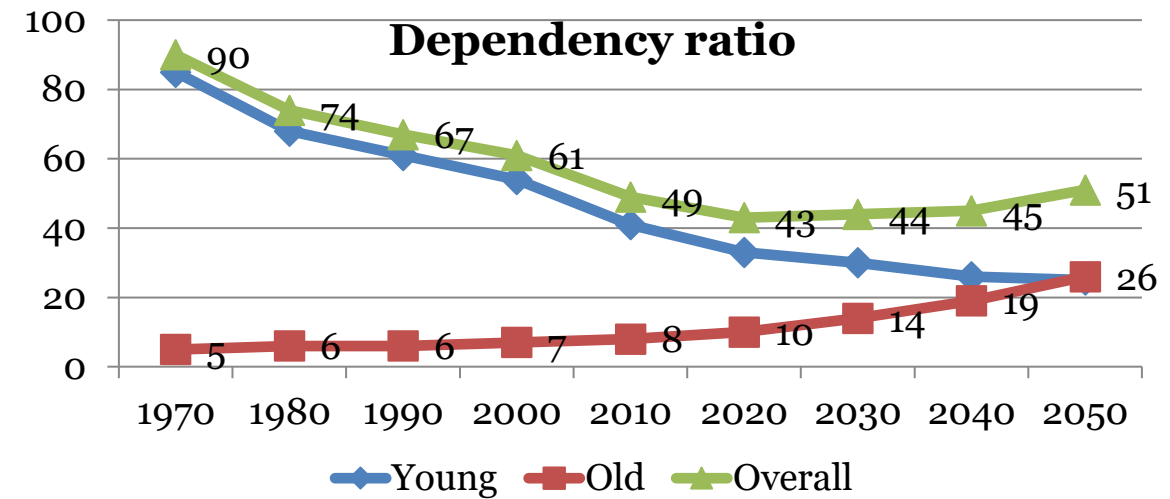
Age Structural Shifts (65+)

Demographic dividend due to declining fertility



Potential Support Ratio

Year	60+	65+
1990	10.0	16.2
2000	9.3	15.2
2020	6.1	9.9
2030	4.5	7.0
2040	3.5	5.3
2050	2.4	3.8
2070	1.6	2.3



Impact on Family, Women and Older People

Family

Smaller family size, rise of nuclear and single-member households, breakdown of traditional family system

Children

With fewer sibling or no sibling, each child receives more care and financial resources for education

Women

- More women are entering the labour market – female LFPR rose from 47% in 2000 to about 56% in 2022. Low fertility could be the cause or the result of increased female LFPR.
- Planned parenthood empowers women in the economy, society and family as they are no longer confined to childbearing and household chores.

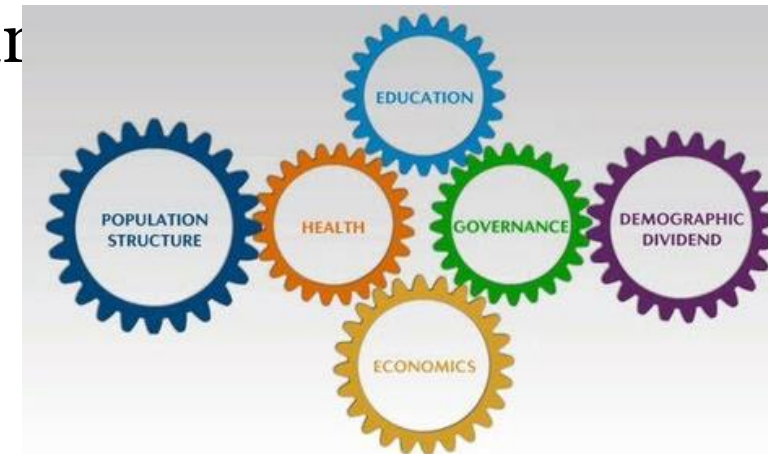
Older Persons

Falling birth rate, exacerbated by out-migration erodes family care and support – especially among the childless (including the unmarried individuals), empty nest.

Implications on various sectors

Economic

- Demographic dividend – reduction in overall dependency ratio, but the window of opportunities is closing soon due to rapid population ageing.
- Reduction in producers and consumers of goods and services, and the tax base.
- Affect the vitality of the economy
- Falling birth rate is the main cause of rapid population ageing, with a negative impact on economic growth, which can be mitigated by increased LFPR of older persons. However, the LFPR among older adults is relatively low in Malaysia, ranging from 32% in urban areas to 28% in rural areas among those aged 60-64.



Labour Force

- Labour shortage – dependence on foreign labour – foreign exchange and stuck in the middle-income trap
- Non-citizens increased from 1.4 million in 2000 to 2.3 million in 2010 and 3.0 million in 2023. The share of foreign workers in the total labour force rose from 12% in 2017 to 14% in 2020. There were an estimated two million documented foreign workers, and many undocumented workers.
- Ageing of the labour force – retraining and skill upgrading, use of technology
- Older adults represent a vast human resources – In a recent survey, about 70% of older persons aged 60 and over agreed with the statement that they will work as long as their mental and physical abilities allow
- Time to consider raising the retirement age and introduction of flexible work environment and arrangement

Health Care

- Changing healthcare need with declining birth rate and rapid population ageing
- Rise of NCD and multi-morbidity
- More geriatric care services are needed
- Using technology in healthcare



Education

- More investment on education by the family and the government (per capita spending)
- Dwindling enrolment – Would low fertility lead to closure of more schools, especially in the rural areas – how many schools have been closed so far?
- MOE reported in 2020 that 42%, or 4,323, out of the 10,218 schools in Malaysia were categorised as rural schools – and births are becoming fewer in the rural areas. As many as 432 primary schools were classified as ultra micro with fewer than 30 students
- Focus should be on pre-school – kindergarten and nursery
- Is it time to consider single session, as it will ease the childcare burden of working mothers

Housing

- Shifts toward condominium and apartments – smaller units
- Abandoned big houses
- Concentration in urban areas, as urbanization level will soon reach 80%
- Needs for recreational parks and amenities
- National Housing Policy – intergenerational co-residence
- Making it easier for newly-wed to own
A house



Business

- Consumer market – strategic planning to cater to the needs of the different segments of the population
- Care services – for the young and the old – demand for quality and specialized services
- Competitive global environment



Policy Responses

Malaysia responded to the declining fertility in the mid-1980s when the government shifted the program thrust of the population from family planning to reproductive health and family development. However, despite the shift from anti-natalist to pro-natalist approaches, family planning continues to be provided to allow couples to decide on the timing and number of births.

Taking cognizance of the impacts of the continuing decline in fertility, the Strategic Action Plan for Sustainable Development Towards 2030 calls for the creation of an environment that is conducive to family formation.

The strategies to maintain the TFR at between 1.9 and 2.1 until 2030 include diversifying childcare options suited for different communities, instilling greater care for mothers' needs, assisting couples struggling with sub-fertility, lowering the cost of child-raising, and providing pro-fertility incentives. Efforts such as promoting work-life balance and flexible working hours are being made. The government provides tax incentives to encourage women to return to work after childbirth, and maternity leave has been extended from 60 days to 98 days.

Fertility Trap

Demographers opined that once the total fertility rate drops below 1.5, it will become difficult to return to above 1.5. They observed that once couples get used to small family sizes, it might become the ideal.

One demographic argument is that fewer potential mothers in the future will result in fewer births.

However, many European countries have come out of the low fertility trap, with a total fertility rate of more than 1.5.



Future Fertility Prospects in Malaysia

- Many European countries and Japan have experienced below replacement fertility for more than 50 years. Will Malaysia fall into the low fertility trap? My guess is “No”
- Firstly, the fertility level of the Malays, the majority population has hovered around the replacement level up to now, the same as Indonesia and most Muslim countries.
- Second, the fertility level of the non-Malays has bottomed out and there is a likelihood of a stagnation or an upturn.
- Third, the government has initiated various pro-natalist strategies such as extending the maternity leave, providing support to working mothers and other tax incentives as well as promoting work-life balance. Malaysia can learn from the experience of other countries, by using the fertility toolkit.

