

Schooling, Skill Demand and Differential Fertility in the Process of Structural Transformation

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1. What is the main question?

In this paper, the author tried to answer the two important questions in studying the relationship between fertility rate and education by constructing an overlapping generation model. The two questions are : (1) What was the link between the agricultural employment share and demographic factors? (2) Why did the agricultural and non-agricultural fertility rates behave so differently?

2. Why should we care about it?

In the past literature, most of the analysis contributed the declining fertility rate to the decreasing mortality rate, rising female participation or delayed marriage and birth pattern. However, these arguments can't reflect the asymmetric change of fertility rate and the structure transformation of employment in the agriculture and non-agriculture sector. Thus, there may exist some omitted variable which connects the above observations successfully.

3. How did the author get this answer?

He constructed a two-sector-two-goods overlapping generation model to analyze the tradeoff of household between birth and education investment. In his model, according to the sector and whether to take education, people can be classified into three types of agents: farmers, unskilled agents and skilled agents and thus, face different relative cost on deciding to have more children or let them take education.

4. What is the author's answer?

The cost of education indeed plays a critical role in the decision between having kids and education investment for household. When households in the non-agriculture sector decide to let their children take education, they have to concentrate more resource on their children and lose the benefit coming from hiring them as workers. However, they also increase the opportunities that their kids can be hired in the agriculture sector. When the wage premium between non-agriculture and agriculture sector becomes larger or the cost of education drops, the household in the non-agriculture sector would raise the education investment for their kids and hence, the non-agriculture sector would expand.