



China's Three-Child Policy is a Little Too Late to Revive and



Not Too Reassuring for the Citizens

by Harsh Mahaseth — June 12, 2021 in Asia, China, Leadership Reading Time: 4 mins read

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On the 31st of May, 2021, China announced that married couples are allowed to have up to three children. This decision comes after the dramatic decline in births in China, the world's most populous country. However, this dramatic change might not have the intended effects that the nation wants to see.

The new policy has been met with a lot of scepticism by the Chinese nationals as they have taken to social media to ask about the “supportive measures” that would be provided as well as the high cost of living and hence raising children in this expensive day and age.

Jean-Pierre Cabestan, Professor at Baptist University of Hong Kong, [noted that](#) “*unless the government introduces real incentives, so providing special allowances to couples who have three children, like, you know, reductions for transportation, and other incentives, I don't think that Chinese couples are going to have more kids in the coming years.*”

Moody's Investors Service, a rating agency, commenting on this policy [said](#) that “*although China's new policy allowing couples to have up to three children could support fertility, it is unlikely to dramatically change the national birthrate, meaning that aging will remain a credit-negative constraint.*”

One of the reasons for this decision comes after the newly published data showing that the Chinese fertility rate in 2020 was only 1.3 per woman. Due to the massive older population in the Chinese demographic, there has been a problem of declining fertility. Bringing this policy might not lead to the intended effect of every family having 3 children, thus automatically increasing the fertility rate. The fertility rate is [determined](#) by several socioeconomic factors, including the cost of raising children and the economic opportunities that parents foresee for their children. These costs are expensive, especially in Chinese urban areas. China's birth



rate declined by 15 per cent in 2020, with [sources](#) indicating the rising cost of living as a major deterrent to having larger families.

Another issue is the sheer size of the older population. Since the one-child policy was in place until 2016, all of the parents right now would have been raised as a single child. They would be taking care of their parents as well. Most ageing Chinese do expect their children to take care of them. Taking care of their parents, themselves, and now three children, if they decide to have three, would be very expensive considering the cost of living and education.

Yifei Li, Sociologist, NYU Shanghai, [said](#), *“I feel the proposal fails to recognise the reasons behind the decline in fertility ... People are held back not by the two-children limit, but by the incredibly high costs of raising children in today’s China. Housing, extracurricular activities, food, trips, and everything else adds up quickly. An effective policy should have provided more social support and welfare. Raising the limit itself is unlikely to tilt anyone’s calculus in a meaningful way, in my view... The challenges are so multi-faceted that it requires carefully coordinated actions in multiple policy areas to rebuild people’s confidence in the future... It is simply not wise to expect citizens to respond to policy changes so robotically.”*

Interestingly, the fertility rate is higher in rural areas. This is due to the lower cost of rearing children, cheaper housing and other facilities. However, there are fewer opportunities and health care in rural areas. Up until a few decades ago, migration from rural to urban areas was [not allowed](#). With such factors, including a largely unskilled population in the rural areas, the policy might not be effective even in rural China.

Family planning has been a [controversial topic](#) for China for decades. In 2016 China scrapped its old one-child policy replacing it with a two-child limit for similar reasons of trying to avoid a rapidly aging population with limited youth. The new three-child limit as well is a similar decision since the birth rate has declined in the nation. The enforcement of the one-child policy was strict and heavily supervised. While many people suffered due to the policy, a large population accepted the policies as necessary. A [general opinion](#) in the nation is that China’s population is too big, but now with the new policy, it is tough to make the citizens understand the contrary to what they had been told for decades. China’s leaders now [accept](#) that the policy was either unnecessary or a mistake.

Zhiwei Zhang, Chief Economist at Pinpoint Asset Management: [noted that](#) *“the immediate impact is likely to be positive but small on the macro level. The long term impact depends on*

“³ e government can successfully reduce the cost for raising children – particularly education and housing.”



While Chinese policymakers have [acknowledged](#) the need to reduce housing costs and provide education subsidies, such proposals have been vague with no simple solution.

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