

Does human capital compensate for depopulation?

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Abstract

Fertility rates have been dropping consistently over the past 50 years in most countries around the world. Simultaneously, the trend in outward migration from poorer to richer countries has been steady. These two forces have contributed to declining population growth and in some countries even to depopulation. In this paper, we analyze the extent to which the effect of decreasing fertility on aggregate human capital of the country is being compensated by increasing education and health investments. In doing so, we put a particular focus on those countries that already face depopulation. We find that declining fertility is not fully, but partly compensated when all countries are included in our regressions. However, we find little to no compensation for fertility loss in human capital gains for countries experiencing depopulation.

Keywords: Human capital, Fertility, International migration, Depopulation, Economic growth