FREE EXTRACT
OF REPORT

AGING POPULATION
The cost of raising
a child today?

October 2016

Foreword

At a time when many families are finding it hard to make ends meet, it is important to understand how much it costs to raise a child. The answer to this will help prospective parents and policy makers ensure that children are not disadvantaged by growing up in families without the means to support them at an adequate level.

Millennials are poised to reshape the local economy; their unique experiences will change the way we buy and sell, forcing companies to examine how they strategise for decades to come.

With different priorities, millennials are putting off commitments like marriage and home ownership. The millennials are today highly influencing the way our society lives and this brings along unprecedented socio-economic evolution. Aging population is one of the resulting effects.

"In Mauritius, the median age of the population has gone from 22 years in 1984 to 35 years today and this is expected to go to 47 years by 2049." *Source*: Statistics Mauritius

Some of the key take-aways of this study are:

i. Waiting to Fly

A growing number of 21- 30 year olds are currently putting off house purchase and choosing to live at home with their parents (extended family structure).

ii. Love and Marriage

Millennials have been delaying significant milestones like marriage and children. The median age for marriage in Mauritius today is 27 years and the median age to have kids is 29 years. In the 1990s the average age for first marriage for women was 25, and this figure was even lower in the 1970s.

iii. The actual cost of raising a child in Mauritius today

This is the first estimate of the cost of raising a child in Mauritius. The study estimates the cost at MUR 6,948 per month for a two parent household with a disposable income of MUR 37, 500.

Other analyses included in the full report are:

(1) the impact of home structure, insurance, rural/urban on costs of raising children; and

(2) predictions on those costs based on perception across different income categories.

We aim to expand next year's sample and we will continue to disseminate information in an un-biased and independent manner. We welcome any feedback on themes that stakeholders would like us to cover.

For accessibility of the full study, please contact VERDE on 454 9491.

For access to our coverage in the media or elsewhere, please visit:

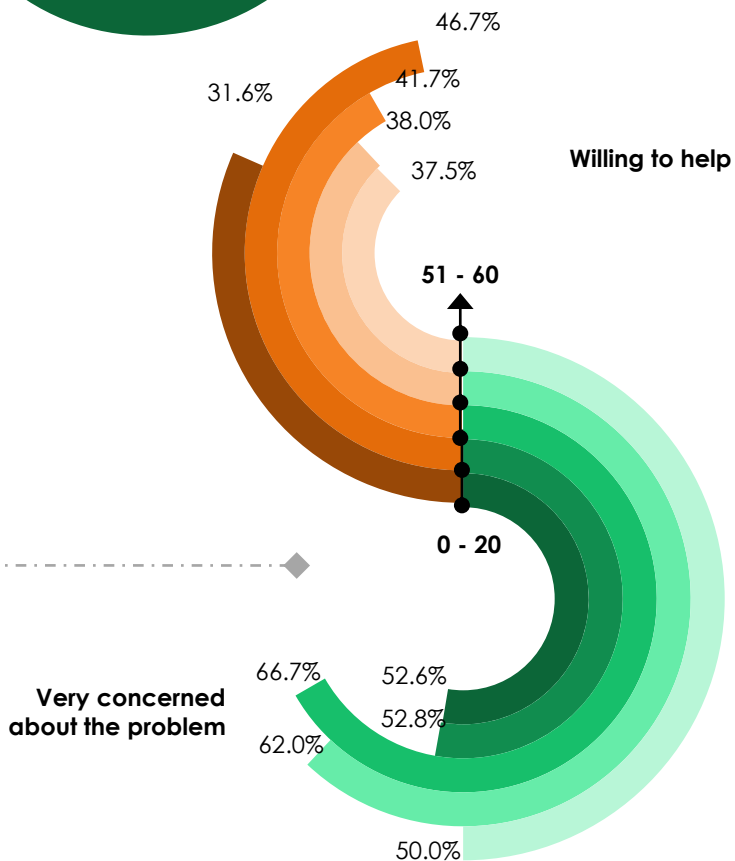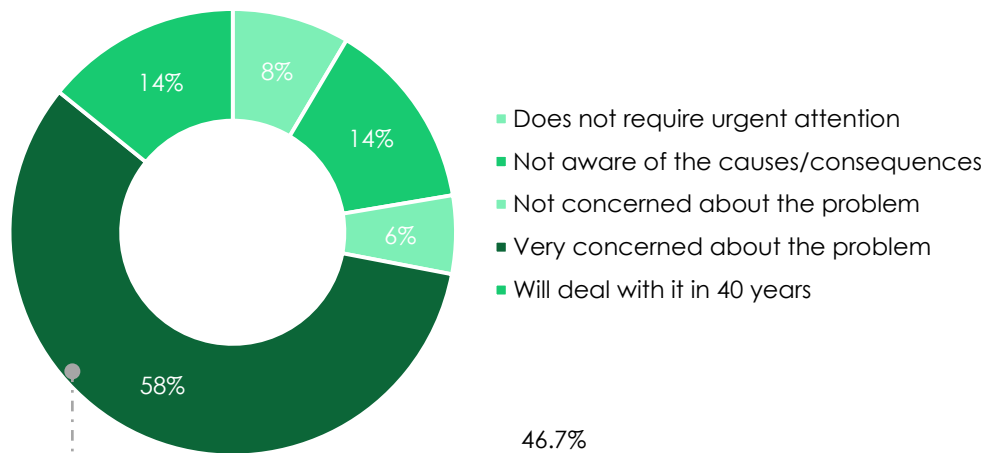**www.verdefrontier.mu**

www.businessmag.mu

Aging Population and public opinion

The prime age for marriage and to have kids has been determined to be 27 years and 29 years respectively. People falling within this age bracket (21 – 30) are the most willing to help in solving the problem of aging population. Incentives which may be put in place by the government need to specifically target this identified segment of the population.

Respondents were prompted to provide their opinion on aging population as a major problem which will arise in 30 years

Respondents were asked about their willingness to have more children if this would solve the problem of aging population in the long run

The visualization to the right analyses the opinions of people who feel very concerned about the problem. This segment was further broken down into age groups to assess their views on two criteria which are 'Very concerned about the problem' and 'Willingness to help'.

- Does not require urgent attention
- Not aware of the causes/consequences
- Not concerned about the problem
- Very concerned about the problem
- Will deal with it in 40 years

8%

14%

14%

6%

58%

46.7%
41.7%
38.0%
37.5%
31.6%

Willing to help

51 - 60

0 - 20

66.7%
52.6%
52.8%
62.0%

Very concerned about the problem

50.0%

- 51 - 60 years
- 41 – 50 years
- 31 – 40 years
- 21 – 30 years
- 0 – 20 years

Trends in family structure and housing

Unlike popular belief, people who live in rural areas give more importance to having their own house as compared to people living in urban areas. This is additionally seen as one of the top factors which determine the number of children they wish to have. The different between the number of people having their own house in rural areas and those in urban areas is more pronounced amongst those aged 21-30.

Differential Chart (Rural - Urban)

% of people from Rural/Urban with Own House

% of people from Rural/Urban with Extended House

◆ Own house - Rural   ◆ Own house - Urban   ◆ Extended -Rural   ◆ Extended Urban

Respondents were asked if they live in an extended family or if they have their own house

Respondents were asked to rate the most influential factor which determines the number of children they have or wish to have

Housing and infrastructure is regarded as an important factor in deciding whether to have kids – ranked 4th with only the following criteria ranking higher in respondents' view (on a rebased score of 0 to 100): 1st - Monthly income with a score of 79.7, 2nd - Job security and outlook with a score of 76.85 and 3rd – Stability in the relationship with a score of 72.9.

Views on housing have also demonstrated that the population considers possible incentives for rental/home loan as more important than medical facilities. In this particular context, rental/loan facilities scores 65.8 with a fourth rank while the highest scorer is economic related incentives with 77.1.

The rural/urban analysis in terms of age groups (as per differential chart above) provides the following insights:

1. People living in urban areas (specifically those in the age group 21 – 50) have fewer 'own houses' as compared to those living in rural areas;

Respondents were asked about their siblings vs actual and future kids

2. The above may reflect a general tendency for urban inhabitants (in the mentioned age group) to rent to be able to live in urban areas;
3. In the age group 51 – 60, the trend reverses with a larger proportion of the population having their own house in urban are compared to rural areas;
4. A growing number of millennials* are currently choosing to live at home with their parents; and
5. Potentially, this age group can be offered affordable housing units which are aligned to their requirements, which may influence their decision to raise children – depending on the quantum of millennials in rural/urban, development to match this target market may be envisaged.

Shift towards a 1.8 children household

● Number of siblings   ● Number of kids (actual and expected)
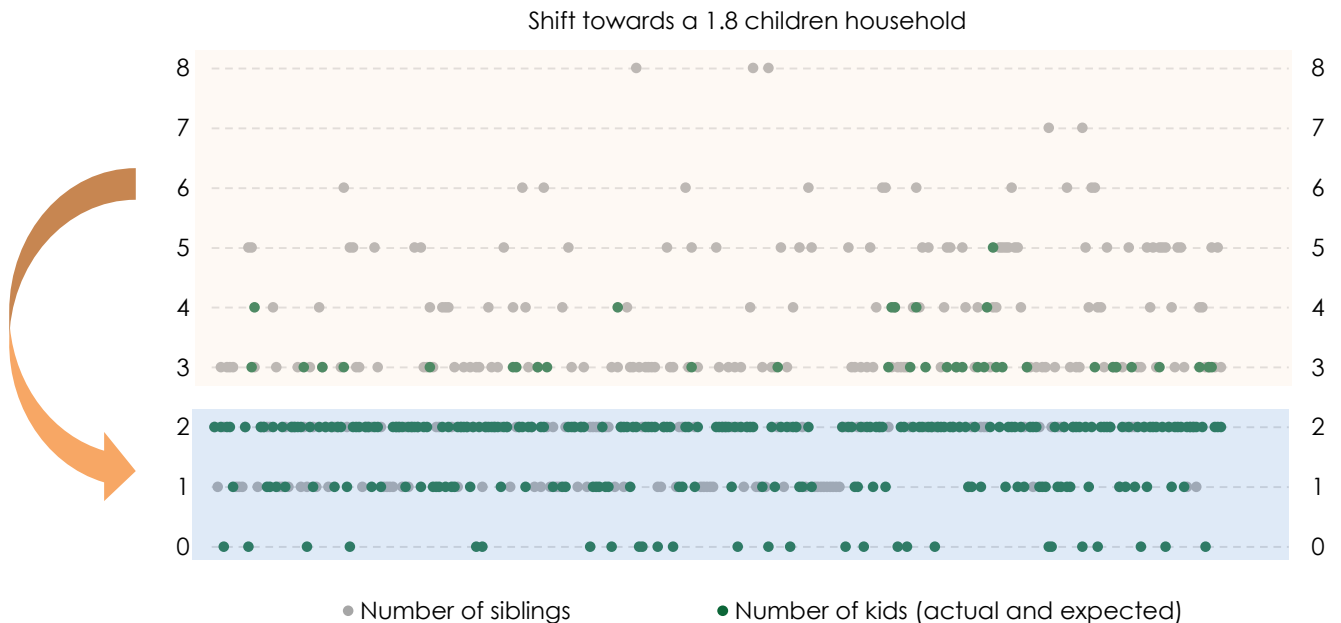
*Millennials, defined as those born between the early 1980s to 2000, are the first digital natives (highly involved in IM, Chat, Downloads, Social Media, Online TV, Video Games, Internet, Blogging, etc.)

Note: Number of siblings include brothers, sisters and the survey respondent, in each respective instance (number of kids of respondents' parents).

There is a clear shift towards two children households (represented by the pale blue band). The average number of siblings is 2.9 while the average number of kids (actual and expected) is 1.8. We can infer that millennials, are expected to have two children, as compared to previous generations.

A rate of two children per woman is considered the replacement rate for a population. A lower than 2 average indicates a decreasing population in size and one that is also growing older. The observed difference of 0.2 (from 2 to 1.8) is something which may be countered through pro-family initiatives which may be initiated at an early stage.

Insurance and the number of kids people wish to have

People with insurance and people without insurance attribute the same importance to medical and insurance facilities in determining the number of children they wish to have. However, 42% of people do not have and/or are not planning to register for health/medical insurance.

% of people with health/medical insurance
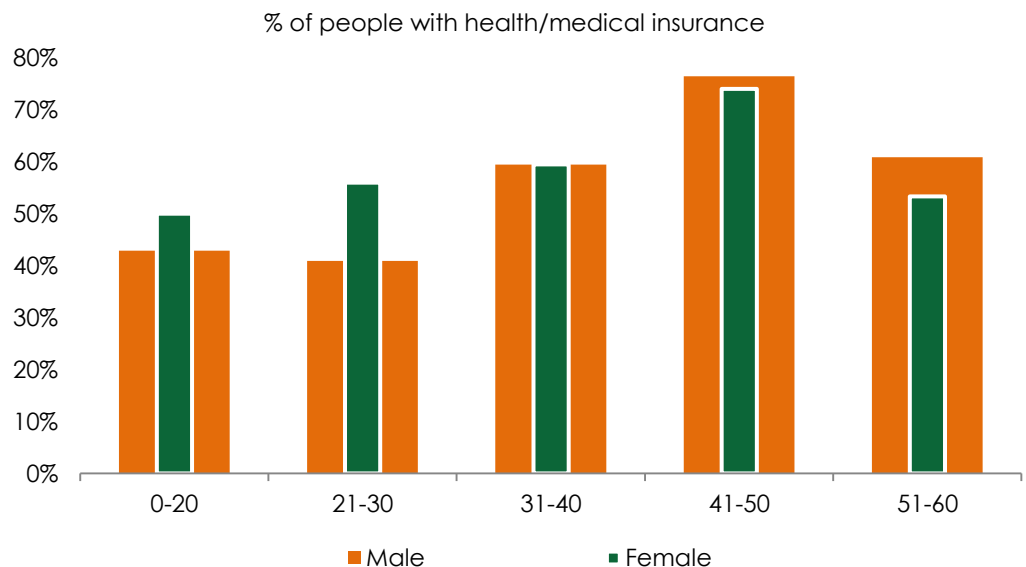
Respondents were asked if they have medical/health insurance and whether they are planning to register for one

Respondents were asked to provide a breakdown of their expenses and which % was currently allocated to insurance

On average, it has been determined that people allocate 2% of their monthly income on insurance. The gap between the number of women and men with an insurance plan is largest in the age group 21-30, with a difference of 7.1%.

In other age groups (above 30) the gap significantly decreases to be almost at par between women and men. It can be deduced that it is more important for women aged 0 - 30 to register for health insurance than men, which can be attributed in part to anticipated pregnancies and the associated waiting period.

An analysis was performed to identify relationships between insurance and the number of kids people actually have. It was principally observed that people who have insurance have on average 1.01 kids and people with no insurance have an average of 0.9 kids. Although this does not provide a clear significance on the importance of insurance in having kids today, inferences may be derived when the difference is further broken down into age groups and salary.

The cost of raising a child in Mauritius - today and future

The study has determined that the cost of raising a child from birth until the age of 3 is MUR 6,948 per month for the first year. The study also assessed the cost of raising a child according to different income thresholds and other criteria. It was determined that the difference in the actual monthly cost of raising a child between a low income household (with combined earnings of less than Rs 25,000 a month) and a high income household (with combined earnings of over Rs 50,000 a month) is 3.8x.

Respondents were asked to provide a range of their monthly income

Respondents were asked to provide the allocation of their income (current/expected) that goes/will go towards raising their child over the first three years

The cost of children is a particularly important issue today for a number of reasons. In recent years, considerable public resources have been allocated to helping families on low incomes, but the scale of this help as a strategy to alleviate poverty has often been called into question. As of now, the national minimum wage is something that has been on the agenda of the Government and figures relating to minimum child raising costs may be a key determinant towards determining this figure.

Annual reporting on the cost of raising a child will show the extent to which families are able to keep up with inflationary pressures and what allocation of their income will go towards raising their child.
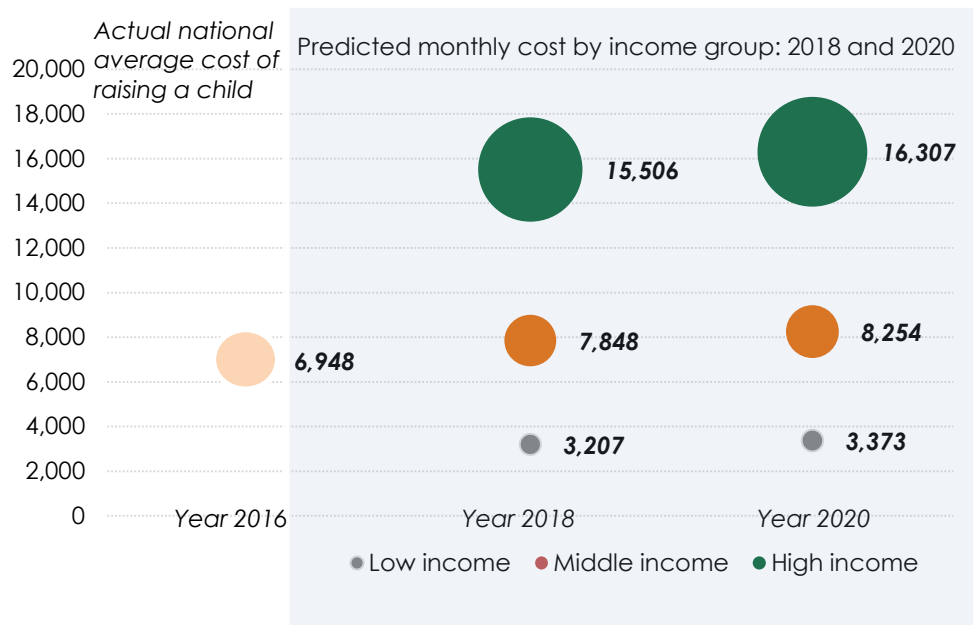
The VERDE and Business Magazine study assessed the breakdown of the cost of raising a child at a reasonable standard of living*. In this extract the breakdown for a low income household and a high income household for year 1 is provided.

Low Income Household

High Income Household
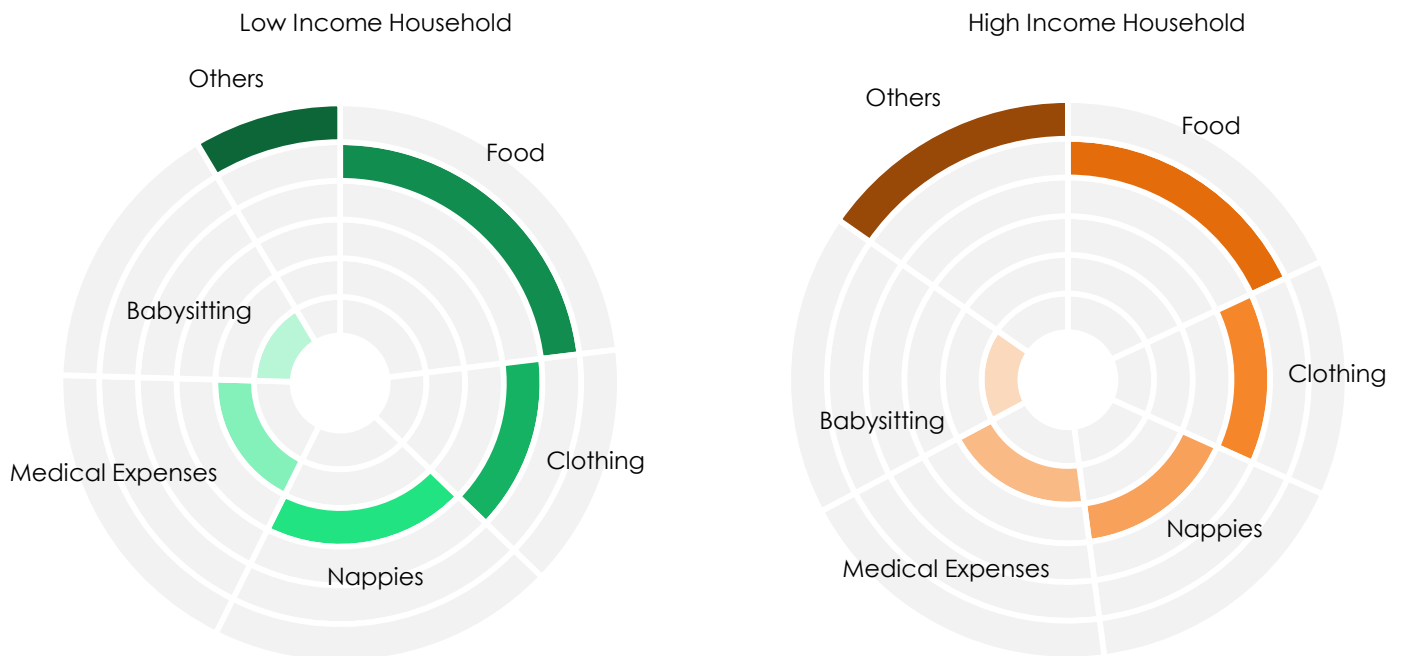
*There is broad consensus that children's needs today comprise not just an adequate diet and the physical necessities of life, but also the ability to participate in society – for example, by going to birthday parties and taking part in after-school activities.

Not being able to afford these can have serious consequences on children. Research evidence shows how material hardship and social exclusion can be associated with damage to children's physical health, to their self-esteem and to their long term development.

Predictive analytics by VERDE demonstrates that, in 2018, the monthly cost of raising a child will be MUR 7,848 for a middle income household while, for a higher income household, the cost will be MUR 15,505.

Actual national average cost of raising a child

Predicted monthly cost by income group: 2018 and 2020

- 15,506
- 16,307
- 6,948
- 7,848
- 8,254
- 3,207
- 3,373

Year 2016   Year 2018   Year 2020

● Low income ● Middle income ● High income

Further insights were sought using the following criteria to better understand how the perception of people impacts on the cost of raising a child:

1. Low income required, low to average income required, average income required, average to high income required, high income required– these categories define the minimum income required by different social segments to be able to raise a child;
2. Living in an extended family or own house;
3. Rural/urban living;
4. Health and medical insurance.

Tables below provide a scenario of the results obtained.

Case Scenario 1 - Shift from Rural to Urban

Actual combined income	MUR 33,000	MUR 33,000
Family Type	Extended Family	Extended Family
Region	Rural	Urban
Insurance	No	No
Opinion Analysis	Low to average minimum income required	Average minimum income required

- Low to average minimum income required: MUR 12,000 to MUR 24,000
- Average minimum income required: MUR 24,000 to MUR 36,000

Case Scenario 2 - Shift from Extended family to Own House (Rural)

Actual combined income	MUR 84,000		MUR 84,000
Family Type	Extended Family		Own House
Region	Rural		Rural
Insurance	No		No
Opinion Analysis	Low to average minimum income required		Average to high minimum income required

Case Scenario 3 - Shift from Extended family to Own House (Urban)

Actual combined income	MUR 84,000		MUR 84,000
Family Type	Extended Family		Own House
Region	Urban		Urban
Insurance	No		No
Opinion Analysis	Average minimum income required		Average minimum income required

The opinion analysis demonstrates how perception of people evolves according to different shifts in family structure and region.

It has been observed that, for all income/social categories in Mauritius, the minimum income required to raise a child reasonably well is between MUR 24,000 to MUR 36,000 (average minimum income).
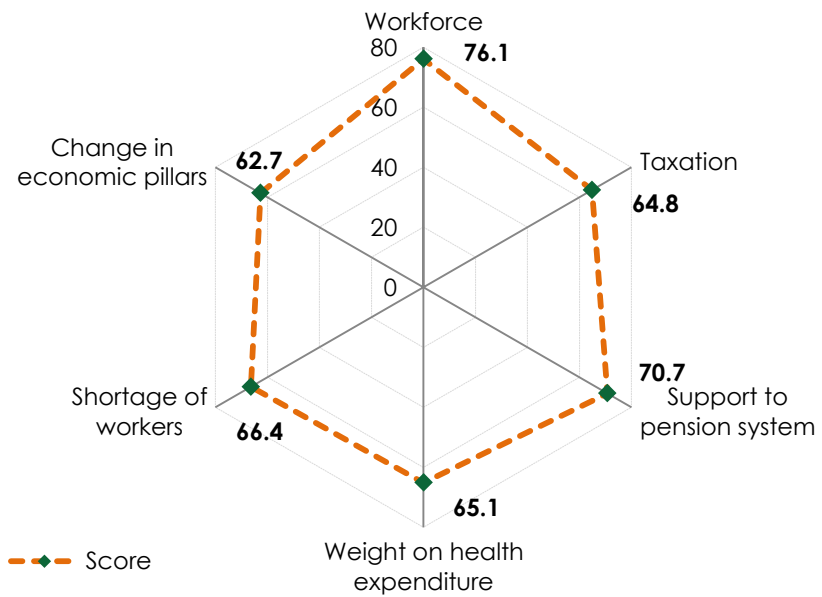
Pension provision and 'ciblage'

As a means to counter the aging population problem, respondents believe that simultaneously revamping the contribution of private sector on pensions and health will potentially be more impactful. 'Ciblage', in particular, is seen as a very good initiative, provided that it is implemented in line with a reform of the private sector's provision of pensions.
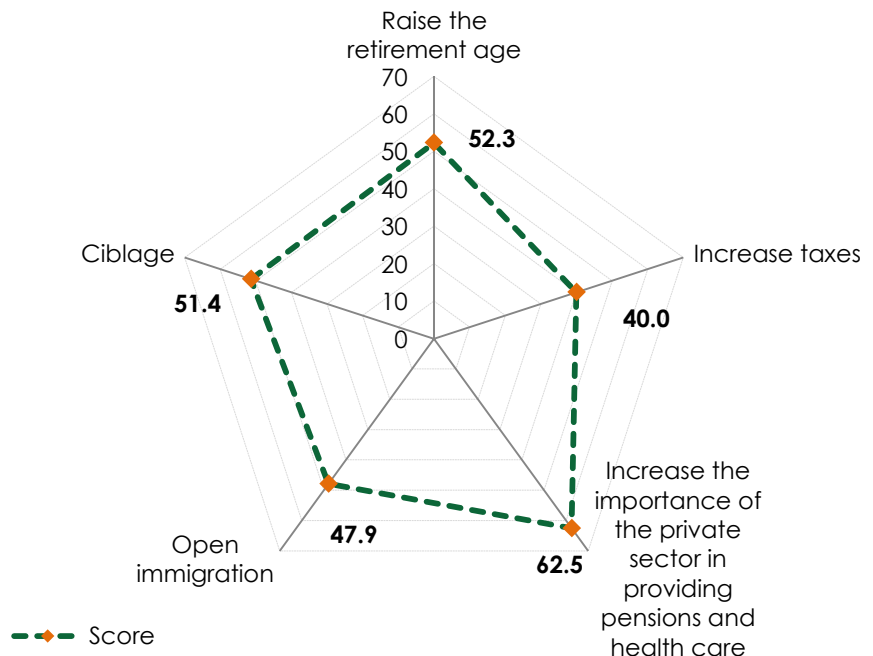
Based on responses, a scoring method was used on criteria, with the maximum possible score being 100 and the minimum 0.

Respondents were asked the items which they feel will be the most impacted by an aging population

Workforce — 76.1
Taxation — 64.8
Support to pension system — 70.7
Weight on health expenditure — 65.1
Shortage of workers — 66.4
Change in economic pillars — 62.7

- - ◆ - - Score

The highest scoring criteria is the workforce, while change in economic pillars is the least scoring.

Respondents were asked to rank the pro-family government policies which would be most suited for Mauritius if implemented


Raise the retirement age — 52.3
Increase taxes — 40.0
Increase the importance of the private sector in providing pensions and health care — 62.5
Open immigration — 47.9
Ciblage — 51.4

- - ◆ - - Score

Text mining and qualitative analysis of respondents' comments

An analysis of qualitative data from some 240 people out of the total 400 was performed to extract maximum value from the views of people. From a total number of words of 6,700, 3,940 were actually deemed to be significant. A proprietary classification approach was developed to identify strong relationships between sets of words. This resulted in strong linkages which identified the principal views of the 240 people on the problem of aging population, some of which are detailed out below.

- Low salary
- Create more employment
- More expenditure on health care
- Plan future
- Facilities to couples
- Devise proper strategies
- Career-oriented

- Low fertility
- Baby-sitting facilities
- Not enough money
- Life is difficult
- Quality education

Potential inferences which have been derived from the analysis and which represent the direct thoughts of people with respect to aging population are:

1. The current salary tends to be low and not necessarily encouraging to be able to raise a child today;
2. Job security and availability of new jobs for career advancement are not present;
3. Government should provide more benefits and improve the health care system;
4. It is important to be able to plan for the future, and once this is established, the likelihood of raising a child will increase;
5. More pro-family policies should be implemented if government wishes to encourage people to have more kids; and
6. Adequate baby-sitting services are not widely available nor are they necessarily affordable.

Most common words used by respondents in their comments
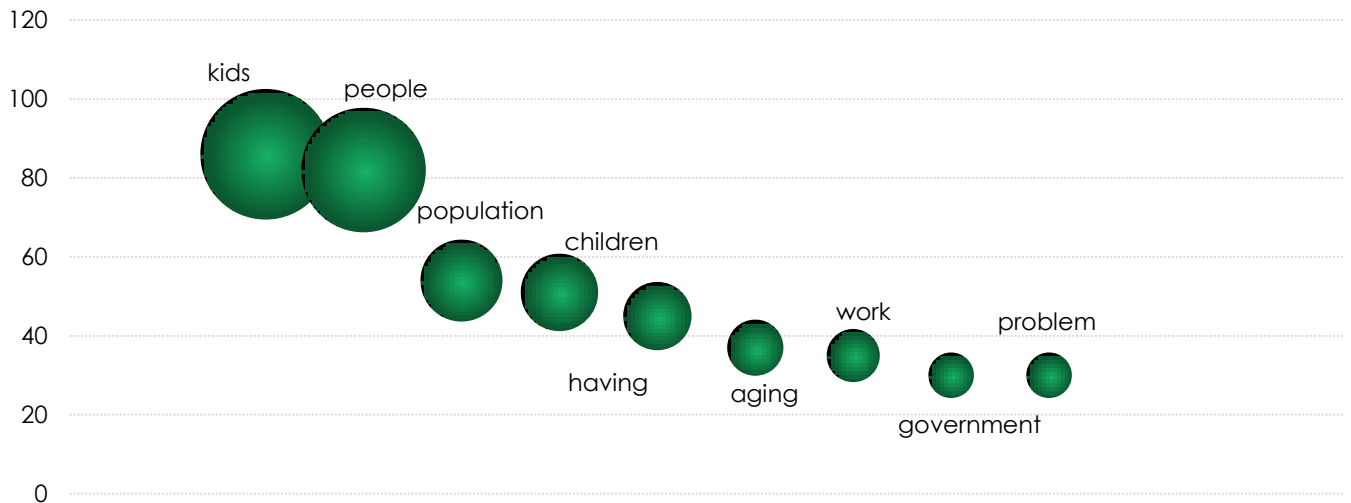
About the survey

VERDE and Business Magazine's first annual edition of '**Aging Population – Why are people having fewer kids today?'** was published in October 2016. Respondents were based principally in the Republic of Mauritius. The data gathering exercise was undertaken between 5 September 2016 and 3 October 2016. A total number of 400 people participated in the survey. The data was gathered by field analysts across the island to obtain a nationally representative sample of the population in terms of Age, Gender and Socio Economic Group. The sample is representative of the population with a confidence level of 95% at a margin of error of 5%.

District breakdown of people who participated in the survey

Breakdown by gender and rural/urban of people who participated in the survey
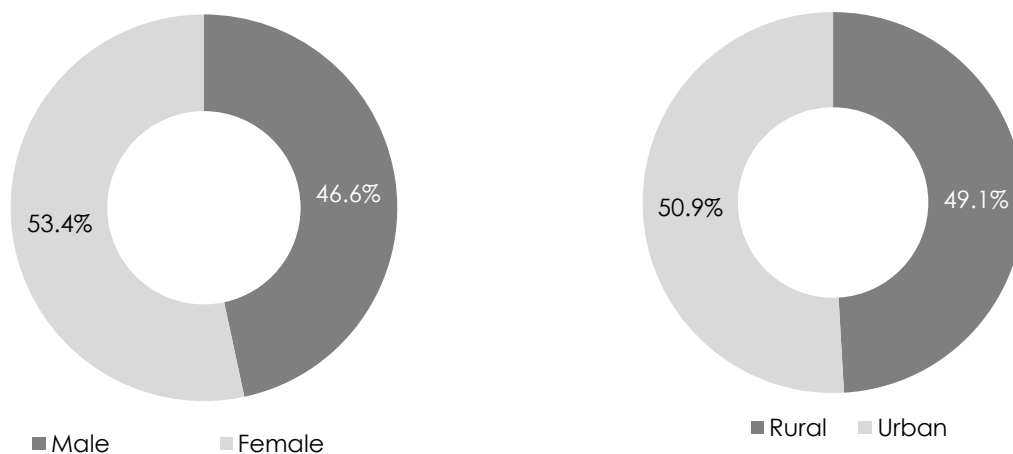
Age categorisation - Histogram of survey respondents
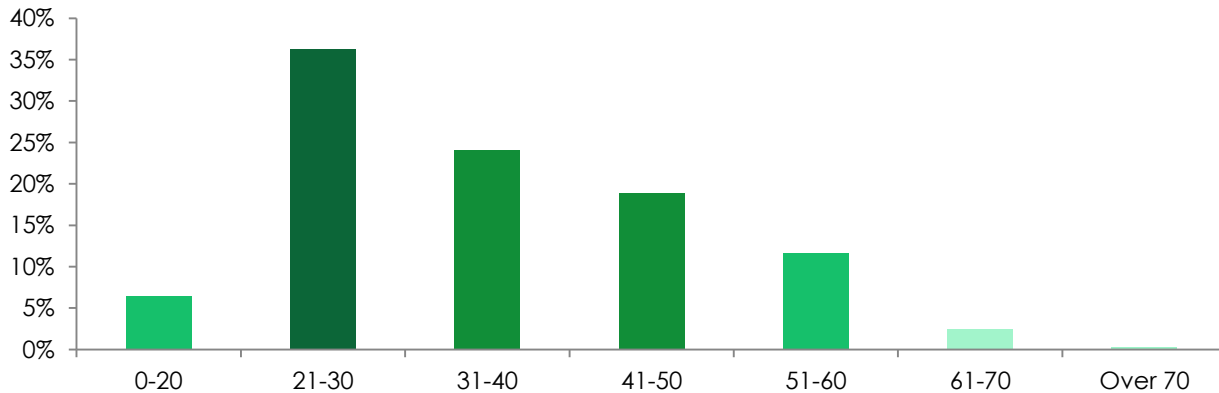
The 'AGING POPULATION - WHY ARE PEOPLE HAVING FEWER KIDS TODAY?' is a joint national survey conducted by VERDE AND BUSINESS MAGAZINE. To join our panel of esteemed respondents and for any information on this publication, please contact Mr. Dirish K. Noonaram on (230) 454 9491 or e-mail info@verdefrontier.mu. Alternatively, you may contact Mr. Jean Paul Arouff on jeanpaul.arouff@businessmag.mu.

A summary of the findings of the study is available through a short video which you may watch on verdefrontier.mu

VERDE FRONTIER is a business intelligence practice registered in the Republic of Mauritius with business address: Suite 024, Rue de la Democratie, Ebene Junction, Ebene. Tel: (230) 454 9491.

www.verdefrontier.mu