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**Source:** *The Straits Times,* pB3
**Date:** 16 February 2026

Rather than treating proposals to compensate caregiving time as either self-evidently necessary or fiscally impractical, Singapore could approach the issue experimentally. Carefully designed sandboxes would allow policymakers to test whether different forms of income compensation meaningfully affect family formation, labour market behaviour and child outcomes, says the writer. PHOTO: ISTOCKPHOTO

# *Will an endowment of $300k per child move the needle?*

The motherhood penalty is real. We may need to experiment to see what we can do about it.

Kalpana Vignehsa

Budget 2026 continues a welcome trend of supporting Singaporean households, from the $500 Child LifeSG credits to expanded pre-school and student-care subsidies for lower-income families.

Given the significant emotional and financial demands of parenting, these public support measures matter greatly, especially given Singapore's high cost of living and tight labour market. They have also been refined and iterated with considerable care, in response to observed gaps and changing social realities.

However, it is worth asking what family-related issues our Budget should tackle, but as yet, does not.

Thus far, family policy has focused on reducing the outlay associated with raising children. Parenting is treated as a private responsibility, supported through targeted subsidies and time-limited transfers. What family policies have yet to address are the income and time losses that accompany caregiving over the course of a lifetime.

For archetypal Singaporean dual-career couples with strong labour market attachment, the calculus of family formation has shifted. The binding constraint is no longer whether they can afford children in a narrow, monthly sense, but whether family formation is compatible with the lifestyle and career trajectories typical of their society. Small or medium-sized transfers do little to offset a "motherhood penalty" that may run into hundreds of thousands of dollars or more over an adult's lifetime.

Given this, we must ask whether family formation is worth paying for, and what form of support would meaningfully make a difference.

**WHAT'S THE URGENCY?**

Singapore's persistently low fertility rate is now well known. Like many advanced economies experiencing sustained fertility decline, we face a rapidly ageing population, with fewer young people to provide necessary social renewal and, bluntly put, contribute via able-bodied support and tax revenue.

What is less well understood is that, much like climate change, the consequences of this demographic challenge become starker when viewed over a longer time horizon.

In Singapore, official projections suggest that citizen deaths could exceed citizen births by the early 2030s. Without immigration, our population would shrink year on year, eroding our standard of living and social vibrancy, while requiring residents to pay progressively more tax to sustain existing support systems.

Globally, fertility is falling in most regions, and the world's population is projected to begin declining some time between 2060 and 2080. This suggests that before long, as other wealthy countries confront similar demographic pressures, Singapore will face stiffer competition for immigrants.

As fertility rates compound over time, even though reductions sound small year on year, they dictate the size of future parent cohorts, making a sharp decline self-reinforcing and increasingly difficult to reverse without extraordinary interventions that would carry significant social costs, particularly for women.

Against this demographic backdrop, it becomes important to examine how the economic structure of adult life intersects with decisions about parenting.

**OPPORTUNITY COSTS AND POLICY OPPORTUNITIES**

In Singapore's context, parenting typically coincides with peak working years. Time spent out of the workforce, working fewer hours, or forgoing career opportunities carries long-term consequences for earnings, retirement adequacy and professional trajectories. These penalties accumulate gradually, making them easy to understate in policy design, but significant in household decision-making, where their effects are unevenly distributed.

International research consistently shows that caregiving for young children is associated with substantial and persistent earnings penalties, particularly for mothers. Studies from Europe and the UK find that income losses accumulate through career interruptions, reduced hours and slower wage growth, reaching tens of thousands of dollars within the first few years after childbirth and, in some cases, exceeding six figures over the life course.

Even in Denmark, extensive parental leave and childcare provisions could only reduce rather than eliminate these penalties, pointing to opportunity costs that are structurally embedded in modern labour markets. While the precise magnitude of these penalties varies widely by occupation, career stage and institutional context, the broad pattern of large, cumulative earnings losses associated with extended caregiving is well established.

In Singapore, there is no published estimate of the lifetime earnings penalty associated with raising children. However, available evidence suggests similar dynamics: gender pay gaps widen during peak childbearing years, women are more likely to scale back paid work for family reasons, and work-family constraints feature prominently in fertility intentions.

Developing a clearer Singapore-specific estimate of these lifetime penalties would strengthen the design of family-policy experiments, even as the question of what level and form of support might meaningfully influence family formation remains an empirical one in its own right.

> **Compensating caregiving does not imply commodifying family life. It reflects an acknowledgement that parenting sustains future populations, workforces and tax bases, and that relying entirely on private sacrifice may no longer be sufficient in an economy with high opportunity costs.**

**EXPERIMENTATION AS A POLICY RESPONSE**

Singapore has a long tradition of policy experimentation in areas of uncertainty and rapid change, reflected in this Budget's artificial intelligence sandboxes.

Family policy increasingly fits this description.

Rather than treating proposals to compensate caregiving time as either self-evidently necessary or fiscally impractical, Singapore could approach the issue experimentally. Carefully designed sandboxes would allow policymakers to test whether different forms of income compensation meaningfully affect family formation, labour market behaviour and child outcomes.

Such experiments would be bounded in scale, time-limited and subject to rigorous evaluation, with participation drawn from randomly invited couples and findings used to inform future policy design.

What might such experiments look like?

One approach would be to test lifetime caregiving endowments. A year ago, I recorded a podcast with a mother who was on the fence about having her third child after the Large Families Scheme worth $16,000 was announced. She shared that she would not hesitate to have a third child if the scheme was worth a few hundred thousand dollars. That stayed with me as an idea worth testing.

Under such a design, one group of randomly invited volunteer participants could receive a $300,000 endowment per child, disbursed gradually over 12 years. Another group might receive $500,000 disbursed on similar terms, while a third group would serve as a control and receive no endowment. These sums approximate the order of magnitude of lifetime earnings penalties associated with extended caregiving in professional labour markets.

Another design could involve earnings-indexed caregiving credits, where parents who reduce working hours or temporarily exit the workforce get compensation linked to documented income loss. While this approach would capture lifetime earnings penalties less completely – particularly forgone career advancement – it would directly target the opportunity-cost mechanism that current policies leave largely unaddressed.

A third option would be CPF-based caregiving credits paid by the state on behalf of parents during intensive caregiving years. This would recognise caregiving as socially necessary labour while addressing long-term retirement adequacy.

Each of these designs raises important questions around equity, incentives and fiscal feasibility. These are precisely the questions that controlled experimentation is meant to answer.

**ALIGNING POLICY WITH DEMOGRAPHIC REALITIES**

Compensating caregiving does not imply commodifying family life. It reflects an acknowledgement that parenting sustains future populations, workforces and tax bases, and that relying entirely on private sacrifice may no longer be sufficient in an economy with high opportunity costs.

Budget 2026 demonstrates continued commitment to supporting families. The next challenge lies in supporting family formation itself – particularly among those who are willing but constrained.

Singapore's demographic challenge is unlikely to be resolved by a single policy shift. But expanding the policy imagination to include structured experimentation on caregiving compensation would mark a meaningful step forward.

In a system known for pragmatism and evidence-based governance, the question may no longer be whether such ideas are too bold, but whether continued caution locks in trade-offs that are difficult to reverse.

If parenting is essential work, then understanding how to better support the decision to take it on is a question worth testing carefully – and soon.

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