

Abstract

External Shocks, Household Consumption and Fertility in Indonesia

Jungho KIM

Vienna Institute of Demography, Austria

Alexia PRASKAWETZ

Vienna Institute of Demography, Austria

This paper examines the impact of idiosyncratic income shocks on household consumption, educational expenditure and fertility in Indonesia, and assesses whether the investment in human capital of children and fertility are used to smooth household consumption. Using six different kinds of self-reported economic hardships, the preliminary findings are as follows: (1) Household consumption increases in response to a death of a member and in the case of a natural disaster. In both cases fertility and educational expenditures are not affected. (2) Unemployment decreases consumption and increases fertility leaving educational expenditures unaffected. (3) Income loss due to price fall increases educational expenditure but leaves consumption and fertility unaffected. (4) Neither sickness of a household member nor crop loss has any significant impact on consumption, fertility or educational expenditures. Findings (2) and (3) are consistent with the hypothesis that households use children as a means for smoothing consumption. One important lesson from our findings is that different types of income shock may lead to different economic and demographic behavioural adjustments and therefore require specific targeted social insurance programmes.

Keywords: *Consumption, Insurance, Fertility and Indonesia.*

JEL Classification Number: D12, J13