

ACHIEVING THE DEMOGRAPHIC DIVIDEND: AN OPERATIONAL TOOL FOR COUNTRY-SPECIFIC INVESTMENT DECISION-MAKING IN PRE-DIVIDEND COUNTRIES

WHAT IS THE OBJECTIVE?

The objective of this Demographic Dividend Operational Tool for Pre-Dividend Countries is to help teams from government, the World Bank and other partners have productive policy dialogues to harness a demographic dividend through a **systematic diagnosis** by:

- Using solid data and information to identify the specific constraints in a particular country
- Mapping specific constraints to evidence-based policy and programmatic options

It is not designed to provide all the detailed answers – or to replace in-depth expertise – but rather to serve as a guide for teams to start identifying constraints and policy options in a systematic and comprehensive way.

HOW IS IT LAID OUT?

First, the demographic dashboard provides a high-level view of where the country currently stands in terms of the demographic transition and demographic dividend using the GMR country grouping framework and the most recent data from the country.

Next, there are more detailed diagnostic dashboards for programmatic-level discussions around the key policy areas for pre-dividend countries:

- Family planning and reproductive health
- Maternal and child health and nutrition
- Girls empowerment
- Girls education

Each of these diagnostic dashboards are organized into five sections:

1. Situational overview
2. Guiding questions to identify constraints and options on what to do to overcome those constraints
3. Data and graphs to identify disadvantaged sub-groups
4. Lessons learned based on global implementation experience
5. A library of case studies from the global evidence base

BACKGROUND: DEMOGRAPHIC DIVIDEND IN SUB-SAHARAN AFRICA

CONTEXT

In recent years, Sub-Saharan Africa has undergone profound demographic changes. Rapid declines in death rates, particularly of children, have contributed to a rapidly growing population. While child and infant mortality rates have declined, fertility rates have unexpectedly remained high, leading to low shares of people of working age. Half of Sub-Saharan Africa's population is under 25 years of age, and about 11 million young Africans will

enter the labor market in the next decade. In contrast, other continents' populations have already started to

What is the Demographic Dividend and what are its origins?

- Demographic dividend = Demographic transition + Economic transition
- It links population dynamics to accelerated economic growth
- The main message of demographic dividend is that People are at the Heart of Development, but it is not automatic → Prudent and Timely Policies are Critical
- It explains some of the amazing economic growth seen in the East Asian Tigers: South Korea, Singapore, Thailand.

age, although at different paces.

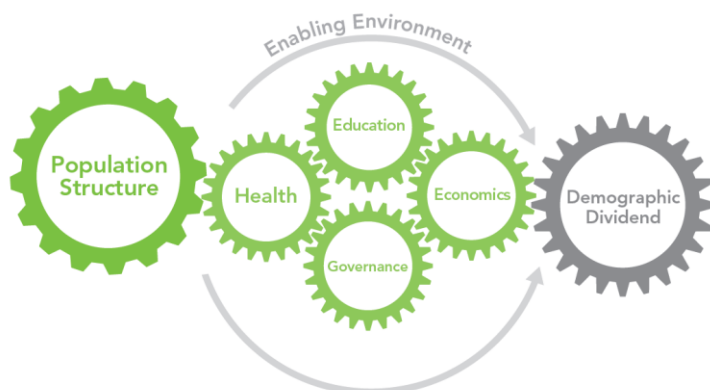
WHAT IS THE DEMOGRAPHIC DIVIDEND?

The demographic dividend is the accelerated economic growth that can result from a rapid decline in a country's fertility and the subsequent change in the population age structure. *Demographic dividend* corresponds to a 20-30 year period in a country's demographic transition when the proportion of working age population compared to the number of dependents increases rapidly. With fewer births each year, a country's working-age population grows larger in relation to the young dependent population. Smaller families result in increased public and private per capita investment in health, education and other forms of human capital. With more people in the labor force and fewer young people to support, a country can exploit the window of opportunity for rapid economic growth given prudent and timely policies and investments in health, education, governance, and the economy. The concept of a demographic dividend was introduced in the late 1990s to describe the interplay between changes in population age structure and fast economic growth in East Asia.

The first demographic dividend—the extra boost to the economy based on a productive labor supply—focuses on the labor supply effects of changes in age structure. It can be captured if three things happen:

- First, the demographic transition needs to be catalyzed and accelerated.
- Second, investments in health and education need to increase.
- Third, macro-fiscal and labor reforms need to be instituted to ensure that the bulge cohort can find well-paying jobs, rather than simply be unemployed or forced into low-productivity work.

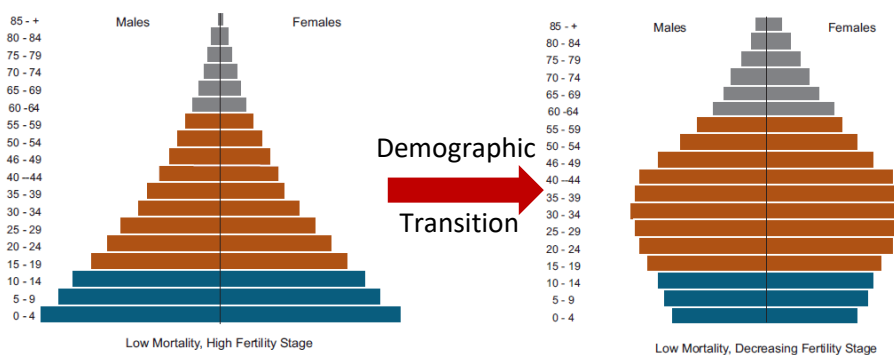
Further in the demographic transition, a possible second dividend results from the savings and investments of the bulge cohort as it matures and saves for retirement.



While the benefits of a dividend can be great, the gains are neither automatic nor guaranteed. The extent to which countries reap these dividends varies and depends on policies, and neither of the dividends will occur if fertility does not decline rapidly. Thus, a slow or stagnating demographic transition poses considerable risks to countries. Not only will a stagnating fertility decline risk missing the demographic dividend, but it is also associated with increased poverty, worse health outcomes for women and children, lower investments per capita in education, lower levels of women entering the labor market, lower levels of women’s empowerment, higher levels of youth unemployment, and higher risks of political instability. A recent book on the topic of demography in Africa argues that speeding up the fertility decline in the region is critical not only for increasing the chance of a dividend, but more importantly for decreasing the risk of a demographic disaster.

HOW DOES THE DEMOGRAPHIC DIVIDEND HAPPEN?

Step 1: Demographic Transition (Changing Population Age Structure)

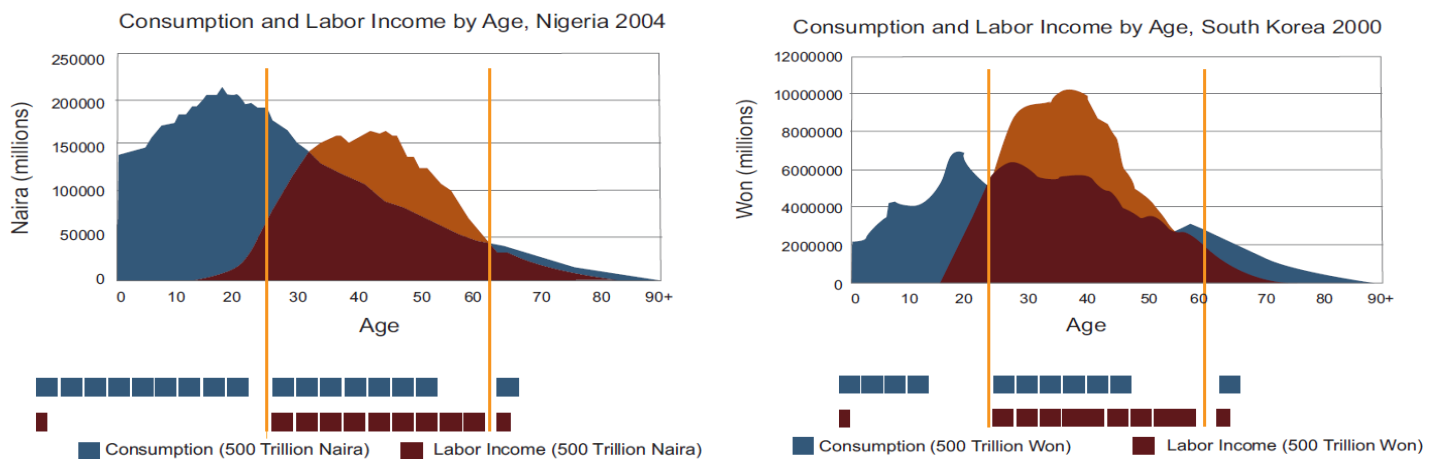


Source: <http://www.population-growth-migration.info/essays/DemographicDividend.html>

→ The proportion of working age adults (dark brown slices) to dependents (blue and gray slices) is higher on the right compared to the left. This is resulting from a youth bulge that grows into productive ages with relatively fewer children to support.

Why is it important to have a larger share of the population in working ages?

Consumption ages 0-15 > **Consumption** ages 15-65
Income ages 0-15 < **Income** ages 15-65



Source: National Transfer Accounts estimates (ntaccounts.org)

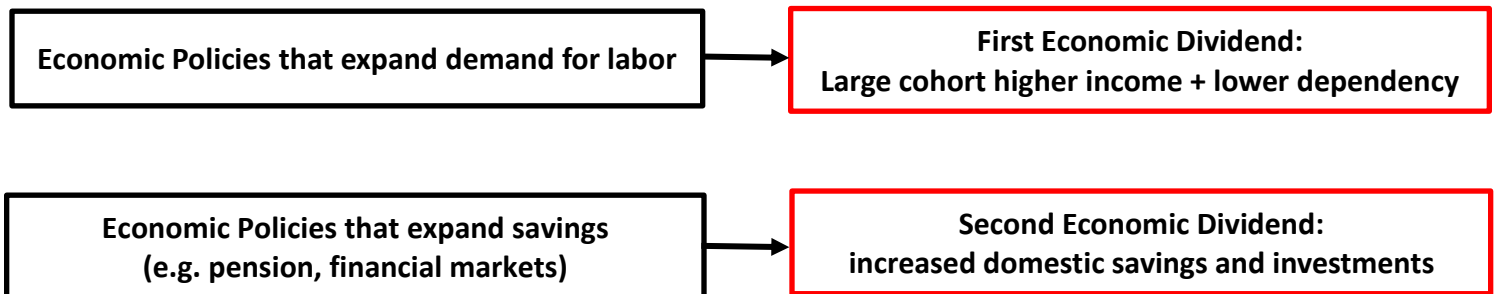
→ Consumption in younger ages is much greater than consumption in later ages while labor income is non-existent in younger ages and concentrated in working ages. Thus, it is important to have more people in the working ages compared to those who are only consuming to drive economic growth. More people in the working age means a higher proportion of the population working to drive economic growth of the country.



Step 2: Economic Transition – Focus on Labor

- Supply Side: Ensure appropriate skills
- Demand Side: Macro-fiscal and labor policies for taking advantage of the large, skilled labor force → Jobs!

Two economic dividends are possible:



THE UNDERLYING ANALYTICAL FRAMEWORK FOR THE TOOL

The underlying framework builds on strong evidence of the impact of demographic change on health and nutrition, human capital, economic growth and poverty reduction. The tool is based on seminal research on the link between demographic changes and economic growth (Bloom, Canning, and Malaney 2000; Bloom and Williamson 1997).

The *Global Monitoring Report (GMR) 2015/16* uses (1) share of working age population, and (2) current and past fertility rates¹ to identify four types of countries, characterized by whether their potential for a first demographic dividend is in the past, present, or future. To reap the benefits of the demographic dividend, the GMR indicates that countries at different phases of the demographic transition require different policy priorities—tailored to their economies, societies and culture—as described below. Most countries in Sub-Saharan Africa are in pre-dividend phase (and a few, mostly in Southern Africa, are early-dividend countries).

¹ The first criterion is whether the working age share is likely to be rising or not over the next 15 years (2015–30, the time horizon for several development goals). To distinguish two subgroups within these broader groups, the current fertility rate and the fertility rate from 1985 are used to identify how far along countries are in the initial and final phases of demographic transition.

For pre-dividend countries, as long as fertility remains high, they cannot progress in their demographic transition or have any chance of capturing a demographic dividend.

Policy priority	
Pre-Dividend	<i>Sparking the demographic transition</i> Improving human development outcomes to accelerate the fertility decline and create a population age structure with fewer child dependents and a larger working-age share of the population
Early-Dividend	<i>Accelerating job creation</i> Creating productive jobs for the growing share of the population in working ages to reap the first demographic dividend
Late-Dividend	<i>Sustaining productivity growth</i> Creating conditions necessary to reap the second demographic dividend and beginning to prepare for aging
Post-Dividend	<i>Adapting to aging</i> Maintaining and improving welfare in the context of a declining working-age share and a growing old-age share

Other recent work on the state of Africa's demographics and the evidence base of proven interventions inform the operational elements of the tool (Canning, Raja, and Yazbeck 2016; Shekar, Yazbeck, Hasan and Bakilana 2016).

[HTTPS://WORLDBANK.P3FY.COM/](https://worldbank.org/p3fy.com/)

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