The Demographic Dividend and Development

What is the Demographic Dividend?

The demographic dividend is economic growth resulting from a change in the age structure of a country's population. A demographic dividend arises when a falling birth rate changes the age distribution of a population; this means that fewer investments are needed to meet the needs of the youngest age groups and that there are relatively more adults in the population of the productive labour force. This creates an opportunity for more rapid economic growth and human development for a country as more resources are available for investment in economic development and family welfare.

The demographic transition, or the point when birth and death rates change from a high level to a low level, therefore is a critical moment of development opportunity for families and countries. If countries plan for and make the necessary investments in young people during the demographic transition, they can create a virtuous cycle of increasing education, human capital and economic productivity.

This is the path out of poverty that the Asian Tigers and later many Latin American countries took. Studies have shown that no country has developed socioeconomically without a parallel decline in birth rates.

The Asian Tigers (South Korea, Taiwan, Hong Kong, Singapore) began with demographic starting points and developmental statuses similar to many sub-Saharan African countries today. A demographic bonus in the Asian countries was created due to declines in mortality and fertility creating a favourable age structure with a high proportion of the working-age population in relation to the number of dependent young and old people. The demographic bonus was transformed into a demographic dividend because the working-age population was educated, was able to find employment and have a long and productive career before they became old and dependent themselves.

The Asian Tigers were able to take advantage of the demographic dividend because they had made significant and continued investments in education and family planning, in addition to the making necessary economic reforms and initiatives, and successfully integrating women into the labour market. The demographic dividend is not only contingent upon birth rates, it also requires social and economic policies, including openness to trade, flexible labour markets, and investments in human capital including education and public health. As much as one-third of growth between 1965 and 1990 in the "economic miracle" countries of East Asia was due to demographic dividends. These countries are now wealthy, low-fertility countries.

Recent research has found that the demographic principles that fuelled the Asian Tigers' growth are available to Africa, and thus, African countries could be able to reap a demographic dividend. The windows of opportunity for sub-Saharan African countries may open in the coming five decades. Yet, the right policies and programmes are necessary in order to take advantage of this development opportunity as the demographic dividend is not guaranteed.

How to Support a Demographic Dividend in Africa

Developing and donor countries must make increased and sustained investments in health, education, job creation and prevention of early marriage in order to attain a demographic bonus, and ultimately a demographic dividend. Increased investments in health and family planning as well as education are the most critical starting points to attain a demographic bonus.

Health: Health systems as a whole need to be strengthened, with primary health care expanded, including vaccination. Sexual and reproductive health care and information and education on sex and family planning needs to be improved, and a wide variety of family planning methods made universally accessible to improve maternal and child health and reduce unintended pregnancies.

Education: The quantity and quality of education needs to be improved. Equal education for girls needs to be available. Secondary education, tertiary education and vocational training all need to be expanded and made relevant in order for youth to develop the skills required for productive employment.

Job Creation: First investments in job creation should be mainly in sectors with high demand for low-skilled workers. Jobs also need to be created in knowledge-intensive sectors with greater added value as the level of education in the country increases. The job market must also be modernised with increased flexibility in hiring, job mobility and increased investments in training by the private sector. Access to employment must be equal for both men and women.

Prevent Early Marriage : Laws against early marriage need to be enacted and enforced. Girls who marry early also have earlier and more children than their peers who stay in school and marry later. Early marriage also reduces women's economic contribution.

The Time Is Now

Because the demographic dividend has a finite window and is not automatic, the timing of policy action is critical.

Increased funding of health, education and employment programs needs to take place early in individuals' lives. Inadequate investments in health and nutrition compromise a generation's well-being, adversely impacting it from pregnancy, to childhood and into adulthood. Improving family planning access reduces maternal and infant mortality and slows growth in the number of youth dependants. Improved education investments will also ensure that the smaller cohorts of young people have the necessary skills for productive employment.

Just like the African proverb that says, "The best time to plant a tree was twenty years ago. The second best time is now," increased investments in health, family planning, education, and job creation need to be made now in order to later reap a demographic dividend.

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