Policy Brief

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THE CHALLENGE OF ATTAINING THE DEMOGRAPHIC DIVIDEND

Fertility has declined in most countries in sub-Saharan Africa, and women in the region today have on average 5.1 children, compared to 6.7 children in 1970.

40%
The percentage of the population in the world's least developed countries under age 15.

Future population growth can be slowed substantially by delaying marriage and childbearing by five years—slowed by 15% to 20% in sub-Saharan Africa.

Policymakers, researchers, and other stakeholders optimistically discuss the demographic dividend. Most view the benefits as imminent and within grasp (see Box 1). However, many of the least developed countries will be challenged to achieve this economic benefit without substantially lowering birth and child death rates—a process referred to as the "demographic transition." While child survival has greatly improved in developing countries, birth rates remain high in many of them. To reach their full economic potential, these countries must act today to increase their commitment to and investment in voluntary family planning.

This policy brief explains the connection between the demographic dividend and investments in voluntary family planning; highlights Africa's particular challenge in achieving a demographic dividend and the need for immediate action; and underscores the investments in health, education, and gender equity, as well as subsequent economic policies, that are needed to open and take advantage of this window of opportunity. Finally, the brief prioritizes actions for decisionmakers to make the most of the demographic dividend.

Decline in Fertility Is Essential for Demographic Dividend

Fertility must decline substantially for countries to attain the demographic dividend.

Historically, a transition to smaller families has both accompanied and contributed to improved child survival. But in many of the world's least developed countries, while child survival has improved, declines in fertility have been very slow, and a demographic transition has yet to occur. Millions of women are unable to choose the number, timing, and spacing of their children, and consequently have more children than they desire. As a result, the populations of these countries are growing very quickly—as much as 3 percent or more per year. Such a high growth rate could double the number of people in these countries in just 23 years.

BOX 1

Demographic Dividend

The demographic dividend is the accelerated economic growth that may result from a decline in a country's mortality and fertility and the subsequent change in the age structure of the population. With fewer births each year, a country's young dependent population grows smaller in relation to the working-age population. With fewer people to support, a country has a window of opportunity for rapid economic growth if the right social and economic policies developed and investments made.

In countries where couples have many children, populations are growing rapidly and children and adolescents make up a disproportionately large part of the population. In the world's least developed countries, more than 40 percent of the population is under age 15 and depends on financial support from working-age adults (defined as ages 15 to 64).[1] Another 90 million people between ages 15 and 19 are on their way to becoming financially independent as they enter adulthood. Large numbers of young people can represent great economic potential, but only if families and governments can adequately invest in their health and education and stimulate new economic opportunities for them. However, as long as the average number of children per woman (total fertility rate) and population growth remain high and children and adolescents greatly outnumber working-age adults, families and governments will not have the resources needed to invest adequately in each child.

To achieve a demographic transition, countries must focus on providing women with voluntary family planning information and services. One in four women in developing countries wants to avoid becoming pregnant or delay or space their births but is not using a modern family planning method.[2]

These women account for almost 80 percent of unintended pregnancies.[3] When women can choose when and how often to become pregnant, they are more likely to have fewer children and are better able to achieve their desired family size.

In addition, by delaying the age at first birth, population growth could also slow substantially. In countries with the highest fertility rates and lowest average age at marriage (mainly in sub-Saharan Africa and South Asia), future population growth can be slowed substantially by delaying marriage and childbearing by five years—slowed by 15 percent to 20 percent in sub-Saharan Africa.[4]

Although several countries with high fertility and low development indicators—many in sub-Saharan Africa—also exhibit relatively high levels of economic growth, the growth has not improved the living standards of most people. As a result of great inequality in many of these countries, economic gains have benefited only a small number of people while most continue to live in poverty with limited access to education and poor health. Consequently, fertility remains high, populations continue to grow, and the demographic transition is slowed. Only in the past decade have countries with high fertility and low development indicators begun to show any declines in fertility. Until these countries have more substantial reductions in fertility and complete a demographic transition, the opportunity for a demographic dividend will be delayed for decades.

Africa and the Demographic Dividend

Without increased investments in family planning, many countries in sub-Saharan Africa may miss their opportunity for accelerated economic growth.

Much of sub-Saharan Africa has experienced impressive economic growth over the last decade, with an annual average growth rate in gross domestic product of 5.2 percent.[5] But population growth rates, which average about 2.6 percent per year, have slowed per capita gains, and more than 70 percent of people survive on less than $2 per day.[6] To achieve the levels of accelerated economic growth seen by the Asian Tigers (see Box 2), the countries of sub-Saharan Africa will need to increase investments and political support for voluntary family planning. Lowering fertility levels and shifting the age structure of the population is a critical first step toward achieving a demographic dividend. In sub-Saharan Africa, nearly two out of three women who want to avoid a pregnancy for at least two years are not using a modern family planning method.[7] Many longstanding barriers to family planning use stand in their way, including concern about health risks or side effects, traditional views and social norms, problems of access or cost, partner opposition, and lack of knowledge of methods.[8]

Fertility has declined in most countries in sub-Saharan Africa, and women in the region today have on average 5.1 children, compared to 6.7 children in 1970. Several countries in eastern and southern Africa are well on their way in the transition to smaller families. For example, Rwanda's increased investments in voluntary family planning and child survival have led to significantly lower fertility. Greater political commitment and increased resources for family planning and child survival have put Rwanda on a path to making the demographic transition a reality (see Box 3).

Family planning use and fertility declines in West and Central Africa, however, are lagging. Less than 10 percent of married women in these regions use modern contraceptives, and use has increased only slightly over the last two decades.[9] Underfunded and inadequately managed family planning programs do not meet current or future needs of the rapidly growing population. If current trends continue, the large size of the young population in relation to the working-age population will delay a demographic dividend for decades. However, if these countries increase current investments in family planning by three to five times their current levels and meet women's needs for family planning, they could stabilize births by 2030 and establish the conditions to capitalize on the demographic dividend.[10]

Improved Health, Education, and Gender Equity Needed

Additional investments in health, education, and gender equity are needed for countries to open the window of opportunity.

While family planning is necessary for establishing the conditions for a demographic dividend, countries must also make investments in health, education, and gender equality to accelerate economic growth. These investments are critical first steps in achieving a demographic dividend, but by themselves do not ensure accelerated economic growth (see Box 4).

Child health. The world's nations are making great progress in improving child survival, but among the world's poorest families, as many as one in five children dies before age 5.[11] Health programs need to help these poor families.

As child survival improves, the demand for family planning will increase. In much of sub-Saharan Africa, and especially in rural areas, couples still desire large families. However, norms related to family size are changing, and research indicates that families will choose to have smaller families when they know that each child has a better chance of surviving.[12] And when parents have fewer children, they are better able—and more willing—to invest in their children's health, education, and well-being. Family planning also contributes to child health through promoting healthy timing and spacing of pregnancies. For example, children conceived less than two years after the previous birth have a much higher risk of dying (1.5 to 3 times higher) that those children conceived three or more years after the previous birth.[13] Furthermore, for young women family planning can help delay their first pregnancy until an age when they are physically, psychologically, and socially prepared for childbearing, thus improving health outcomes for both mother and infant.[14]

BOX 2

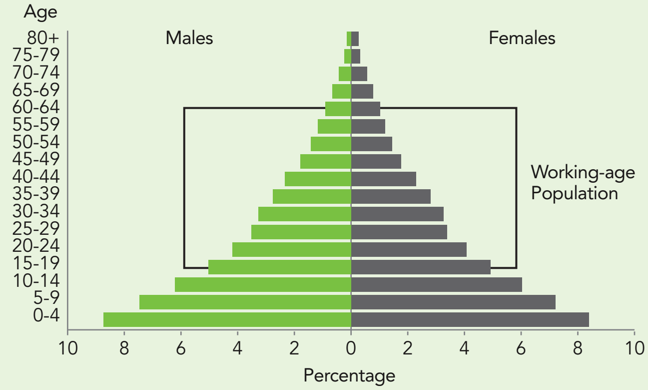
Thailand: Reaping the Dividends of a Demographic Transition

Over the past 40 years, Thailand has emerged as an economic powerhouse of Southeast Asia. To achieve this success, Thailand first addressed slowing its population growth by expanding access to and use of voluntary family planning. Between 1970 and 1990, Thailand's total fertility rate declined from 5.5 children per woman to 2.2—an exceptional feat given that two of every three Thais lived in rural areas. As shown in the top pyramid, Thailand in 1970 had a population structure typical of developing countries: The broad base represented a large number of children in relation to the working-age population. By 1990 (middle pyramid), the structure was far different, reflecting lower fertility; and by 2010 (bottom pyramid), this sustained low fertility resulted in a larger population between ages 25 and 64 than the population under 25. Underpinning this reduction in fertility was an increase in contraceptive use—from 15 percent in 1970 to more than 70 percent in 1987. Contraceptive use in Thailand is currently about 80 percent and the total fertility rate has declined to 1.5 children per woman. As a result, Thailand's population has become older, with higher educational levels and improved health. Changes in Thailand's age structure have led to the need for new policies to expand educational opportunities, increase work-related migration, and foster savings and social security for the country's working-age and older population.

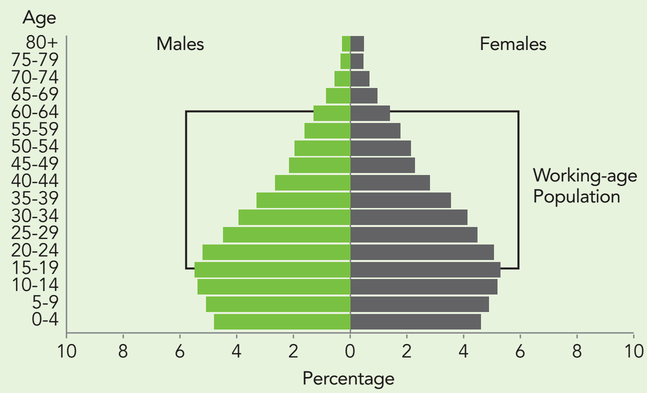
The rapid changes in contraceptive use and fertility in Thailand made it one of the biggest family planning success stories in Asia. The dramatic achievements were a result of innovation and commitment to voluntary family planning within the Ministry of Public Health and provide an example of the actions that are needed in countries that have not completed the demographic transition. In sub-Saharan Africa, many countries' population age structure, and levels of fertility and contraceptive use, resemble Thailand's in 1970. By improving health systems and increasing their commitment to funding family planning programs, these countries could similarly transform their demographic prospects in just 20 years and position themselves to reap the dividends of the demographic transition.

Sources: United Nations Population Division, *World Population Prospects: The 2010 Revision,* low variant (New York: UNFPA, 2011); and United Nations Population Fund, *Impact of Demographic Change in Thailand* (Bangkok: UNFPA, 2011).

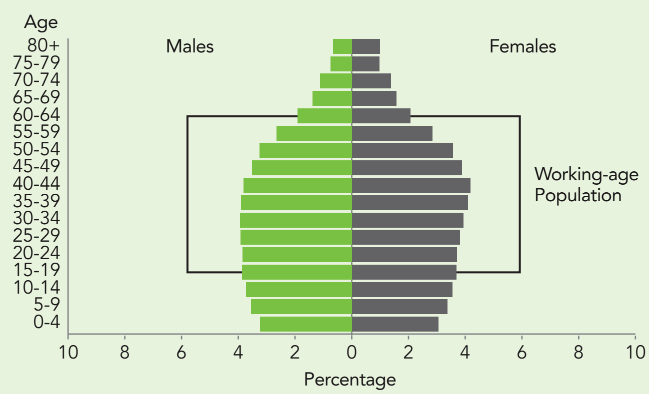
Thailand 1970



Thailand 1990



Thailand 2010



BOX 3

Rwanda: Accelerating Progress Toward a Demographic Dividend

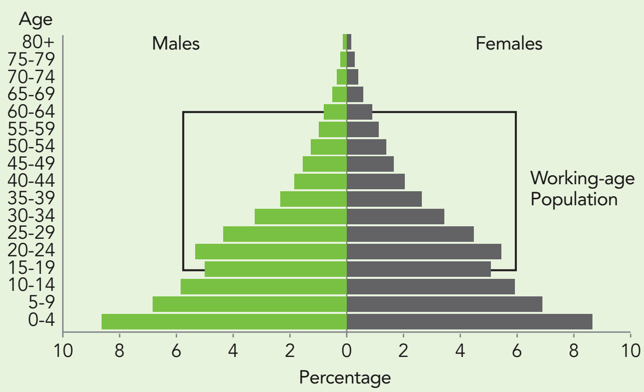
Rwanda has made significant progress in decreasing fertility and child mortality over the last decade. Increased investments in the health system have led to rapid improvements in child survival and modern contraceptive use. Child mortality has been cut in half in just a decade and use of modern contraception has increased more than fourfold. Today, women are having on average 4.6 children and the desired number of children has declined to 3.

Based on this rapid progress, one might expect Rwanda to be poised for a demographic dividend. But a closer look at the age structure of the country and future population projections reveals the substantial effort that remains. Even with continued declines in fertility, the young population of Rwanda will remain large compared to the working-age population for several decades to come. In Rwanda today, more than 40 percent of the population is under age 15, and the population pyramid is characteristic of a developing country despite the reductions in mortality and fertility (top pyramid). Even if Rwanda continues with its rapid progress and achieves the United Nations' low population projection, over 35 percent of the population in 2030 will still be under 15, and the population pyramid will still have a large young base (bottom pyramid). This percentage is substantially higher than Thailand's during the 1990s at the beginning of the demographic dividend and Thailand's young population declined to approximately 25 percent of the total population.

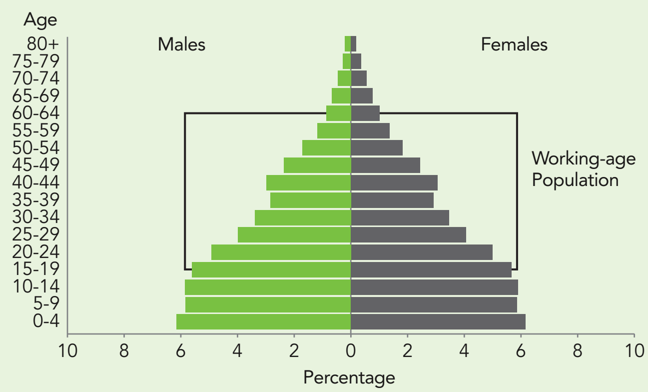
Thus Rwanda, even with continued progress, remains more than two decades away from the demographic conditions necessary for the demographic dividend. For many countries in sub-Saharan Africa that have made less progress, a demographic dividend is even further away. To hasten the demographic transition, most of sub-Saharan Africa needs to greatly increase investments in family planning.

Source: United Nations Population Division, *World Population Prospects: The 2010 Revision*, low variant (New York: UNFPA, 2011).

Rwanda 2010



Rwanda 2030



Education. When both boys and girls have access to education, accelerated economic growth is possible. In the case of girls, education—especially at the secondary level—helps delay marriage and first pregnancy. Women who marry later tend to have fewer children than women who marry at a young age. Women who are educated are also more likely to work outside the home—increasing the size of the labor force and the potential for economic development. Although many African women participate in the informal labor force, skills and experience acquired through secondary education position them to take on higher-level jobs in the formal sector or to access loans and financial support that allow them to grow their formal or informal businesses.[15]

As countries move through the demographic dividend, they will need to adapt education policies in response to their changing labor market needs. At the beginning of the transition, the labor force may need training for lower-skilled work. However, as the economy grows and becomes more sophisticated, workers will need a diverse range of skills in business, technology, and other professions. During these transitions, countries will need to identify emerging labor force opportunities and respond with appropriate educational policies and programs.

Gender Equality. A gender-equitable environment is critical to achieving a demographic transition because in such a setting, women are free to access and use family planning without many of the barriers they currently face in developing countries. Such an environment also enables women and couples to choose the number, timing, and spacing of children and allows women to participate in the labor force and contribute more to the family's economic well-being.

As an important step toward gender equity, and to foster economic growth, countries need to develop and enforce policies that enable girls to go to school and equip them with skills to compete for higher-paying jobs.[16] In many parts of Africa, women—especially poor women—consistently have lower access than men do to mass media and technology, leaving them less informed and less empowered.[17] Women need improved access to a variety of types of information that will help them shape and improve their own lives as well as their children's lives.

Also critical for gender equality are equitable land rights and access to credit for women. Women who own land are more likely to raise food for the family, and if they could access better production inputs, including fertilizer and seeds, their crop yields could be as much as 20 percent higher.[18] Similarly, when women access credit and generate profits, they are more likely than men to use their income to improve the health and well-being of their families.[19] Improving women's access to these assets brings countries closer to reaping a demographic dividend.

Recommended Actions

The demographic dividend of accelerated economic growth in many developing countries remains a possibility, but for the process to begin, countries must give high priority to substantially lowering fertility and child mortality. Until countries address the size and extremely young age structure of their populations, they will not achieve the levels of economic growth that they could otherwise reach. To bring about this desired level of growth, leaders need to immediately prioritize four key actions:

Commit to voluntary family planning to achieve the demographic transition. Countries need to make voluntary family planning information and services available, responding to the needs and method choices of all women, but especially the poor, who tend to have more children but fewer resources to invest in the health and education of their children. There are 220 million women in the world who do not want to become pregnant right now or want to limit childbearing but are not using a modern method of family planning. Helping them avoid unintended pregnancy would help countries achieve their transition.

Invest in child survival and health programs. Focus on simple aspects of child survival that ensure that children do not die before their fifth birthday. These health interventions will stimulate a desire for smaller, healthier families that will set the stage for economic growth. Programs need to pay special attention to first-time young mothers, where child mortality and illness are highest.

BOX 4

Additional Economic Investments to Maximize the Demographic Dividend

To achieve a demographic dividend, governments must also implement economic policies that create jobs and economic growth. Part of what contributed to the early economic growth of South Korea and the other Asian Tigers was that, as they were making investments in health, education, and family planning, governments were also creating policies to attract foreign investment, promote the export of locally manufactured goods, and create a minimum wage to raise standards of living. Together, these orchestrated policy changes laid a solid foundation for rapid economic growth.

Trade policies that both create markets for domestically produced materials and reduce barriers that limit foreign materials from entering the country are one of the keys to fostering economic growth. The experience of South Korea also reflects the need for economic policies to attract foreign investments necessary to create jobs and develop a manufacturing infrastructure. These steps brought large infusions of foreign capital into the country while also creating manufacturing jobs for products to be exported.

At the same time, economic opportunity must also reach rural and poorer segments of the population. Microfinance programs in rural areas have demonstrated that they can provide income-generating support to the poorest and most vulnerable populations. Reaching these segments with low-interest loans to families or small cooperatives will stimulate economic growth and create opportunities for people who live outside of emerging urban industrial areas.

Additional economic policies must promote individual savings and investments. With fewer children, families have more disposable income and are better positioned to save and invest. However, policies and economic stability need to exist so that all people—not just the wealthy—are encouraged to save and can access financial markets.

Source: David E. Bloom, David Canning, and Jaypee Sevilla, *The Demographic Dividend: A New Perspective on the Economic Consequences of Population Change* (Santa Monica, CA: RAND, 2003).

Invest in the reproductive health needs of both married and unmarried youth. Investments in programs and policies to end child marriage, delay first pregnancy, space births, and avoid mistimed pregnancy among adolescents are critical.

Prioritize education—especially secondary education for girls. Research shows that primary education helps youths read and write, but secondary school helps delay marriage and pregnancy, and gives young people the skills and confidence to be effective in the labor force. Education fosters lower fertility and is a fundamental investment for a stronger economy. Education programs need to prepare students for the 21st century labor force. And greater participation in the labor force will allow countries to reap the economic rewards of the demographic dividend.

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