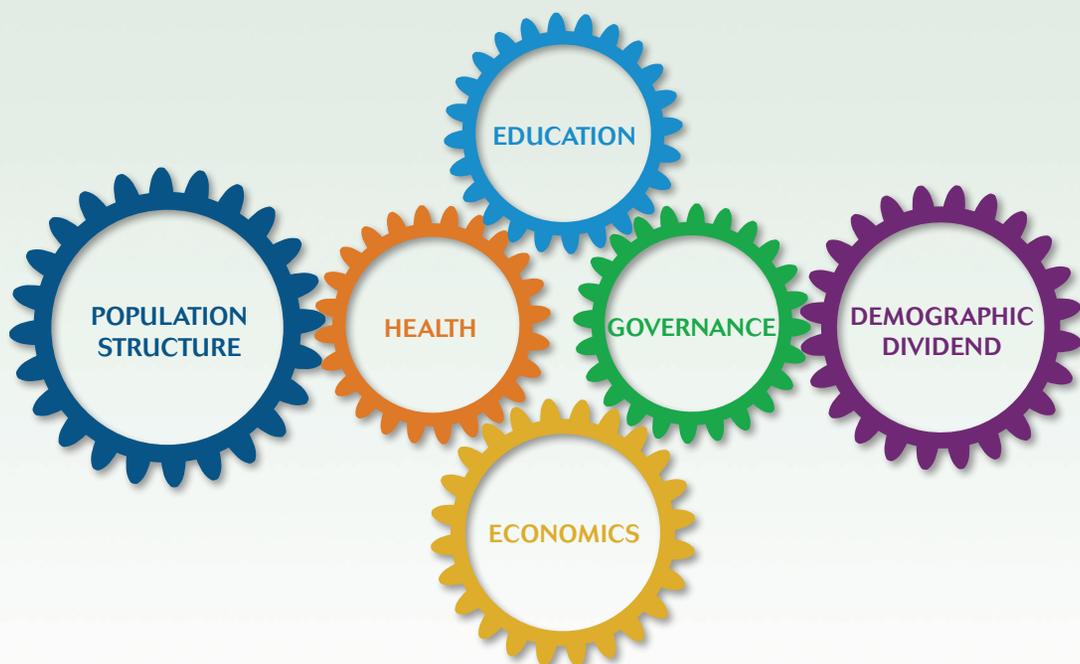




Malawi's Pathway to a Demographic Dividend



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Malawi's Pathway to a Demographic Dividend

Over the past decade, countries throughout Africa have experienced sustained economic growth. Despite this growth, almost two of every three people—or 600 million—are still living on less than \$2 per day.¹ Like many of its neighbours, Malawi experienced consistent economic growth during the mid-2000s, though this growth had little effect on poverty.² In view of this situation, the government of Malawi has set a priority of broad growth and poverty reduction, while addressing the country's more recent economic slowdown.³ Accelerated economic growth is needed to reduce inequality and poverty and to improve people's lives across the country.

Malawi can achieve this accelerated economic growth by making strategic investments in health and education and building on existing policies that support job creation. Many countries across Asia, Latin America, and North Africa made these investments and benefited from a demographic dividend—the accelerated economic growth initiated by a decline in fertility and resulting shift in the population age structure. An economic window of opportunity opened in these countries as a result of a rapid decline in fertility, which increased the proportion of working-age people relative to dependent children. Countries responded by further improving health and education, attracting foreign investments and enacting economic policies that created jobs, resulting in economic growth and reductions in poverty and inequality.

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

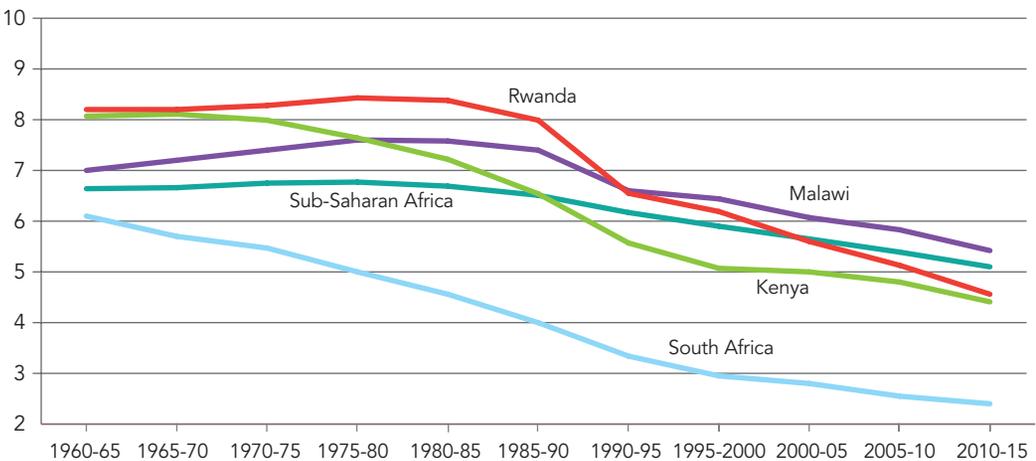
Lowering Fertility Helps Transform the Population Age Structure

Today, 46 percent of Malawi’s population is under age 15,⁴ and while youth can be a great force for economic and political change, there is a common misperception that a large youth population is itself an indicator of a coming demographic dividend. Before thinking about a demographic dividend, countries must first achieve a demographic transition—from high to low birth and death rates—and focus on lowering fertility. Although Malawi has already made significant progress in reducing infant and child mortality, fertility remains high, with women averaging 5.7 children over their lifetimes.⁵ And as long as fertility and the resulting population growth rates remain high, the size of the population under age 15 will be larger than the working-age adult population. This very young age structure will not allow for a demographic dividend, because families and the government will have to struggle to adequately invest in the health and education of children and in the infrastructure needed to spur job creation and economic growth. Lowering fertility and shifting the age structure of the population are critical first steps toward achieving a demographic dividend.

Fertility has been declining in Malawi since 1975, when women had, on average, 7.6 children over their lifetimes.⁶ This decline, however, has been slow, with the average number of children per woman dropping by just 2.2 over a 35-year period.⁷ In contrast, during the same period, fertility fell in other sub-Saharan African countries at a faster rate: in Kenya, for example, by 3.2; and in Rwanda by 3.8. Today, fertility still remains high in Malawi, and at 5.7 children per woman, is among the highest in Africa (see figure).⁸ The United Nations projects that fertility

Malawi’s Fertility Rate Is Decreasing Slowly

Number of Children per Woman



Source: United Nations Population Division, *World Population Prospects: The 2012 Revision* (medium variant) (New York: UN, 2013).

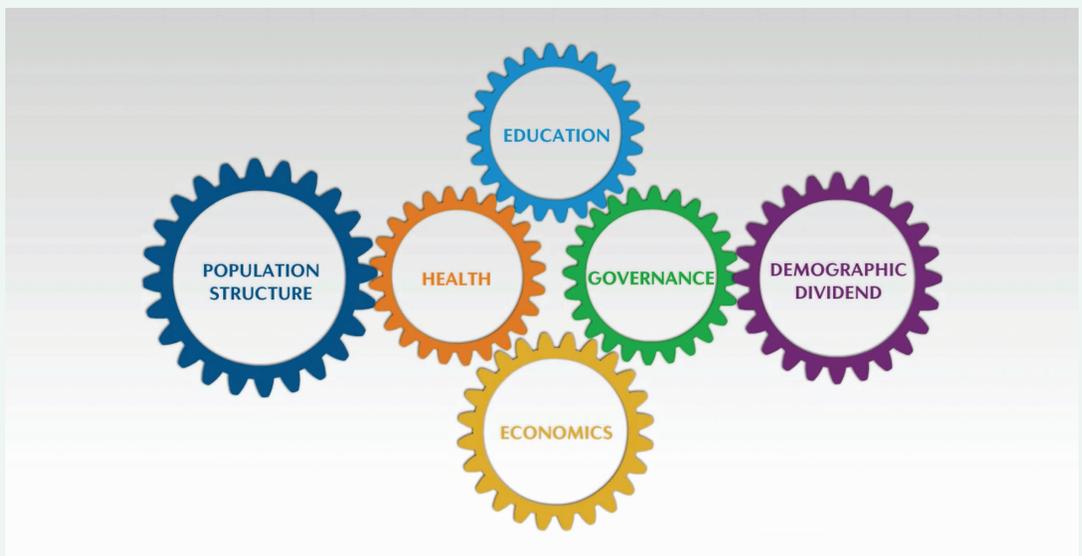
in Malawi will continue declining, but slowly, reaching 3.2 children per woman in 2050 (under the medium-variant assumption).⁹ If action is not taken to spur a more rapid decline in fertility, then the demographic transition could stall and the population changes needed to initiate a demographic dividend might not be achieved.

BOX 1 Demographic Dividend

To realise a demographic dividend, Malawi must make strategic investments in four key areas:

- **Initiating Demographic Change.** The first step toward a demographic dividend is a rapid fertility decline through investments in family planning child survival and educating girls.
- **Improving People's Health.** Healthy children do better in school, and this success ultimately contributes to a higher-skilled labour force. Youth also have health needs to be addressed, and maintaining the health of adults is critical to economic productivity.
- **Investing in Education.** Education systems must focus on ensuring that more young people complete school and giving youth the skills to adapt to the changing labour market.
- **Implementing Economic and Governance Policies.** Economic and governance policies must foster job growth and investment in labour-intensive sectors, support the expansion of infrastructure, promote trade to ensure access to international markets and create a secure environment and incentives for foreign direct investment.

Policy Interventions Facilitating a Demographic Dividend



Greater political commitment and increased resources for family planning are critical to putting Malawi on a path toward a demographic dividend. Although Malawian women are increasingly opting to use modern methods of contraception, one in four women still have an unmet need for family planning, meaning that they do not want to become pregnant but are not using a modern method of contraception.¹⁰ Family planning programs can reduce unmet need by giving couples the information and services they need to prevent unintended pregnancies, and have healthy timing and spacing of births. Reducing unmet need will help accelerate the pace of Malawi's demographic transition. By increasing current investments in family planning and meeting women's needs for family planning, the country can initiate the changes needed to capitalise on the demographic dividend.¹¹

Improving child survival to increase desire for smaller families. Child health and family planning programmes can also spur a greater desire for smaller families through improved birth spacing and better child health, both of which lead to improved child survival. And while Malawi has made progress in improving child survival, there is still work to be done, particularly among the poorest families.¹² Children conceived within two years of the previous birth have a much higher risk of dying than those children conceived three or more years after the previous birth.¹³ Family planning contributes to child health by promoting healthy timing and spacing of pregnancies. Furthermore, couples will also choose to have smaller families when they know that each child has a better chance of surviving; and when parents have fewer children, they are better able—and more willing—to invest in their children's health, education and well-being.¹⁴ In Malawi, couples still desire large families, ideally with four children.¹⁵ Together, child health and family planning programmes can improve child survival and contribute to couples desiring smaller families, thus setting the stage for a demographic dividend.

Information and education can remove barriers to family planning use.

Another key strategy to lowering fertility is to reach the public with messages about the health and economic benefits of smaller and healthier families, and to provide women and men with voluntary family planning information and services. Many long-standing barriers to family planning use remain, 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.¹⁶ By informing the public about the benefits of smaller families, working to overcome barriers and promoting the use of modern contraception among those who need it most, fertility rates will decline and countries can begin to change their population age structure, setting the stage for a demographic dividend.

Education helps initiate a demographic dividend. In the case of girls, education—especially at the secondary level—is a critical investment for initiating the needed fertility decline, because girls who are more educated tend to marry later and find new opportunities for work beyond their traditional roles in the home.¹⁷ These women tend to have fewer children than women who marry at a young age. Women in Malawi present a similar case, as those with more than secondary

education marry and begin childbearing, on average, at age 24.4, six to seven years later than women without education, who give birth at age 18.4 on average.¹⁸ Delaying marriage and childbearing by five years could appreciably decelerate future population growth in African countries where girls marry young and fertility is high.¹⁹ In Malawi, a country where half of women are married by age 18 and disparities between the educated and uneducated are significant, policymakers should prioritise completion of secondary education among Malawian girls in an effort to slow population growth.²⁰

Educating girls is also an important long-term economic investment for Malawi, because girls with more education tend to participate in the formal labour force and have higher earning potential. A single year of primary school boosts a woman's wages later in life by 10 percent to 20 percent, while secondary education results in a 15 percent to 25 percent increase in a woman's wages.²¹ Only 15 percent of women in sub-Saharan Africa earn formal wages and salaries, and far more participate in the informal sector.²² The skills and experience that women gain through secondary education could position them to take on higher-paying jobs in the formal sector or have better chances of securing financial support for small businesses. These increases in formal labour force participation and earnings translate into contributions to the overall economy as well as to individual households, thus supporting the initiation of a demographic dividend.

In addition to education, lower fertility can also be a driver of the contributions that women and girls make to the economy in Malawi. Research shows that with each child, a woman spends about two years out of the labour force, implying that a reduction in fertility can enhance women's productivity and contribute to economic growth.²³ In addition, women in sub-Saharan Africa who have children under age 2 are less likely to have wage-earning work.²⁴ Taken together, this research reinforces the importance of prioritising women and girls in initiating a fertility decline and promoting economic development through education and family planning programmes.

Creating an Enabling Environment to Reap a Dividend

Investing in health for future productivity. Additional investments in health, education and gender equity are needed for Malawi 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.

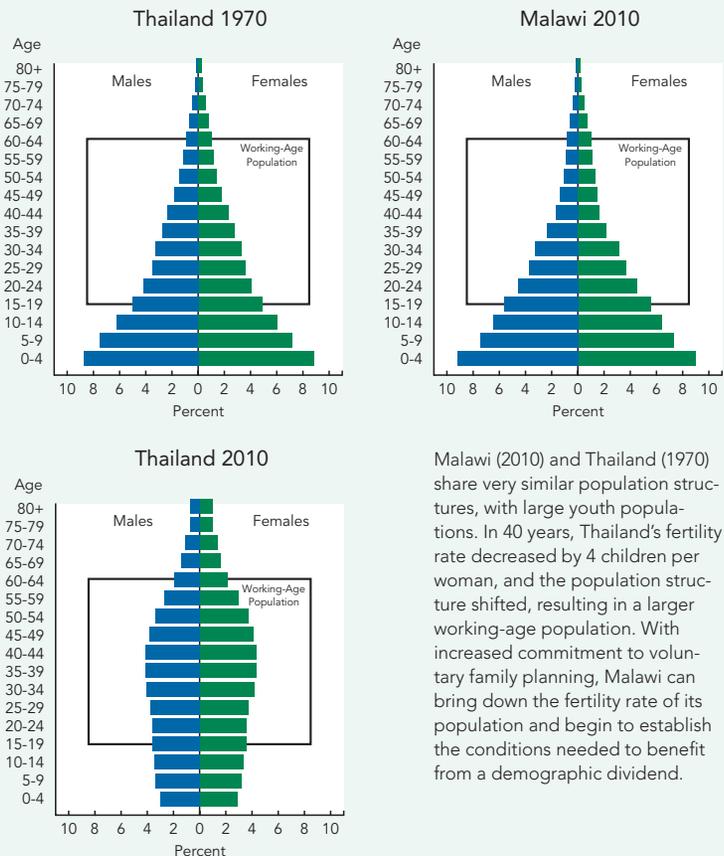
Investing in child health is an investment in the skills, abilities and development of a population, leading to improved education and labor outcomes. Improved health among children not only increases their likelihood of survival and contributes to a desire for smaller families, but also benefits children, their families and

BOX 2 Learning From Thailand's Demographic Dividend

Thailand provides an example of a country that earned a demographic dividend by making key investments in voluntary family planning, which helped initiate a decline in fertility and a shift in the population age structure. To achieve this success, Thailand first addressed slowing its population growth by expanding access to and use of 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.

In 1970, Thailand had a population structure similar to Malawi's current structure: A broad base representing a large number of children in relation to the working-age population. By 2010—only 40 years later—Thailand's sustained low fertility resulted in a population structure in which the group ages 25 to 64 is larger than the population under 25. An increase in contraceptive use underpinned the fertility reduction in Thailand—from 15 percent in 1970 to approximately 80 percent in 2010. As a result, Thailand's population has become older, with higher educational levels and improved health.

Thailand's dramatic achievements, a result of innovation and commitment to voluntary family planning within the Ministry of Public Health, provide an example of the actions that are needed in Malawi, a country which has not yet completed the demographic transition. Although Malawi and Thailand are very different countries, Malawi can still benefit from understanding the main lessons of Thailand's experience: Innovation and commitment to voluntary family planning are key first steps to completing the demographic transition and bringing down the fertility rate.



Malawi (2010) and Thailand (1970) share very similar population structures, with large youth populations. In 40 years, Thailand's fertility rate decreased by 4 children per woman, and the population structure shifted, resulting in a larger working-age population. With increased commitment to voluntary family planning, Malawi can bring down the fertility rate of its population and begin to establish the conditions needed to benefit from a demographic dividend.

Sources: United Nations Population Fund, *Impact of Demographic Change in Thailand* (Bangkok: UNFPA, 2011); and United Nations Population Division, *World Population Prospects: The 2012 Revision (low variant)* (New York: UN, 2012).

their communities. For children to make the most of educational opportunities, they must be healthy and attentive at school. Health programmes that provide immunisations and prevent and treat many common infections will help children excel in school, and to be better-educated and more-skilled workers over the long term.

Nearly half of children under age 5 in Malawi are too short for their age, an indicator of chronic malnutrition.²⁵ Good nutrition fosters cognitive development among infants and young children and sustains child health. Improving nutrition ensures that children reach their full cognitive potential and perform their best in school. As children grow into adolescents, they need different types of health services. They must have access to reproductive health information and services to avoid unplanned pregnancies and to prevent HIV and sexually transmitted infections—all of which can undermine educational opportunities, especially for girls. Investments in promoting healthy lifestyles during young adulthood ensure that youth transition into healthy adults who can contribute productively to the economy.

A skilled workforce is an educated workforce. When both boys and girls have access to high-quality education, accelerated economic growth is possible. Links between education and economic development are well established, with numerous studies finding positive relationships between higher levels of educational attainment and development indicators such as GDP growth, productivity and good governance.²⁶

Increasing the educational attainment of all individuals also builds a skilled workforce, a necessary component in transforming demographic change into economic growth. Malawi has the opportunity to increase the education levels of its population and thereby hasten its socio-economic growth and development. While more than half of Malawians age 15 to 19 have attained some primary school, only 14 percent of this age group has completed their primary schooling.²⁷ Completion of higher education levels is even lower, with only 8 percent of the population having completed secondary schooling, and only 3 percent with some degree of post-secondary education.²⁸ Secondary school completion also varies widely among income levels, with approximately 14 percent of the wealthiest in the population completing secondary school, compared with less than 1 percent among the poorest.²⁹ To prepare young people for skilled jobs, the government must focus on increasing education levels of all people in the country, with special attention to the poorest and most vulnerable populations.

In addition to increasing the number of students who complete secondary school, Malawi must raise the quality of the education system and provide more vocational training to help develop key workforce skills. Education programs can build Malawi's workforce by refocusing efforts to prepare its citizens to work in labour-intensive sectors such as manufacturing, value-added agriculture and services. These investments may also make Malawians more competitive in the

international labour market. To take advantage of the dividend opportunity, it is essential that the working-age population receives a quality education to ensure a supply of adequate skilled labour that can motivate investments and fuel private-sector growth.

Strengthen economic policies to create job growth. To take advantage of a shift in the age structure and a greater proportion of the population at working ages, it is also critical that Malawi make strategic investments and develop policies that create jobs. Key steps include strengthening government institutions, investing in labour-intensive sectors and creating policies that attract foreign investment. Investments in infrastructure and policies that encourage and stimulate economic sectors will create jobs, and absorb the large number of young people entering the workforce into productive, formal-sector employment. Sectors already identified in Malawi's Economic Recovery Plan, such as diversified commercial agriculture, tourism, energy, mining and infrastructure development, are often labour intensive and contribute substantially to both employment and GDP growth.³⁰ A successful job creation strategy must identify and promote growth within these sectors. The experience of countries that have benefited from the demographic dividend has shown that an explicit jobs strategy that encourages growth in labour-intensive sectors can have significant and positive results.

Stronger public institutions are also key to supporting economic growth. In addition to creating a jobs strategy, Malawi must continue to improve the efficiency and effectiveness of its government institutions. Weak governance is often reflected in insufficient laws, inefficient bureaucracies, lack of government stability and corruption. With the national anti-corruption strategy launched in 2008, Malawi has made great progress in reducing corruption and improving perception of public institutions.³¹ The country can continue to build on this progress and focus on implementing policies to continue stabilising infrastructure—including access to electricity, gasoline, and reliable transportation—that will allow companies to better capitalise on opportunities for growth and expansion. Implementing financial reforms and policies that eliminate unnecessary regulation, bureaucracy and corruption—all of which raise the cost of doing business—will aid in creating a more attractive business environment.³²

Trade policies that create markets for domestically produced materials, reduce barriers that limit foreign materials from entering the country and promote export of locally manufactured goods are keys to fostering economic growth. Policies that encourage and attract foreign investment also create jobs and a manufacturing infrastructure. Implementing these policies can help Malawi capitalise on the demographic dividend.

Recommended Actions

The demographic dividend of accelerated economic growth provides much promise for economic prosperity in Malawi, but for the process to begin, the government must give high priority to substantially lowering fertility and child mortality. Once Malawi addresses the size and extremely young age structure of its population, the country will be positioned to achieve levels of economic growth that it could not otherwise reach. To bring about this desired level of growth, leaders need to immediately prioritise four key actions:

Commit to voluntary family planning to achieve the demographic transition.

Malawi needs to make voluntary family planning information and services available, responding to the needs and method choices of all women, but especially the poor and the young, who tend to have more children but fewer resources to invest in the health and education of their children. More than one in four women in Malawi do not want to become pregnant right now or want to limit childbearing, but are not using a modern method of family planning.³³ Helping these women avoid unintended pregnancy will help Malawi set the stage for the demographic dividend.

Invest in child survival and health programmes. A focus on simple aspects of child survival can ensure that children do not die before their fifth birthday. These health interventions will stimulate a desire for smaller and healthier families and allow for families and governments to invest more in the health and education of each child.

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

Develop economic policies to foster job creation and foreign investment.

Economic and governance policies must foster job growth and investment in labour-intensive sectors. These investments will support job growth in both the immediate and long term.

Conclusions

The demographic dividend provides a framework for thinking about economic growth at a time when population age structure is changing. Having a youthful population does not ensure economic growth; what a young population does provide, however, is the opportunity for countries to invest in voluntary family planning, health, education and economic policies, and potentially earn a demographic dividend. The experiences of countries in Asia and Latin America, and the trends for a few countries in Africa, show a path toward economic progress that Malawi can take with the right set of strategic investments.

Addressing rapid population growth and achieving lower levels of fertility are critical to realising a demographic dividend in Malawi. Together, efforts to improve child survival and expand educational opportunities, especially for girls, contribute to lowering fertility and setting countries on the course for a demographic dividend. Investing in Malawi's future labour force—education for girls and boys and health improvements for the entire population—will position the country to take advantage of economic opportunities presented by a dividend.

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