Policy Brief

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How Demographic Change Can Spur Development In Kenya

Kenya's young people will be the driving force behind economic prosperity in future decades, but only if policies and programs are in place to enhance their opportunities and encourage smaller families.

A virtuous cycle can result from having a larger, better-educated workforce with fewer children to support—children who will in turn be more educated and employable, provided that institutions are strengthened and viable economic policies are in place. This policy brief explains how Kenya can benefit from these changes by investing in voluntary family planning, health, education, and gender equality, along with policies that help put the new generation of young people to work.

Many developing countries have young populations because of recent decades of high fertility (births per woman) along with improvements in child survival. A drop in births can change a country's age structure and can profoundly affect the economy.[1]

When youthful populations become older and have fewer children than previous generations, a bulge in the working-age population results. When there are more working-age adults relative to children and the elderly, then working-age people have fewer people to support with the same income and assets, and an economic window of opportunity opens. Countries across Asia, Latin America, and North Africa that experienced these demographic shifts made investments to improve health and education and benefited from a demographic dividend. These countries improved health and education, attracted foreign investment, and enacted economic policies that created jobs, resulting in economic growth and reductions in poverty and inequality.

Kenya's Pathway to a Demographic Dividend

To realize a demographic dividend, Kenya 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 labor 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 labor market.
- **Implementing Economic and Governance Policies:** Economic and governance policies must foster job growth and investment in labor-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.

Figure 1. Policy Interventions facilitating a demographic dividend.

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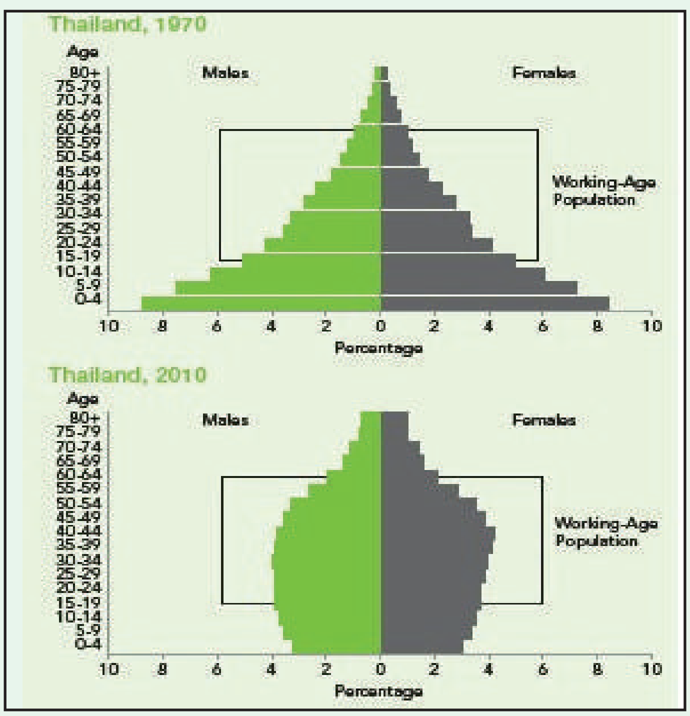
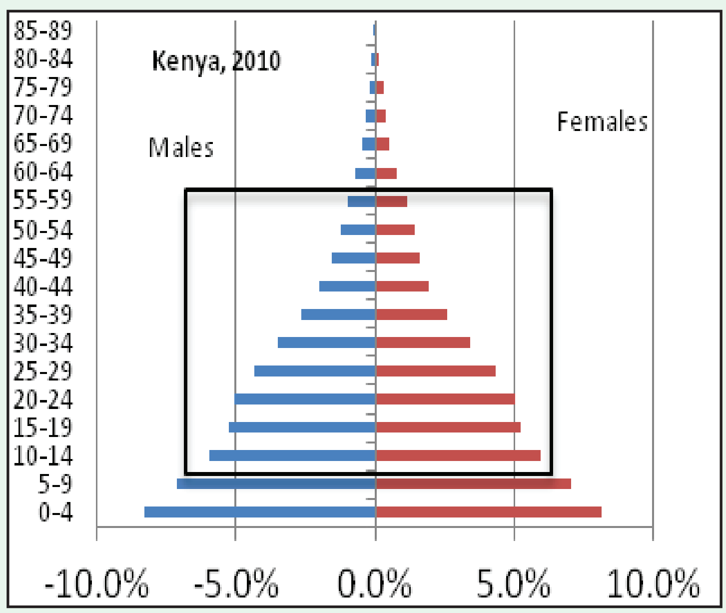
As shown in figure 2 and 3 Kenya (2010) and Thailand (1970) share very similar population structures, with large youth populations. In 40 years, Thailand's fertility rate decreased by 4 children per woman, and the population structure shifted, resulting in a larger working-age population. With increased commitment to voluntary family planning, Kenya can bring down the fertility rate of its population and begin to establish the conditions needed to benefit from a demographic dividend.

Figure 2: Population Change in Thailand



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

Figure 3: Kenya Population Pyramid



Source: United Nations Population Division, World Population Prospects: The 2012 Revision, low variant (New York: UNFPA, 2012)

Learning from Thailand's Demographic Dividend

Thailand provides an example of a country that experienced 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 Kenya's current structure: A broad base representing a large number of children in relation to the working age population (Figure 2). By 2010 – only 40 years later – Thailand's sustained low fertility resulted in a population structure in which the group aged 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 Kenya, a country which has not yet completed the demographic transition. Although Kenya and Thailand are very different countries, Kenya 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. Investments in family planning should be combined with improvements in health, investments in education, and implementation of sound economic policies in order to achieve a demographic dividend.

How Can Kenya Reap this Dividend?

Kenya can achieve this accelerated economic growth by making strategic investments now. Today, 43 percent of Kenya's population is under age 15 (see figure 3)[2], and while the country has made significant progress in reducing infant and child mortality, total fertility remains high. Women have 4.6 children on average during their lifetimes, according to the latest demographic and health survey.[3] The survey also showed that one in four women would prefer to postpone pregnancy or stop childbearing altogether, but that they are not using effective contraception to prevent an unintended pregnancy.[4]

These women are referred to as having "unmet need" for family planning. As long as women have more children than they desire 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 in Kenya. 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. Thus, the government needs to invest in services that help women and couples have the number of children that they desire. Some of the necessary investments and policy changes are described below.

Increased resources for family planning are critical

Family planning programs can reduce unmet need for contraception by giving couples the information and services that they need to prevent unintended pregnancies and have healthy timing and spacing of births. Having fewer births, in turn, can increase the contributions that women make to the economy, in part because of the time they spend out of the workforce when they have young children.[5] Researchers have estimated that if Kenya increases its investments in family planning, then it can experience a substantial increase in income per capita in 2050.[6] Information and education will be needed to address long-standing barriers to modern contraceptive use, such as concern about health risks or side effects, traditional views and social norms, opposition from husbands, and problems related to access.[7]

Investments in health spur future productivity

Investing in child health is an investment in the skills, abilities, and development of a population, leading to improved education and labor outcomes. Health programs that provide immunizations and treat common illnesses will help children excel in school and to be better-educated and more-skilled workers in the future. As children grow into adolescence, they need different types of health services.

They must have access to reproductive health information and services to avoid unplanned pregnancies and to prevent sexually transmitted infections, including HIV—all of which can undermine educational opportunities, especially for girls.

Education is key to initiate the demographic dividend

Educating girls—especially at the secondary level—is a critical investment for initiating change, because girls who are more educated tend to marry later and find opportunities for work beyond their traditional roles in the home.[8] Also, educated women who marry later have fewer children than do women who marry at a young age. While most Kenyans have completed primary school, secondary school completion rates are lower, with notable differences between men and women. Approximately 25 percent of women ages 20-24 have completed secondary school or higher, compared to 37 percent of men.[9] Kenyan women with a secondary education or higher marry, on average, at age 22.4, almost five years later than women without education.[10]

Delaying marriage and childbearing by five years allows women to complete their education and start a career, resulting in smaller families and reduce population growth.[11] Prioritizing women and girls in education and family planning programs is important for initiating a fertility decline and promoting economic development.

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.[12] Kenya must also adapt education policies to respond to changing labor-market needs. It must raise the quality of the education system and provide more vocational training to help develop key work force skills. Education programs can prepare the workforce to thrive in labor-intensive sectors such as building infrastructure, manufacturing, green employment in agriculture and energy, and services such as tourism.[13]

Economic policies should focus on creating jobs.

To take advantage of a large youth population moving into the working ages, Kenya must develop policies that enhance job growth. Key steps include strengthening government institutions, investing in labor-intensive sectors, and creating policies that attract foreign investment.

Lowering fertility and changing the population age structure is a first step toward a demographic dividend.

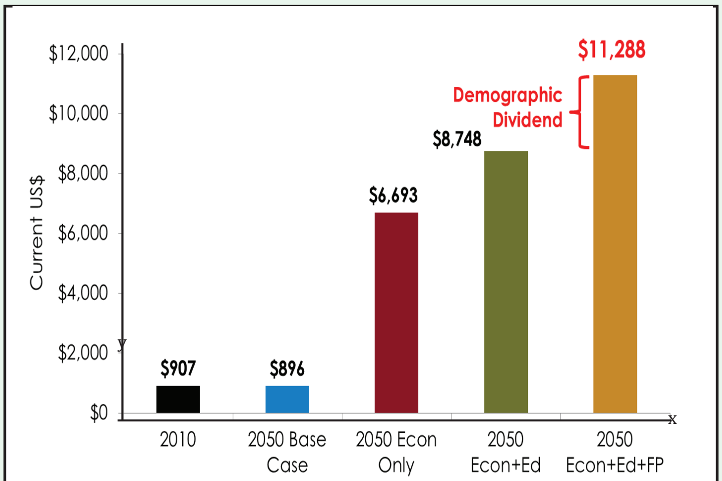
The challenge for Kenya is to create enough new jobs in the formal sector to satisfy the number of workers available. While the economy created approximately 659,000 new jobs in 2012, about 90 percent of them were in the informal sector, which is characterized by underemployment and low productivity.[14]

Stronger public institutions are key to supporting economic growth

Kenya 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. The World Bank's 'Ease of Doing Business' Indicators ranks Kenya at 121, and the country is committed to ranking in the top 50.[15] Implementing the plans outlined in the government's Vision 2030, including the Public-Private Partnerships Act of 2013 and the Strategy for Public Finance Management Reforms, would help facilitate private sector investment in infrastructure and enhance transparency and accountability for improved services. 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.

Unmet need is the percentage of women who do not want to become pregnant but are not using contraception.

Figure 4: Investing in Kenya's Future



Source: National Council for Population and Development and Health Policy Project

Kenya can achieve a demographic dividend by investing in sound economic policies, improving education and increasing family planning.The Health Policy Project estimates that when Kenya makes these investments, GDP per capita will increase more than twelve times between 2010 and 2050 (Figure 4). [16]

Recommended Actions

The demographic dividend of accelerated economic growth provides much promise for future prosperity in Kenya, but for the process to begin, leaders need to give immediate priority to four key actions:

- **Commit to voluntary family planning programs:** Kenya needs to make contraceptive information and services available and affordable, responding to the needs and method choices of all women, and 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.

- **Invest in child survival and health programs:** Improving basic health services such as antenatal care, delivery and postnatal care, and immunization services, would reduce infant and child deaths, which in turn would encourage women and couples to have smaller and healthier families and invest more in the health and education of each child.

- **Prioritize education—especially secondary education for girls:** Secondary school helps girls to delay marriage and pregnancy and gives young people the skills and confidence to be successful in the labor force. In addition to closing the gap between girls and boys in secondary education, the government should put in place education programs that prepare students for the 21st century labor force.

- **Develop economic policies and strengthen governance:** To foster job creation and foreign investment, economic and governance policies must foster job growth and investment in labor-intensive sectors, including agriculture, livestock, fisheries, manufac turing and trade. Improving the efficiency and effectiveness of institutions will facilitate private sector investments in Kenya. Population change is not the only force that will shape Kenya's development. But failure to take advantage of the potential demographic dividend could dampen development prospects, while public policies and advocacy to enhance it could reap substantial rewards.

NCPD is a semi-autonomous goverment agency that formulates and promotes population policy and coordinates related activities for sustainable development in Kenya.

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