

Harnessing The Opportunity Of The Demographic Dividend

A Publication by the Global Agenda Council on the Demographic Dividend

What is the Demographic Dividend?

The demographic dividend refers to a window of opportunity when a country's population has proportionally more working adults than non-working dependents. When this happens, the economic payoff can be substantial. But this boon is not guaranteed. To seize the opportunity, timing and policy are critical.

Why does it happen?

The demographic dividend occurs when a country's demographic structure transitions from a preponderance of dependent children to a larger share of working-age people. This demographic transition can be divided into roughly three parts:



EARLY TRANSITION

▼ Reduced mortality ▲ High fertility

- Fertility remains high. Lifespan increases due to improvements in nutrition, sanitary conditions, health and medical practices.
- Population grows rapidly.
- The non-working population is large, made up primarily of children.



MID-TRANSITION

▼ Low mortality ▼ Reduced fertility

- Fertility rates decline. Families have fewer children for a variety of reasons: children live longer, greater access to contraception, or more women work outside the home.
- Population grows as a large number of girls reach childbearing age.
- The working population is large and now includes more women; the number of children and elderly is relatively low.



LATE TRANSITION

▼ Low mortality ▼ Low fertility

- Fertility rates continue to decline or remain stagnant.
- Population grows older and may decline in size.
- The non-working population is large, as more people reach retirement age.

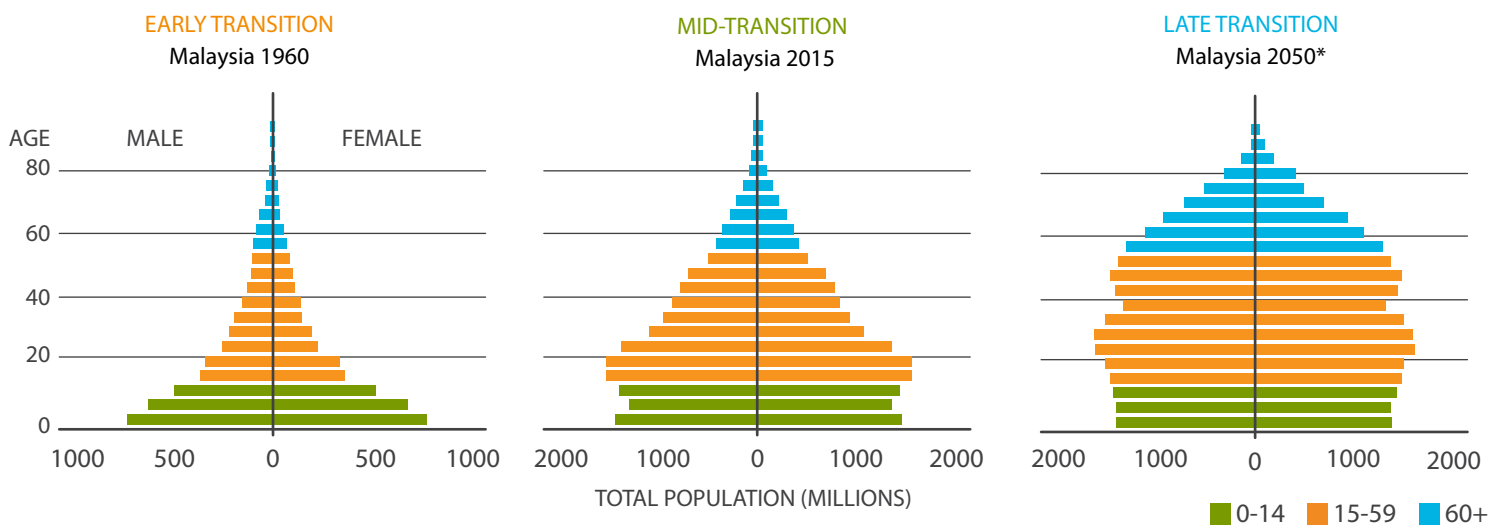
The large working-age population that underlies the demographic dividend is typically preceded by an increased population of adolescents and young adults. This is known as the . If these young people are empowered and educated to be employed productively, the economic rewards will be significant. In addition, the smaller number of children per family generally leads to greater investments per child, greater freedom for women to enter the labor force, and more household savings overall.

How large is the Dividend?

It is estimated that about one quarter to one third of the growth that East Asian 'tiger' economies experienced was due solely to this dividend. Across all countries, between 1960 and 1995 a fifth of all growth can be attributed to fertility declines.

Most developing countries are in or about to enter the middle period of the demographic transition, with the potential to reap an economic windfall. But the demographic dividend is not automatic. The youth bulge presents countries with various challenges in terms of education, job creation, and political stability. Success depends on ensuring that children and youth, both girls and boys, are well educated and that the working-age population is productively employed.

Demographic Dividend: an example from Malaysia



A Policy Framework

While there is no single set of 'magic bullet' policies that can be applied to all countries, no nation has ever achieved the demographic dividend without significant attention to three main policy actions: empower, educate and employ.

Empower

- People, especially women and young girls, must be empowered to make the best choices for themselves and their families.
- Policies must ensure that women and couples have access to family planning services and have the rights and freedoms to make their own reproductive choices.

Educate

- The soon-to-be and already employed must be properly educated and prepared for future employment opportunities.
- Young women must be supported and given the same opportunities to succeed as their male counterparts.

Employ

- Viable employment opportunities must be created for the younger generation. While much of this will happen in the private sector, public policy will affect the level and quality of employment.
- Countries must focus on good governance and strong macroeconomic management to ensure well-functioning labor and financial markets.

Countries entering or in the midst of the demographic transition must act now, or risk missing out.