Investing for a Demographic Dividend

“Harnessing the Demographic Dividend”
HEAIDS Conference, Durban, 10 June 2017

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Three key demographic trends

Why do we care?

What about South Africa?

Investing for a demographic dividend
Three key trends

- Falling fertility
- Falling mortality
- Rising life expectancy
1. Falling fertility

[Graph showing the decline in total fertility rate from 1960 to 2015, with a line labeled 'World' indicating a significant decrease.]
1. Falling fertility
1. Falling fertility

- World
- High Income
- Upper Middle
- Lower Middle
- South Africa
- Low Income

Total Fertility Rate (children per woman)

- 1960
- 1965
- 1970
- 1975
- 1980
- 1985
- 1990
- 1995
- 2000
- 2005
- 2010
- 2015
2. Falling mortality

- Low Income
- Lower Middle
- Upper Middle
- High Income
- World
2. Falling mortality

- Low Income
- Lower Middle
- Upper Middle
- South Africa
- High Income
- World

Infant mortality (per 1000 births)

3. Rising life expectancy

The graph illustrates the rising life expectancy at birth for different income levels:

- **World**
- **High Income**
- **Upper Middle**
- **Lower Middle**
- **Low Income**

Life expectancy has increased over time, with the highest increase observed in Low Income countries.
3. Rising life expectancy

The graph illustrates the rising life expectancy at birth for different income levels from 1960 to 2015.

- **High Income**
- **Upper Middle**
- **Lower Middle**
- **Low Income**
- **World**
- **South Africa**
Result

Boom generations and changing age structure as countries go through the demographic transition
Why do we care?

Economic interactions vary by age.
But, why do we care?

- People engage in the economy differently by age
  - As a result, children are ‘expensive’ (the elderly too)
  - Higher shares of children/elderly require greater share of resources
  - Higher shares in most productive ages, frees up resources for consumption, investment
Age & the Economy

The young consume more than they produce
The old consume more than they produce
The prime working ages produce more than they consume

As the boom generations move into these ages, total labour income grows rapidly
But, why do we care?

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But, why do we care?

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- Higher shares of children/elderly require greater share of resources
- Higher shares in most productive ages, frees up resources for consumption, investment
This is the demographic dividend

...the boost to consumption, living standards, growth that arises due to a rising share of the population within the peak productive ages
What about South Africa?

The demographic dividend is already underway
What about South Africa?

When was South Africa’s ‘baby boom’?

What do the ‘productive ages’ look like in South Africa?
SA’s population structure

- 15-64 yrs
- 0-14 yrs
- 35-64 yrs
- 15-34 yrs
- 65+

Share of the population (%) over time from 1950 to 2100.
SA’s population structure

The graph illustrates the percentage share of the population across different age groups from 1950 to the projected year 2100. The age groups are categorized as follows:

- **0-14yrs**: This group shows a decreasing trend from the 1950s to the early 2000s, followed by a gradual increase in the later years.
- **15-34yrs**: The share remains relatively stable with slight fluctuations over time.
- **15-64yrs**: This group has seen a significant increase in the share of the population, peaking around the year 2040.
- **35-64yrs**: The share of this group has shown a decrease from the 1950s, stabilizing in the later years.
- **65+**: The share of the elderly population has been steadily increasing, with a noticeable rise from the 2000s onwards.
Produce & Consuming

Graph showing Labour Income and Consumption over Age.
Producing & Consuming

- Labour Income
- Consumption

Age vs. Income units

0.0  0.2  0.4  0.6  0.8  1.0  1.2

0  10  20  30  40  50  60  70  80  90+
SA’s demographic dividend
Investing for a Demographic Dividend

Fertility
Jobs
Skills
Health
Gender
More rapid declines in fertility are associated with larger demographic dividends because the boom generations are relatively larger.

But they require even greater urgency in terms of harnessing the dividend as population ageing occurs more rapidly (e.g. China, South Korea).
## Jobs and Skills

Long-term nature of unemployment a major challenge

<table>
<thead>
<tr>
<th>2017Q1</th>
<th>Searching Unemployed</th>
<th>Non-Searching Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>Youth Share</td>
</tr>
<tr>
<td>Never worked</td>
<td>37.7</td>
<td>86.4</td>
</tr>
<tr>
<td>60+ months</td>
<td>18.9</td>
<td>59.1</td>
</tr>
<tr>
<td>12-59 months</td>
<td>18.3</td>
<td>60.5</td>
</tr>
<tr>
<td>6-11 months</td>
<td>8.7</td>
<td>56.6</td>
</tr>
<tr>
<td>1-5 months</td>
<td>16.4</td>
<td>30.1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0</td>
<td>63.6</td>
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</tbody>
</table>
Jobs and Skills

Mean years of education

White
Asian
Coloured
African
Jobs and Skills

- Convergence in mean years of education across race groups, but:
  - Throughput rate (Gr2-Gr12) is around 40%
  - 10% of the 2003 grade 2 cohort passed matric maths
  - Inequalities within the education system
  - Access to higher education a challenge
Gender

Women are responsible for 91% of childcare in South Africa.

61% of all market production in SA is performed by men and boys.

72% of all household production in SA is performed by women and girls.

In an average day, a South African woman spends 3 hours 55 minutes performing household chores and care work.
Gender

• Time spent in care and household activities impacts negatively on women’s ability to search for, find and keep employment

• Women more likely to work the “double shift”—at work and at home

• Gender gaps in employment rates, wages, etc

• Narrowing these gaps can boost the demographic dividend
<table>
<thead>
<tr>
<th>Demographic Dividend</th>
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</thead>
<tbody>
<tr>
<td><strong>Fertility</strong></td>
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<tr>
<td>More rapid declines in fertility are associated with larger demographic dividends</td>
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<tr>
<td><strong>Jobs</strong></td>
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<tr>
<td>Getting youth into jobs will boost the dividend, lay the foundations for a second dividend</td>
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<tr>
<td>Improving ‘quality’ mix of employment will boost the dividend</td>
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<tr>
<td>Encourage retirement saving</td>
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<tr>
<td><strong>Skills</strong></td>
</tr>
<tr>
<td>Invest now in <strong>quality</strong> education across the board, and improve access at the upper levels</td>
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<tr>
<td>Encourage upskilling and lifelong learning</td>
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<tr>
<td><strong>Health</strong></td>
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<tr>
<td>Invest in improving health outcomes and narrowing health inequalities</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
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<tr>
<td>Improve access to education for girls and women</td>
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<tr>
<td>Narrow gender gaps in employment and wages</td>
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<tr>
<td>“Recognise, reduce and redistribute” unpaid care- and housework</td>
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</tbody>
</table>
Thank you