Photo credit: Gunnar Salvarsson

Achieving the Demographic Dividend in Malawi

Elizabeth Leahy Madsen, Senior Technical Advisor
Health Policy Project

What are the potential benefits of the demographic dividend?

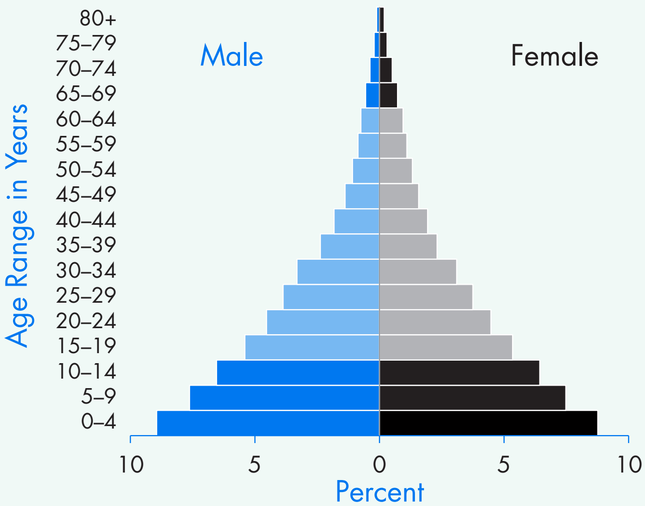
Investment in family planning improves health outcomes, shapes a country's demographic path, and strengthens the impact of other development initiatives in youth employment, education, training, and health. One important opportunity that arises with population change is the demographic dividend. The opportunity for the dividend occurs with a lower fertility rate and an increased share of working-age adults. When this happens, the dividend can boost economic growth and productivity, raising incomes and allowing families and governments to invest more in the health, education, and the well-being of future generations. The dividend has been most successfully achieved in East Asia. Economists estimate that between 1965 and 1990, demographic changes accounted for about one-third of economic expansion in the region, when per capita incomes grew over six percent annually (Bloom et al., 2003).

The opportunity for the dividend arises from the demographic transition – the shift to lower mortality and fertility rates. Malawi and most countries in sub-Saharan Africa are in the early stages of this transition, characterized by youthful and rapidly growing populations. Fortunately, child survival rates have improved, but with high family size, each generation is larger than the one that came before. This means that the window of opportunity for the dividend has not yet opened, because the population is concentrated among children and young adults. Even though the share of young people entering the workforce is large, the share of children is even larger. The demographic dividend only becomes a possibility when fertility rates decline significantly, leading to a lower proportion of children relative to working-age adults. This figure is known as the dependency ratio because children are dependent on their parents and other adults for financial support.

For economic purposes, a country's age structure is more important than its population size or growth rate. People's effects on the economy vary depending on their level of productivity, which in turn is affected by their age. Children, who need basic care from their families for several years, are consumers, not producers. They may begin working and contributing to their family's income at an early age, but this usually means that they drop out of school early, inhibiting their prospects for a high-income profession later in life. Most adults are working, whether in formal or informal employment, producing income and in turn supporting their dependent family members. However, their level of productivity depends on how readily they can find a job and the wages they are able to earn.

Age Structure

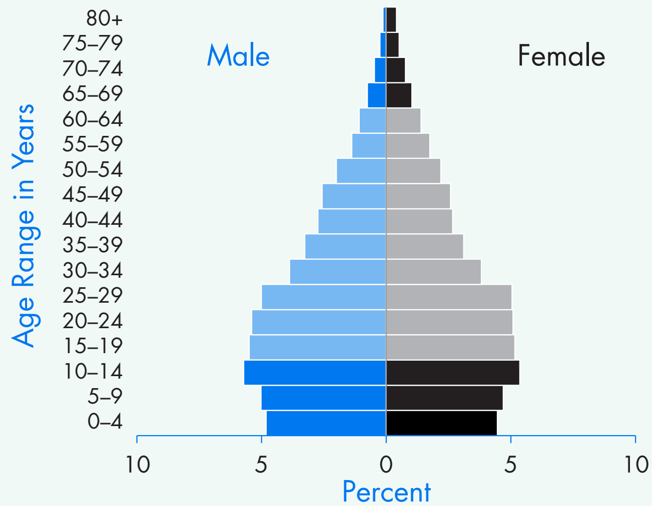
Malawi, 2010



Source: Futures Group and Futures Institute, 2011

Age Structure

South Korea, 1985



Source: United Nations, 2011

Today, Malawi has a very young age structure, with nearly half of the population younger than age 15. Although the working-age population is large, each younger age group is in turn larger than the generation before. In comparison, South Korea entered the window of opportunity for the demographic dividend in 1985. As its fertility rate fell from nearly five children per woman to less than three, the dependency ratio declined and the proportional size of the working-age population grew larger.

Finally, as people age, they stop working, either for health reasons or by choice, and once again become economic consumers rather than producers.

The window of opportunity opens when the proportion of children younger than age 15 falls below 30 percent of a country's total population (United Nations, 2004). In turn, more than 60 percent of the population is composed of working-age adults, who have the potential to be employed and generating income. Today, every country in which the share of children younger than 15 has fallen below 30 percent of the total population has a fertility rate below three children per woman (United Nations, 2011). In order to open the window of opportunity for the dividend, Malawi must reach a fertility rate below three children per woman, about half of today's rate.

Malawi's potential dividend

The primary factor influencing Malawi's population dynamics is the fertility rate, the average number of children per woman, which historically has been very high. While fertility has steadily declined, the pace has been slow. It has taken nearly two decades for the fertility rate to fall by one child per woman, from 6.7 in 1992 to 5.7 in 2010, and in the past five years, the rate of decline has slowed (National Statistical Office et al., 2011). The still-high fertility rate contributes to rapid population growth overall, and also to an age structure that is heavily concentrated among children. Each successively younger age group is larger than the next oldest cohort. The number of children entering school, and the number of young people seeking employment, is growing year by year. In 1980, there were 1.1 million children of primary-school age; in 2010, there were 2.8 million children in the same age group. Not only do most parents have many children to care for, but Malawi's government and economy must provide more services. If the fertility rate stays constant, Malawi will need to approximately triple the number of primary schools and teachers between 2010 and 2040 (Futures Group and Futures Institute, 2011).

Today, every 100 working-age adults is responsible for the support of 94 dependents, mostly children. Such a high dependency ratio makes it difficult for families to increase spending on each child's health and education. However, the country has an opportunity for significant demographic change. If Malawi's fertility rate falls to three children per woman by 2040, the ratio would decline to 65 dependents per 100 working-age adults, which would allow greater investments in the well-being of each child.

Malawi's dependency ratio, 2010–2040

If Malawi achieves the low fertility rate projection of three children per woman by 2040, prospects for economic growth and development will improve. Recently, Malawi's economic growth rate has fluctuated dramatically, and gross domestic product (GDP) is projected to grow at 3.6 percent annually by 2016 (International Monetary Fund, 2011). If fertility stays constant, this would barely surpass the projected annual population growth rate of 3.3 percent, thereby limiting significant improvements in per capita income or living standards.

Currently, Malawi needs to generate about 200,000 new jobs each year due to population growth. If the fertility rate remains constant, 550,000 new jobs will be required annually by 2040, more than twice as many as today's level (Futures Group and Futures Institute, 2011).

What investments are needed?

The demographic dividend is not a possibility unless two related sets of investments are sustained in both the family planning and reproductive health (FP/RH) programs that promote population change and in multisectoral programs that enable economic growth and improvements in quality of life. First, Malawi must reach the window of opportunity for the dividend through a lower fertility rate and more balanced age structure. The window of opportunity will open when the fertility rate reaches three children per woman. This could happen as soon as 2040 if contraceptive use continues to increase and unmet need for family planning is satisfied through universal access to high-quality reproductive health information and services. On average, countries with a fertility rate of three children per woman have a contraceptive prevalence rate of 60 percent, compared to 46 percent in Malawi (Ministry of Finance and Development Planning, 2012).

A more balanced age structure is necessary to open the window of opportunity, but is not sufficient to achieve the development benefits. For the benefits of a larger proportion of working-age adults to be realized, that population must be gainfully employed. Their employment is contingent on the factors that affect the labor market, such as education and training of workers, diversified industries offering jobs, a stable economic climate for savings and investment, and women's ability to enter the workforce.

The demographic dividend offers Malawi an opportunity to stimulate economic development and improved well-being for its people in less than 30 years, but its success requires integrated demographic, economic, and social policies beginning today. When investments in the family planning and women's empowerment programs that promote demographic change are matched with improvements in human capital and a favorable economic environment, the benefits of the dividend will be powerful.


Photo credit: Angeli Kirk

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For more information, contact:

Health Policy Project
Futures Group
One Thomas Circle, NW, Suite 200
Washington, DC 20005
Tel: (202) 775-9680
Fax: (202) 775-9694
Email: policyinfo@futuresgroup.com

www.healthpolicyproject.com