CoM 2013
"Industrialization for an Emerging Africa"
21-26 March 2013 • Sofitel Abidjan Hotel Ivoire • Abidjan, Côte d'Ivoire

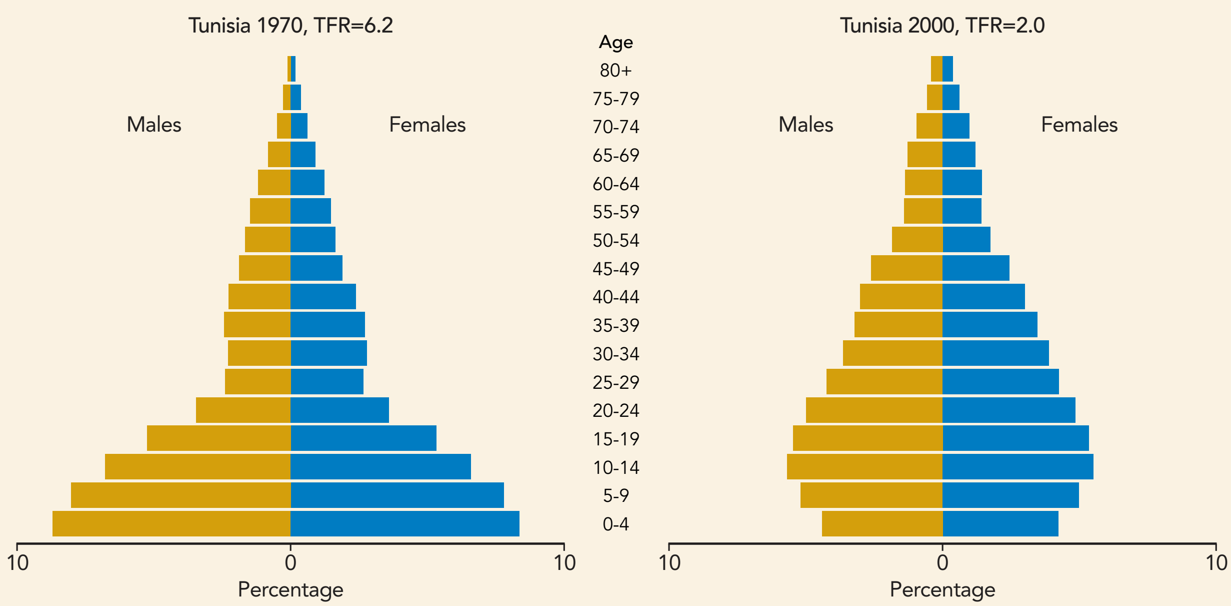
INITIATING THE DEMOGRAPHIC DIVIDEND
BY ACHIEVING A FERTILITY DECLINE

The accelerated economic growth of the demographic dividend remains a possibility for many African nations, but for the process to begin, countries must prioritize strategic investments to lower fertility (children per woman) and child mortality (deaths). Until countries address their extremely young age structure through family planning, education, and other investments that contribute to smaller and healthier families, they will not achieve their full potential for economic growth that comes through a demographic dividend.

For countries to realize a demographic dividend, they need to make investments that lead to having a smaller school-age population and a larger working-age population.

- **Birth Spacing and Family Planning.** Helping women to have healthy spacing and timing of pregnancies, and to have the number of children they want through family planning, is central to lowering fertility and achieving this needed change in population structure.
- **Child Survival.** When parents see their children thriving, they begin to see that having fewer children is beneficial. Investments in child survival are critical to establishing the desire for smaller families.
- **Girls' Education.** Education—especially for girls—plays a critical role in lowering fertility. When girls stay in school longer, they are less likely to get married and bear children at a young age. Girls with a secondary education have fewer and healthier children.

Lower Fertility Facilitates Tunisia's Demographic Dividend



Over a 30-year period, Tunisia underwent a transition that initiated a demographic dividend, with fertility decreasing from 6.2 births per woman to 2.0, and under-5 mortality dropping from 181 deaths per 1,000 live births to 17. At the same time, gross national income per person increased from $874 to $2,146 (in constant 2000 $US), reflecting Tunisia's harnessing its demographic dividend.

FAMILY PLANNING HELPS TRANSFORM POPULATION-AGE STRUCTURE

As a first step toward a demographic dividend, countries must go through a demographic transition—from high to low birth and death rates. Although most countries have made significant progress in reducing mortality, many countries continue to sustain high levels of fertility, and are therefore not poised for a demographic dividend. As long as fertility and resulting population growth rates remain high, the size of the school-age population will be larger than the working-age adult population. Families and governments will struggle just to adequately invest in the health and education of children and will have few additional resources to invest in the infrastructure needed to spur job creation and economic growth.

One key strategy to lowering fertility is to reach the public with messages about the health and economic benefits of smaller, healthier families and to provide women and men with voluntary family planning information and services. More than 50 percent of married women in Africa who don't want to become pregnant or want to delay a pregnancy are not using a modern contraceptive method. Greater political commitment and increased resources for family planning—as seen in several countries in Eastern and Southern Africa—are critical to putting African nations on a path toward making the demographic transition a reality. When women can choose when and how often to become pregnant, they are more likely to have fewer children and are better able to achieve their desired family size. Thus, through promoting use of modern contraception, fertility rates will decline and countries can begin to change population age structure, setting the stage for a demographic dividend.

CHILD SURVIVAL LEADS TO LOWER FERTILITY

A demographic dividend needs a healthy population. When parents see that their children are surviving and thriving, they recognize the need for smaller families and are willing to spend more of their resources on their children's health and education. Investments in child survival play a key role in initiating and sustaining lower levels of fertility; as infant and child deaths decrease, the desire for a smaller family and demand for family planning will increase. In many countries of Africa, couples still desire large families, in part because of high inequality in improvements in child survival. While most African countries have made great improvements in child survival over the last decade, among households in the poorest quintile, child death rates are still nearly double the rate of wealthy households. Correspondingly, total fertility rates are also about twice as high among Africa's poor households than its wealthy ones. The persistent inequality reflects the need to ensure that the poor have access to child survival interventions as well as reproductive health programs, to further facilitate the demographic transition needed for accelerated economic growth.

EDUCATION HELPS INITIATE A DEMOGRAPHIC DIVIDEND

When both boys and girls have access to education, accelerated economic growth is possible. In the case of girls, education—especially at the secondary level—actually helps initiate the needed fertility decline. Secondary education helps girls delay marriage and first pregnancy and opens up new opportunities for women beyond their traditional roles in the home. Women who marry later tend to have fewer children than women who marry at a young age. Studies indicate that in African countries with high fertility and low average age at marriage, future population growth could be slowed by as much as 15 percent to 20 percent by delaying marriage and childbearing by five years. Data also indicate that education is closely tied to childbearing and desired family size. A recent study of 30 African countries found that women with secondary or higher education have on average lower fertility than women with no education (3.4 vs. 6.3 births per woman), and the same is true for desired family size (3.7 vs. 5.6 births per woman). Thus, education has an effect in both reducing fertility and modifying social norms related to childbearing.

Addressing rapid population growth and achieving lower levels of fertility are critical to realizing a demographic dividend. Together, efforts to promote voluntary family planning, improve child survival, and expand educational opportunities for girls contribute to lowering fertility and setting countries on the course for a demographic dividend.

Acknowledgments

This brief was jointly sponsored by the United Nations Economic Commission for Africa (ECA) and the African Union Commission (AUC), with support from the United States Agency for International Development (USAID) and the Bill & Melinda Gates Foundation through the Johns Hopkins Bloomberg School of Public Health and the David and Lucile Packard Foundation. Technical research material was provided by David Bloom, David Canning, Andrew Mason, Ronald Lee, and the Population Reference Bureau.

Africa Union Commission

Economic Commission for Africa

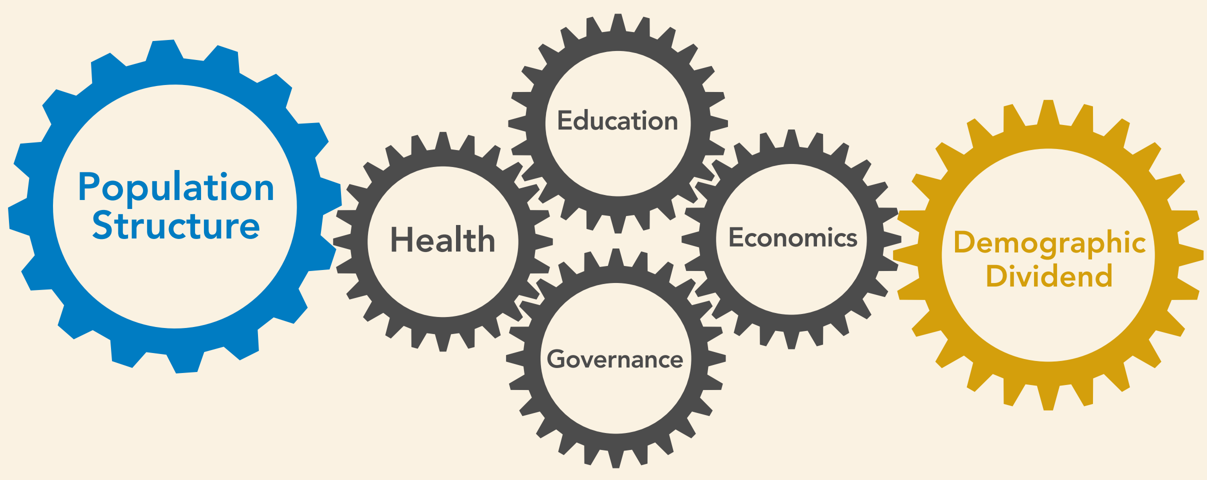
AFRICA AND THE CHALLENGE OF REALIZING THE DEMOGRAPHIC DIVIDEND

Over the past decade, countries throughout Africa have experienced sustained economic growth. Despite this growth, almost two of every three people—or 660 million—are still living on less than $2 per day. Accelerated economic growth is needed to reduce inequality and poverty, and improve people's lives across Africa. The experience of many countries in Asia and Latin America suggests a pathway to this accelerated economic growth. 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 improving health and education, attracting foreign investments, and enacting economic policies that created jobs, which resulted in the accelerated economic growth that is referred to as the demographic dividend.

To realize a demographic dividend, countries 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 adult workers 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.

Defining the Demographic Dividend



The demographic dividend is the accelerated economic growth that may result from a rapid decline in a country's fertility and the subsequent change in the population age structure. With fewer births each year, a country's working-age population grows larger in relation to the young dependent population. With more people in the labor force and fewer young people to support, a country can exploit the window of opportunity for rapid economic growth if the right social and economic investments and policies are made in health, education, governance, and the economy. While the benefits of a dividend can be great, the gains are neither automatic nor guaranteed.

FERTILITY DECLINE AND AGE STRUCTURE TRANSFORMATION

Today, 40 percent of Africa's population is under age 15, and while youth can be a great force for economic and political change, there is a common misperception among leaders 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 and focus on lowering fertility. One key strategy to achieving this goal is by providing women and men with voluntary family planning information and services. One of every two women of reproductive age in Africa who want to avoid becoming pregnant or delay or space births are not using a modern family planning method. Other factors, especially girls' education and child survival, also contribute to the demand for smaller families and the uptake of family planning. When women can choose how often to become pregnant and the timing of those pregnancies, they are more likely to want fewer children and are better able to achieve their desired family size; this sets the stage for a demographic dividend.

INVESTMENTS IN HEALTH

For children to make the most of educational opportunities, they must be healthy and attentive at school. Health programs that provide immunizations and prevent and treat many common infections will help children excel in school and, over the long term, to be better-skilled workers. More than 40 million children in Africa are underweight, yet we know 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 can exceed 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. Adult health is also an area that requires investment. For the labor force to be as productive as possible, adult workers must also be healthy.

EDUCATING YOUTH FOR A CHANGING ECONOMY

Links between education and economic development are well established. The analytic and entrepreneurial skills and experience acquired through secondary education and beyond position young people to take on higher-level jobs in the formal sector or to access loans and financial support that allow them to grow their formal or informal businesses. Education systems must adapt to the changing needs of the economy and provide students with the skills needed to participate in the formal workforce and in creating new business initiatives. Only 17 percent of women in sub-Saharan Africa are wage and salaried workers, compared to 31 percent of men in the region; numbers in North Africa are better (46 percent vs. 57 percent), but a gender gap persists. Thus, girls in particular should be a focus of education efforts. Women who are better educated are more likely to work outside the home in the formal sector—increasing the size of the labor force and the potential for economic development.

ECONOMIC POLICIES AND INVESTMENTS TO CREATE JOBS AND FOSTER SAVINGS AND INVESTMENT

Even as fertility declines, African countries will have large numbers of youth entering the workforce each year. Economic policies and investments must focus on labor-intensive sectors that can create jobs. Trade policies must ensure that local products have access to international markets. Policies are needed to provide incentives for people to save and invest the additional income they make; investments also encourage banks and other financial institutions to yield a profitable return for investors. A labor force that is trained to move into different types of work is also important as the size of the working-age population increases and the economy becomes more diversified. Finally, tax incentives and transparent, efficient government institutions are needed to encourage local and foreign investment. Investments in infrastructure, including ports, roads, transportation, and communication, are also necessary to maximize economic growth.

REALIZING THE DIVIDEND

Africa is the remaining region of the world where many countries still have the opportunity to realize a demographic dividend. Many countries are making progress in the key policy areas, but most countries in East, Central, and West Africa must increase their commitment to strategies that hasten a fertility decline and open the window for a demographic dividend. In Northern and Southern Africa, the fertility decline and age-structure transition and higher levels of education achievement have set the stage for a demographic dividend; now these countries must put in place the right set of economic and governance policies in order to harness a demographic dividend. While each country is unique, the demographic dividend suggests an opportunity for accelerated economic growth in Africa, and the time to take necessary action is now.

Acknowledgments

This brief was jointly sponsored by the United Nations Economic Commission for Africa (ECA) and the African Union Commission (AUC), with support from the United States Agency for International Development (USAID) and the Bill & Melinda Gates Foundation through the Johns Hopkins Bloomberg School of Public Health and the David and Lucile Packard Foundation. Technical research material was provided by David Bloom, David Canning, Andrew Mason, Ronald Lee, and the Population Reference Bureau.

Africa Union Commission

Economic Commission for Africa

CoM 2013

"Industrialization for an Emerging Africa"

21-26 March 2013 • Sofitel Abidjan Hotel Ivoire • Abidjan, Côte d'Ivoire

TOWARD A DEMOGRAPHIC DIVIDEND:
INVEST IN HEALTH AND EDUCATION

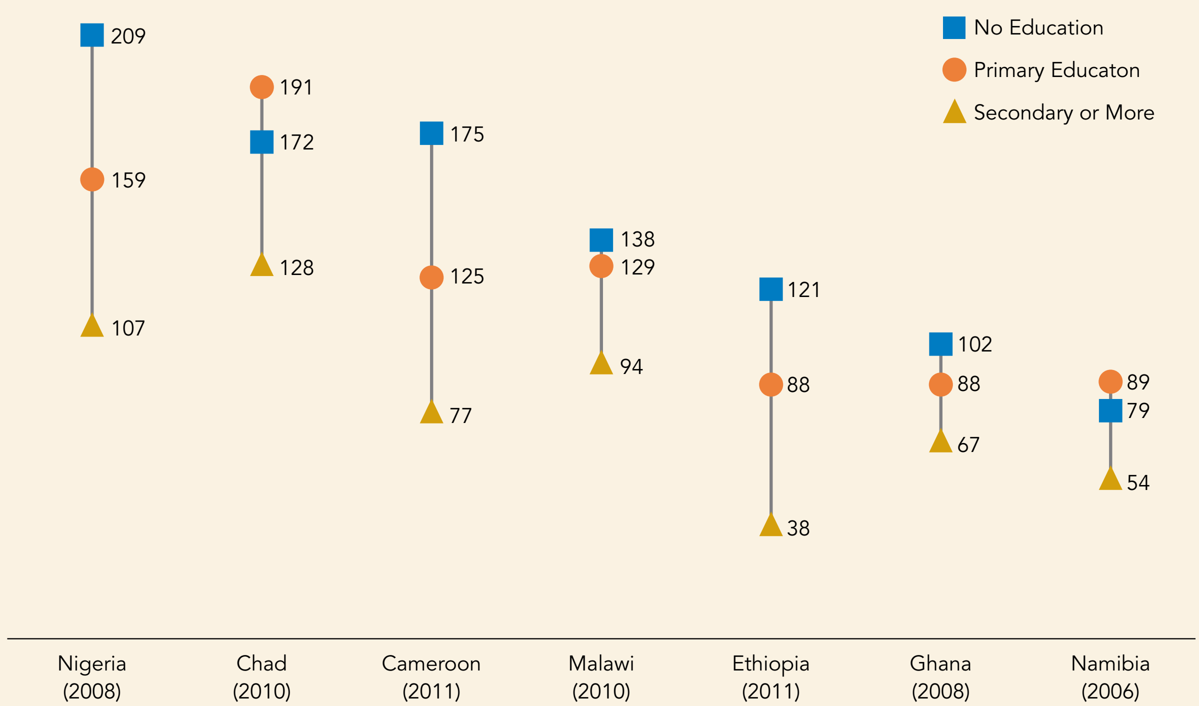
Investments in human capital—health and education—foster opportunities for developing a skilled and healthy labor force. Through strengthening health systems to address the full range of child and adult health needs, children can grow into healthy adults who can contribute more significantly to economic growth. Education allows young people to learn skills to take on higher-quality jobs, and these jobs promote economic development. Through these investments, nations develop a labor force well equipped to move into new opportunities that emerge from a demographic dividend.

Human capital is critical to realizing a demographic dividend. Two key areas of investment that lead to a well-prepared labor force include:

- **Strengthening Health Programs and Systems.** Improvements in health programs and systems can foster the development of a population that is healthy and capable of maximizing its contributions to economic growth.
- **Expanding Educational Opportunities.** Improvements in educational opportunities prepare young women and men with the skills they need to move into formal-sector jobs, earn higher wages, and contribute to a demographic dividend.

Under-5 Mortality by Mother's Education, Selected Countries

Number of Deaths Before Age 5 per 1,000 Live Births



Sources: Demographic and Health Surveys, various years.

Investments in human capital are interrelated and critical to realizing a demographic dividend. This figure illustrates an association between improved education and health—specifically, between mother's education and child mortality rates. While there may be little difference in child mortality based on mothers having no education and primary education, rates are generally much lower when mothers have secondary or higher education.

GOOD HEALTH FOSTERS ECONOMIC GROWTH

Public health programs help prevent an evolving set of health problems that can undermine a person's performance in school and on the job. Starting with infants and children, programs that promote good health and prevent disease and infection will help them grow and develop physically and intellectually. Health programs that provide immunizations and prevent and treat many common infections will help children to excel in school. Good nutrition—especially during the first 1,000 days of life—promotes cognitive development among infants and young children and sustains child health, thereby fostering better intellectual capacity. These positive health outcomes ultimately contribute to better educational outcomes and a more-productive and higher-skilled labor force.

As children grow into adolescents, new health needs emerge. Adolescents 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. Furthermore, health programs for adolescents also need to focus on prevention of smoking, avoidance of drugs and alcohol, sedentary lifestyles, and obesity—all of which can adversely shape the rest of their lives and negatively affect a country's health care system and its economic development.

Appropriate care during pregnancy and delivery plays a key role in reducing maternal and infant deaths. For young women, family planning can help delay their first pregnancy until an age when they are better prepared for childbearing.

A healthy adult population is also critical to realizing a demographic dividend. Healthy workers are more productive, bringing greater income to families and higher levels of economic growth for nations. Addressing HIV prevention and sustaining treatment among both younger and older adults is vital to improving the health of Africa's population and the economic well-being of the continent.

While programs that address health issues are critical, health systems must be strengthened to offer the right combination of services, with trained providers and available supplies. Research demonstrates that good health is linked to strong health systems and programs.

EDUCATION PREPARES YOUNG PEOPLE FOR HIGHER-SKILLED JOBS

Educated adults and their children are healthier and their contributions to economic growth are also greater than people with less education. Education for girls—especially at the secondary and higher levels—is a key development strategy because it increases the number of skilled adults who can participate in the labor force. Educated women also have smaller families, a contributing factor for a demographic dividend.

Primary education completion rates in sub-Saharan Africa are improving; current estimates show that 63 percent of girls and 71 percent of boys complete primary school. However, these completion rates are not uniform across the continent. Only 47 percent of girls and 64 percent of boys complete primary school in Central Africa, compared to 86 percent and 85 percent, respectively, in Southern Africa. While primary school is important, the skills acquired through secondary and higher education lead to higher-paying jobs that accompany the demographic dividend. Research indicates that each additional year of primary school that a girl completes boosts her wages later in life by 10 percent to 20 percent. Returns on secondary school are even higher: Each additional year of secondary school increases her earnings by 15 percent to 25 percent.

As boys and girls progress through school, the skills they learn become increasingly complex. Literacy and numeracy in early primary school are critical to virtually all types of work today. Yet skills acquired through secondary and higher education—the ability to gather information, understand social systems, and develop financial literacy—are vital to creating and filling higher-paying jobs. The dramatic variation in secondary school enrollment ratios suggests uneven opportunities for realizing a demographic dividend throughout all of Africa. In Western Africa, only 25 percent of girls and 40 percent of boys are enrolled in secondary school, compared to 92 percent and 88 percent, respectively, in Southern Africa. With such variations across regions and between boys and girls, some regions will lag significantly in achieving a demographic dividend without investing more in education.

Links between education and economic development are well established. Women who are educated are also more likely to work outside the home. Although 17 percent of women in sub-Saharan Africa earn wages and salaries, far more participate in the informal sector, and the skills and experience acquired 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 informal-sector businesses.

INVESTING IN HUMAN CAPITAL

Across Africa, the levels of investment in human capital vary significantly by region. Northern and Southern Africa have made the greatest investments in human capital, as reflected by high educational achievement and low levels of infant and child mortality. Indicators of human capital in Central Africa are lagging, and suggest the need for greater investments in health and education. Western and Eastern Africa show some progress in human capital, but with significant room for improving health and educational outcomes.

Acknowledgments

This brief was jointly sponsored by the United Nations Economic Commission for Africa (ECA) and the African Union Commission (AUC), with support from the United States Agency for International Development (USAID) and the Bill & Melinda Gates Foundation through the Johns Hopkins Bloomberg School of Public Health and the David and Lucile Packard Foundation. Technical research material was provided by David Bloom, David Canning, Andrew Mason, Ronald Lee, and the Population Reference Bureau.

Africa Union Commission

Economic Commission for Africa

BEYOND THE FIRST DIVIDEND:
SUSTAINING THE SECOND DEMOGRAPHIC DIVIDEND

As a result of a "first" demographic transition, age structures of populations become older. Economically, people often move into higher-paying jobs and countries experience higher per capita income. These social and economic changes motivate people to accumulate greater personal wealth—a process known as the "second" demographic dividend. This second dividend operates in two ways:

- **Greater Accumulation of Wealth.** Lower fertility and increased life expectancy generally lead to greater wealth. First, people accumulate wealth during their working years, and by the time they reach old age their wealth is at or near its peak. Second, as people realize they will live longer, they will be more motivated to accumulate wealth that they can use to support themselves in old age.

- **Greater Investments in Human Capital.** As people's wealth increases, research indicates that they are more likely to invest in the health and education of each of their children. With fewer children to care for, it is possible for parents to invest more resources in each child.

How Big Are the Dividends: The Second Dividend Has Typically Been Larger Than the First[1]

Region	Demographic Dividends			Actual Growth in GDP/N*	Actual Dividend
	First	Second	Total		
Industrial	0.34	0.69	1.03	2.25	1.22
East Asia and Southeast Asia	0.59	1.31	1.90	4.32	2.42
South Asia	0.10	0.69	0.80	1.88	1.08
Latin America	0.62	1.08	1.70	0.94	-0.76
Sub-Saharan Africa	-0.09	0.17	0.08	0.06	-0.02
Middle East and North Africa	0.51	0.70	1.21	1.10	-0.11
Transitional**	0.24	0.57	0.81	0.61	-0.20
Pacific Islands	0.58	1.15	1.73	0.93	-0.79

The second dividend (second column) has been larger than the first dividend, and the combined effects of the two (third column) range as high as 1.9 percent a year in East and Southeast Asia. East Asia benefited greatly from the second demographic dividend: The combined effect of fewer children to support and increasing life expectancy is estimated to have led to an increase in gross national saving rates by approximately 14 percentage points.[2]

* Actual growth in GDP per effective consumer (GDP/N), 1970–2000, in percent a year. The effective number of consumers is the number of consumers weighted for age variation in consumption needs.

** Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, FYR Macedonia, Moldova, Mongolia, Poland, Romania, Russian Federation, Serbia and Montenegro, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

1 Andrew Mason, "Demographic Transition and Demographic Dividends in Developed and Developing Countries," United Nations Expert Group Meeting on Social and Economic Implications of Changing Population Age Structures (Mexico City, 2005).

2 Andrew Mason and Tomoko Kinugasa, "East Asian Economic Development: Two Demographic Dividends," conference on "Miracles and Mirages in East Asian Economic Development" (Honolulu, 2004).

WHAT IS THE SECOND DEMOGRAPHIC DIVIDEND?

In a demographic transition, fertility rates decline—and as a result, the size of the working-age population (ages 15 to 64) increases compared to the size of the younger and old-age population groups. This change in population structure contributes to a first demographic dividend, which can last five decades or longer. The economic growth resulting from the first dividend depends on many factors, including the speed of fertility decline and the level of productivity of workers. Employment and worker productivity, in turn, are influenced by policies related to governance, infrastructure, trade, and labor. As the fertility transition winds down, and unless there are significant numbers of immigrants, the size of the labor force will grow more slowly. At the same time, improved life spans and the aging of previously large birth cohorts result in the growth of the elderly population. As this happens, per capita income normally will grow more slowly and the window of opportunity for the first demographic dividend closes.

During the first dividend, individuals and families have more resources that can be used to improve their standards of living and to invest in the health and education (human capital) of their children, as well as in equipment and buildings that produce goods and services (physical capital).

Whether the additional assets of older workers are invested domestically or abroad, national income will rise. If invested in the domestic economy, the result will be more physical capital per worker, which means that production and services grow. If invested abroad, net foreign income and national income will grow more rapidly. In either case, per capita income will grow more rapidly than it would without those investments. If the right policies are in place, population aging can yield a second dividend, one that can be long-lasting and larger than the first dividend.[1]

REALIZING THE SECOND DEMOGRAPHIC DIVIDEND

The extent to which a country realizes a second demographic dividend depends on how well it anticipates and organizes support for its elderly. In the developing world, the elderly have traditionally been assisted by their families and by relying on themselves—continuing to work and drawing down on assets they have accumulated during their life or received through inheritance. As countries become more developed, they rely increasingly on the public sector to provide support for the elderly. As populations age more quickly due to lower fertility, the resources needed to support the elderly increase relative to GDP, so that families and public pension systems may experience severe strains on their resources. However, if economic policies and financial mechanisms are put in place early in the process of population aging to help workers accumulate assets—such as property, funded pensions, and personal savings—they can achieve more financial independence in old age and depend less on government and their families. In this scenario, population aging will lead to sustainable family and government support systems and boost capital, productivity, and per capita income.[2]

Policymakers, especially in developing countries, need to establish sound and trusted financial systems accessible to the millions who wish to secure their financial futures. The time is now: People must have the opportunity and mechanisms to accumulate wealth needed for old age.

AFRICA AND A SECOND DEMOGRAPHIC DIVIDEND

The conditions for a demographic dividend were not present anywhere on the African continent until 2000 in South Africa. At that same time, many countries in the South Asia region were already experiencing their first demographic dividend. Whether the majority of African nations will realize either a first or second demographic dividend remains to be seen. Since the second dividend is a consequence of population aging, the accumulation of wealth needs to occur early, in anticipation of aging, as does the implementation of appropriate economic policies. African nations must be willing to avoid situations that force the elderly to live with few resources or be overly dependent on families or public pensions. Instead, African countries must enact policies that give workers adequate incentive to save and invest and thus prolong the demographic dividend.[2]

References

1 Ron Lee and Andrew Mason, "What Is the Demographic Dividend?" *Finance and Development* 43, no. 3 (2006).

2 Andrew Mason and Ron Lee, "Reform and Support Systems for the Elderly in Developing Countries: Capturing the Second Demographic Dividend," *GENUS* 62, no. 2 (2006).

Acknowledgments

This brief was jointly sponsored by the United Nations Economic Commission for Africa (ECA) and the African Union Commission (AUC), with support from the United States Agency for International Development (USAID) and the Bill & Melinda Gates Foundation through the Johns Hopkins Bloomberg School of Public Health and the David and Lucile Packard Foundation. Technical research material was provided by David Bloom, David Canning, Andrew Mason, Ronald Lee, and the Population Reference Bureau.

Africa Union Commission

Economic Commission for Africa

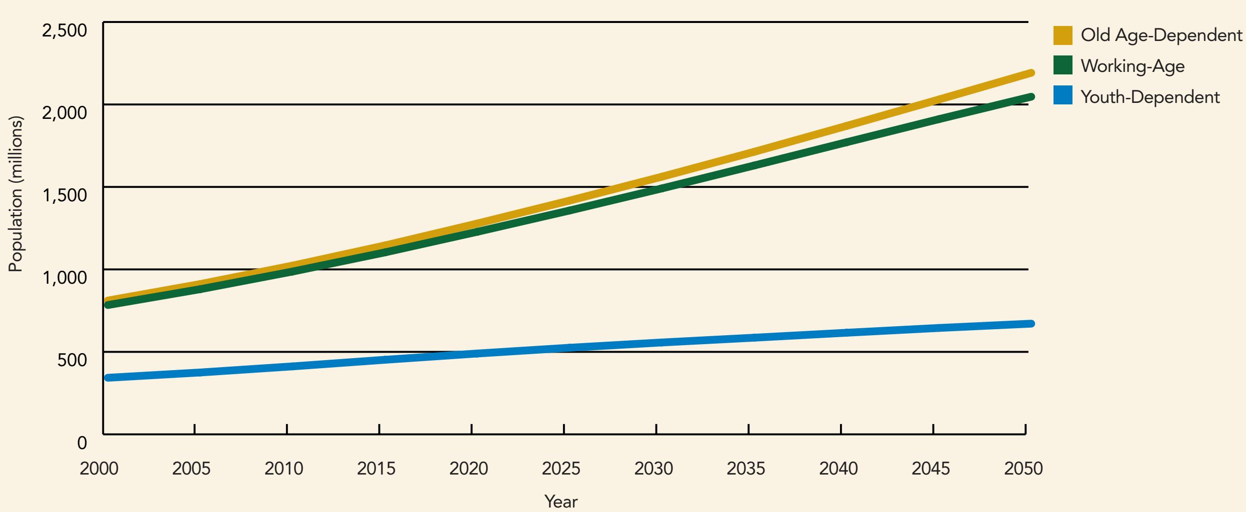
CREATING JOBS:
CHALLENGE FOR A DEMOGRAPHIC DIVIDEND

With a population expected to roughly double by 2050 and a gross domestic product (GDP) growth rate of more than 5 percent a year, Africa is the world's second-fastest developing continent. Yet Africa faces the challenge of creating enough jobs to support its growing working-age population—especially the increasing number of young people. Within the past 10 years, Africa has created over 37 million wage-paying jobs; however, the pace of job creation must accelerate to keep up with the number of people that need employment and to maintain high levels of economic growth.

For African countries to realize the rewards of a growing labor force, policymakers need to make investments that:

- **Achieve a population age structure** in which the working-age population (ages 15 to 64) is the largest share of the total population.
- **Identify sectors of the economy** that can grow and create jobs.
- **Ensure that a supply of skilled workers** is available to fill jobs in those key sectors.
- **Promote pro-growth economic policies** and build the infrastructure needed to support increased economic activity.

Africa's Working-Age Population Grows Larger



Between 2000 and 2050, the size of Africa's working-age population is projected to grow from 442 million to 1.4 billion. For Africa to realized a demographic dividend, it must first must make strategic investments to ensure that the share of the population that is youth-dependent decreases and that the share that is working-age increases. At the same time, African countries must also expand labor-intensive subsectors of the economy and support the creation of higher-paying jobs so that economic growth and poverty reduction both take place.

A GROWING WORKING-AGE POPULATION AND THE DEMOGRAPHIC DIVIDEND

Between 1970 and 2010, Africa's working-age population grew from 92 million to almost 575 million, and will continue growing over the next 40 years. As youth grow older between now and 2050, the size of the working-age population relative to the younger dependent-age population (under age 15) is projected to increase significantly, helping to set the stage for a demographic dividend. Over time, many African countries can become poised to move toward a window of opportunity for a dividend, but their labor and capital markets must also be ready for this change in the population age structure. Failure to absorb the large working-age population into productive, formal-sector employment could have an opposite effect on African economies, inevitably leading to contracting markets and stagnant growth.

CREATING JOBS IN LABOR-INTENSIVE SECTORS

Although population growth rates are slowing in many African countries, the size of African youth cohorts will continue to grow, and by 2050, almost 400 million Africans will be between the ages of 15 and 24. Such a large youth cohort has several potential implications for the labor market, including a large number of unemployed or inactive youth, a growing informal sector, and a smaller share of wage-employed workers.

Even as fertility declines, the size of the working-age population will continue to grow and African nations are faced with the even greater challenge of creating sufficient, stable employment opportunities. While the official average unemployment rate in Africa is 9 percent, this rate does not reflect the fact that many are engaged in subsistence agriculture or informal self-employment in order to survive. Over the past decade, only 37 million were employed in steady wage-paying jobs, while 52 million turned to subsistence labor and other informal employment activities to earn income.

While most economic development plans in Africa help guide policy, they are not a substitute for a more specific job-creation strategy. The economic sectors highlighted in development plans—such as mining, oil, and gas—contribute significantly to GDP, but rely less on labor and more on capital goods and machinery to produce output. As a result, expansion in these sectors adds few jobs to the labor market. On the other hand, government and social-sector jobs have accounted for the largest share of job growth in Africa over the past 10 years but contribute a smaller share to GDP growth. But in between the extractive and social sectors are sectors such as manufacturing, retail, hospitality, and agriculture that are often labor-intensive and contribute substantially to both employment growth and GDP growth. A successful jobs creation strategy must identify and promote growth in these sectors.

IMPROVING EDUCATION AND GLOBAL COMPETITIVENESS

Africa has made significant strides in educating its workforce. In the past decade, the share of Africans with a secondary or higher education today has increase from 32 percent to over 40 percent and is set to rise to 48 percent by 2020. However, there is still much need to invest in raising the quality of the educational system and to provide more vocational training to help develop key workforce skills. Postsecondary education programs must also adapt to the changing needs of the global economy by refocusing efforts on engineering, mathematics, science, and other marketable skills that will make Africans more competitive in the international labor market.

IMPLEMENTING PRO-GROWTH ECONOMIC POLICY AND IMPROVING INFRASTRUCTURE

Despite more than a decade of economic growth, many African businesses remain concerned about political instability, corruption, and the threat of inflation. Many businesses lack adequate infrastructure—including access to electricity and reliable transportation—and companies continue to lose opportunities for growth and expansion because of corruption risks. 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 atmosphere, increase investment, and foster growth. African leaders must strive to maintain the improved macroeconomic environment of the past decade, and they must continue to pursue reforms that promote economic expansion. However, focusing on GDP growth alone will not be enough to ensure that Africa's economic growth will benefit everyone or that they will have access to jobs. To achieve growth for job creation, nations should focus on business reforms in the sectors that have the potential to create large numbers of jobs. The experience of countries in Africa and elsewhere has shown that an explicit jobs strategy that encourages growth in labor-intensive sectors can have significant and positive results.

A FAVORABLE POLICY ENVIRONMENT IS KEY

The extent to which Africa will be able to benefit from its young population and reap the rewards of the demographic dividend depends heavily on a favorable policy environment. Good governance matters, as does solid macroeconomic management, well-functioning financial and labor markets, and effective investments in health and education. Only by considering these factors together can African countries realize a dividend from shifting population age structures and ensure high, sustainable levels of economic growth, productivity, and development.

Acknowledgments

This brief was jointly sponsored by the United Nations Economic Commission for Africa (ECA) and the African Union Commission (AUC), with support from the United States Agency for International Development (USAID) and the Bill & Melinda Gates Foundation through the Johns Hopkins Bloomberg School of Public Health and the David and Lucile Packard Foundation. Technical research material was provided by David Bloom, David Canning, Andrew Mason, Ronald Lee, and the Population Reference Bureau.

Africa Union Commission

Economic Commission for Africa