



Republic of Namibia



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# Towards Maximising the Demographic Dividend in Namibia

## Abridged Report

### KEY MESSAGES

1. With about 60% of its population in the theoretical working ages 15-64, Namibia is at an advanced stage of the demographic transition relative to most countries giving it an opportunity to benefit from the demographic dividend.
2. High unemployment rates (estimated at 34% overall and 43% for those age 15-34), coupled with a stall in fertility decline in the last decade, are barriers to the country maximising its demographic dividend.
3. Namibia must act now to quicken the pace of demographic transition by investing in its family planning programmes to address unmet need, curb teenage pregnancies and early marriages and halt early child-bearing.
4. More important, it has to invest in policy options that create decent jobs, especially for youth and young Namibians, with equal opportunity to access to these jobs.

### BACKGROUND

Namibia's socio-economic development aspiration as spelt out in its long-term development strategy, Vision 2030, is to become a prosperous and industrialised country, developed by her human resources, enjoying peace, harmony and political stability. The Vision is operationalised through the medium-term National Development Plans (NDPs) and complemented by the Harambee Prosperity Plan (HPP). The latter is a targeted action plan to accelerate development in clearly defined priority areas including effective governance, economic advancement, social progression and infrastructure development. Investments and changes in the country's population have a significant bearing on Namibia's development aspirations.

Namibia's current population stands at just over 2 million people and according to the national projections will rise significantly to 3.4 million people by 2041<sup>1</sup>. Since 1970, the average number of children a Namibian woman expects to have over her reproductive life (referred to as Total Fertility Rate [TFR]), has dropped from about 6 children per woman to 3.6 children per woman<sup>2</sup>. In comparison, the sub-Saharan Africa average is 5 children per woman<sup>3</sup>. TFR in Namibia is currently significantly higher than the replacement level of 2.1 but the national projections show that it will decline to 2.4 by 2041. Coupled with reducing mortality rates, the decline in fertility has resulted in Namibia's age-structure shifting from one

with significantly more child dependents to one dominated by people in the economically productive ages. Close to 60% of the population today are between 15 and 64 years old, the theoretical working-age population. This places Namibia within the temporary window period within which to harness the first **Demographic Dividend**. If during the first demographic dividend, people are encouraged to invest or save for older ages, a second demographic dividend, which is longer and more durable, can occur.

The demographic dividend refers to the temporary economic benefit that can arise from a significant increase in the ratio of working-age adults relative to young dependents that results from fertility decline, if this change is accompanied by sustained investments in education and skills development, health, job creation and good governance. The demographic dividend paradigm offers a framework that is congruent with the needs of Namibia's long-term development aspirations, the HPP and the global Sustainable Development Goals (SDGs).

The Namibia Demographic Dividend Study set out to analyse the population dynamics and age-structure changes in Namibia in the medium to long-term, and the implications these will have on the ability of the country to maximise its demographic dividend. This is an abridged version of the full study report.

<sup>1</sup> Namibia Statistics Agency. (2014). Namibia Population Projections 2011-2014. Windhoek, Namibia.

<sup>2</sup> Ministry of Health and Social Services (MoHSS), & ICF International. (2014). The Namibia Demographic and Health Survey (NDHS) 2013.

Windhoek, Namibia, and Rockville, Maryland, USA. MoHSS and ICF International.

<sup>3</sup> UN Population Division. (2017). World Population Prospects, The 2017 Revision.



**Among the factors contributing to the deceleration in the fertility decline in Namibia include inadequate access to and use of modern family planning methods and high levels of teenage marriages and early-childbearing.**

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## What the study did

The study reviewed relevant literature and analysed secondary data on Namibia's demographic and socio-economic opportunities and challenges; modelled the country's demographic dividend using the National Transfer Accounts (NTA) method; and identified policy options to optimise the country's opportunities towards reaping a maximum demographic dividend. The NTA method was specifically used to determine the timing of Namibia's window of opportunity for harnessing the first demographic dividend; estimate the components of the lifecycle deficit (labour income and consumption); and estimate the magnitude of the demographic dividend under different scenarios.

The NTA quantifies the acquisition and use of economic resources at different ages. The young and the old whose consumption exceeds their income generate a "deficit" unlike people in the working-ages who produce more than they consume and hence a "surplus". The life cycle deficit (LCD) that is at the heart of the methodology of the NTA summarises the differences between labour income and consumption at each age. The labour income consists of salaries and social contributions to support employees, and self-employment income. Consumption includes private costs for goods and services as well as public goods and services such as education and health. The NTA makes a detailed study of the transfers between surplus and deficit, transfers that can be private (intra and inter-household) or organised by the administrative system. Thus, the approach facilitates analyses of the consequences of changes in population age structure on economic growth and therefore makes possible the estimation of the demographic dividend.

The magnitude of the demographic dividend is based on the analysis of the economic support ratio, which can be defined as the number of actual workers divided by the number of actual consumers. Relatively high fertility combined with falling child mortality, raises the number of consumers and so the support ratio falls. A falling support ratio means greater dependence on producers of labour income, falling living standards, less space for human capital investment, and constrained growth. As fertility falls, increasingly larger cohorts

move into the working ages. This raises the number of producers more rapidly than the number of consumers and therefore the support ratio rises. A rising support ratio means less dependence on producers of labour income, rising living standards, more space for human capital investment, and ultimately a boost in economic growth. The NTA project has been able to demonstrate that an increase by one percentage point in the support ratio implies an equivalent increase in the standard of living for all ages, all other things being equal. The demographic dividend is calculated as the rate of change in the support ratio.

## Slowing demographic transition and unemployment holding back benefits from the Demographic Dividend

The situational analysis point out to two major factors as barriers to Namibia maximising its demographic dividend. These are a slowing down in the demographic transition - marked by the relative stall in fertility decline in the last decade, and the relatively high unemployment rates, particularly among young Namibians.

### Fertility Decline

Although fertility has declined faster to lower levels than in much of sub-Saharan Africa, the last two rounds of the Namibia Demographic and Health Survey (NDHS) in 2006/7 and 2013 reveal that there has been a relative stall in the decline compared to the previous periods. A TFR of 3.6 was recorded during the last two NDHS. Should the stall or slow-down in TFR decline persist, the change in age structure leading to significantly more people in the working ages will take longer and minimise the benefits of the demographic dividend to the country. Namibia's prevailing TFR of 3.6 is also quite high compared to the replacement level of 2.1. Historical evidence shows that countries that have benefitted the most from the demographic dividend, especially in East and South East Asia, presided over a swift drop in fertility to below three children per woman.<sup>4,5</sup>

Among the factors that are contributing to the deceleration in the fertility decline in

<sup>4</sup>Bloom, D.E., Canning, D., and Malaney, P. (2000) "Demographic Change and Economic Growth in Asia." Population and Development Review 26 (supplement): 257-90.

<sup>5</sup>Bloom, D. E., & Williamson, J. G. (1998). Demographic Transitions and Economic Miracles in Emerging Asia. The World Bank Economic Review, 12(3), 419-455.

Namibia include inadequate access to and use of modern family planning methods and high levels of teenage marriages and early-childbearing. The NDHS 2013 showed that despite a commendable positive trend in the use of modern contraception over time, about 12% of all women and 18% of currently married women who wanted to delay or avoid a pregnancy were not using any kind of effective modern contraception. Teenage pregnancies are also quite prevalent. The NDHS 2013 revealed that the age-specific fertility rate in fact increased from 78 births to 82 births per 1,000 teenagers age 15 to 19 from the previous NDHS 2006/7. 17% of women aged 20-24 years had given birth by 18 years while 7% were married before their 18th birthday. Child marriages and child pregnancies not only contribute to higher fertility rates but also diminish human development as they lead to school dropouts. Moreover, girls who drop out of school are predisposed to early marriages and pregnancies. There are also notable variations by region and socioeconomic status in these outcomes with rural women and those with lower socio-economic status (including low education attainment) more likely to have poor outcomes.

### High Unemployment Rates

Namibia is an upper-middle income country with an estimated per capita gross domestic product (GDP) of USD 5,062<sup>6</sup> and has experienced sustained economic growth in the last decade although GDP growth slowed down considerably in recent years, declining from 6.4% in 2014 to 1.1% in 2016<sup>7</sup>. Between the Namibia Household Income and Expenditure Survey (NHIES) 2003/4 and NHIES 2009/10, households below the poverty line declined from 42% to 29%. This proportion remained at almost the same level during the NHIES 2015/16 (28%).

Notably, the past positive economic growth has not been accompanied by a similar pace in the growth of decent jobs for the rapidly growing youthful population joining the workforce annually. The country has one of the highest unemployment levels in sub-Saharan Africa estimated at 34% in the 2016 Labour Force Survey (LFS)<sup>8</sup>, an increase by about 6% from the 2014 LFS. Females and dwellers in rural areas experience higher unemployment rates (38.3% for females compared to 29.8% for males and 39.2% rate for rural areas compared to 30.3% in urban areas). The

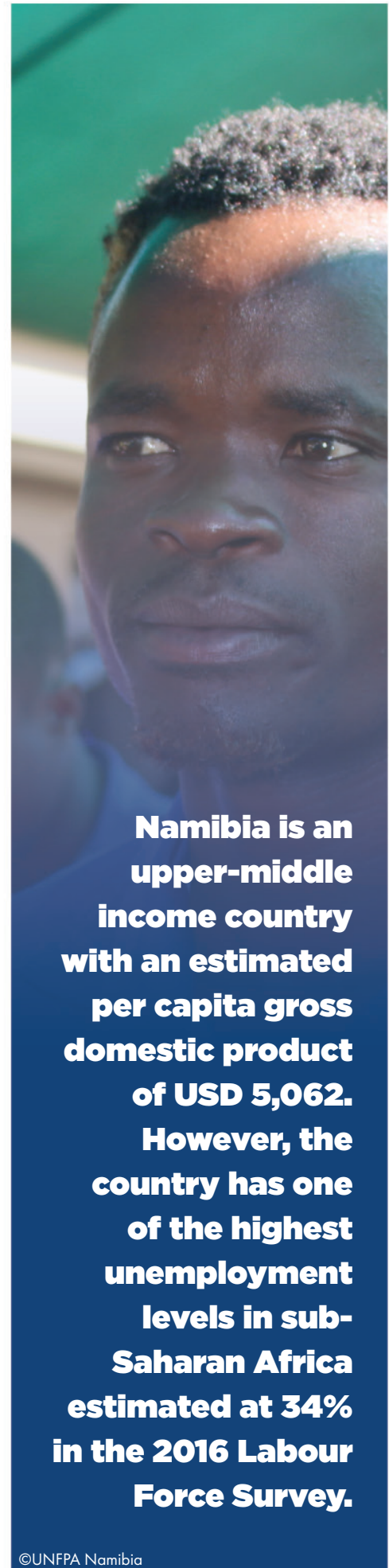
LFS 2016 also revealed that although higher education attainment was associated with lower unemployment rates, one in four Namibians with post-secondary training are unemployed. The unemployment is exacerbated by under-employment. Time-related underemployment was estimated at 7.8% in 2016 compared to 2.9% from 2014. A major highlight of the unemployment challenge is the significantly higher level of unemployment among youth and young Namibians age 15 to 34. At 43.4%, it is almost 10 percentage points higher than the national average.

The high unemployment and underemployment rates undermine the potential benefits of Namibia's shifting population structure to one with more people in working-ages, as a substantial proportion of people in the working ages remain economic dependents well into their prime working-age.

### Consumption significantly outweighs labour income

Population data, the NHIES 2009/10 and the 2010 National Accounts were among the data analysed to construct a baseline consumption and labour income profile. Namibia's consumption and labour income profiles at baseline is consistent with expected lifecycle patterns where consumption is quite high at the young ages, driven by the costs of education and healthcare that are borne by both the government and households, while labour income peaks in the 30s and 40s. The national population census in 2011 showed that 73% of Namibians were under 35 years old and 36% were below 15 years old. Since an overwhelming majority of the Namibians were young dependents, the level of aggregate consumption far outstrips the labour income earned (see Figure 1). The consumption needs of those in the age group 0-24 was equal to 85% of total labour income. Overall, the estimated total surplus was N\$ 7.1 billion made by those in the most productive economic ages. On the other hand, the deficit was N\$ 44.5 billion. As a result, the total lifecycle deficit amounted to N\$ 37.4 billion.

To aid inter-country comparisons, standard practice in NTA research is to normalise all age profiles by dividing them by the unweighted mean labour income for the



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<sup>6</sup>SADC. (2016). SADC Statistical Yearbook 2015. Southern African Development Community, Secretariat, Gaborone, Botswana.

<sup>8</sup>Namibia Statistics Agency. (2017). Namibia Labour Force Survey 2016 Report. Namibia Statistics Agency, Windhoek.

<sup>7</sup>Namibia Statistics Agency. (2017). Annual National Accounts 2016. Namibia Statistics Agency, Windhoek.

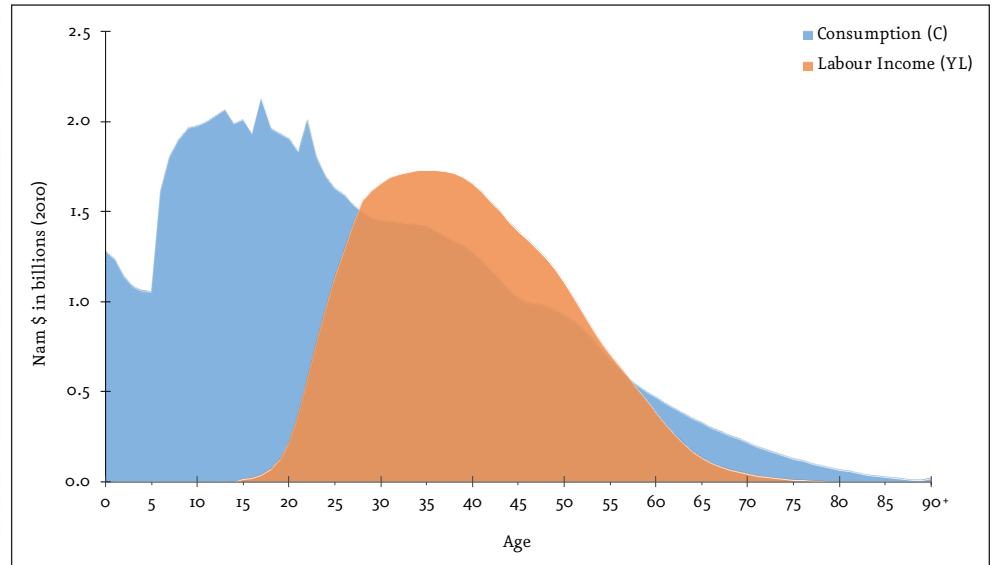




**Namibia's lengthy period of early dependency in part reflects a combination of the high levels of unemployment among the youth and young people and their generally poorer labour market outcomes including significant levels of labour underemployment.**

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**Figure 1: Aggregate Labour Income vs Consumption, Namibia 2010**

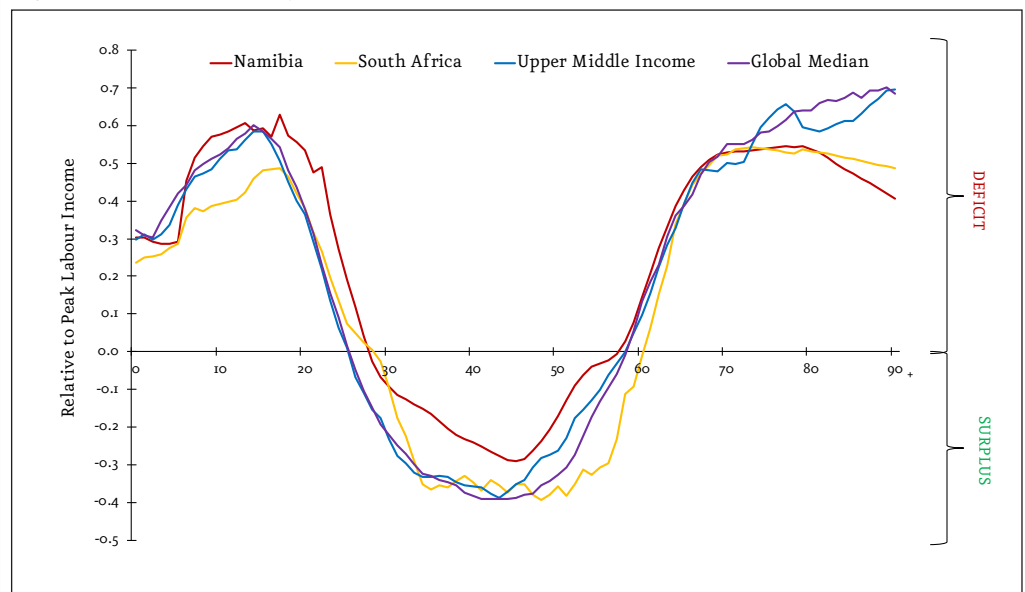


SOURCE: STUDY ESTIMATES

30 to 49 year-olds referred to as the *peak labour income*. Making use of the peak labour income concept, the study compared the lifecycle deficit profile for Namibia to that of South Africa, the Global median profile and the median profiles for Upper-middle-income countries (UMICs) for which there are NTA estimates (Figure 2). The standardised lifecycle deficit for both Namibia and South Africa relative to the UMICs profile and the Global median profile stand out. In general, the Southern African countries begin to experience a surplus (when labour income is greater than consumption) later, with Namibia beginning at 28 years and South Africa at 29 years of age. The starting age of surplus for both the Global Median and UMICs is 26 years. These NTA profiles capture an important aspect of dependency not normally captured by

the dependency ratio that uses theoretical working age cut-offs (usually age 15 or 19 to 60 or 64 are assumed as the working-age cut-offs). In this case, the effective end of the early dependency in Namibia, for example, is age 27. The lengthy period of early dependency in part reflects a combination of the high levels of unemployment among the youth and young people and their generally poorer labour market outcomes including significant levels of labour underemployment. Further, Namibia compared to the comparators experiences a slightly shorter period of surplus (a 30 year age range for Namibia compared to 33 year age range for the Global median) and the biggest surplus point relative to peak labour income is also noticeably lower than that of all the other profiles.

**Figure 2: Per Capita Lifecycle Deficit**



SOURCE: STUDY ESTIMATES

## Namibia's window of opportunity for harnessing the demographic dividend is open

For the baseline simulation of the support ratio and the first demographic dividend, the UN medium fertility population projections were used and estimates of these two variables made for the period between 1990 and 2060. The simulations are anchored to the base year of the study and the projections assume no change in the labour income and consumption profiles (expressed relative to peak labour income) over time.

Figure 3 shows that Namibia was already benefiting from the first demographic dividend by 1990, a reflection of the positive increase in the support ratio profile. Crucially, the chart shows that the period during which Namibia can maximise its first demographic dividend is not some distant future and the period is actually now! Namibia's peak of the support ratio was in fact slightly higher in the 1990s but experienced an interruption in its first demographic dividend from the late 1990s to the early 2000s. During this period, Namibia's demographic dividend fell from close to 0.9 percentage points to under 0.2 percentage points annually. The weak demographic dividend during this period is linked to the impact of HIV/Aids on the population, which particularly affected

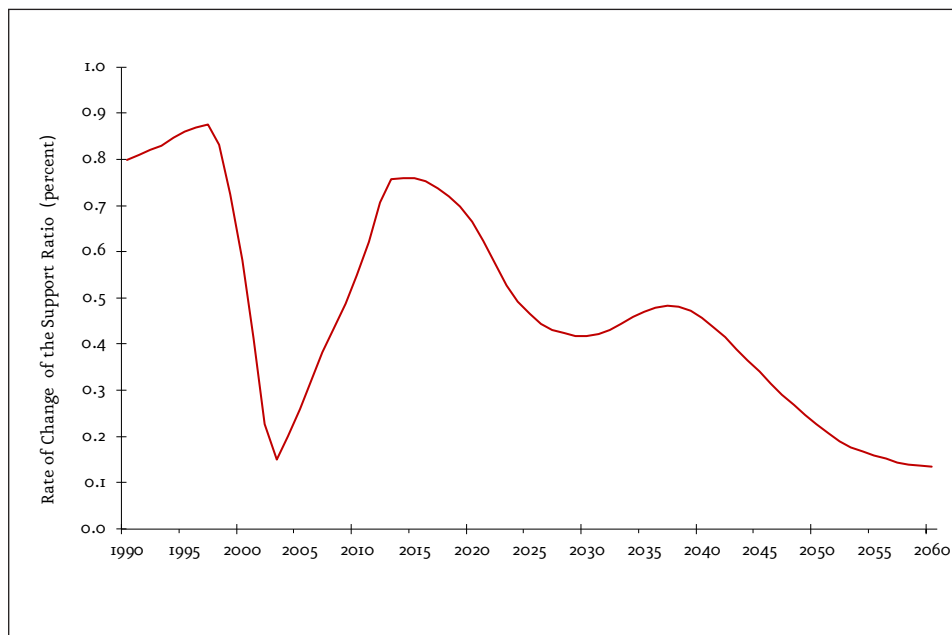
individuals in the prime working age cohorts and eroded their contributions to aggregate labour income, thereby suppressing the demographic dividend. In separate analyses not shown here, a similar pattern has been identified for other Southern African countries including South Africa, Botswana, Swaziland and Zimbabwe.

The analysis of the rate change in the support ratio shows estimates that the first demographic dividend in Namibia could contribute to a cumulative boost in living standards by 34% between 1990 and 2060. Of this, 16% was accumulated between 1990 and 2015, while the remaining 18% can be harnessed between 2015 and 2060, assuming no change in the consumption and labour income profiles, while the fertility decline follows the UN Medium scenario (where TFR would decline to 2.35 by 2050).

## Namibia has to address labour outcomes for the youth to maximise its demographic dividend

The notable high levels of unemployment are clearly reflected in the NTA analyses showing that young people are in fact effective dependents until they are close to thirty years old. It is therefore important for the country to address the significant youth unemployment and labour market challenges they face in order to maximise the demographic dividend. In deed if these

Figure 3: Estimating Namibia's First Demographic Dividend



SOURCE: STUDY ESTIMATES



**Namibia's weak demographic dividend during the late 90s and early 2000s is linked to the impact of HIV/Aids on the population, which particularly affected individuals in the prime working age cohorts and eroded their contributions to aggregate labour income.**

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**Strategies that will swiftly increase employment opportunities for the young population in Namibia and improve the quality of human capital in general are critical to maximise the contribution of the demographic dividend to Namibia's development objectives.**

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challenges are successfully addressed, Namibia could increase the magnitude of the demographic dividend it can harness over the next few decades.

The potential impact that such policies may have on the magnitude of the demographic dividend is simulated, by assessing the effect of shifting the Namibian labour income profile between 2015 and 2035 to match that of the Global median for those below the age of 35. The assumption is that over this period, policy options to improve education and skills development and labour outcomes for young Namibians would be such that their labour income outcomes compares favourably with the Global median outcomes including decreasing the employment and underemployment rates and increasing income relative to peak labour income. The simulations use the UN Medium fertility projections and, for each cohort, a constant rate of adjustment is assumed.

The results shown in Figure 4 suggest that policies aimed at 'normalising' the labour income profile for young Namibians can significantly raise the magnitude of the first demographic dividend the country can harness. The cumulative effect of the simulations shifting the labour income profile of the cohort age 0-34 to that of the Global median profile for this cohort between 2015 and 2035, result in an aggregate positive impact on living standards of 31% between 2010 and 2060. This is 9% more than is expected under the Status Quo scenario. This leads to the conclusion that addressing the high youth unemployment

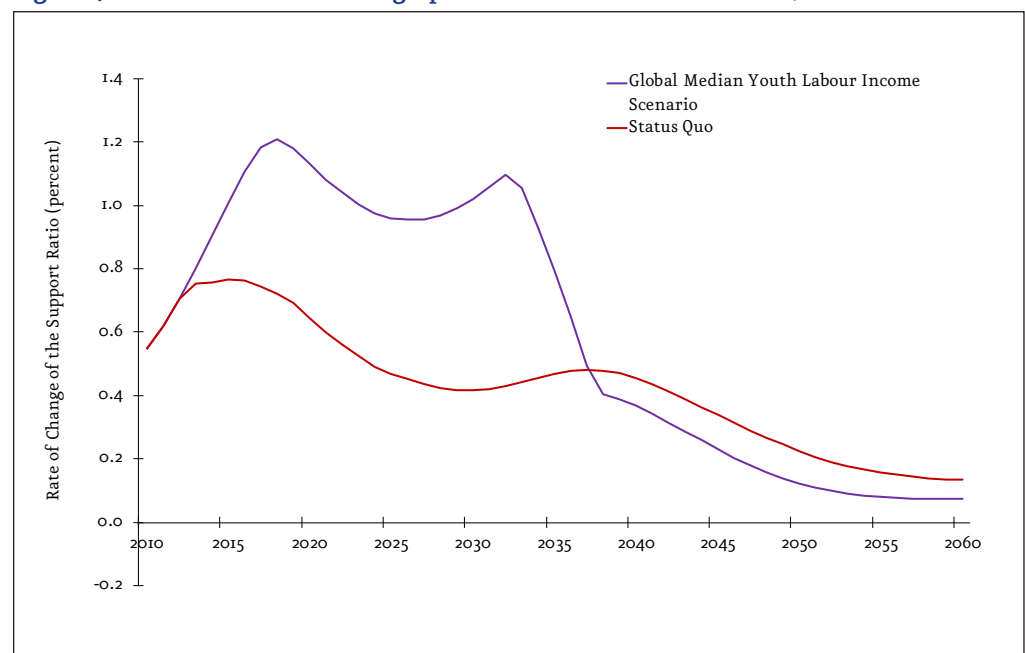
and underemployment rate is imperative to the achievement of optimal demographic dividends in Namibia.

In addition to depressed productivity at present, high levels of unemployment have the implication that the levels of national savings will be low, jeopardising the realisation of the second demographic dividend. Strategies that will swiftly increase employment opportunities for the young population in Namibia and improve the quality of human capital in general are critical to maximise the contribution of the demographic dividend to Namibia's development objectives.

**Policy actions to further reduce fertility will also help**

The study noted the stall in fertility decline in Namibia. Addressing high teenage pregnancy, halting child marriages and reducing the early child-bearing could all quicken the pace of fertility decline towards the replacement level. These actions could help the country to earn a larger demographic dividend than under the current trend. To assess the magnitude of the dividend under different fertility scenarios, the study simulated the possible demographic dividend under the UN High and Low fertility variants in addition to the original Medium fertility variant.

**Figure 4: Namibia's Possible Demographic Dividend Under 2 Scenarios, 2010-2060**



SOURCE: STUDY ESTIMATES (UN MEDIUM VARIANT POPULATION PROJECTIONS APPLIED)



Table 1 clearly shows that a faster drop in fertility rate could make a huge difference in the magnitude of the demographic dividend that can be earned by Namibia between 2015 and 2050. Under the High variant scenario, the first demographic dividend could contribute 14% cumulatively to improving living standards over this period, compared to 20% under the Medium variant and 27% under the Low variant.

The implication is that it would be prudent for Namibia, where fertility has stalled in recent years at relatively high levels compared to replacement fertility (2.1), to enhance investments in family planning programmes and other initiatives that could lower fertility and address unmet need. Other complementary policy options would seek to improve female education attainment and labour force participation rates in the formal sector.

**Table 1: Estimated Impact of Demographic Dividend on Improving Living Standards Under Various Fertility Scenarios**

Fertility Scenario	No. of children per woman - 2050	Population size - 2050 (millions)	Impact of DD on living standards
High fertility	2.85	4.9	14%
Medium fertility	2.35	4.3	20%
Low fertility	1.85	3.8	27%

SOURCE: STUDY ESTIMATES (VARIOUS UN POPULATION PROJECTIONS VARIANTS APPLIED)

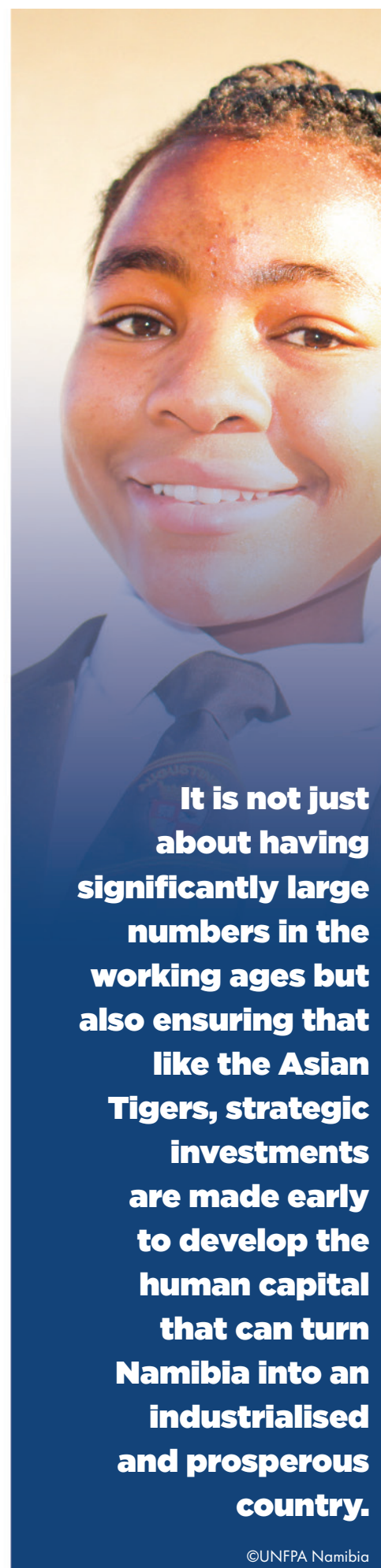
## Recommendations

Namibia is already within the window to harness the first demographic dividend. What should the country do in order to maximise the dividend? There are primarily five policy areas where the country can intervene to maximise the demographic dividend:

**1. Facilitate further demographic transition through enhancing the voluntary family planning services and access to effective modern contraception to reduce the relatively high unmet need (12%), curb early marriages and unwanted teenage pregnancies:** These measures will address the stalled decline in fertility which at a TFR of 3.6 is still fairly high and likely to diminish the magnitude of the first demographic dividend that Namibia can harness. The East and South East Asian countries maximised their first demographic dividend through facilitating a rapid demographic transition. However, it is important to note that it is not just about having significantly large numbers in the working ages but also ensuring that like the Asian Tigers, strategic investments are made early to develop the human capital that can turn Namibia into an industrialised and prosperous country.

**2. Reinforcing investments in health to ensure a healthy labour force:** Namibia should reinforce investment in public health to consolidate progress it has made in improving child and maternal health outcomes and in improving the health and overall well-being of its workforce through various interventions, including the efforts to curb HIV and AIDS and to eliminate Malaria. The country should also reinforce health promotion to prevent lifestyles that predispose workers to non-communicable diseases and enhance the capacity of the health system to manage these and other emerging health challenges.

**3. Prioritise economic reforms and investments to urgently accelerate the creation of jobs and other well-paying livelihoods for the country's youth, who continue to be dependent up to age 27:** The first component of this priority entails focusing on diversifying the economy to expand sectors with high job multiplier effects, reforming the agricultural sector to be more attractive to youth, providing incentives to companies that consciously create livelihood opportunities for youth, and empowering youth with resources and technical capacities to start and grow



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businesses. The second component, which is more immediate, entails enhancing the quality of and rebranding Technical and Vocational Education and Training (TVET) as an attractive route for re-skilling the thousands of out-of-school youth who did not make it to tertiary colleges. Both Namibia's HPP and the NDP 5 have a focus on TVET training. If these plans are effectively implemented, they will enhance the employability of youth and their prospects to engage in well-paying and sustainable livelihoods, including owning businesses. This study shows that boosting Namibia's job creation capacity for young people to follow the global median profile for other countries with NTA data would boost living standards of the population by about 31% between 2010 and 2060.

**4. Optimising value for money to create a globally competitive skilled workforce:** Namibia spends a considerable proportion of its resources on education and training; however, it is not getting value for money for its investment. This anomaly is illustrated by under-performance of Namibian students on the quality of learning measures against global benchmarks and when compared with fellow upper middle-income countries as well as persisting skills mismatch

between the needs of the labour market and the skills that the education system produces. To address this, the country should immediately form a high-level commission on addressing the quality of education to examine and decisively address the bottlenecks in its relatively well-funded education sector. The reform agenda should include revamping the whole education pipeline (including early childhood education, primary school, secondary school, and tertiary colleges) to address all inequities in access and quality bottlenecks, and facilitate the strategic shift from the current knowledge-based to the competency-based curriculum that is focused on developing practical, technical and soft skills that are critical for success in the globally competitive labour market. At the centre of these reforms is ensuring that all teachers are well motivated and trained in learner-centred pedagogies and that the learning environment has the required learning materials to facilitate skills development. Partnerships between the government's education and training agencies with industry should also work towards resolving the skills mismatch by identifying current and future labour market needs and aligning education and training curricula with these needs to enhance the employability of Namibia's graduates.

**5. Strengthening enabling factors for optimising the demographic dividend:** In order to lay the foundation for Namibia to be successful in the reforms noted above, the country needs to strengthen its public institutions to facilitate effective and accountable service delivery and use of public resources. The HPP and NDP5 correctly identify effective governance as a pre-condition for sustainable development. They also recognise that Namibia already has in place a robust governance architecture. This should be used as a springboard to ensure the achievement of transparent and effective service delivery. More importantly, to enhance the opportunity of harnessing substantial demographic dividends, the government should strive towards bridging the gap between policies for socio-economic development and implementation programmes to achieve the intended outcomes. Robust monitoring, evaluation and performance management measures must be put in place if the intended outcomes of government policies and plans are to be achieved in an efficient, effective and timely manner.

## Conclusion

Namibia is at an advanced stage of the demographic transition with at least 60% of its population in the theoretical working ages of 15-64. This places it well within the window to harness the first demographic dividend. Indeed, the analyses show that the country was already enjoying the benefits of the demographic dividend by 1990 although this was disrupted in the late 1990s, likely by the effects of the HIV/AIDS epidemic. Going forward, there two critical factors in the way of the country maximising its dividend. The first is the relative stall in fertility decline at a fairly high level above the replacement level. Secondly, the high unemployment and underemployment rates, particularly of young Namibians. To overcome these barriers, Namibia has to enhance its family planning efforts to address unmet need and to curb teenage pregnancies and child marriages to quicken the pace of the demographic transition. But having significantly more people in the working ages alone is not enough to maximise the dividend. Young Namibians must be well educated and skilled and have equal opportunity to decent jobs to boost the magnitude of the demographic dividend. Therefore, strategies to achieve these goals have to be put in place in order for the country to maximise its dividend that will give a significant boost to achieving Vision 2030 and its long-term development aspirations for Namibia to become a prosperous and industrialised country, developed by her human resources, enjoying peace, harmony and political stability.

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