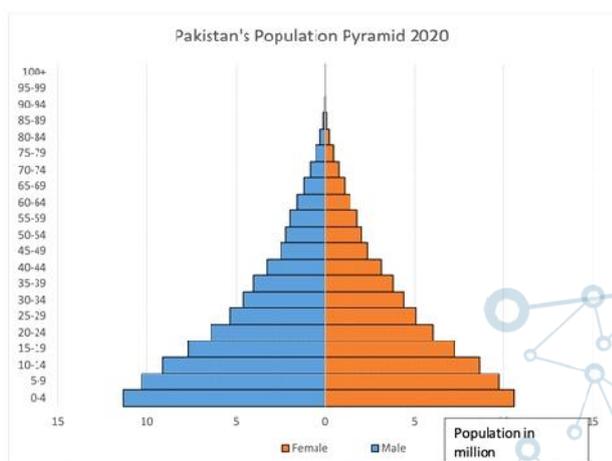


Revisiting demographic dividend amid fertility stall

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The demographic dividend is the accelerated economic growth as a result of change in population age structure together with investment in education, health, and sound economic policy. The demographic transition model observes the changes in births and deaths of a population over a period of time. It begins with decline in mortality as a result of advancement in medical technology and improved public health followed by a decline in fertility which usually happens after a lag period. The mortality decline is more pronounced in the younger ages and results in more surviving children. During this lag time period of high fertility and low mortality, a surge in population growth and a shift in age structure, mainly observable in a larger young population. This young age structure promises of an economic boom. The premise is that given proper social and economic opportunities, this cohort of young people would produce more and consume less and ultimately saving and investment would increase. The growth in economy as a result of change in population's age structure is called "Demographic Dividend". However, by no means the demographic dividend is automatic (Bloom et al., 2003; Canning et al., 2015; Nayab, 2008).

With a population of 207 million and growth rate of 2.4%, Pakistan is one of the youngest countries in the world. More than 60 percent of its population is below the age of 30, with around 30% between the ages of 15 and 29. Most of these young people are either on the cusp of entering into labor force or are looking for gainful employment which they cannot find. The biggest challenge is therefore to absorb these young people into labor market to gain the economic benefit of the young age structure, in other words, to realize the potential demographic dividend. The economic boom of the East Asian economies was, inter alia, due to a change in the age structure of their populations. All those economies invested heavily in the education of their youth, provided affordable public healthcare facilities and the enabling infrastructure, and encouraged industrialization. Their economies grew and fertility declined. However, as opposed to the East Asian economies, youth remains mostly idle and fertility is not declining in Pakistan; it is stalled.



Fertility decline is a prerequisite to reap the economic benefits or in other words, capture the demographic dividend. However, as Arif and Afzal (2020) put it “a missed opportunity can lead to a demographic disaster if the unemployed working-age population becomes 'forced dependents' – a probable scenario for Pakistan”. Without reducing fertility, the likelihood of the working-age population to become economically productive is slim and their becoming dependent population more likely. Therefore, the question staring the policymakers in their face is 'Can Pakistan reap the demographic dividend with high fertility?

The answer is no. Fertility has declined from 6.0 births per woman in 1980s to 3.6 births per woman in 2017-18, but the decline is slow compared to other neighboring countries (Sathar et. al. 2014; NIPS 2018). Whereas, only 34% of the married women are using any sort of

contraception (only 26% of the currently married women are using modern contraceptive methods). There are significant fertility differentials across different socio-economic groups. For instance, the poorer segment of the population has a TFR of 5 births per woman whereas richer segment has a TFR of 2.6 births per woman. Similarly, women with secondary education have significantly lower fertility than women with no formal education (NIPS, 2018). One likely negative impact on the population age structure that could undermine the potential for a demographic dividend could come from a fertility transition that is uncertain and where fertility decline is inconstant although mortality rate may be low (Eastwood & Lipton 2011).

The starting point is change in age structure, i.e., how many children are there to support as compared to number of working age adults. With a high fertility rate, working age population is highly unlikely to outgrow the dependent population. According to the UN medium variant projection of fertility decline, around 35% of Pakistan's population is below age 15 at present and will decline slightly (30%) by 2030 which reflects a slow fertility decline. If the fertility does not decline and reaches the replacement level i.e. 2.1 births per women, than Pakistan's productive work force aged 15-64 will be sandwiched between adolescent and aging population (Arif and Afzal, 2020). Per capita productive capacity of the economy will thus remain limited and the dream of benefitting from the demographic dividend will remain a dream.

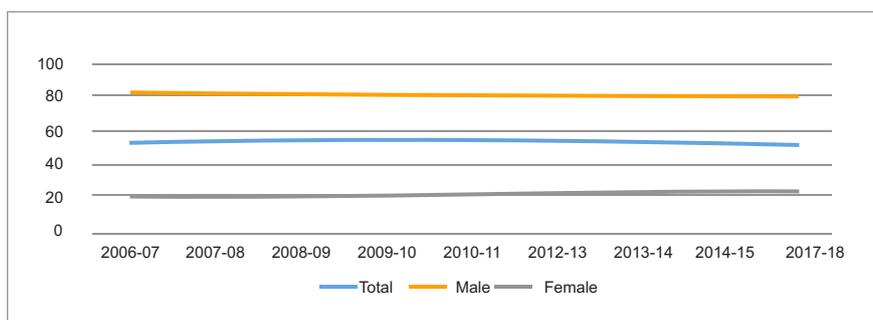
To harness the demographic dividend, three key investments are needed for fertility decline. First, improve child survival. Pakistan's infant and child mortality rates are high in the region. According to the latest PDHS 2017-18, neonatal mortality stood at 42/1000, infant mortality at 62/1000, and under-five at 74/1000 live births

(NIPS, 2018). Improving child health services allows more children to survive and leads to couples desiring smaller families. If the parents are confident that their children will survive to adulthood than they begin to desire smaller family size. Second, space birth and prevent unintended fertility. Investment in family planning will reduce the incidence of unintended fertility. Knowledge about family planning methods is almost universal in Pakistan, with more than 95% currently married women and men aged 15-49 knowing at least one method of family planning. However, use of family planning methods to space or limit childbearing is low. The demand for family planning in Pakistan stands at 52%, though, only 34% of the currently married women are using any contraceptive methods (both traditional and modern methods of contraception). Around one-fifth of Pakistani women who either want to space or limit childbearing are not using any family planning method (NIPS, 2018). Increased investments in family planning will prevent unintended pregnancies, leading to fewer births per woman. Third, investment in girls' education is the most important area to fertility decline. The state of education is poor overall but more so for women. Boys outnumber girls at every stage of education. The scale of illiteracy in Pakistan can be gauged by the fact that 34% of men and 50% of the women have no formal education. Just 9 % girls acquire secondary level education and 10% ever reach higher levels although the general literacy rate has gone up from 35% in 2007 to 49% in 2017-18 (NIPS, 2018). Only one out of three girls of secondary school age is enrolled in school (World Bank). Girls' longer stay at the school will delay early marriages and childbearing. Education, lower fertility and mortality combined can usher in job opportunities for women and potentially realize the demographic dividend.

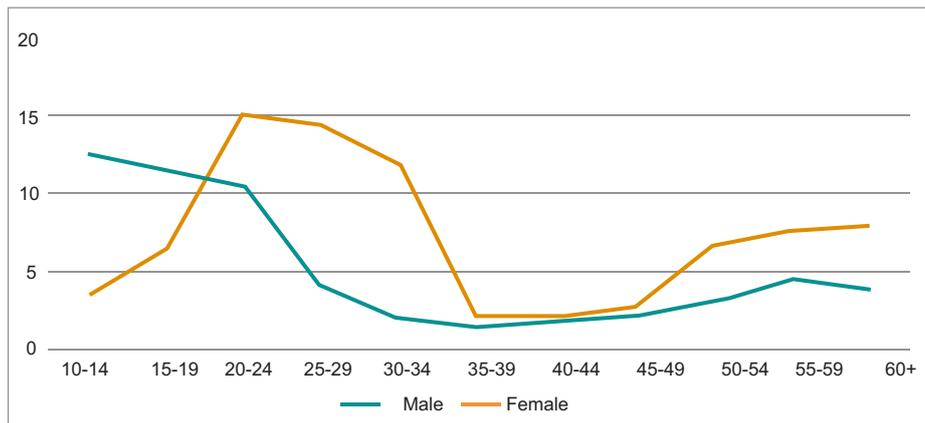
Not only the education but quality education will ensure that a country has skilled labor force for accelerated economic growth.

Increased public expenditure on schools and expansion of primary and secondary education is imperative. Handing over schooling to the private for-profit sector and defunding of public schools have forced parents to send their children to more expensive private schools as the quality of education has declined in public schools. In a country where around 30 percent of the population lives below poverty line, affordability of quality private schools is limited to the affluent few. However, with a decline in fertility, families could find more resources for education. Each year of schooling is associated with an increase in wages of up to ten percent or more (Psacharopoulos and Patrinos, 2002).

Moreover, educational systems must also be responsive to the labor needs of industry. These investments in education can have quick returns for individuals and families. And improving the education of young people today means a higher-quality workforce in the future. With additional training and skills, young people will be equipped to compete in the global economy. However, the reality is at stark. Only 22% of the women, who makes 50% of Pakistan's Population, are in labor force. Rate of unemployment is much higher for female than male particularly during the peak reproductive ages. According to the Labor Force Survey (LFS) 2017-18, the highest unemployment (11.56%) is among the age of 20-24 years, indicating youth unemployment. To fully realize the potential of demographic dividend, Pakistani policymakers need to learn from the East Asian experience where the governments invested heavily in the education of their youth, provided affordable public healthcare facilities and the enabling infrastructure, and encouraged industrialization. In addition, we need a deliberate policy prescription that ensures gender-neutral employment opportunities. An important but generally overlooked area of socio-economic activity is savings. Savings should figure at the center of the demographic dividend debate.



Labour Force Participation Rates 2006-07 to 2017-18



Age –sex Specific Unemployment Rates 2017-18

Higher employment will lead to higher savings. Reduced dependency ratios can also affect savings and per capita output. Parents with fewer dependent children can save more and invest more at the micro level. At the macro level, lower fertility resulting in a stabilizing population, can prompt governments to put resources to productive investments (For more detailed understanding please refer to article on generational economy in this P & R issue).

Nayab (2008) wrote that “Demographic dividend is inherently transitory in nature due to lack of prior planning Pakistan has almost wasted the first 15 years of the opportunity demography has offered it, however, age structure will continue to be an important force in the country for the next 50 years. How economic growth is shaped by demographic changes in the coming years will depend on the ways policies and institutions respond to the challenges and opportunities the future holds. Time is running out to put appropriate policies in place, the absence of which may result in large-scale unemployment, immense pressure on health and education systems, in short, a socio-economic crisis may take place making the demographic dividend more of a demographic threat”.

Sadly, this paragraph is as valid now as it was in 2006 and the only change is that Pakistan has almost wasted the first 30 years of the opportunity demography has offered it. Demographic dividend is equal to helpful demographics plus good economics. Pakistan has missed on reaping the dividend till now with right policies which are linked to both population and economics. We only hope that things will be different and better before it is too late.

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