

**Harvesting the Demographic Dividend Fast:  
Necessary to Increase Growth Potential  
*(Patuloy na Pag-unlad)***

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## **The Goldilocks Period: Demographic Transition and Demographic Dividend**

- ❑ The idea behind the population-and-development orthodoxy is the **demographic transition**.
- ❑ As countries move from large families (high fertility rate) into small families (low fertility rate), they pass through what is called a **Goldilocks period** – described as a generation or two in which fertility rate is neither too high nor too low.
- ❑ The fall to replacement fertility is a **unique and precious opportunity** for higher economic growth – **demographic dividend**.

# Demographic Dividend and Economic Growth

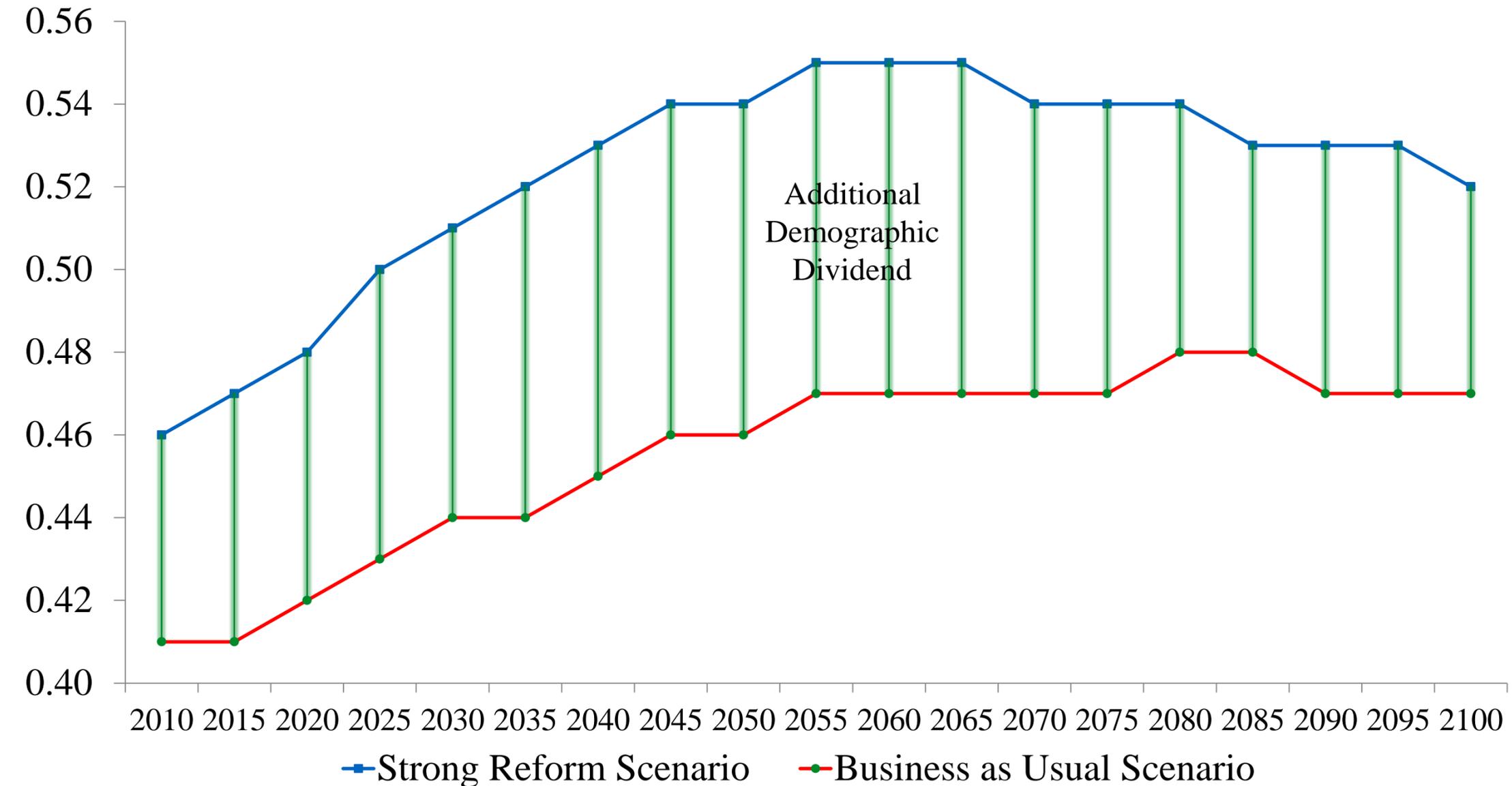
- **First dividend** – demographic transition results in higher per capita income due to higher productivity.
- **Second dividend** - individuals **accumulate saving** in their working years to serve as buffer during their retirement years; when society increases its saving rate, this results in rapid economic growth, creating the second demographic dividend.
- **Overall contribution of demographic dividend is about 35%** of the average annual economic growth of the Asian economies (e.g. Japan, South Korea, Singapore, Taiwan, Thailand).

# How to harvest the demographic dividend?

- Demographic dividend, while essential to economic growth, is not automatic!
- Government plays a vital role to guarantee the creation of this demographic dividend.
- **Lowering fertility rate** is a necessary condition to a demographic dividend.
- **Employment rate must be increased** to a higher level, particularly for those aged 15 to 24 years.

# Support Ratios under the Business-as-Usual and Strong Reform Scenario

- ❑ The support ratio is the number of **effective workers** supporting the number of **effective consumers**.
- ❑ A support ratio of 0.5 means that each worker, on the average, is supporting himself/herself together with one other consumer.
- ❑ The highest support ratio under the BAU scenario is 0.48 and is expected to occur in 2080 to 2085! This means that at best, 48 workers will support themselves plus 52 other consumers.
- ❑ Under the strong reform scenario, the support ratio will be greater than 0.50 starting 2025 and will be highest at 0.55 from 2055 to 2065. This scenario creates a relatively much wider demographic window of opportunity.



# **Demographic Dividend: Key to Increasing Growth Potential**

- **Key policy reforms must be done now** if we are serious in harvesting the demographic dividend to increase our country's growth potential.
- Demographic Transition and Demographic Dividend: *Para sa Patuloy na Pag-unlad*