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OP-ED

Demography: The decider?



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A straightforward analysis of the relationship between population and economic growth does not offer any decisive conclusion on whether the former retards or promotes the latter, and vice-versa. However, the age structures of population could affect economic growth considerably. It is widely recognised that the "East Asian miracle" occurred partly due to the region's favourable demographic changes (more working age population than non-working ones) during its high growth periods.

Nevertheless, the world's most dynamic economic region led by Japan is now facing ageing problem as its demographic window closes. In fact there is a genuine fear that China, the late comer in East Asian economic catch-up game, risks getting old before it gets rich.

The focus is now shifting to South Asia that is projected to accumulate a large pool of young population until 2060. This is indeed an once-in-a-lifetime opportunity for the lagging states of South Asia to catch up with East Asia and other forerunners, given that economic growth is a function of labour supply and labour productivity, among others.

With this significant development it is imperative to portray a profile of Bangladesh's demography. Demographic transition can be defined as a situation where a country witnesses a demographical transformation from high birth and death rates to low birth and death rates. Consequently, population growth rates first accelerate followed by a slow rate of growth.

During the British era, net population growth in Bengal was checked for a long period due to both high fertility and mortality rates. It took half a century to increase Bengal's population by merely 8% during 1751-1801, whereas Bangladesh's population increased approximately by 242% between 1950 and 2000 and is projected to rise by 50% more between 2000 and 2050.

According to the preliminary estimates of Population Census 2011, the enumerated population was about 142 million as of March 2011, whereas the United Nations Population Fund reports that the figure is 148 million.

Debates on total population figure apart, Bangladesh's population transition offers a number of optimistic pictures. Population growth rate in the country has fallen from 2.7% in 1980s to 1.34%. Total Fertility Rate (TFR) has declined from nearly 7 (children per women) in 1970s to 2.3 by the end of last decade and projected to reach replacement

level (2.1) by 2015. Drastic fall in TFR is also reflected in declining household size from 4.4 persons per household in 2011 compared to 4.8 in 2001 and 5.5 in 1991.

With 24.2 median age, Bangladesh is one of Asia's youngest countries. While low median age population is an advantage, the criterion that matters the most is total dependency ratio (TDR), non-working to working age population. A nation's demographic window generally opens when the TDR goes below 50. More precisely, this happens when the proportion of children and youth under the age of 15 falls below 30% and the proportion of people 65 years and older is still below 15%. According to the Household Income and Expenditure Survey 2010, youth and children (0-14 age group) and older population (60+) constitute 35% and 7% respectively of total population.

Another encouraging shift in the demography is changing sex ratios in favour of women. When calculated in 1991 and 2001, the sex ratios were 106.1 (males per 100 women) and 106.4 respectively; thus males outnumbered females. In the recent census, the number was found to be 100.3, representing almost equal number of males and females. Estimate shows that the actual growth rates of South Asia is at least one percentage point lower than its potential growth owing to the gender imbalance.

Nevertheless, higher base population and extreme land scarcity make Bangladesh one of the densely populated countries in the world, offering a frightening scenario and undermining the successes of its demographic shift. This high density of population is partly, if not largely, a pre-1971 phenomenon. For instance, between 1970 to 2010, Bangladesh, India and Pakistan's population increased by 122, 121 and 192% respectively.

Now the question is whether Bangladesh is in a position to convert its "demographic window" that could last till middle of this century into "demographic dividend." Although the impact of demographic transition is already visible it is not merely with growing share of younger population. It was no accident that the stock-market capitalisation went up by over 45% of the country's GDP in 2010 from merely 10% even a few years ago. More people in the working age group and a lower dependency ratio mean higher savings and investable surplus.

The success of demographic transition will largely depend on the type of human capital that Bangladesh accumulates. Human capital contributes to economic growth in two ways. As Nobel laureate Robert Lucas observed, the human capital embodied in a human being increases that individual's productivity, leading to an increase in economic output. Then the human capital embodied in an individual also contributes to the productivity of all other factors of production.

As far as human capital formation is concerned Bangladesh's picture is at best mixed. The 2010 literacy survey shows that nearly 42% of the people (age 7 years and above) are illiterate. However, the literacy level is much higher (78.6%) for the age group 15-24. Average year of total schooling (15 years and above), a narrow but close proxy of human capital, shows that while Bangladesh (5.8) is ahead of some South Asian countries, it trails behind developing country average (7.1). In terms of tertiary education attainment, it lags behind India and Pakistan. Proportion of population (15+) receiving vocational training (1.38%) and accessing the internet (1.49%) is quite low.

The empirical evidence in favour of return to education is abundant. Robert Barro of Harvard University and Jong-Wha Lee of the Asian Development Bank showed that the rate of return to an additional year of schooling on output ranges from 5% to 12%. A study conducted by Dr. Niaz Asadullah of University of Reading showed that an additional year of schooling increases labour market earnings by 7% in Bangladesh. Barro and Lee also found that, on average, the wage differential between a secondary-school and a primary-school graduate is around 77% and that between a college and a primary-school graduate is around 240%.

Health indicators are also equally important for human capital formation. While Bangladesh has outperformed many South Asian neighbours in this regard, it is not on track to achieve health related Millennium Development Goals.

Moreover, Bangladesh's progress towards human capital formation is relatively slower if one compares it with East Asia, when the latter was at a similar stage of demographic transition. South Korea's average year of total schooling (15+), for instance, was 8.3 even before the opening of its demographic window in late 1970s.

To sum-up, the demographic changes in Bangladesh are in line with the demographic transitions that we first observed in Europe and subsequently in East Asia and North America. Such changes transform societies from agrarian to industrial.

However, how Bangladesh will evolve economically in the next few decades largely depends on how fast the country improves its education system, particularly tertiary education, given its very high rate of return. The reason why

Bangladesh has developed in RMG sector rather than information technology and other high value added modern services sectors is largely due to its existing stock of human capital.

The country's demographic transition will also have enormous impact on its politics. What great philosopher Aristotle observed thousands years ago in the theory of the middle class and its causal link with democracy remains true even today. Unable to grow a strong middle class with better human capital formation and economic growth could create much chaos in the society derailing democratic process.

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