

Age Structural Transition in South Asia : Economic Consequences.

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Extended Abstract

In this paper, we examine the age structural transition in South Asia. The economic consequences, in particular the impacts of the large influx of people into the working age groups in these populations, are analyzed. The countries covered are India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan and Maldives with the exception of Afghanistan.

Data and Methods

The information on key indicators of these populations available from the World Population Prospects, 2004 Revision forms the data base of the study. To begin with, the population growth trends, the changes in fertility and mortality patterns, the age composition and their future trends are assessed. The age composition of population is analyzed in 3 broad age groups- 0-14, 15-64 and 65+. Age structural transition is studied from 1959 through 2050.

Findings

Among the countries considered here, India is the most populous country with the population crossing 1 billion by the year 2000. Maldives, being a small island, is the least populous. The growth rate in India has been declining steadily in spite of the massive size and the projected figures puts India's growth rate at 0.32 percent by 2045-50. Projections show that growth rate of Pakistan and Bangladesh would be 0.84 percent and 0.62 percent respectively by 2045-50. By 2050, the population of Nepal is expected to increase by more than 6 times its size in 1950. Though Bhutan started of with a low growth rate of 1.57 in 1950-55, it would be having the maximum rate of growth (0.99 percent) among the 7 countries. Population of Sri Lanka has been

increasing at a rather slow pace during the past 50 years and by 2050 the population will be only about 21 million. If this trend continues, Sri Lanka would be experiencing negative growth rate (-0.19 percent).

Age composition has important implications for future population growth because younger populations possess greater growth momentum. Currently, around 15 percent of the population in India is under age 15. By 2050 the under-15 group will drop to 6 percent of the population. In contrast, the percentage 65 and older will grow from 4.9 percent to 14.8 percent by 2050. The share of the working-age or those aged 15 to 64 which is at present 61 percent of the total population and is expected to increase by 7 percent in the next 5 decades. But the proportion of the aged or those aged 65 years and above is expected to increase three times its present size by 2050, i.e. from 4.9 percent to 14.8 percent. This increase is expected to be striking in Sri Lanka where the current 6.6 percent aged population would increase to 22.9 percent by 2050. During this period this proportion is expected to be around 10 percent in Maldives, Pakistan, Nepal and Bhutan. Bangladesh would have slightly more proportion aged 65+ by 2050 (11.6 percent).

The most rapid growth will be among those in the prime working ages. So the most important aspect with this transition is that these Asian countries will be having a huge population in the working ages that is, around 60 percent in all countries. Sri Lanka and to some extent India stands out from the other countries with regard to the shape of the population pyramid by the year 2050. The broad top reflects the aging process. It also shows how the life expectancy favors the females in Sri Lanka and India for instance.

Owing to this structure of the population in which the youth dominate, the working-age population growth rate will be higher than the overall population growth rate and so the demographic 'dividend' or 'bonus' can be beneficial for these countries for 2-3 decades from now. Notice that in Sri Lanka, the so-called demographic bonus implied by the bulge of labour force will last for only a short period from now and will cease to exist by about 2020 when the total population growth rate exceeds that of working age population. This situation will prevail in India for about 3 decades. Bangladesh, Maldives, Bhutan, Nepal and Pakistan will continue to have this advantage for some

more time though the trend is seen to be declining. Thus, the addition to the growth of the labour force may continue to be big in the near future in the South Asian countries except Sri Lanka. The availability of a larger proportion of people in the working age group, coupled with a reduction of young age dependency, or 'Demographic bonus' can be effectively utilized for the economic development of the South Asian Countries if labour intensive developmental strategy is pursued.

The magnitude of the demographic dividend appears to be dependent on the ability of the economy to absorb and productively employ the extra workers. However, South Asia's labour market is characterized by pervasive unemployment and underemployment, especially among the youth and the educated; working poor who do not get adequate wages to get out of poverty; working children; and women who face discrimination across the labour market, reflecting prevailing social attitudes. The most important fact is that it is the youth who remain largely unemployed and they account for a major portion of the total unemployment.

The dependency ratio is one of many indicators that allow us to learn about the "window of opportunity". In India, the total dependency ratio has been decreasing all through the past 5 decades and is projected to decrease to 50 percent by 2050. Though in Bangladesh, Bhutan, Maldives, Pakistan and Nepal, the total dependency ratio will be around the same magnitude by 2050, Bhutan, Pakistan, Maldives and Nepal witnessed increase in dependency ratio until 2000. In Sri Lanka, dependency ratio decreased from 84 percent to 49 percent during 1950-2000 and is projected to increase to 65 percent by 2050.

Population aging presents many challenges to societies and economies in terms of health care for the elderly and economic security. Health care needs are not only greater for the aged but also quite different than those of the young. As countries respond to population aging, they will find it difficult to balance health needs against other urgent public programs. Equally difficult will be prioritizing the needs of the elderly against continuing demand for health care in the wake of increase in communicable diseases. Assuring economic security for the elderly is yet another problem. Rapid

population aging makes new demands on a region that was once dominated by children. The society has to be prepared for the change. Such countries must begin to adopt comprehensive health care and pension systems. In most Asian countries, however, where the shift to an older population is just beginning, policy responses have been extremely slow.

South Asia sustained impressive economic growth during the past ten years. The GDP growth rate has been 8.1 percent (2005) against 7.6 percent in Asia as a whole. The growth in output translated into 6.5 percent increase in per capita income in South Asia. Economic growth in India and Pakistan increased to 8.4 percent and 8.6 percent respectively. But the pace of growth slowed down in Bangladesh, Nepal and Bhutan. In South Asia, if this trend continues in the future, reaping the benefits of the demographic bonus will, perhaps, be a reality.

Yet another aspect that reflects the future growth potential of a population is the population momentum. If fertility were to immediately fall to replacement levels of approximately two children per woman in all nations, population size would continue to increase because of the large number of women in reproductive years. On the other hand, lower levels of population growth would be expected for populations in which older women constituted a relatively larger share. Because of the young age composition of today's population, over the next 25 years, population momentum is expected to account for almost three-fourths of population growth in developing countries and nearly all population growth in East Asia. The inertia of high demographic growth will still be present in age structure and will continue for many years.

It is clear that all these South Asian countries are poised for an increase in population due to the momentum factor as well. If the projections hold true, growth due to momentum is expected to be least in Sri Lanka followed by India and Bangladesh and highest in Maldives. In about 20 years time from now, when Sri Lanka will experience negative momentum, the rest of the countries would continue to have positive growth due to momentum. In India too, future growth of population would be largely due to momentum.

