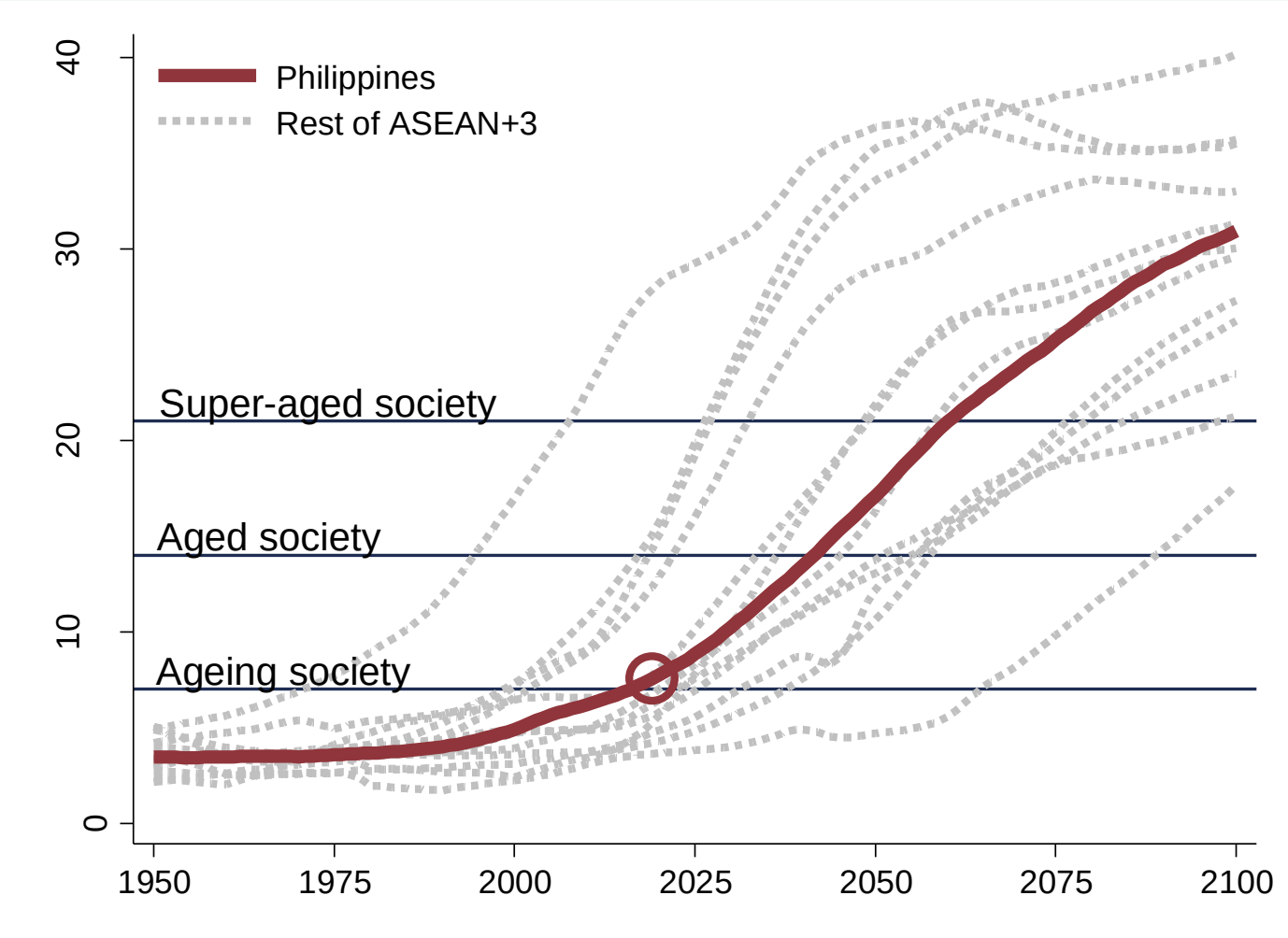
Are we missing out on the demographic dividend?

Trends and Prospects

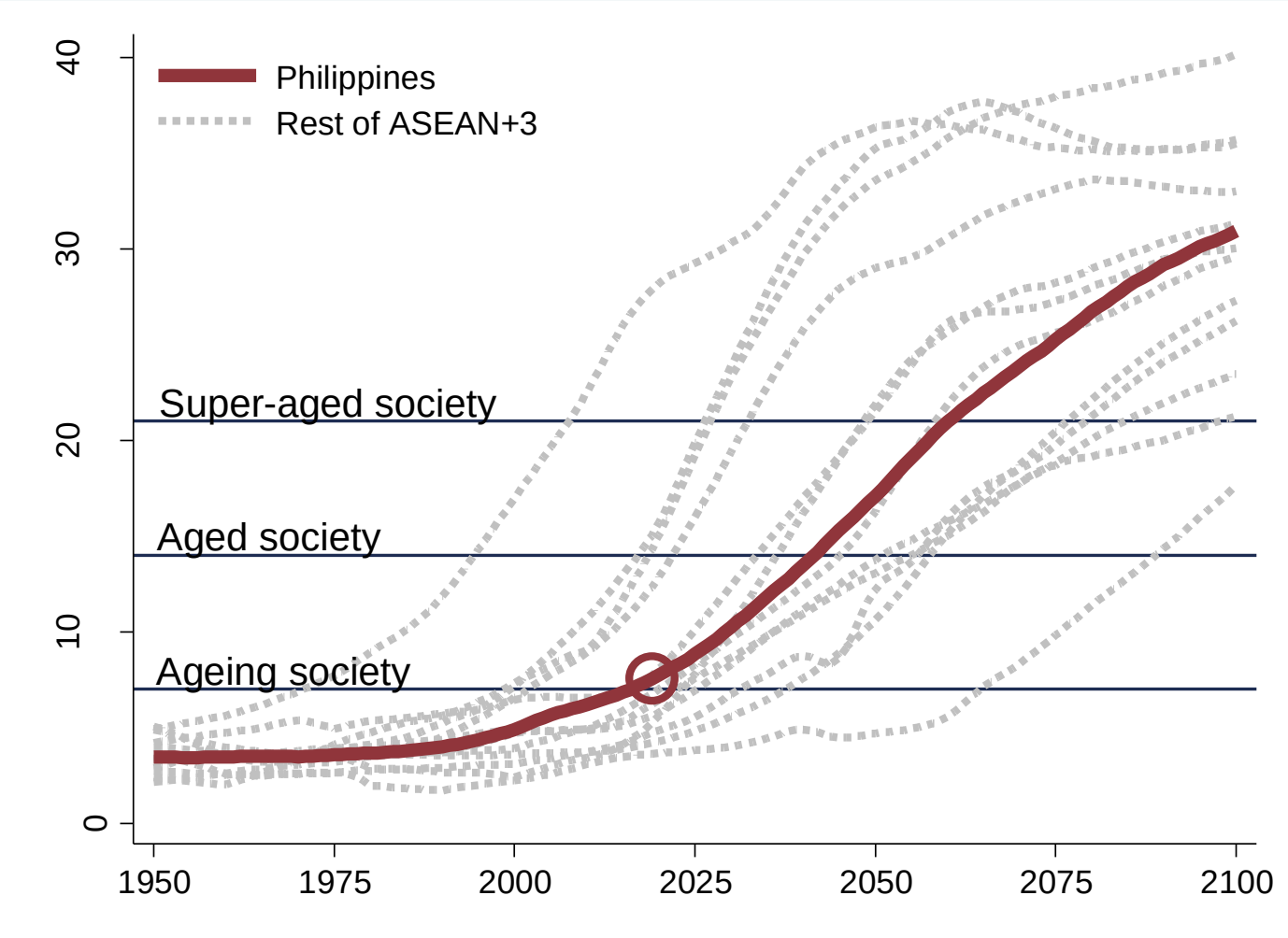
Michael R.M. Abrigo, Rachel H. Racelis, J.M. Ian Salas, Alejandro N. Herrin,
Danica A.P. Ortiz, and Zhandra C. Tam

Philippine Institute for Development Studies
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

The Philippines is ageing

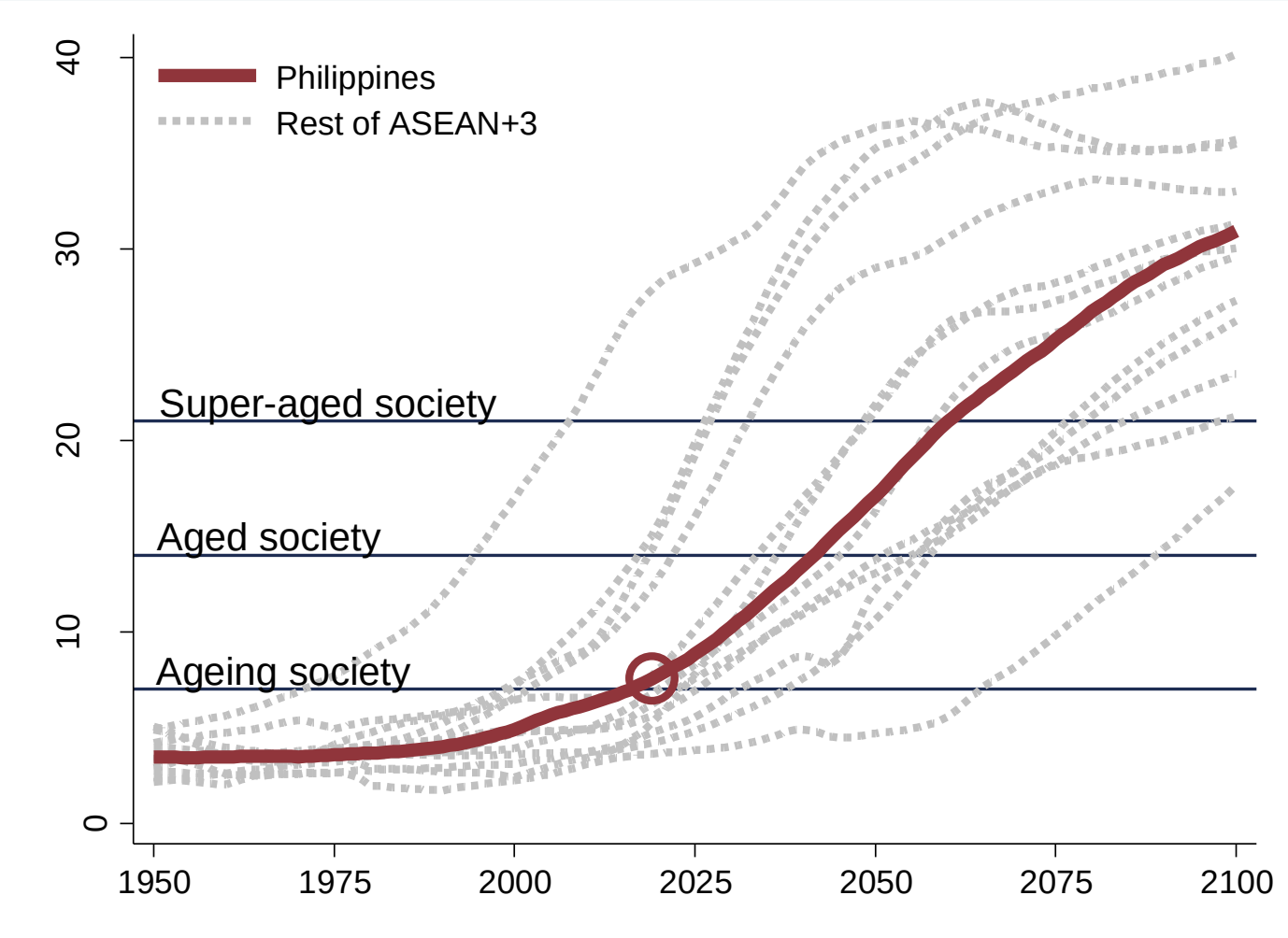


The Philippines is ageing



Population ageing is a story of our collective success…

The Philippines is ageing



Population ageing is a story of our collective success…

…that comes with both challenges and prospects

Key Questions

1. How may the demographic transition affect material measures of well-being?
2. Have we benefited from this so-called demographic dividend?
3. What does public policy have to do with it?

What is the demographic dividend?

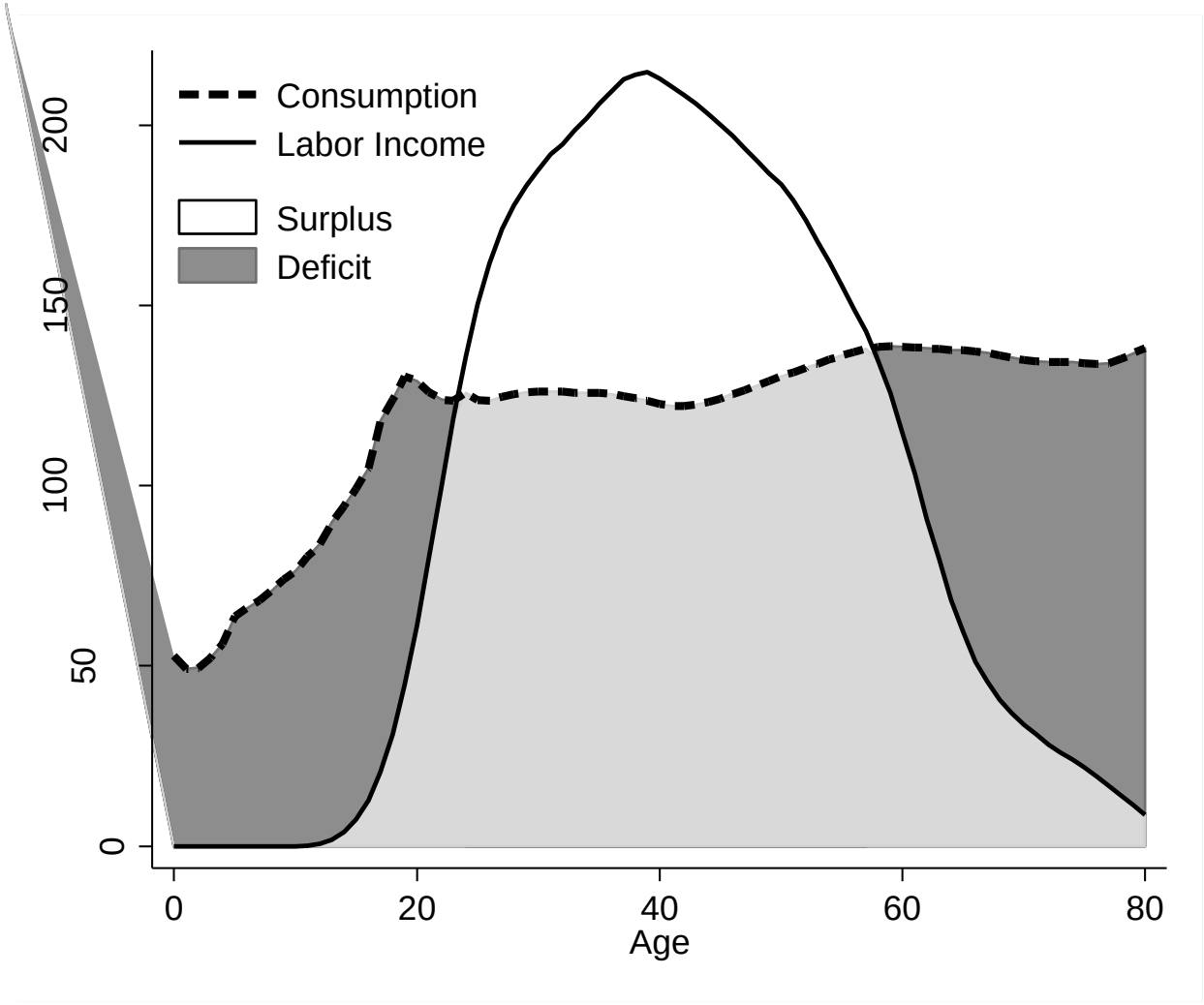
Demographic Dividend

- Direct and measurable impact of demographic transition on material measures of well-being
  - First DD: Accounting effect from workers growing faster than consumers
  - Second DD: Behavioral effect on capital accumulation resulting in greater productivity
- Potentials for additional growth – but not free

Philippines, 1990-2015 (Trends)

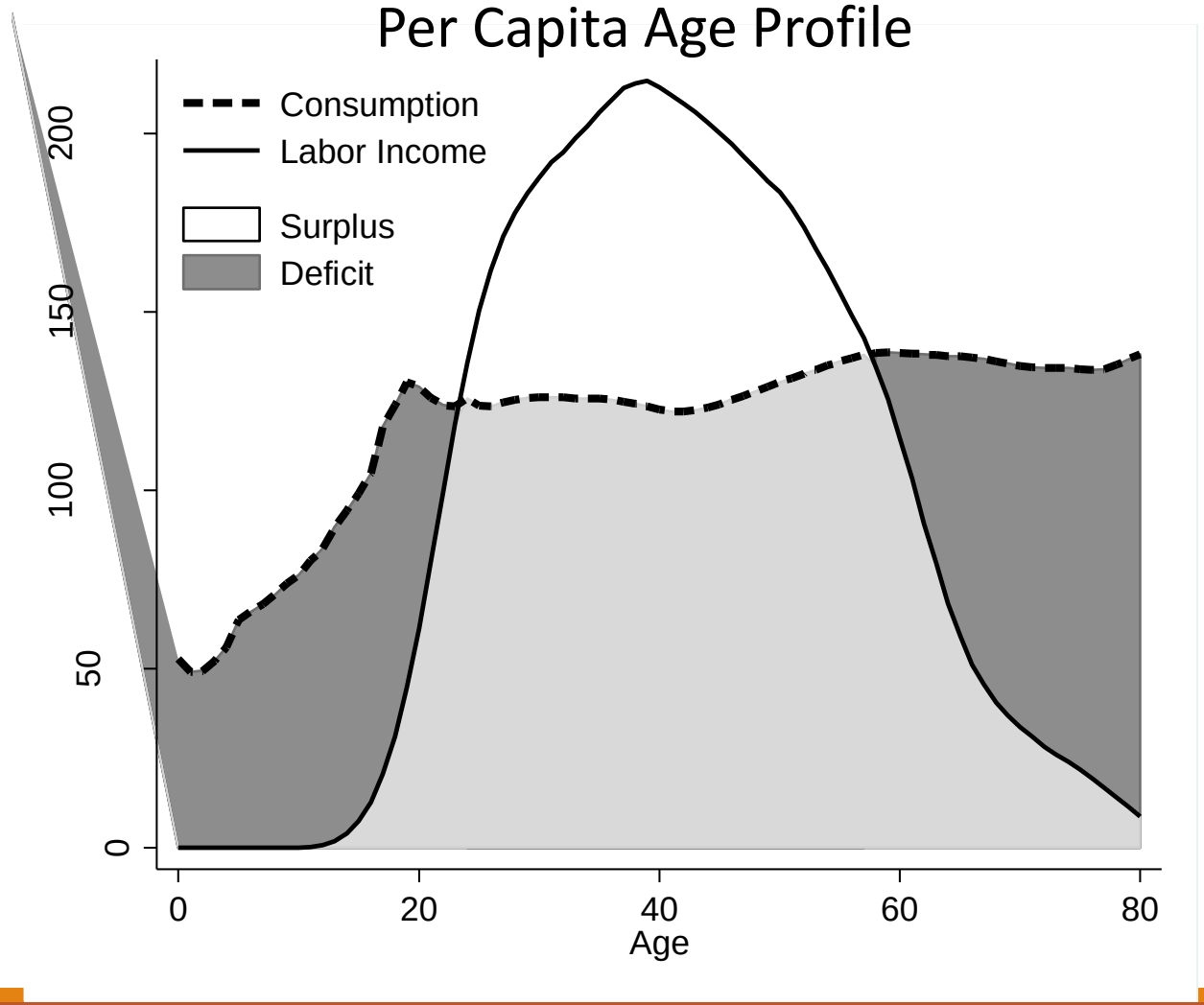
Generational Economy and the National Transfer Account

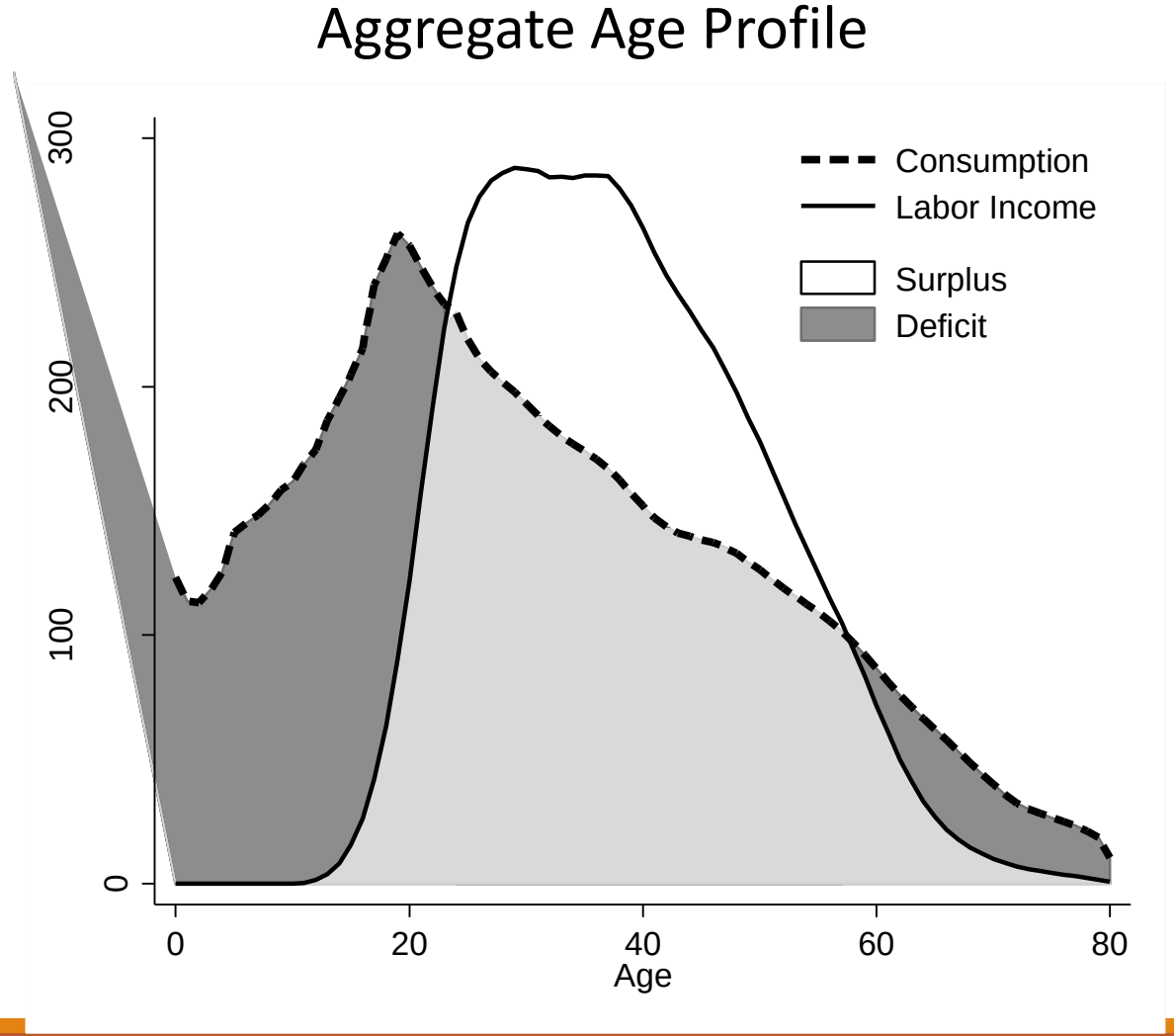
A typical Filipino's economic lifecycle



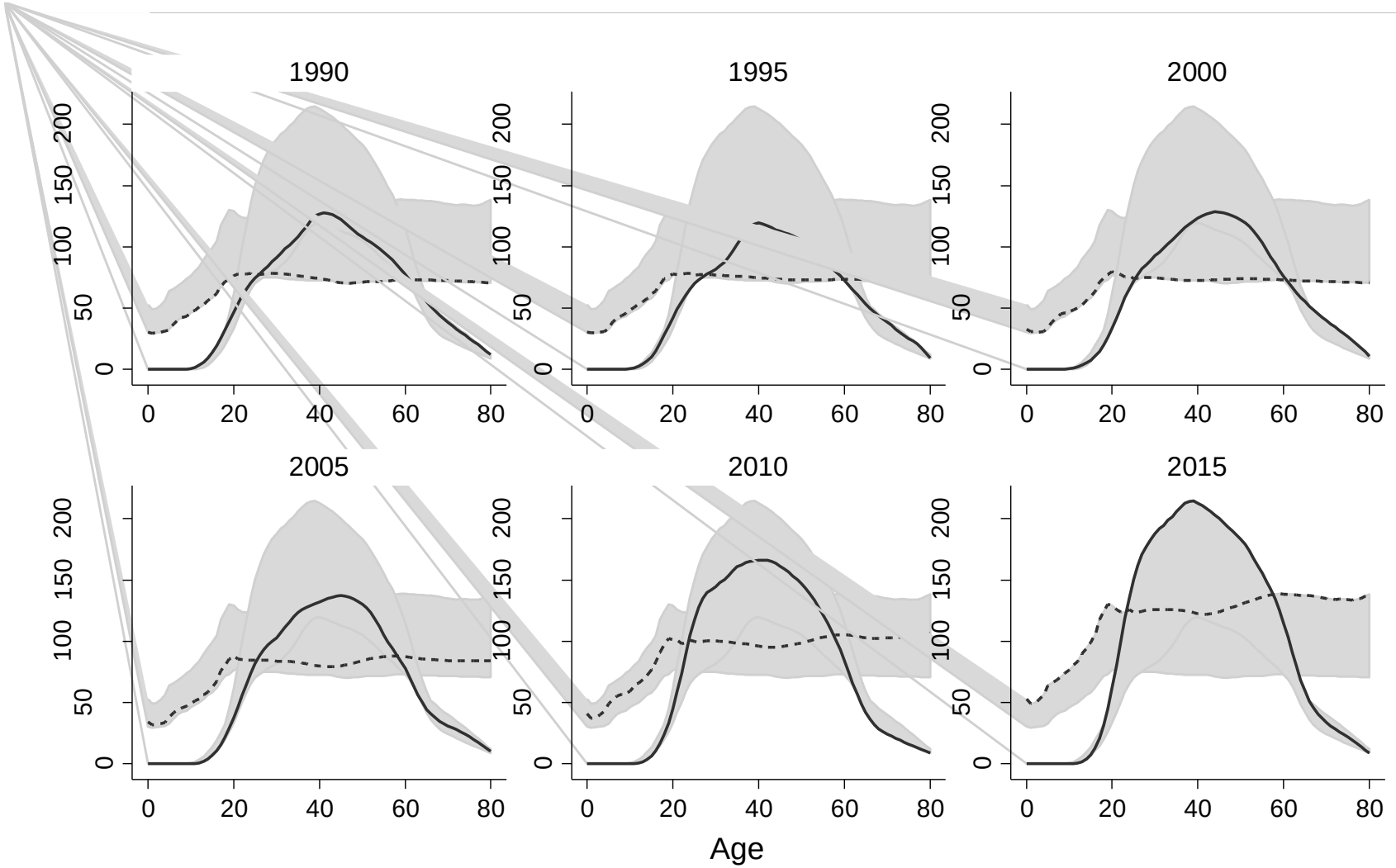
Per capita consumption and labor income by age in the Philippines, 2015

Population age distribution matters



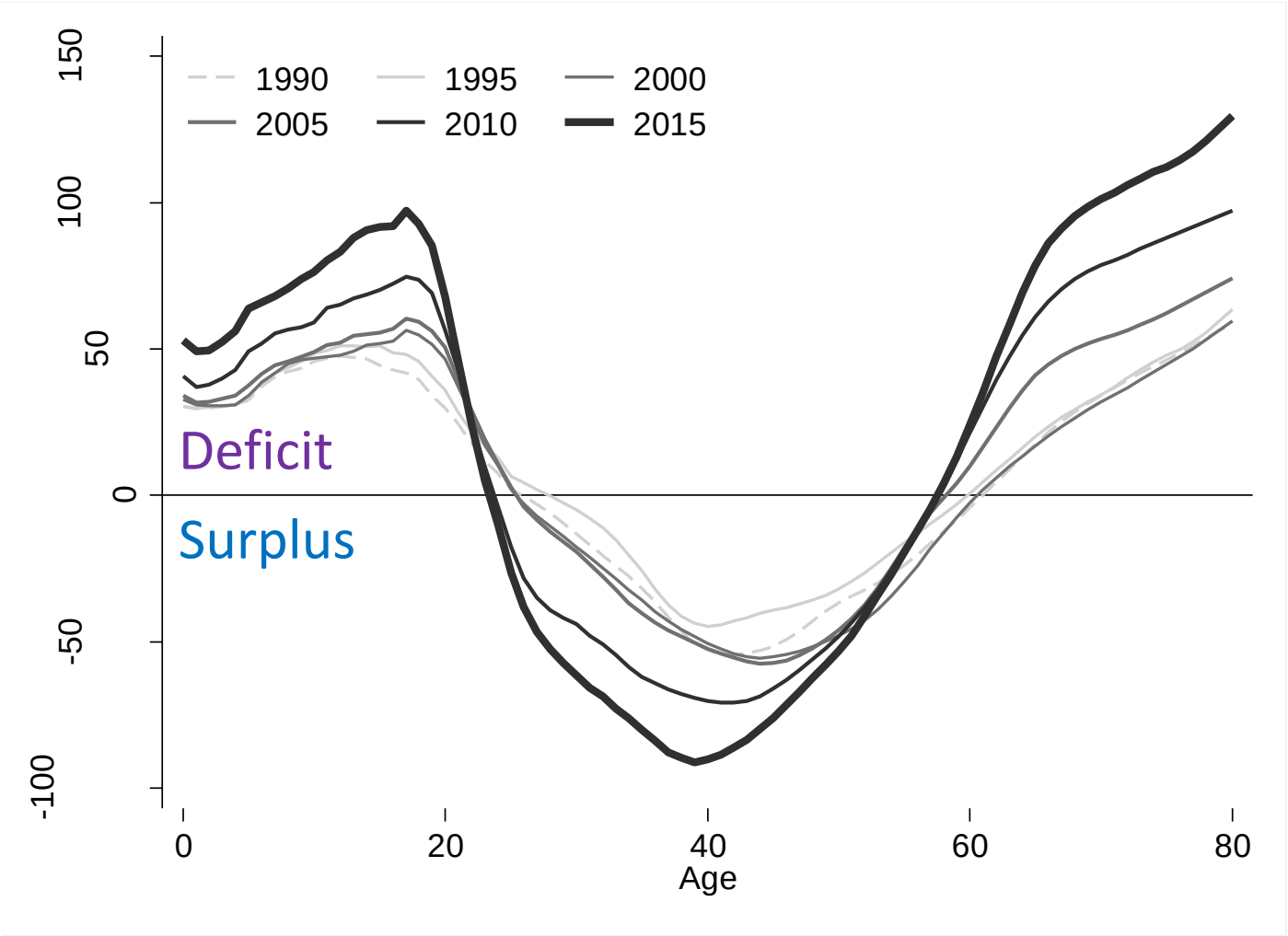


Evolution of our economic lifecycle



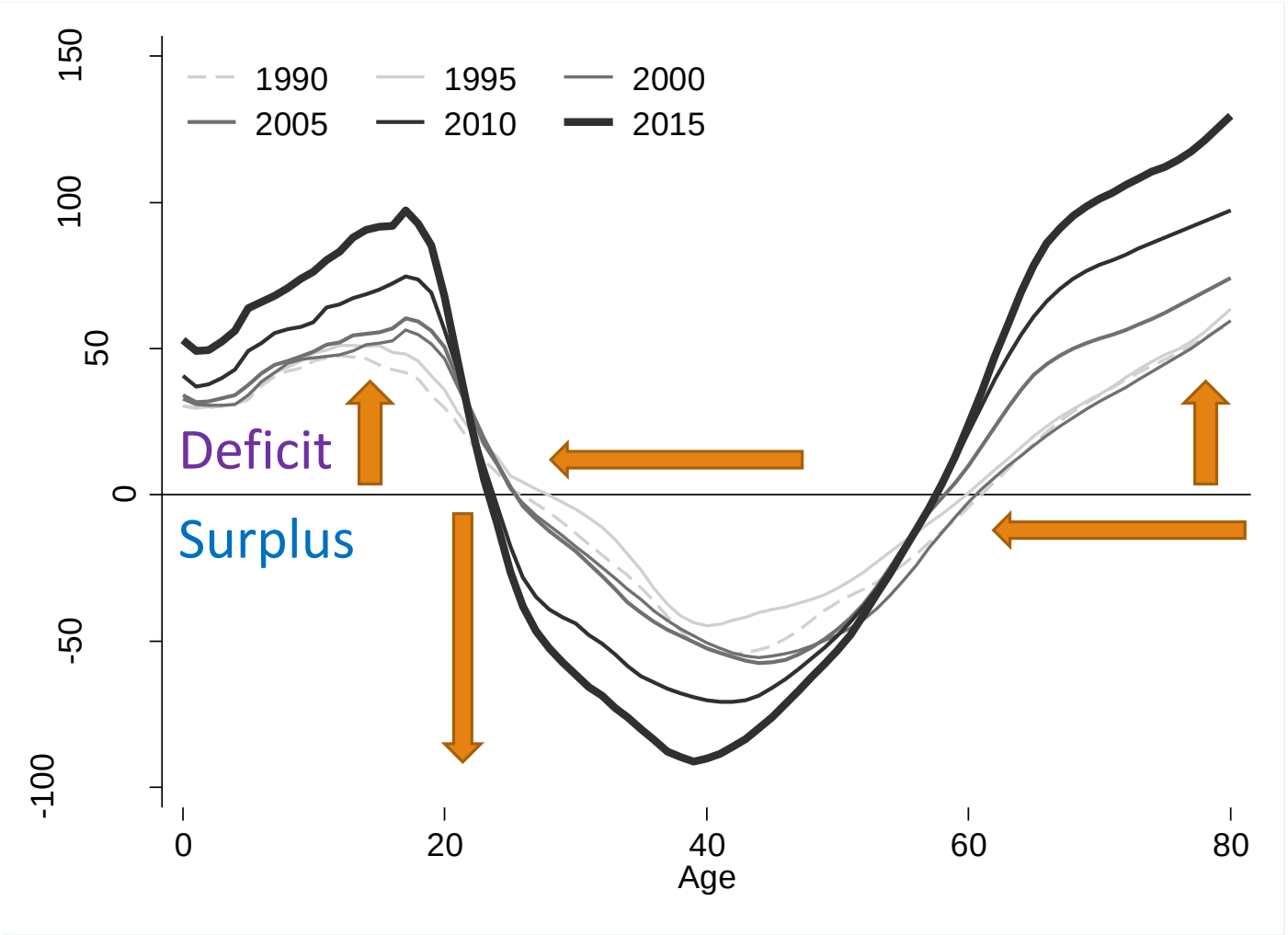
Consumption and labor income by age in the Philippines, 1990-2015

Lifecycle Deficit (Surplus)



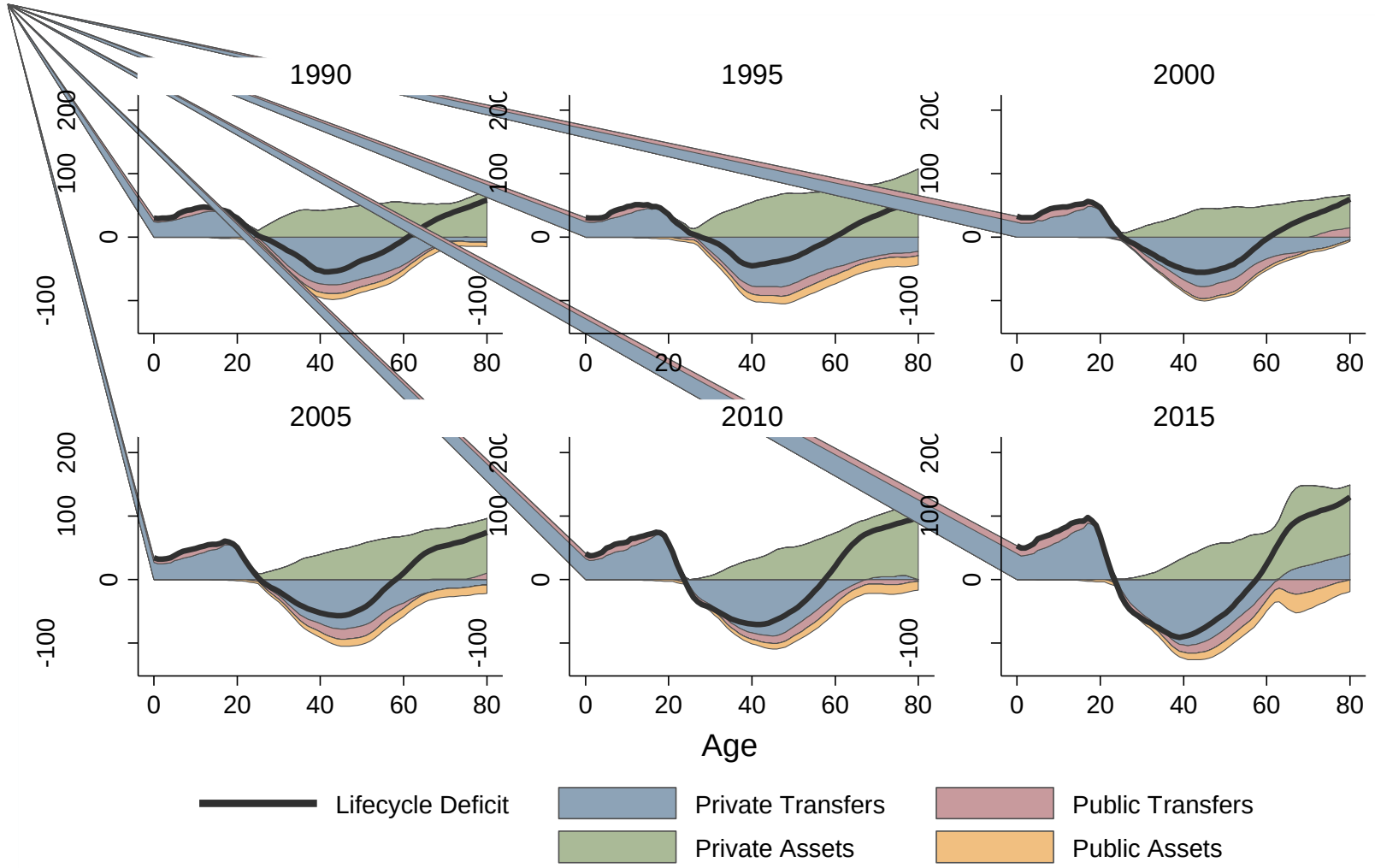
Calculated as difference of how much is consumed and how much is earned from working

Lifecycle Deficit (Surplus)



Growing and shifting towards younger ages

How are lifecycle deficits funded?



Mainly transfers among the young; private asset-based reallocations among the elderly

Have we benefitted from the demographic dividend?

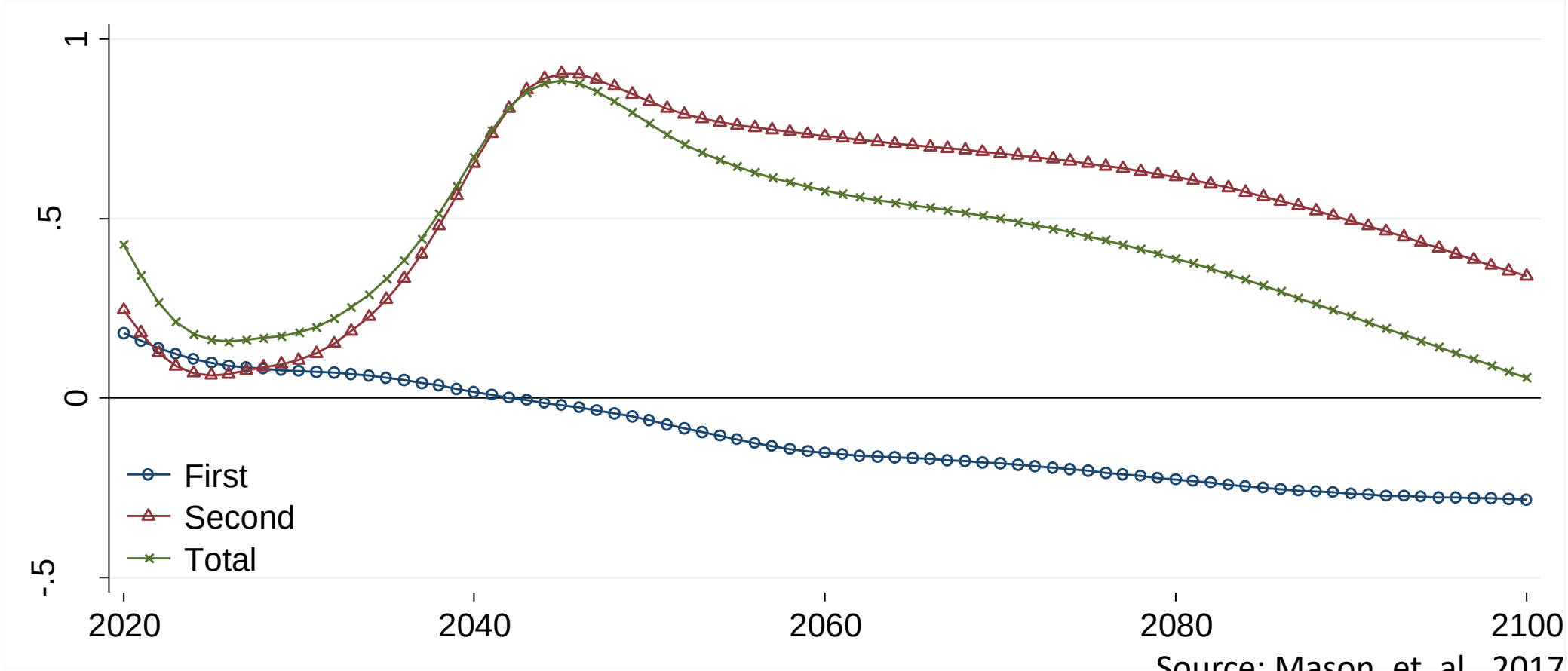
Decomposition of consumption growth

	Consumption per consumer ('000 PhP)	Support Ratio (%)	Consumption Share (%)	Output per worker ('000 PhP)
A. Level Estimate				
1990	74.1	50.1	88.2	167.6
1995	75.2	51.5	90.8	160.9
2000	74.3	52.6	84.1	167.9
2005	82.1	53.6	81.6	187.6
2010	98.7	55.7	73.0	242.7
2015	126.7	56.7	75.3	296.6
B. Annual Growth Rate (%)				
1990-2015	2.2	0.5	-0.6	2.3
1990-2000	0.0	0.5	-0.5	0.0
2000-2010	2.9	0.6	-1.4	3.8
2010-2015	5.1	0.4	0.6	4.1

Note: Authors' calculations

Will we continue to benefit from the demographic dividend?

DD in the Philippines, 2020-2100



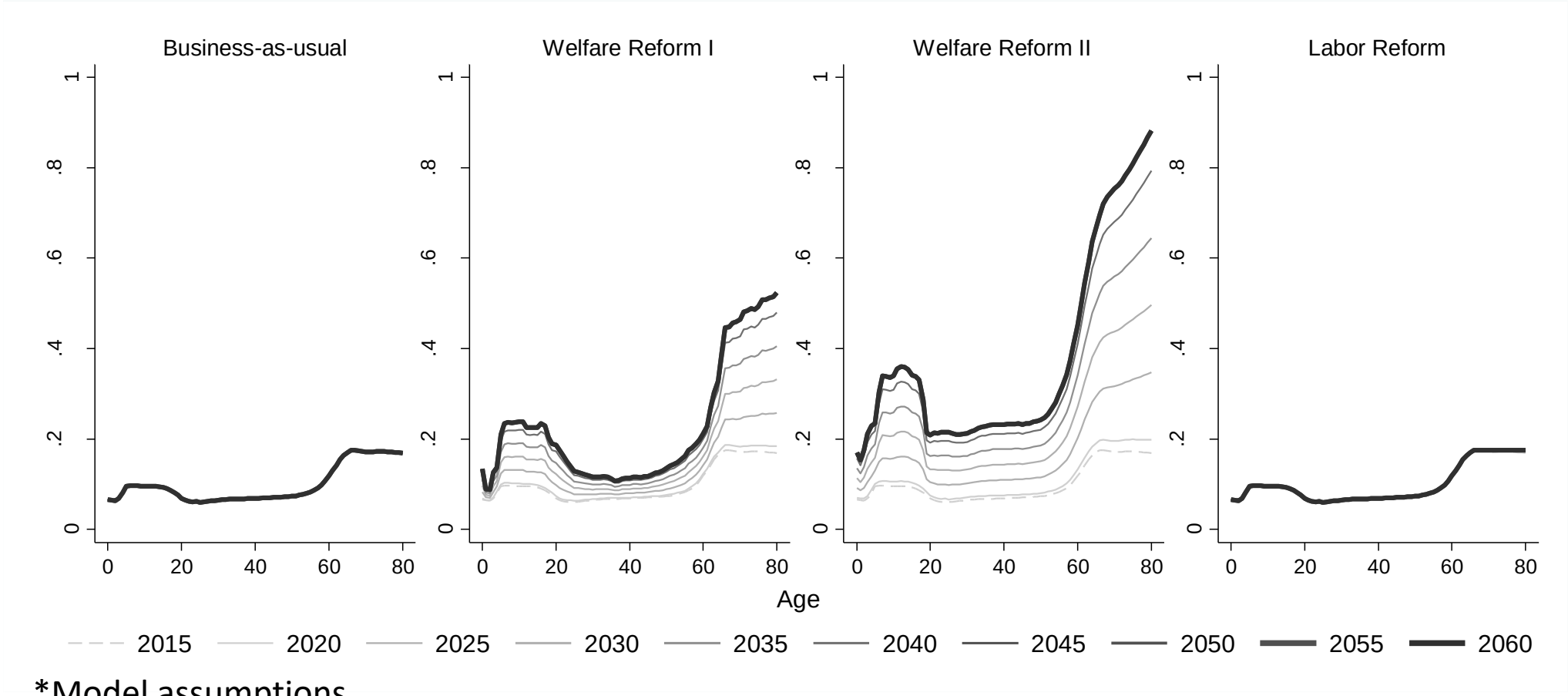
Source: Mason, et. al., 2017

Philippines, 2020-2060 (Prospects)

Projection Scenarios

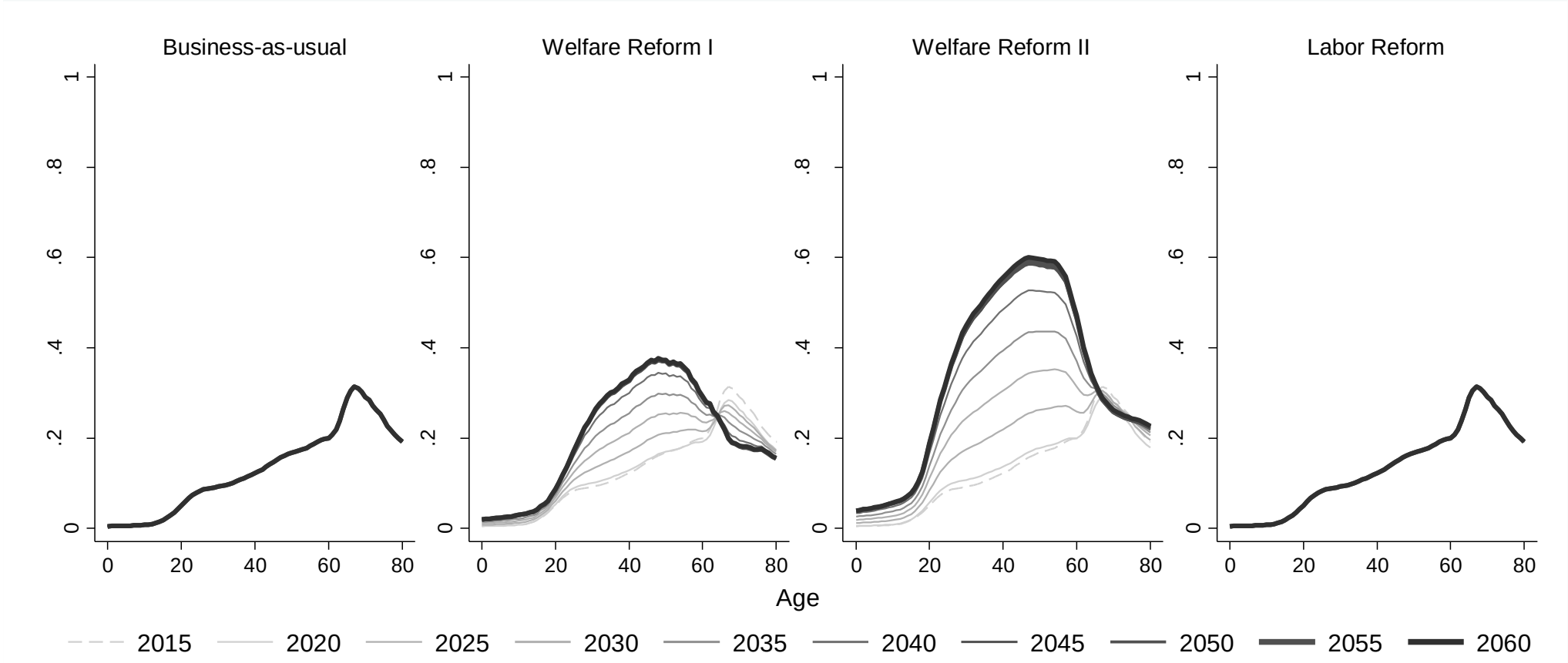
Scenario	Annual Labor Productivity growth	Public Transfers Age Profiles	Labor Income Age Profiles	Population age distribution
Business as usual	1.5% by 2045	2015 Profiles	2015 Profiles	Medium scenario UN WPP 2017
Welfare I	1.5% by 2045	Transition to high-income low public transfers by 2045	2015 Profiles	Medium scenario UN WPP 2017
Welfare II	1.5% by 2045	Transition to high-income high public transfers by 2045	2015 Profiles	Medium scenario UN WPP 2017
Labor reform	1.5% by 2045	2015 Profiles	Shifts with improvements in life expectancy	Medium scenario UN WPP 2017

Per capita Public Transfer, Inflows



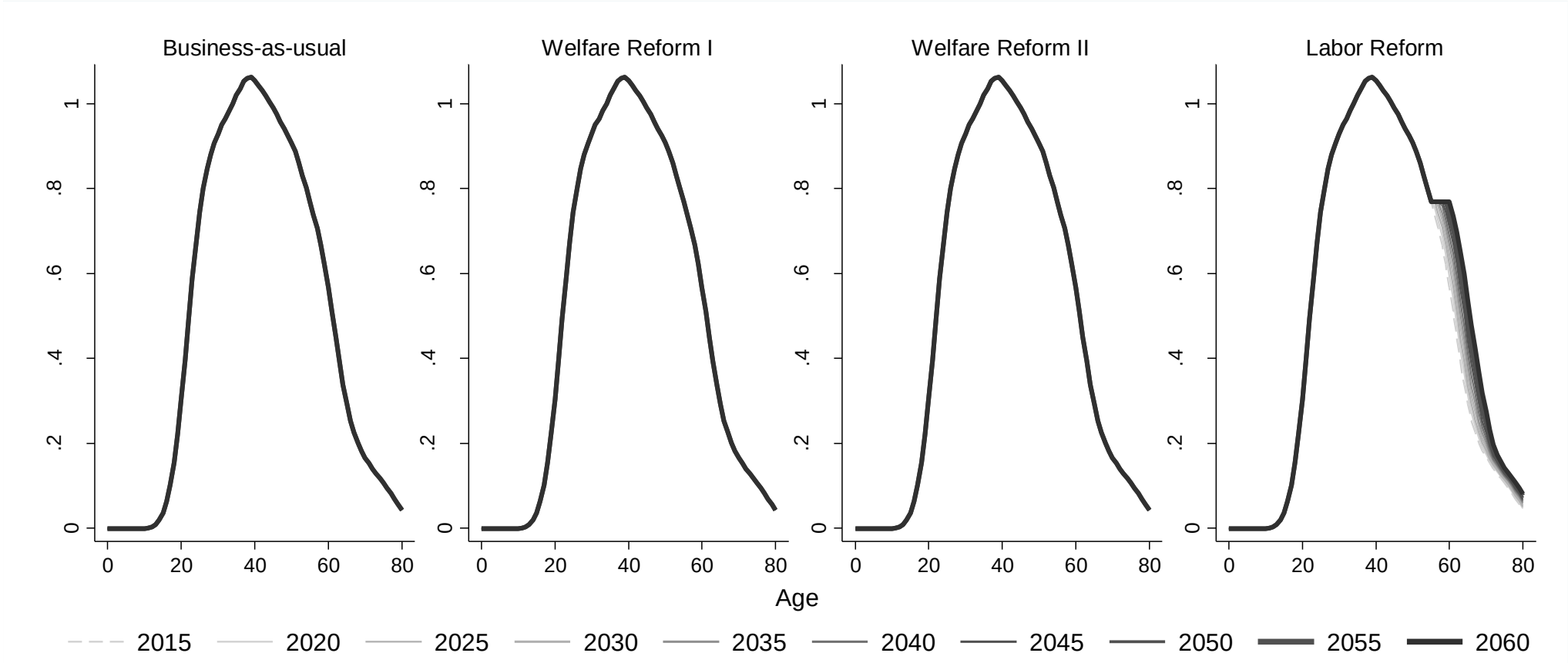
*Model assumptions

Per capita Public Transfer, Outflows



*Model assumptions

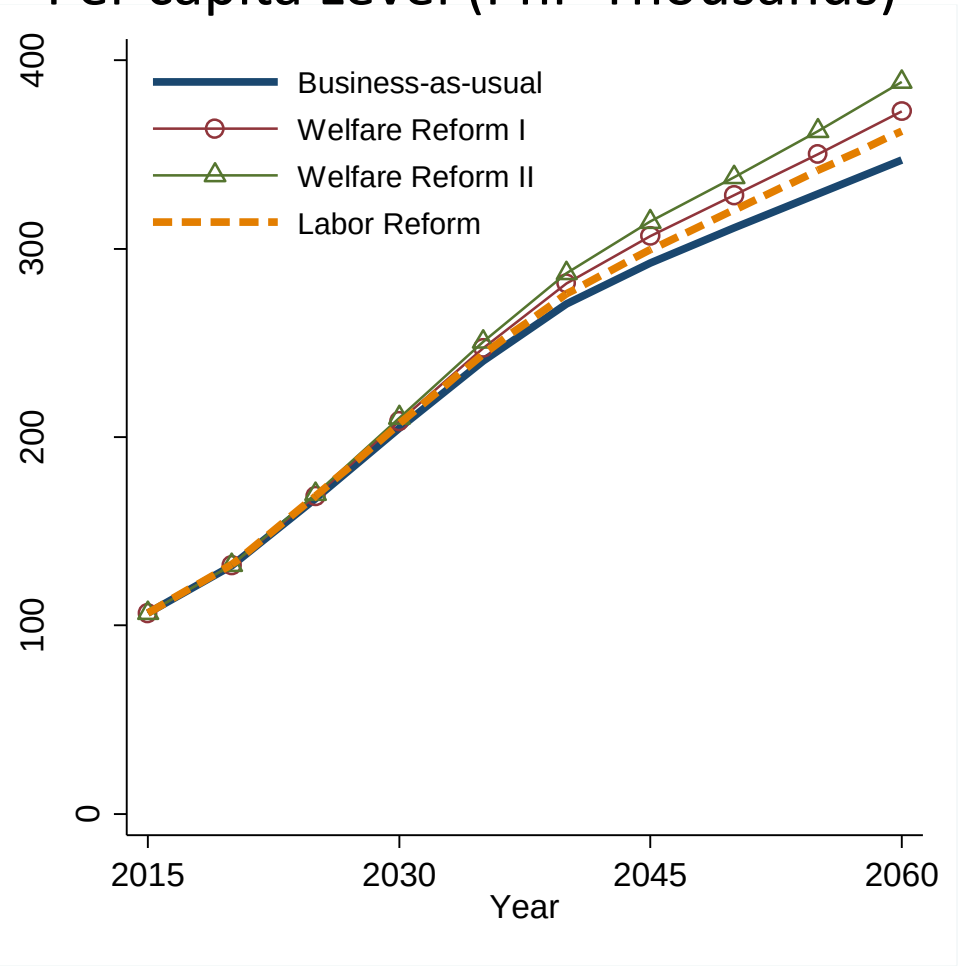
Per capita Labor Income



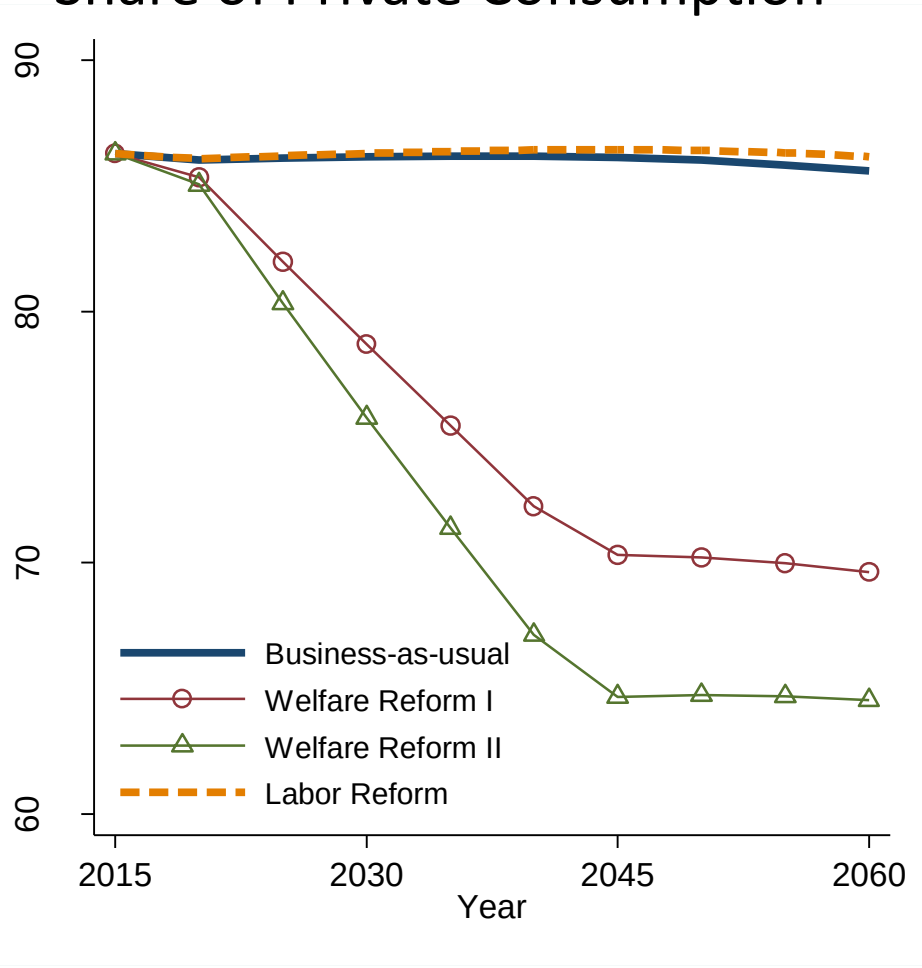
*Model assumptions

Results: Consumption

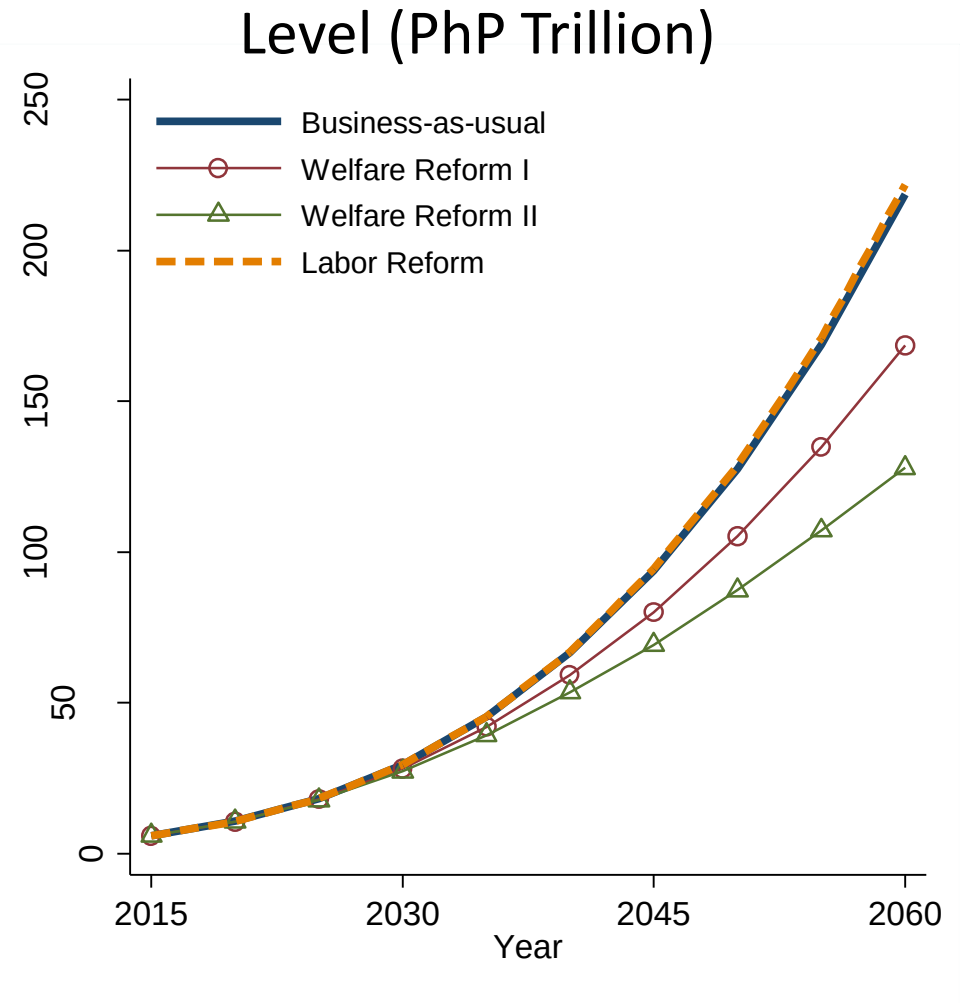
Per capita Level (PhP Thousands)

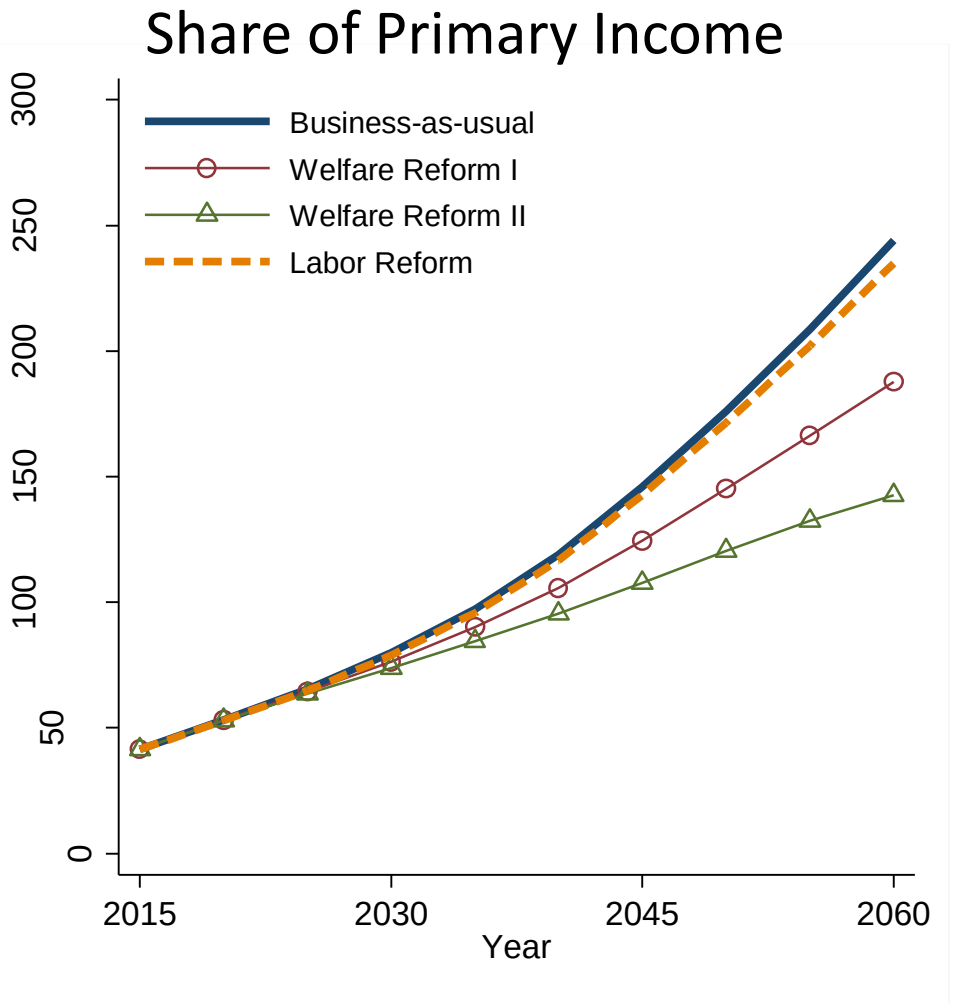


Share of Private Consumption



Results: Public Debt





Key Take-aways

- Important improvements in the past 25 years
- Demographic dividends are potentials
  - FDD: Requires fertility to fall; employment
  - SDD: Requires investments to be realized
- Public policy plays important role in welfare
  - Potential to improve well-being
  - Need to balance with costs – generational equity
  - Demography matters in public policy

References

Abrigo, M.R.M., R.H. Racelis, J.M.I Salas, A.N. Herrin, D.A.P. Ortiz, and Z.C. Tam (2018). Are we missing out on the demographic dividends? Trends and Prospects. PIDS Discussion Paper Series No. 2018-43.

Mason, A., R. Lee, D. Stojanovic, and M.R.M. Abrigo (2015). The fiscal impact of population aging: Accounting for the role of demography. NTA Working Paper 15-03.

Mason, A., R. Lee, M.R.M. Abrigo, S.H. Lee (2017). Support ratios and demographic dividends: Estimates for the world. United Nations Department of Economic and Social Affairs, Population Division Technical Paper 2017/01.

Philippine Institute for Development Studies
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Service through policy research

/PIDS.PH

@PIDS_PH

http://www.pids.gov.ph

EMAIL: mabrigo@mail.pids.gov.ph