

By Ivan Uttley

All powerful economies have one thing in common. They have taken advantage of a once off opportunity referred to as the Demographic Dividend.

SA is in danger of losing out!

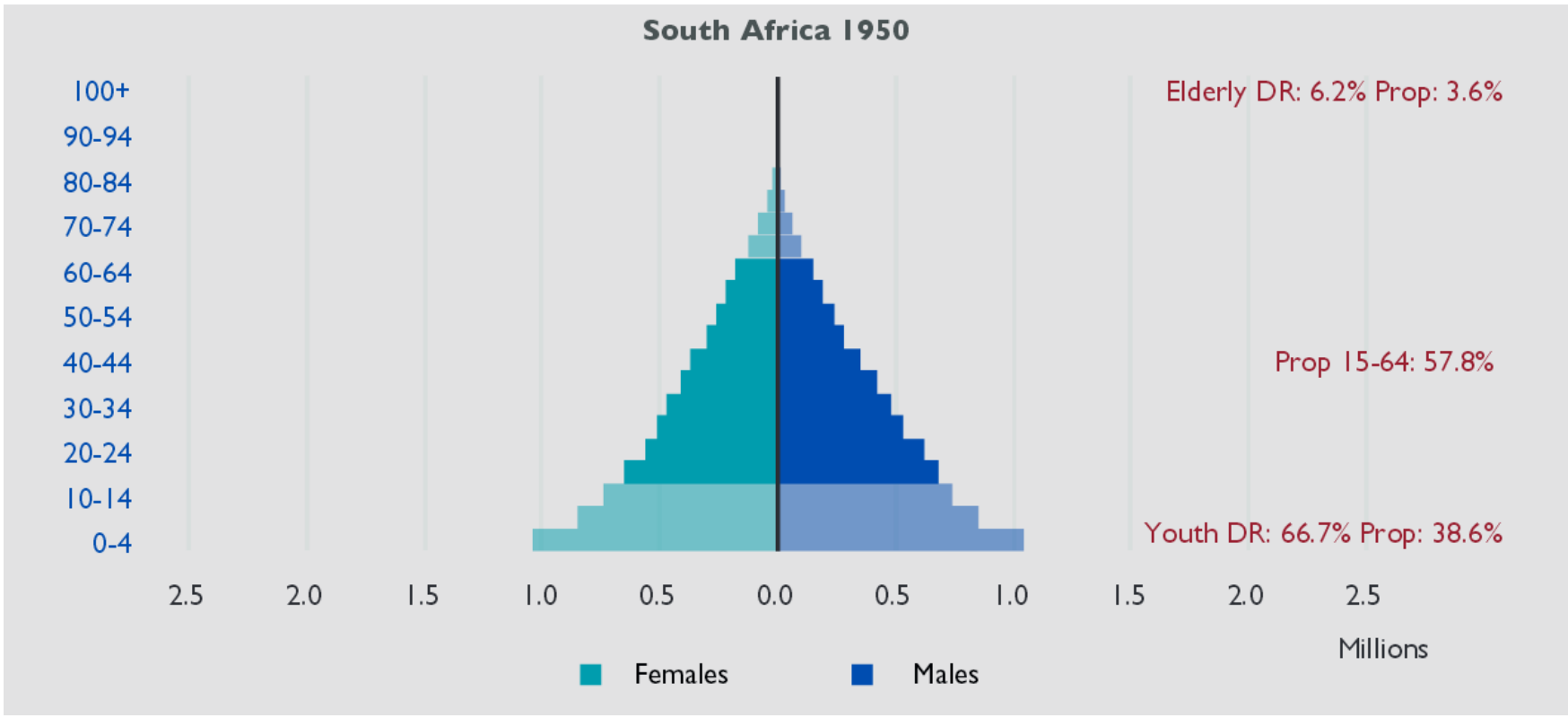
South Korea averaged 6.9% annual from 1971 until 2016, you have seen China's growth. You should see it again, closer to home! This sustained boost in growth for more than a generation is driven by the demographic dividend, it is a simple outcome of the changing mix of the population, available to all!



***"Those who don't read have barely any advantage over those who cannot read!"***

# The Demographic Dividend – In the not so good old days

If we plot our nation’s population by weighted age bands, we get the pyramid we all intuitively expect, kept short and narrow by disease, poverty, famine, war and social conditions.

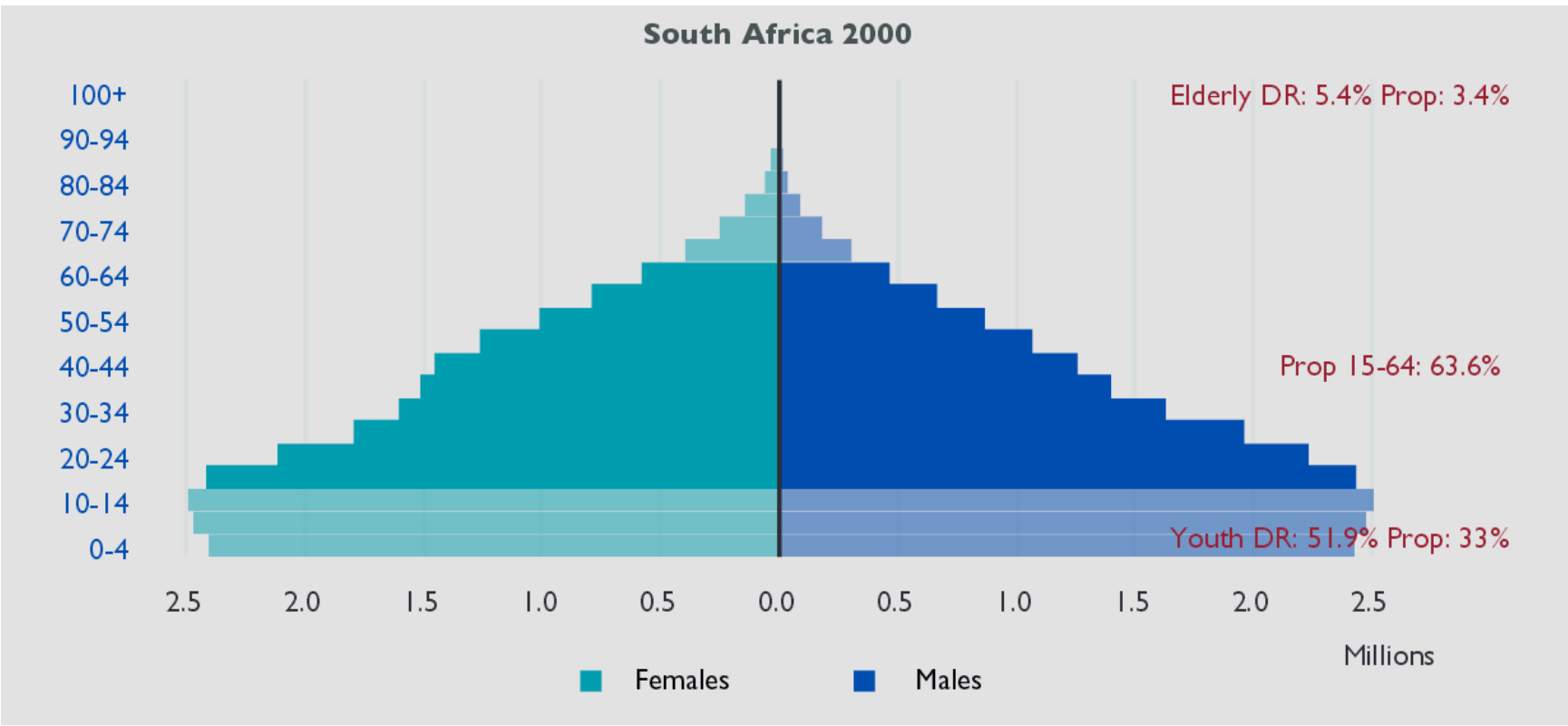


The impact of education, access to medicine, better nutrition are no quite evident yet.

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# The Demographic Dividend – infant mortality and fertility then diverge

We rise up, freed by the fruits of the ideas we have discussed. Many diseases are no longer a threat, infant mortality decreases, fewer starve, fewer die in warfare. Education, rights and the accumulation of wealth see the base of the pyramid begin to widen.

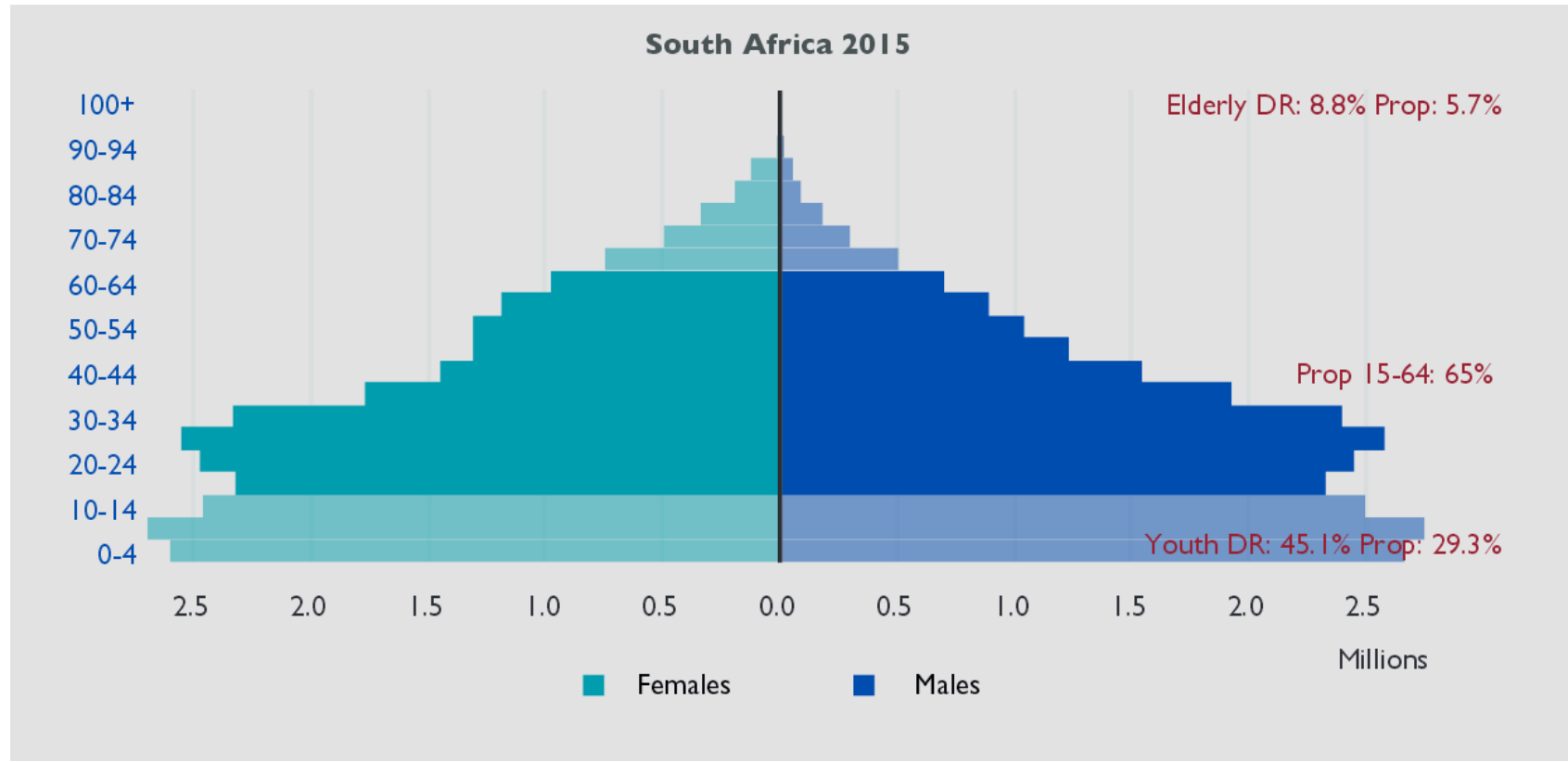


Large families are a burden, saving is impossible and dependency rates increase.

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# The Demographic Dividend –something happens as women gain control

Then birth rates drop off for a combination of reasons, but driven in principle by educated women, having access to technology and the right and ability to control their birth cycle. At the same time fewer women die in birth, and the life expectancy increases.

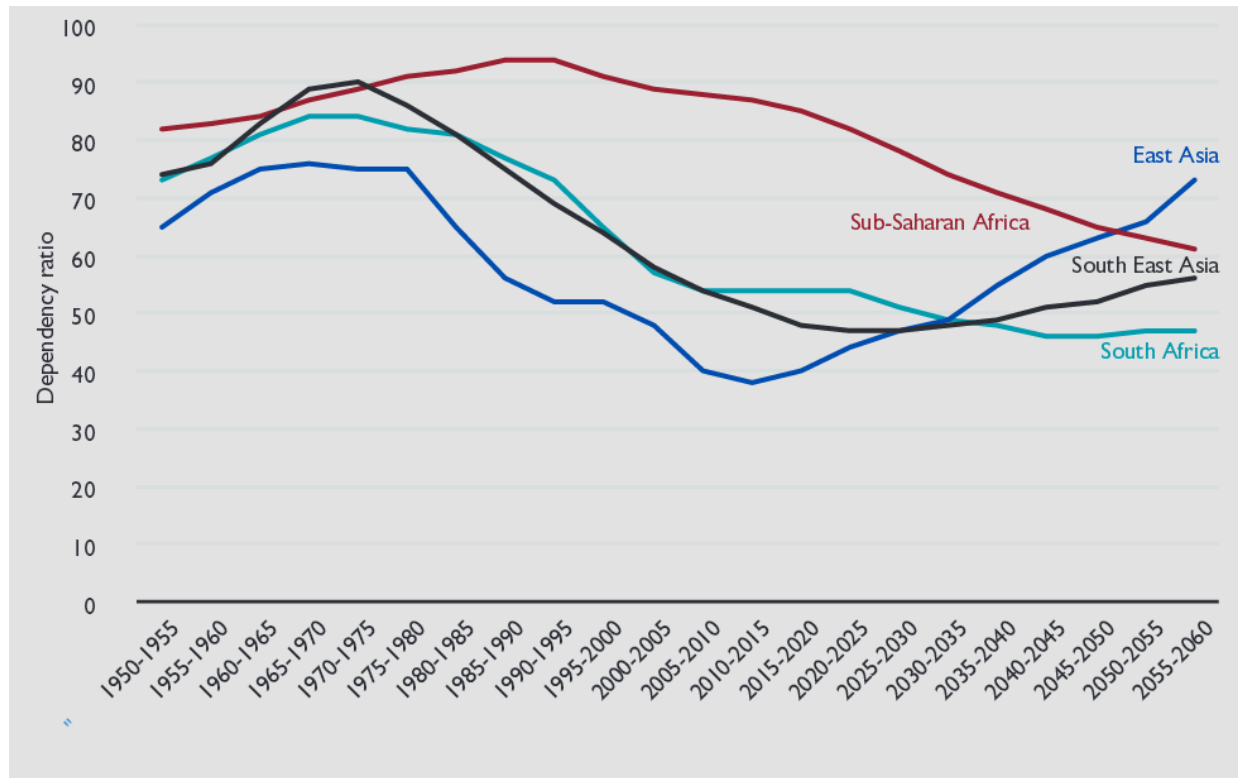


We enter a period where more people are working with fewer dependents and able to save and invest

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# Demographic Dividend – The window period,

Clearly, all things being equal, this extends to over two generations – the extension in average life expectancy and the simultaneous reduction in birth rate which is typified by women having children later. Europe’s window is over, Asia’s is closing, America’s is wide open, and Africa’s is opening

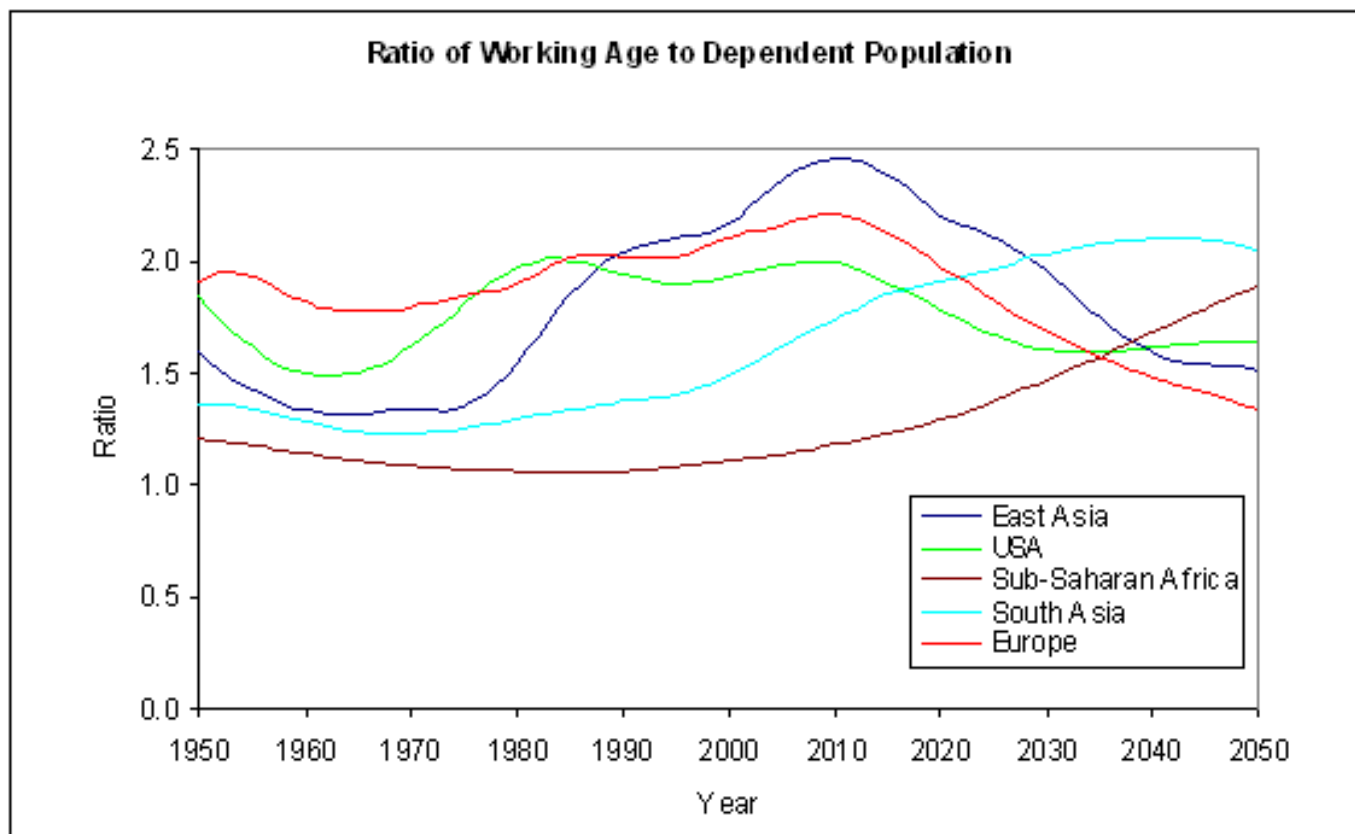


Here we see the window as a ratio of Providers to their Dependents, a low number is good.

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# Demographic Dividend - A powerful multiplier on the economy

Another way of looking at it is the ratio of working age to dependent age which should show the graphs inverted, as it does

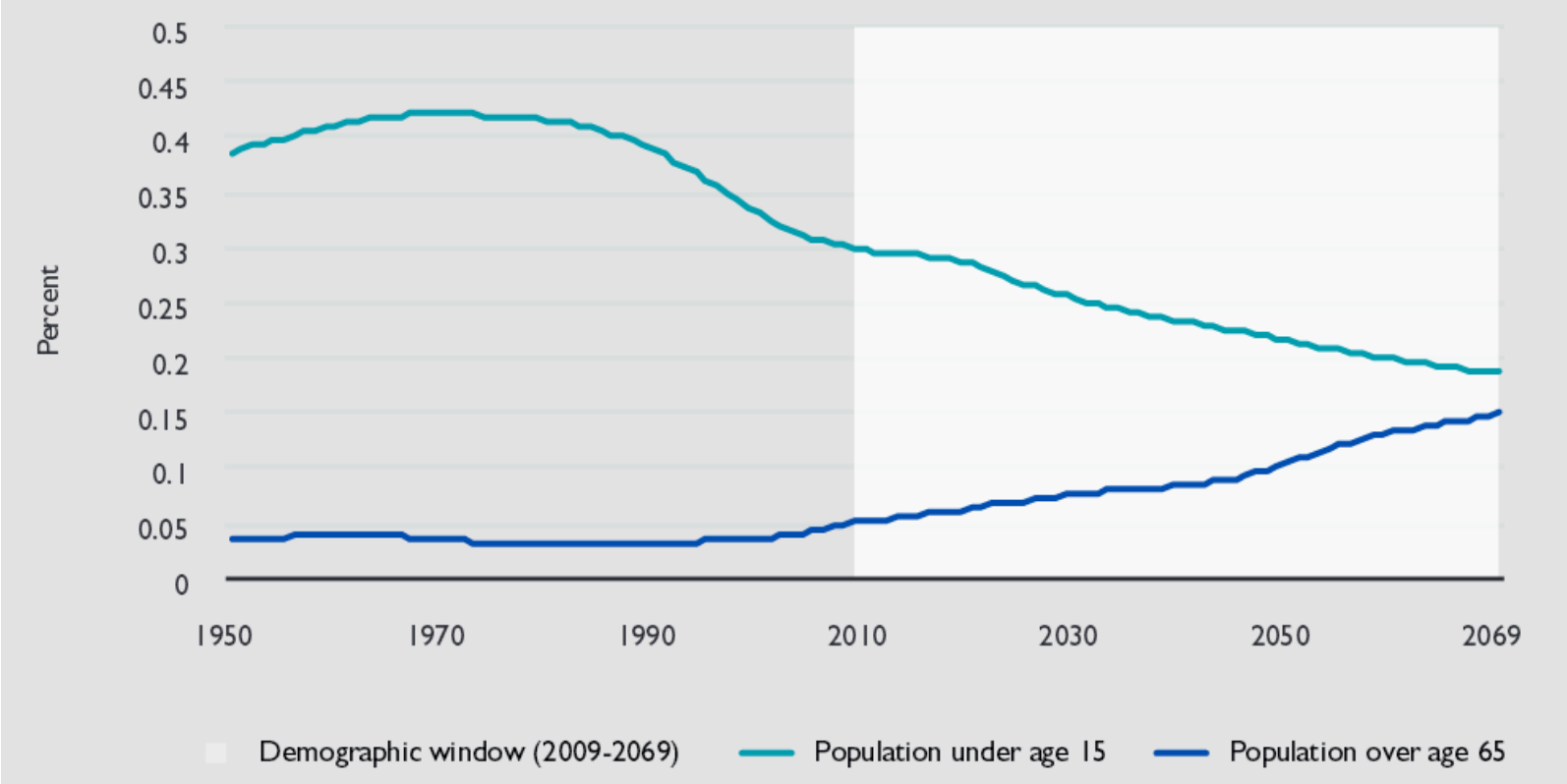


Sub-Saharan Africa has been trending up to a better ratio for a decade.

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# Ours will be the first dividend to start in the region

Tracking our dependency ratio drivers shows our window has opened.... Our population under 15 and that over 65 is converging – fewer dependents, more productive guardians

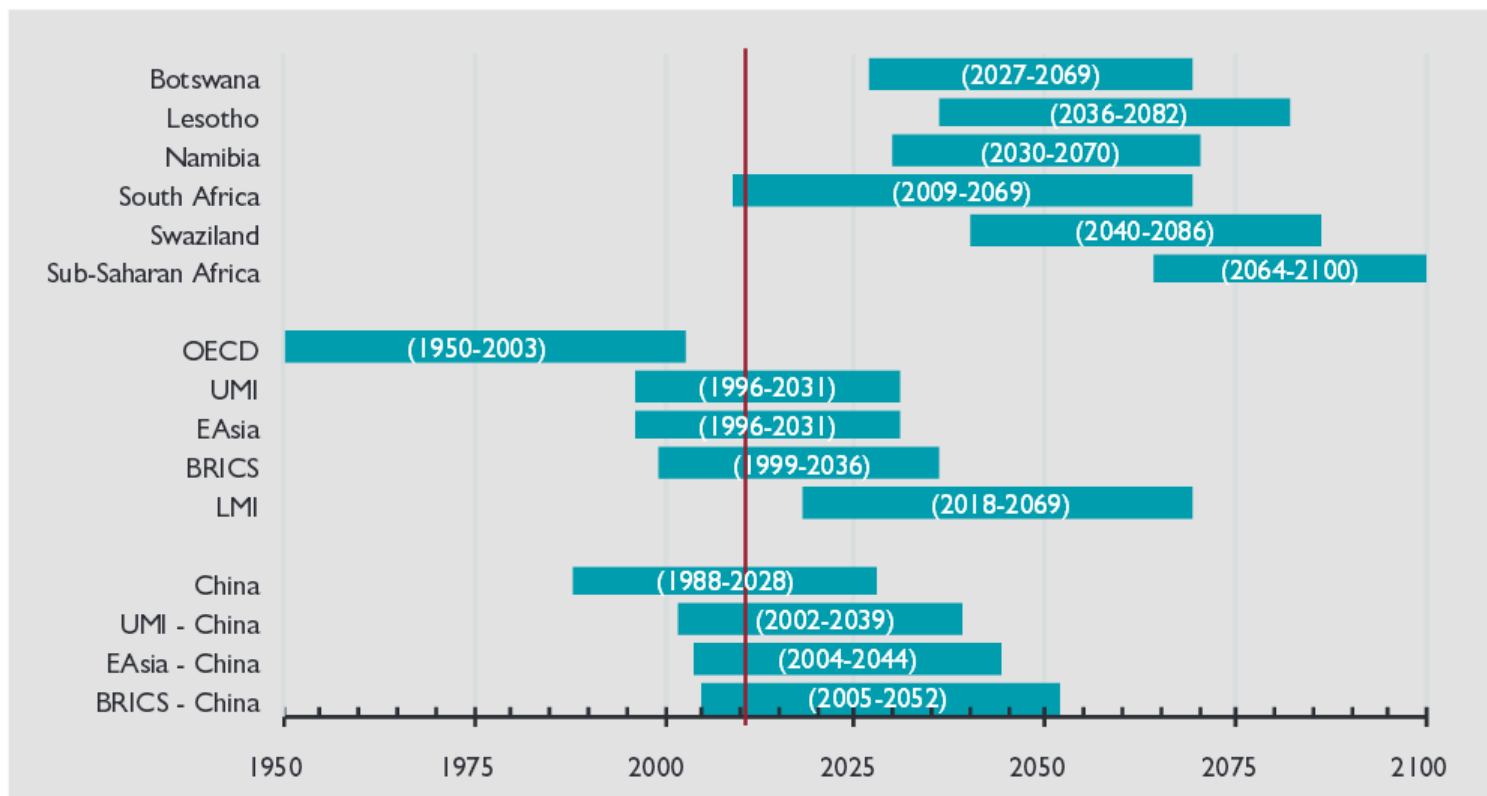


This is why the governments spending on health and education is spot on and a good thing, so are the government grants

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# We have more good news

... and we should benefit from the same phenomenon occurring in our neighboring countries and their economies.



Hence a trading block with fewer tariffs and restrictions is required! SA will suffer if it becomes isolationist and xenophobic!

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# The Dividend requires certain conditions to be fully leveraged

During the course of the demographic dividend there are four mechanisms through which the benefits are delivered.

The first is the increased labor supply. The size of this benefit appears to be dependent on the ability of the economy to absorb and productively employ the extra

The second mechanism is the increase in savings. As the number of dependents decreases individuals can save more. This increase in national savings rates increases the stock of capital in developing countries already facing shortages of capital and leads to higher productivity as the accumulated capital is invested.

The third mechanism is human capital. Decreases in fertility rates result in healthier women and fewer economic pressures at home. This also allows parents to invest more resources per child, leading to better health and educational outcomes.

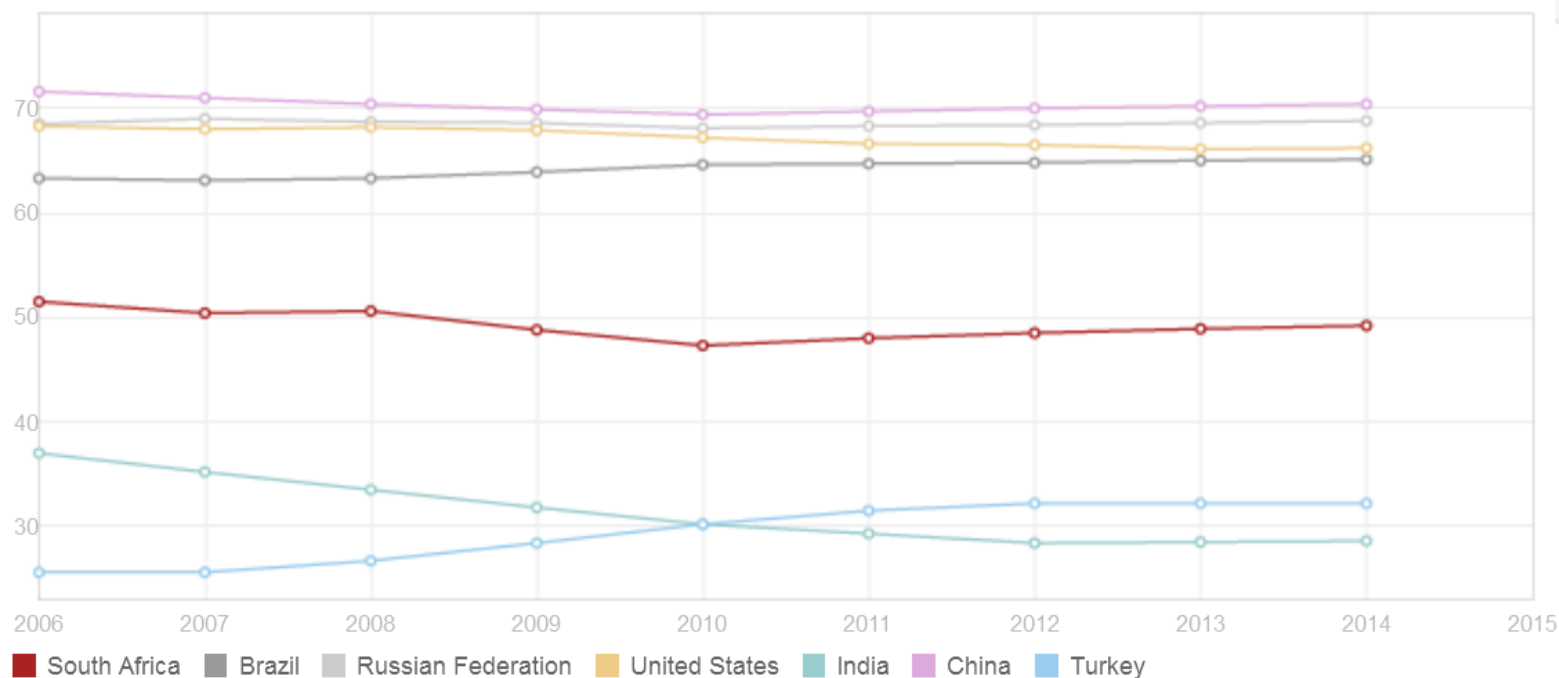
The fourth mechanism for growth is the increasing domestic demand brought about by the increasing GDP per capita and the decreasing dependency ratio.

Currently SA can do far better, and these value drivers are not emerging fully. Other regions of the world have seen their GDP per capita grow at rates over 5% a year over periods of at least a generation.

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Our labour participation rate is already diluting this dividend.

The nation's dependency ratio is driven by the female participation rate seen below. Ours is not as good as China, Russia and the States.

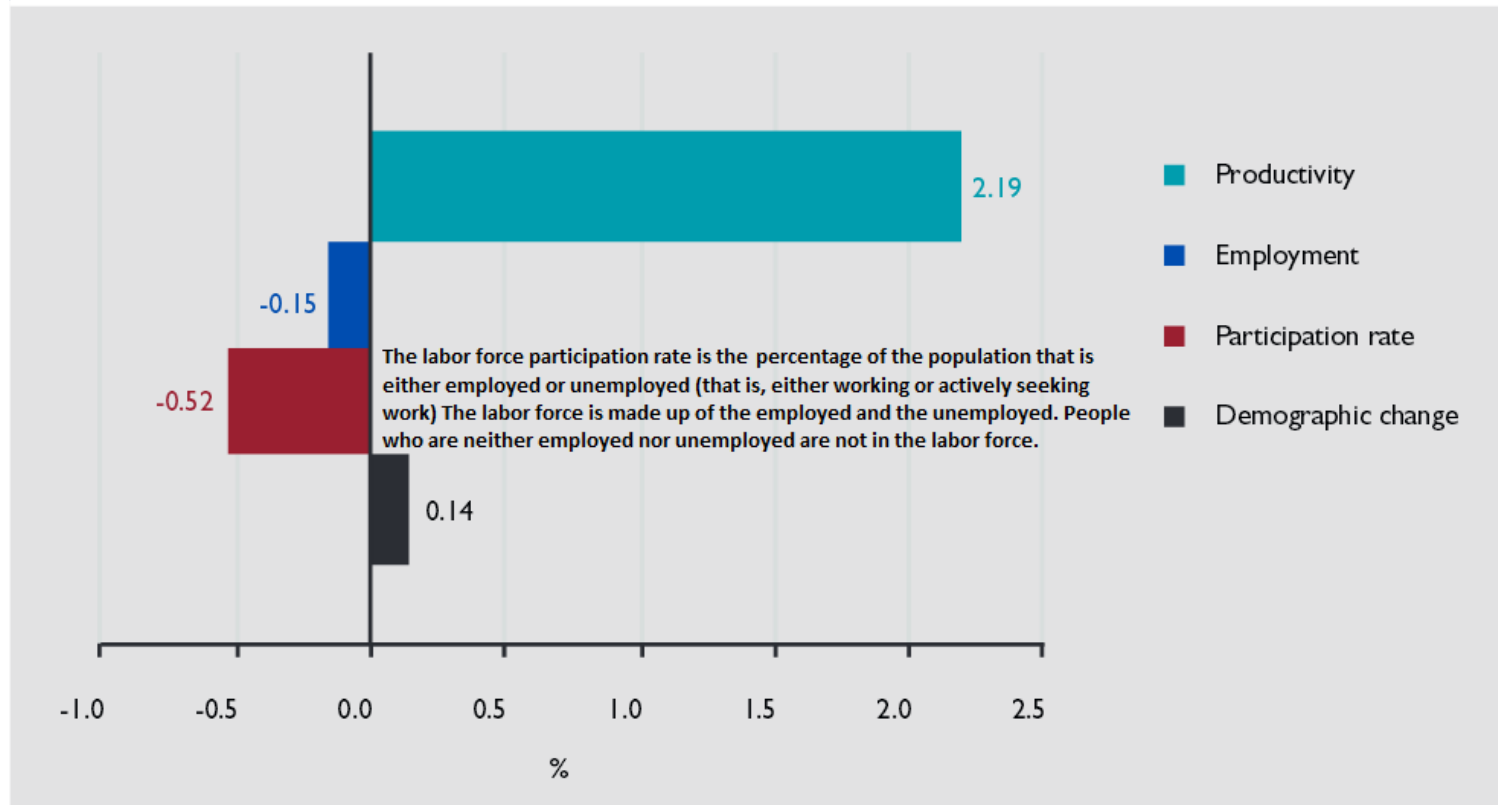


Countries that do not value their women, get much less dividend or none.  
 Excluding half your workforce (and often your best!) and making them dependent is a terrible economic cost.  
 Male chauvinism is not only ethically wrong and unfair, it is breathtakingly stupid!

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# Real (not nominal) increase in per capita GDP has 4 drivers .

Between 2001 and 2013, the GDP per capita grew in real terms by 1.7% a year, there were 4 drivers of this. Output per worker increased significantly, and the change in the demographic (our dividend), started to kick-in,

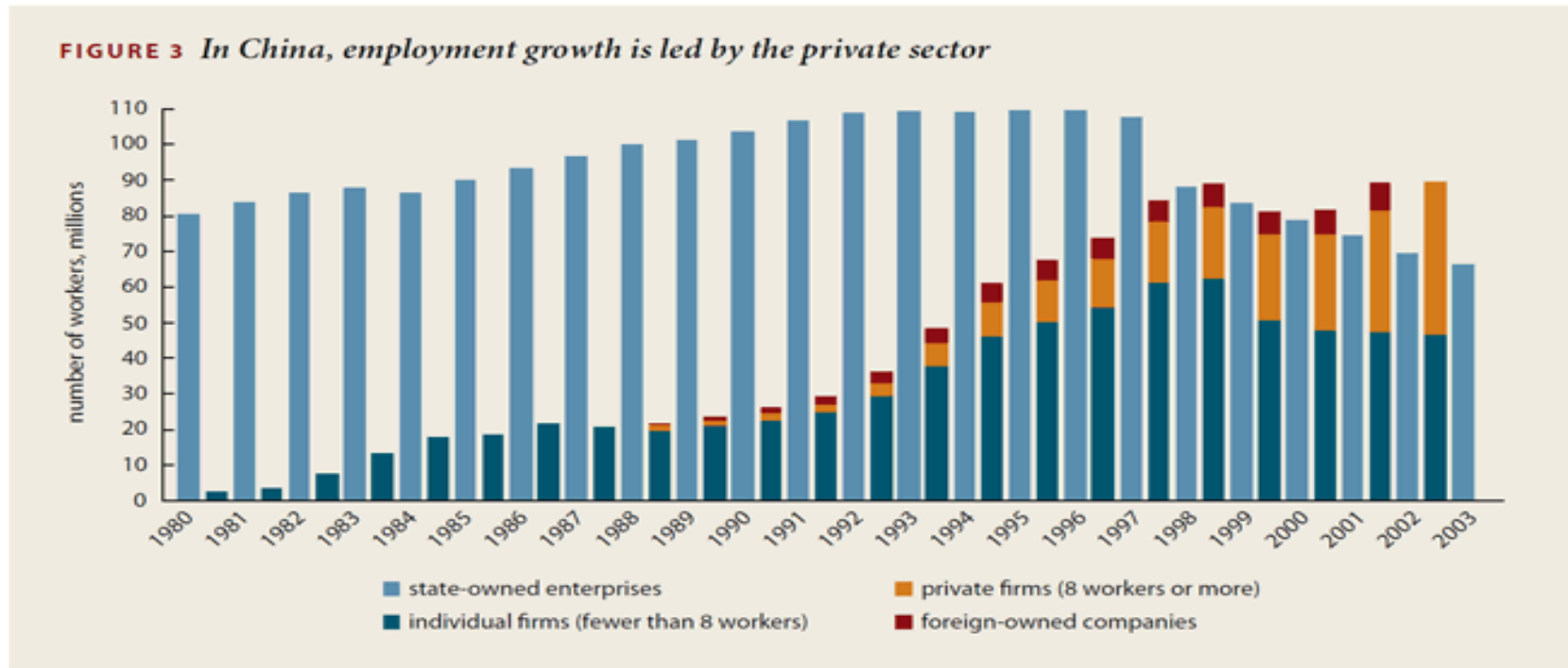


but these gains were eroded by lack of employment and lowering participation! There is only one solution to this.

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# Time and again we see the same data! Look at China!

One of many instances and examples of how private enterprise creates jobs of value (as opposed to low productivity and menial state jobs)



Source: Kanamori and Zhao 2004.

Note: Data for foreign-owned companies in 2002 and for non-state-owned enterprises in 2003 are not available.

Not supporting Private Enterprise and especially SMEs is perhaps the most damaging attitude a government and a nation's intellectual and business leaders can have

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Because of the nature of the demographic dividend, which is a once off passing opportunity, urgency is required and ALL South Africans must be made aware of this.

The government spend on education, health and social grants is a perfectly sensible strategy and anyone describing it as socialist is merely demonstrating their own ignorance!

Likewise the emancipation of women, freedom from religious dogma, allowing women the freedom to control their own bodies, is not only ethical! it is economically liberating!

In terms of delivery, the ANC government has done far better than it is usually credited for.

Looking to the future, it is obvious that our SMEs and the private sector in general need better support and better co-operation.

The current state of post-lending support , business debt workouts and business rescue is hopefully now, clearly a priority for everyone. More can be done, more must be done.

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