MAXIMISING SOUTH AFRICA’S DEMOGRAPHIC DIVIDEND

Ninth Meeting of the Working Group on Macroeconomic Aspects of Intergenerational Transfers, 3-8 June 2013, Barcelona
DEMOGRAPHIC TRANSITION UNEVEN
SOUTH AFRICA’S LIFECYCLE DEFICIT
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• Under all three assumptions, SA has positive first dividend until mid-2040s

• Weak demand for labour compromises both the first and the second dividend

• High unemployment depresses labour income profile, particularly for youth; long-term unemployment; and wage scarring
LABOUR INCOME: 1995-2005
TRANSFERS
PRIVATE TRANSFERS
INTRA-HOUSEHOLD TRANSFERS
INTER-HOUSEHOLD TRANSFERS
INTER-HOUSEHOLD TRANSFERS

![Graph showing inter-household transfers by age (years)](image)

**Axes:**
- **Y-axis:** Normalised (YL for 30-49 year olds)
- **X-axis:** Age (Years)

**Legend:**
- Dashed line: Inter-household Outflows
- Dotted line: Inter-household Inflows
- Blue shaded area: Net Inter-household Transfers

**Interpretation:**
The graph illustrates the distribution of inter-household transfers normalized by the year of life (YL) for individuals aged 30 to 49 years. It shows the trend of inter-household outflows, inflows, and net transfers across different age groups, highlighting the changes in transfers as individuals age.
PUBLIC TRANSFERS
PUBLIC TRANSFER INFLOWS
ASSET-BASED REALLOCATIONS
ASSET-BASED REALLOCATIONS
PRIVATE ABR
Public ABR
FINANCING THE DEFICIT
FINANCING CONSUMPTION
POLICY IMPLICATIONS

• National Development Plan 2030
  • Elimination of poverty, reduction in inequality as key objectives
  • Specifically notes the role of the demographic dividend
  • “Youth lens”
RELEVANT NDP OBJECTIVES

- The unemployment rate to fall from 25% in 2012, to 14% (2020) and 6% (2030)
- Employment rate to rise from 41% to 61%
- Rural employment rate to rise from 29% to 40%
- LFPR to rise from 54% to 65%
- Public employment programmes to reach 1 million people by 2015 and 2 million people by 2030
- Bottom 40%’s share of national income to rise from 6% to 10%
- Broaden ownership of assets to historically disadvantaged groups
- Savings rate to rise from 16% of GDP to 25%
- Gross fixed capital formation to rise from 17% to 30% of GDP
- GDP growth of 5.4% p.a.
- All working individuals should make adequate provision for retirement through mandated savings

- ECD to be a top priority
- All children to have at least 2 years’ preschool education
- Improved throughput in secondary education
- Expansion of college system and a 25% participation rate
- Produce 30 000 artisans per year by 2030
- Increase university enrollments by 70% to 1.62 million
- Increase number of students in maths and science based degrees to 450 000
- Raise life expectancy at birth to 70 years
- Improve TB prevention and cure; reduce maternal, infant and child mortality; halve rates of injury, accidents and violence
- Ensure progressively that no-one lives below a defined minimum social floor
- Income support to the unemployed through various active labour market initiatives