



3rd · 8th  
June 2013

# NATIONAL TRANSFER ACCOUNTS

Barcelona 2013

Faculty of Economics and Business, UB

[www.ntaaccounts.org](http://www.ntaaccounts.org)

# **DEMOGRAPHIC TRANSITION AND DEMOGRAPHIC DIVIDENDS: EVIDENCE FROM KENYA'S NATIONAL TRANSFER ACCOUNTS**

**Moses Muriithi**

**Reuben Mutegi**

**Germano Mwabu**

**University of Nairobi, Kenya**

- INTRODUCTION

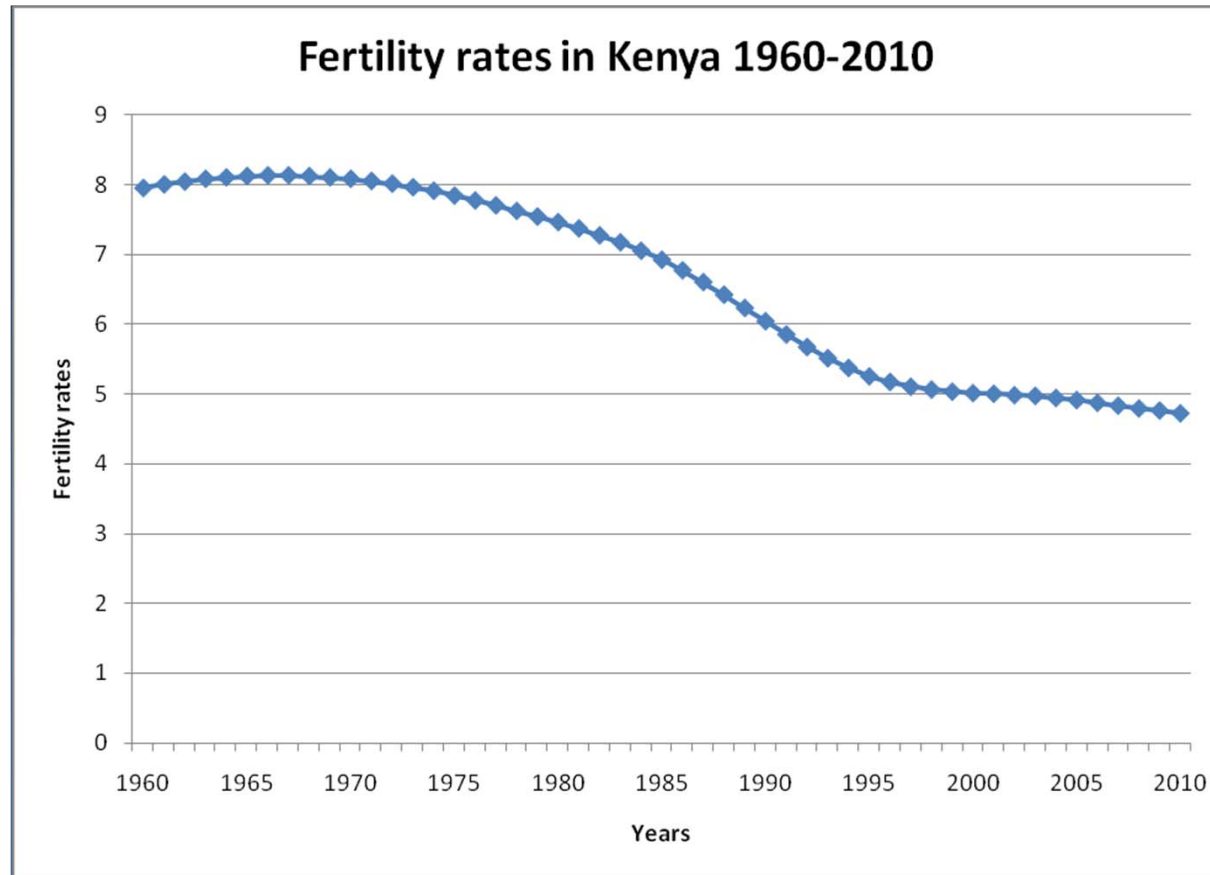
- *Kenya has been undergoing a demographic transition as result of decades of a decline in both fertility and mortality rates*
- *general, life expectancy is on an upward trend despite setbacks due to HIV/AIDS pandemic in the 1980s and 1990s*
- *both the working age population and the support ratio are on the increase*

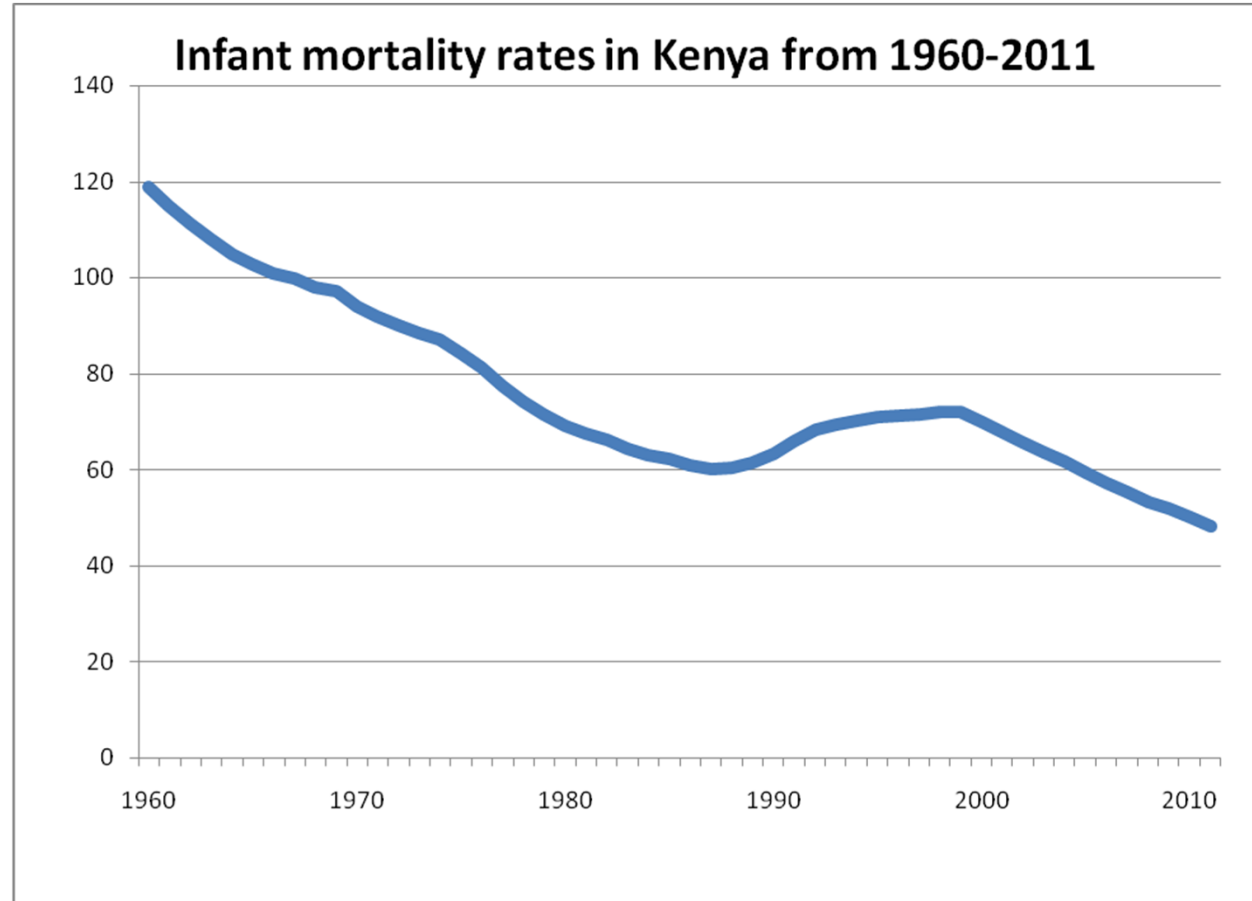
- INTRODUCTION

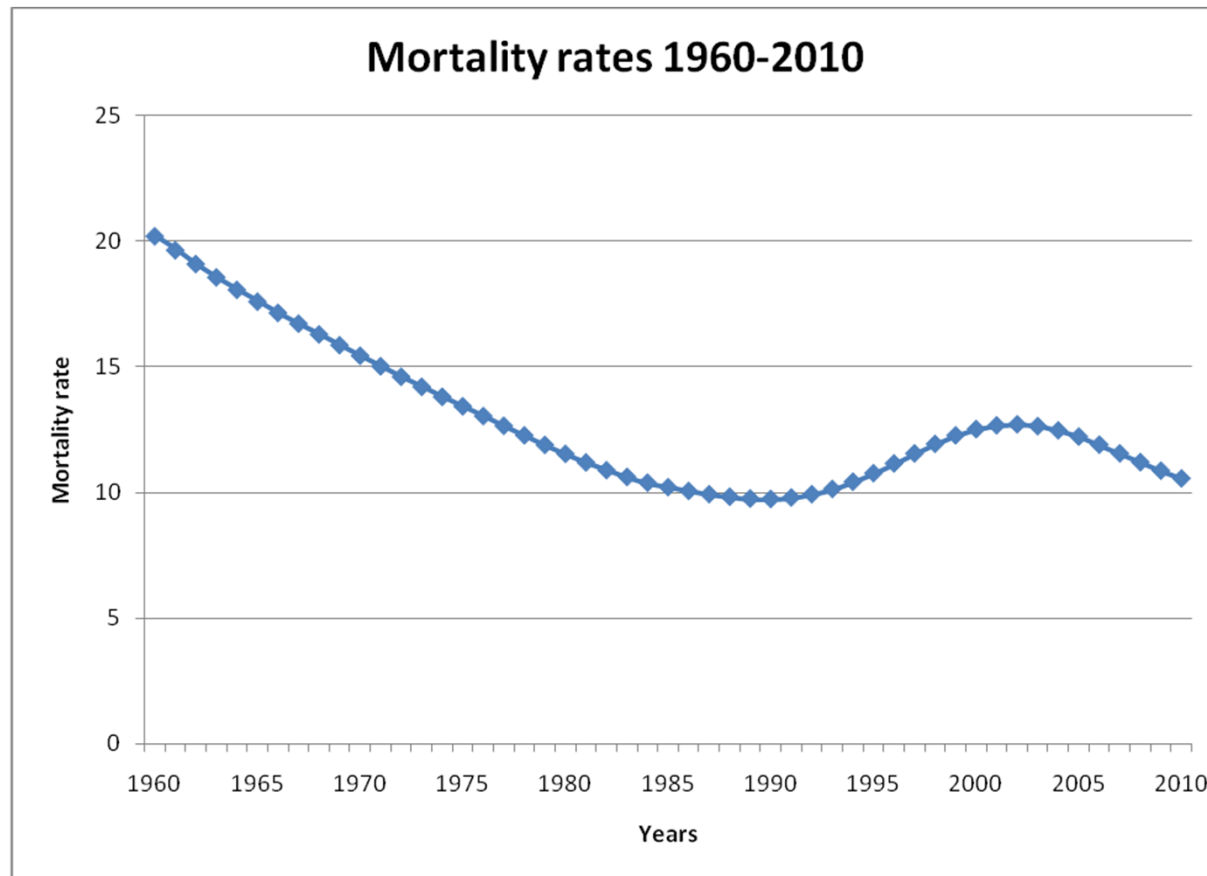
- *Kenya has been undergoing a demographic transition as result of decades of a decline in both fertility and mortality rates*

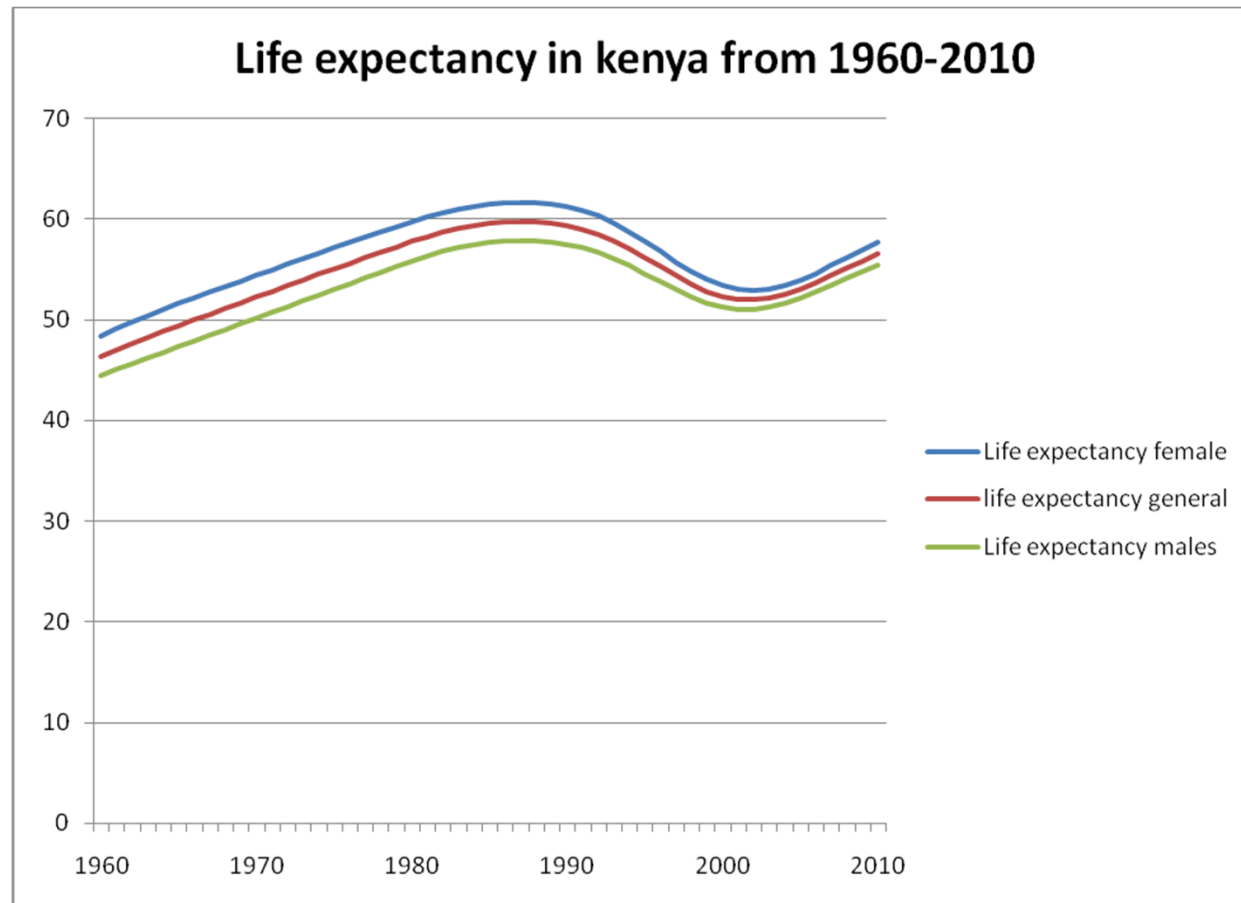
- *general, life expectancy is on an upward trend despite setbacks due to HIV/AIDS pandemic in the 1980s and 1990s*

- *both the working age population and the support ratio are on the increase*











## LABOR FORCE PARTICIPATION

- Kenya working- age population, defined persons between 15-64 years, was estimated at 19.8 million persons in 2005-2006.
- Male labor participation rate stood at 76% compared to 70% for female in 2006
- ratio of total labor force to working age population was 73%

## *Labor force participation*

- Kenya's labor force participation rate increased to 82% in 2009 (ILO, 2010)
  - The overall unemployment rate of 12.7% in 2005/2006 which seems relatively low, masks high hidden unemployment rates and especially among the youth aged between 15-24 years
- Open unemployment among the youth close to 25%
- one-fifth of those employed were working less than 28 hours a week suggesting a serious case of underemployment

Hence

With current scenario of youth unemployment, it implies that reaping the benefits of demographic transition is not guaranteed by mere declines in fertility and mortality rates

## How does Kenya first demographic dividend look like?

- The demographic dividend refers to economic growth attributable to the demographic transition.
- Arises when fertility rates and both infant and youth mortalities go down significantly
- This trend must be accompanied by increased labor participation

## Calculation of demographic dividend

- We follow Mason and Lee (2007) and Mason et al (2007), to estimate first demographic dividend for Kenya
- $\text{growth}(Y/N) = \text{growth}(Y/L) + \text{growth}(L/N)$
- $\text{growth}(L/N)$  is the support ratio which captures demographic transition

$$SR_t = \frac{\sum y_l(a, t_0) N(a, t)}{\sum c(a, t_0) N(a, t)}$$

**SUPPORT RATIO (LEE AND  
MASON, 2011)**

## *Data source*

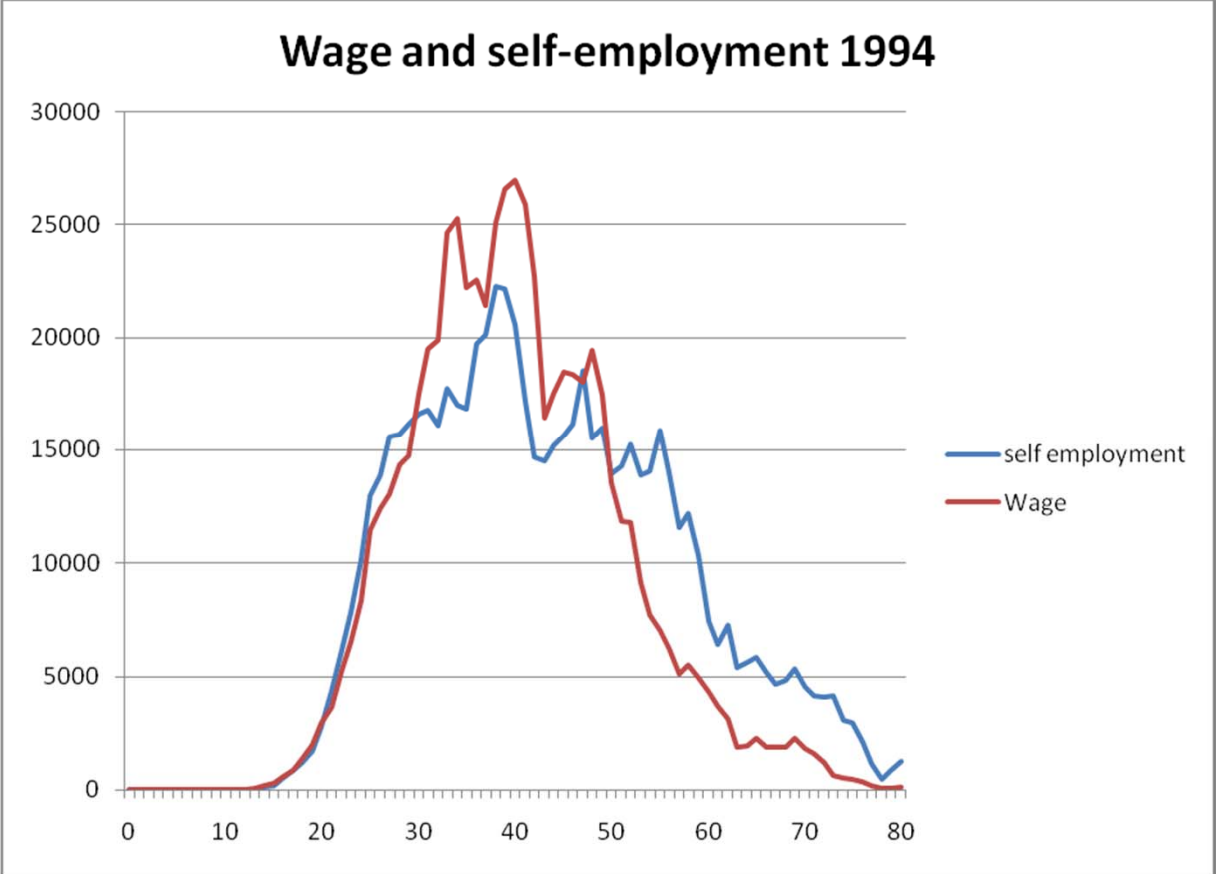
- Welfare and Monitoring Survey II of 1994 (WMS II)
- Kenya Integrated Budget Household Survey (KIBHS) of 2005/2006
- United Nation 2009, World Population Data

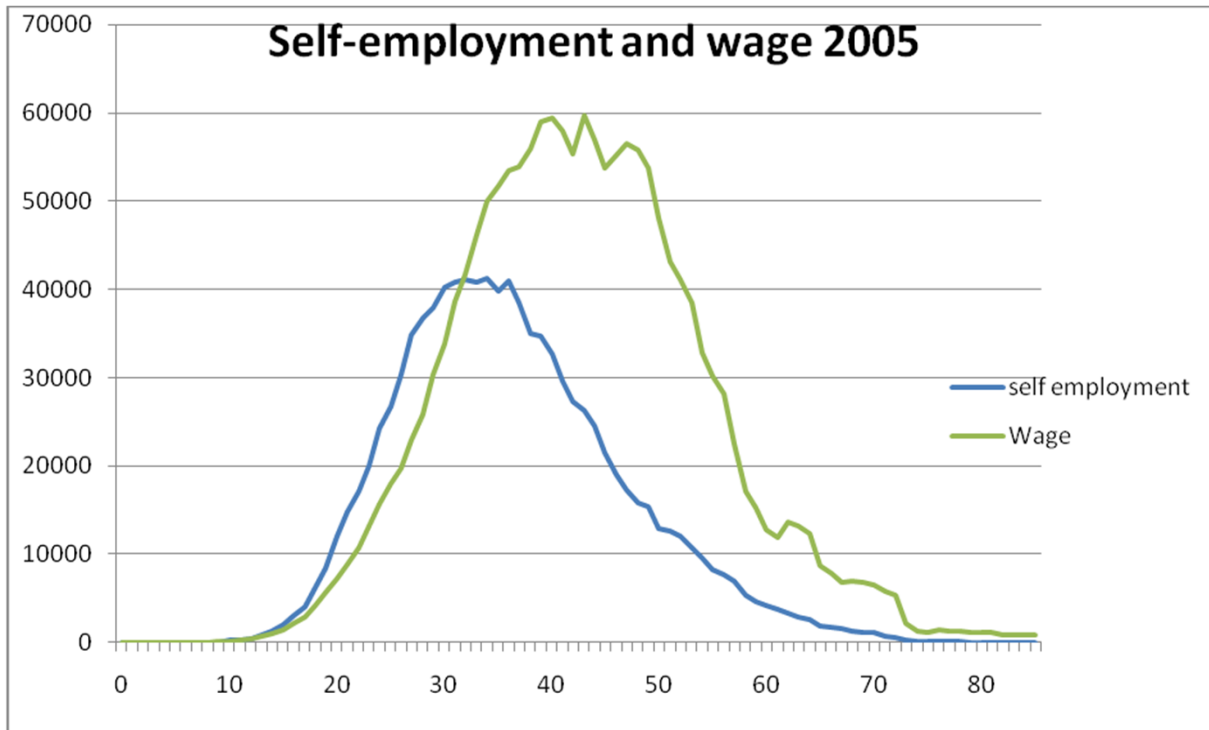
## Results

- Labor profile
- Support ratio
- Demographic dividends

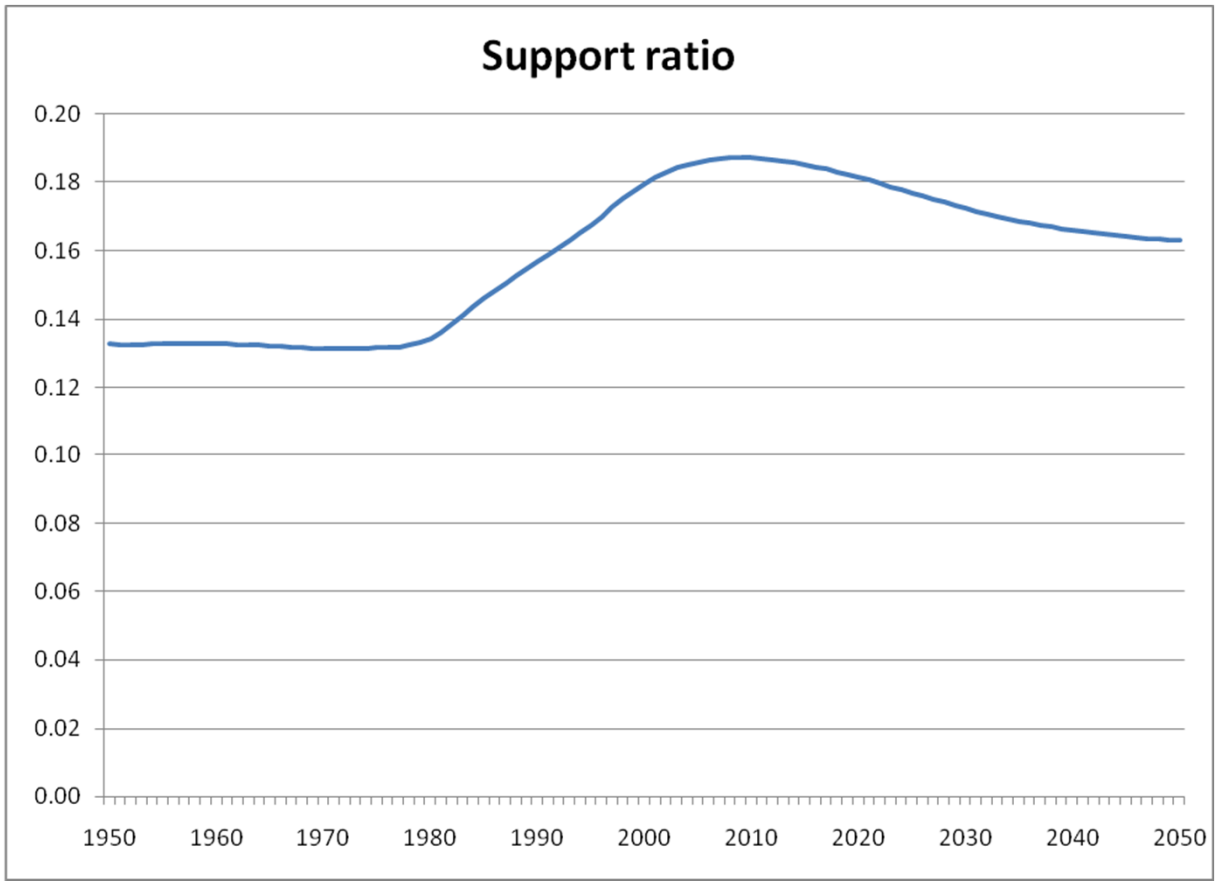


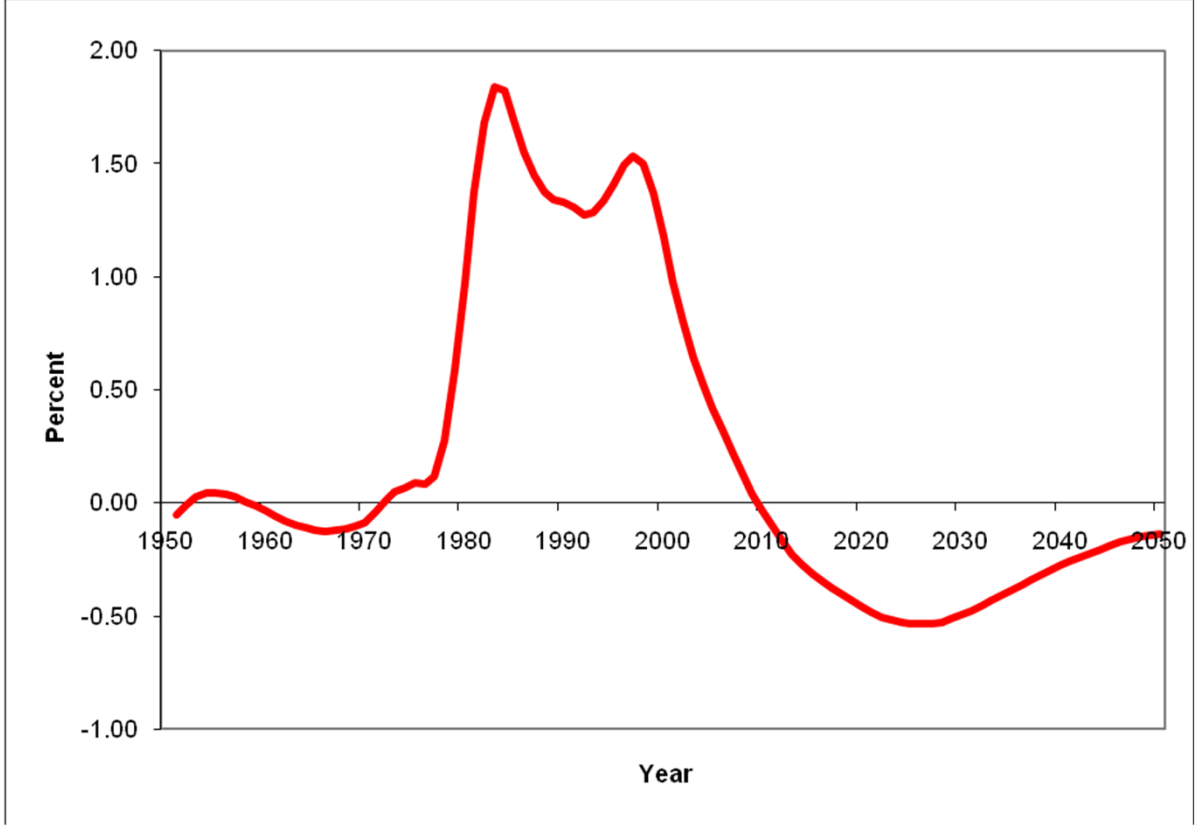
Wage and self-employment 1994





### Support ratio





## Main conclusions

1. Kenya can take advantage of opportunity resulting from demographic transition to reap the first demographic dividend
2. With growth in life expectancy, an incentive to save is being created because people expect to live beyond the labor income generation stage thus creating potential for second demographic dividend