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‘Tectonic’ shifts in demography?

Executive Summary

The recently released StatsSA mid-year population review reveals some interesting shifts in the demographics of South Africa. This demographic transition could hold major implications for population growth, unemployment and per capita incomes in South Africa.

Introduction

It was August Comte who reportedly said ‘demography is destiny’. The truth of this statement can be gleaned from the recently released StatsSA mid-year population review which estimates the size, composition and growth rate of the SA population (StatsSa, 2004). The report reveals some tectonic shifts in the demographic make-up of SA. The implications for the future are quite revolutionary.

Although some demographers are not happy with all aspects of the report, the basic thrust on growth, size and composition of the population does not appear to be in contention (Aardklop, 2004). What is in contention for some is the relatively low number of HIV/AIDS infected citizens and the number of AIDS mortalities. It is assumed to be considerably higher than the report suggests.

StatsSA amended its own previous figures on population growth quite substantially. It now estimates population growth to be down to about 1.3 percent per annum. This is in contrast with previous StatsSA estimates that put population growth at 2 percent per annum, but very similar to the latest available IFR projection of an annual population growth rate of 1.4 percent for the period 2001-2006 (Haldenwang, 2001).

Fertility

The real story behind this decline is a sharp decline in SA’s fertility rate (in keeping with the world-wide trend). It declined from about 5.7 children per female in 1970 to 2.77 in 2004. Breakeven point (the so-called replacement level) at which the population is neither growing nor shrinking is about 2.1. Although South Africa’s fertility rate (2.7) is somewhat higher than the replacement level, the significant decline since 1970 explains some of the lower population growth. In line with standard theory about demographic transition, this decline in fertility is probably the result of modernisation. Urbanisation, the changing social role and status of women, improved access to information and health clinics have all contributed to lower fertility levels. According to the 2001 Census results 57 percent of the SA population is urbanised. The changing social role of women is indicated by a comparison of the marital status of women in SA and Ghana which reveal that at age 24 only about half of SA women are married, whilst in Ghana half the females are already married at age 18 (Amoateng, 2004).

The lower fertility levels indicate that SA has begun the process of transition from a high population to a low population growth country.

Mortality

Naturally higher mortalities in society, of which AIDS is a major source, also contribute to a lower po-

pulation growth rate. StatsSA estimates AIDS-related mortalities in 2004 to be about 326 000. This figure is considerably lower than most other demographic projections, quoted in the StatsSA report, which put the number at between 350 000 and 500 000.

Demographic Transition

It is clear that SA is going through a unique demographic transition. According to the standard definition of the demographic transition process, it consists of four stages:

- Low population growth as a result of very high and varied birth and death rates.
- High population growth as a result of declining death rates but relatively high birth rates.
- Moderate population growth as a result of sharply declining birth rates and continued declining death rates.
- Low to zero population growth as a result of very low birth and death rates – almost equal in numbers.

In South Africa both birth and death rates have been declining during the last two to three decades, resulting in declining population growth rates. However, as a result of the AIDS epidemic, death rates are suddenly rising instead of continuing to decline as expected according to the demographic transition theory, resulting in a rapid decline in population growth.

In fact, the decline in population growth is so noticeable that the the United Nation's Population Division (UNFPA, 2002) (medium variant estimate) expects the SA population to decline in absolute size from 45.3 million in 2005 to 42.2 million in 2030 and to 40.2 million by 2050. However, these projections do not incorporate the inflow of (illegal) migrants. Compared to the StatsSA estimate of SA's current population at 46.6 million the UN estimate for 2050 might be too low, but there is no denying that a sharp decline in population growth is underway to the point where growth might even be stagnant. (Interestingly enough, the UN report written in 2001 assumes a fertility rate of 2.8 for SA – not far off the 2.77 StatsSA uses in 2004 – more evidence that SA is making the transition to lower fertility.)

The implications of lower population growth may be quite significant.

Rising income levels

First, a declining population growth rate will have a major impact on per capita incomes. It means that economic growth of 3 percent – which is currently the trend line growth of the SA economy – is enough to improve per capita incomes.

Measured in constant 1995 rands (SARB, 2004), SA's per capita incomes stagnated for a decade between 1973 and 1983 – a slow downward drift was countered by the gold boom of 1980/81. However, by 1983 per capita incomes were at the same level as in 1973 – no progress for the decade in spite of the gold boom. Then incomes went into a small but relentless decline for a decade. In fact, in 1993 incomes were at the same level they were in 1972 – one can justifiably refer to the two lost decades. Since then per capita income growth has been recovering, albeit very slowly. Progress was interrupted by the 1998 crisis when the Rand crashed and interest rates increased to 25 percent.

With population growth down to 1.3 percent it means that per capita incomes are now rising at significantly faster levels. It stands to reason that such rises in income will probably benefit the 'haves' more than the 'not haves'. Those who have assets, jobs and skills will feel the benefits quicker than those who do not. But there is no denying the rising incomes.

Rising incomes mean a larger tax base, and thus more income for government. This in turn enables more social spending and bigger safety nets for the poor and the marginalised, which is in fact precisely what has happened over the last few years. In spite of lower taxes, which has helped to

stimulate growth, social benefit payments now reach more than 8 million beneficiaries, compared to only 1 million in 1994. This is a remarkable redistribution of cash resources.

Unemployment

The second big impact of the revised population numbers is in the labour market and specifically on unemployment.

Using the July 2004 StatsSA figures, assuming a labour force participation rate of 70 percent of everybody between the ages of 15 and 65, and accepting Carl van Aardt's estimate of labour market exits, the economically active population is increasing by about 300 000 per year. This is a growth rate of about 2.6 percent and considerably higher than the overall population growth rate. Understandably so, because the age cohorts born fifteen years ago are now old enough to enter the labour market. The lower population growth that StatsSA is now projecting has not yet worked through to the labour market.

Against this growth of 2.6 percent or 300 000 jobs, the economy has, according to Borat (2003) created over the last eight years approximately 250 000 jobs per annum over the last 8 years. This includes formal and informal, skilled and unskilled jobs. That means the gap between new job seekers entering the labour market and new jobs created is declining and by 2005/6 the labour market could very well be in balance *on the margin* – meaning that as many new jobs are being created as new job seekers are entering the labour market.

Naturally there will still be the huge numbers of unemployed. Many of these people will probably never work in formal employment. They will have to be accommodated through the public works schemes, or in the informal sector.

Furthermore, the lack of appropriate skills will prevent many job seekers from filling vacancies. There might also be a mismatch between vacancies available and the kind of jobs that job seekers might want to fill. Nonetheless, there is a possibility that by 2005/6 more jobs could be created than the number of job seekers entering the labour market.

This is an extraordinary development and reverses the long period where the number of new job seekers consistently outnumbered the number of jobs created.

Further work needs to be done to determine to what extent these changes will help to meet the goal of halving unemployment by 2014 (articulated by several ANC leaders in the 2004 election campaign and also encapsulated in the Millennium Development Goals to be achieved by 2015). But at this stage one can envisage a situation where, if the economy keeps expanding at 3 percent per annum, unemployment will decline as demographic changes work their way through the labour market.

Dealing with poverty and social backlogs

Rising incomes and declining unemployment will help to alleviate poverty and generate surplus resources that can be used to tackle social backlogs. Housing, health, education, land reform and the like will all benefit. It is all about resources and consistent 3 percent economic growth combined with lower population growth will result in more resources being available to tackle backlogs.

It is indeed as August Comte proclaimed: demography is destiny.

Conclusion

One aspect that stands out in the public debate, is the view that SA still has a high population growth rate (see, for example, *Business Day* editorial on 3rd September 2004; and the debate around the Tony Manning article in the *Business Day* of 6 and 8 September 2004). This is simply no longer true. And the consequences are not academic – they impact directly on the ability of this nation to confront huge problems around poverty and unemployment; an ability which is considerably enhanced by lower population growth.

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