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## DEMOGRAPHIC DIVIDEND



# FROM TRANSITION TO TRANSFORMATION: LEVERAGING DEMOGRAPHIC DIVIDENDS IN BANGLADESH



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Bangladesh is at a critical juncture in its demographic transition. Declining birth rates, driven by improved family planning, urbanization, and rising female literacy, coupled with low death rates resulting from advancements in healthcare and sanitation, characterize the country's population dynamics. This presents a unique opportunity for the country to harness multiple demographic dividends, each with the potential to contribute significantly to economic growth and development.

The **first demographic dividend** occurs when declining fertility and mortality rates increase the working-age population relative to dependents, offering a temporary economic boost. According to Bangladesh's Eighth Five-Year Plan, this opportunity began in 1978 as the working-age population grew, peaking in the early 2020s. This phase saw a decline in the dependency ratio, with a larger share of people in productive age groups. However, this advantage diminishes over time, and its benefits depend on creating enough jobs to match the growing workforce.

As Bangladesh's working-age population, currently comprising two-thirds of its total population, is projected to decline between 2033 and 2040, the country will enter the phase of the **second demographic dividend**. This arises as people save for longer lives and retirement, boosting productivity through increased investments. Unlike the first, the second dividend can last longer, but it depends on policies that encourage savings and reduce reliance on transfers.



*Ensure access to sexual and reproductive health and rights (SRHR) services for marginalized communities.*

The **gender dividend** emerges as declining fertility enables greater female workforce participation, enhancing productivity and advancing gender equity.

Together, these dividends highlight the potential of aligning population and economic policies to capitalize on demographic shifts for sustainable growth and improved societal well-being.

**Challenges to harness demographic dividends:** Demographic transformations merely define possibilities, the outcome heavily depends on numerous non-demographic factors.

In Bangladesh, 42 million people remain illiterate, and education spending is just 2% of GDP—far below UNESCO’s recommended 6%. This underinvestment places Bangladesh 112th out of 138 in the 2020 Global Knowledge Index, with the lowest in South Asia. By 2050, over 13% of Bangladesh’s population will be elderly, relying on today’s youth as the backbone of the workforce. Yet, standardized tests show five in six young people lack basic skills like reading and arithmetic, compared to just one in six in 2020 Ireland. In 2022, 41% of youth aged 15-24 were NEETs (not in employment, education, or training), with an alarming 62% of young women in this category. This leaves 12.8 million youth underutilized in a country striving to harness its demographic dividend.

Investing in health is also key to making the most of the demographic dividend. It boosts workforce productivity and helps more people participate in the economy while promoting healthy aging. However, Bangladesh spends just 2.34% of its GDP on health, 69% out of pocket—less than half the South Asian average of 5.1%—and public health funding is only 0.7%.

Women face significant barriers in the labor force and are subject to wage discrimination. Their participation is relatively low at 42%, with most employed in agriculture and low-paid informal sectors. On average, Bangladeshi women earn just 77 cents for every dollar earned by men.

High rates of gender-based violence, including child marriage, adolescent pregnancy, and early childbearing severely limit the social and economic progress of girls in Bangladesh. With 51% of women aged 20-24 married before 18, and nearly 25% of pregnancies involving adolescents, these practices trap girls in a cycle of poverty and inequality, and expose them to significant health risks. Forced to drop out of school, these girls lose access to opportunities and ultimately undermine Bangladesh’s potential to fully harness its gender and demographic dividends.



*Access to sexual and reproductive health and rights (SRHR), promoting gender equality, and advocating for inclusive urban development to ensure all individuals can lead healthy, safe, and dignified lives.*

**Policies to harness demographic dividends:** Policymakers in Bangladesh should focus on all age groups as well as gender, rather than prioritizing one group over the others.

**During the first demographic dividend period, the focus should be on but not limited to:**

- Enhancing human capital through education and vocational training.
- Improving reproductive health to boost labor force participation.
- Reducing NEET rates, particularly among young women.
- Accelerating job creation.

**To harness the gender dividend, policies should focus on:**

- Reducing labor market barriers that limit women’s opportunities.
- Reducing gender-based violence, tackling child marriage and adolescent pregnancies, which hinder their participation in labour market.
- Increasing allocations for health and education targeting adolescent girls. Studies show such efforts yield high returns, making them a strategic investment for achieving sustainable development.

**For harnessing the second demographic dividend , policies should:**

- Sustain productivity growth while preparing for an aging society.
- Mobilize savings for productive investments.
- Develop cost-effective gender-equitable healthcare systems and old-age support.
- Strengthen financial sectors to promote financial literacy.

Adopting a life-cycle and gender-transformative approach is essential to ensuring inclusivity and equity for all. To support this, UNFPA is assisting the Bangladesh government in creating evidence-based policies and programmes driven by demographic intelligence. It works to strengthen policymakers' capacity to track how resources, such as social safety nets and other public or private transfers, are distributed across age groups, helping to maintain economic stability, manage fiscal and debt sustainability, and maximize the benefits of the demographic dividend.



*Kishori Resource Centers and Child Marriage Prevention Initiatives at the schools*

Additionally, the forthcoming Population Policy, currently under approval, along with the Youth Policy and other sectoral frameworks, could play a key role in addressing intergenerational needs.

However, efforts to harness demographic dividends should not rest solely on the government. The private sector has a crucial role to play in equipping Bangladeshi youth, especially girls, for current and future job markets, particularly as technology increasingly shapes the society and economy. Private sector-led initiatives in skill development can



*Life Skills Education in Schools and Madrasahs*

bridge the gap between educational outcomes and labor market demands. Non-governmental organizations and development partners must also collaborate to ensure that education, health, and labor market reforms are inclusive and comprehensive.

Beyond internal dynamics, the external environment is equally crucial for reaping demographic dividends. Global economic activity is projected to shift from traditional hubs in East and Southeast Asia, Europe, and North America to regions such as South Asia and Africa, driven by faster-growing working-age populations and improved governance. This presents

Bangladesh with strategic opportunities to leverage its demographic advantage and position itself as a key player in global economic activity. By addressing challenges and implementing comprehensive policies and programmes, Bangladesh can harness its demographic dividends for sustainable growth and societal well-being.

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