Summary Finding: Harnessing the Demographic Dividend for Timor-Leste

SUMMARY FINDINGS: HARNESSING THE DEMOGRAPHIC DIVIDEND FOR TIMOR-LESTE

Summary

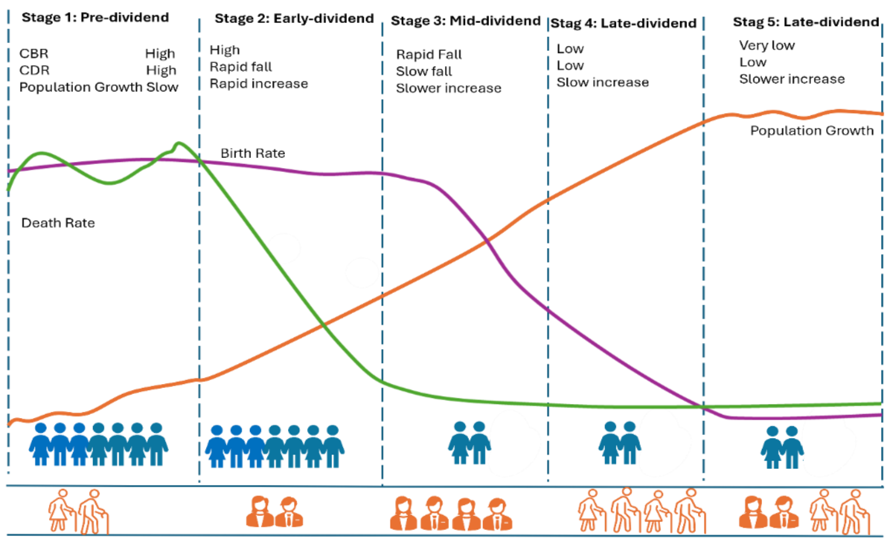
The demographic dividend is the economic growth potential when the share of the working-age population (15 to 64) is larger than the non-working-age share of the population (14 and younger, and 65 and older) and the potential of the burgeoning population of young adults can be effectively harnessed. To achieve the demographic dividend, policy makers need to prioritize strategies that contribute to reducing both fertility and mortality, to achieve the full demographic transition from high birth and death rates to low birth and death rates.

Introduction

As of 2022, Timor-Leste Population and housing Census enumerated 1.34 million people. Timor-Leste population is youthful, almost 72 per cent of the population is below the age of 35. Timor-Leste's total fertility rate (TFR), the average number of children women age 15-49 would have during her reproductive years has dropped from 7.2 children per woman in 2004 to 4.2 in 2016 TLDHS, and in 2022 a further drop to 3.6 children per woman, although it remains the highest in Southeast Asia at 3.6 children per woman. The population of Timor-Leste is youthful, almost 72 per cent of the population is below the age of 35.

Demographic Transition

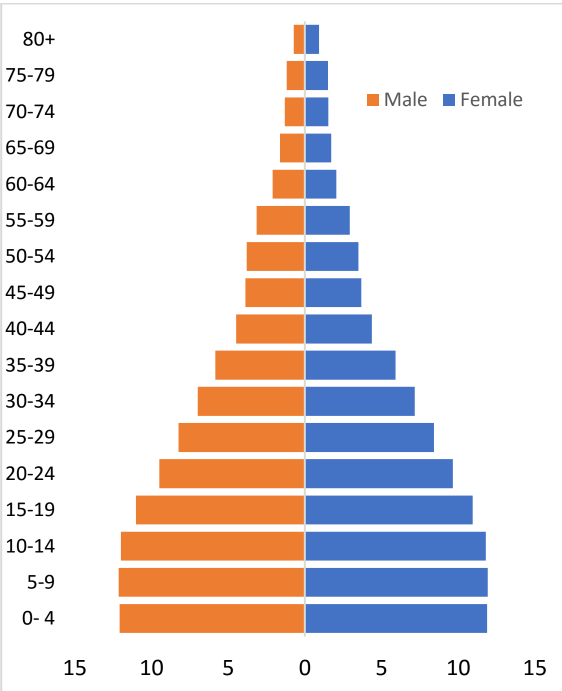
The demographic transition, involves the reduction from high to low mortality and fertility rates, leading to changes in age distribution and increased life expectancy



- Sustained fertility and mortality decline suggest that Timor-Leste the Demographic Transition is underway
- improvement in mortality is also manifested in improvement in Life Expectancies. Life expectancy in Timor-Leste has improved since 2000s. In 2004, the male life expectancy at birth was 57.4 years which has increased to 65.1 years in 2022. In the same period, the female life expectancy increased from 58.9 years to 69.2 years.

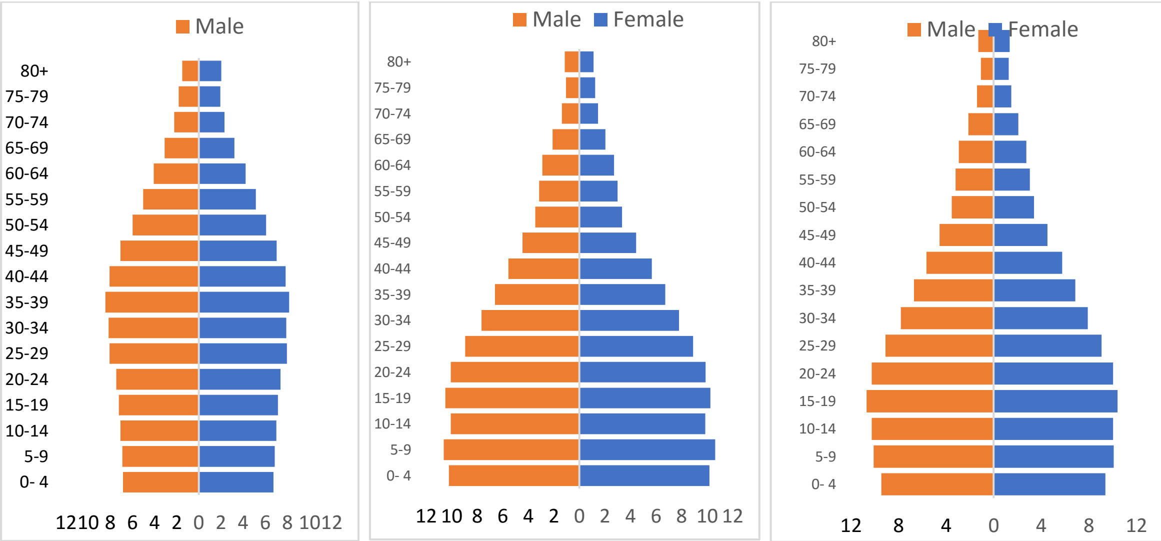
Population age-sex structure of Timor-Leste in 2022

The population age-structure of Timor-Leste in 2022 (under the medium variant scenario) shows the country's youthful population, mainly due to the persistent high fertility.



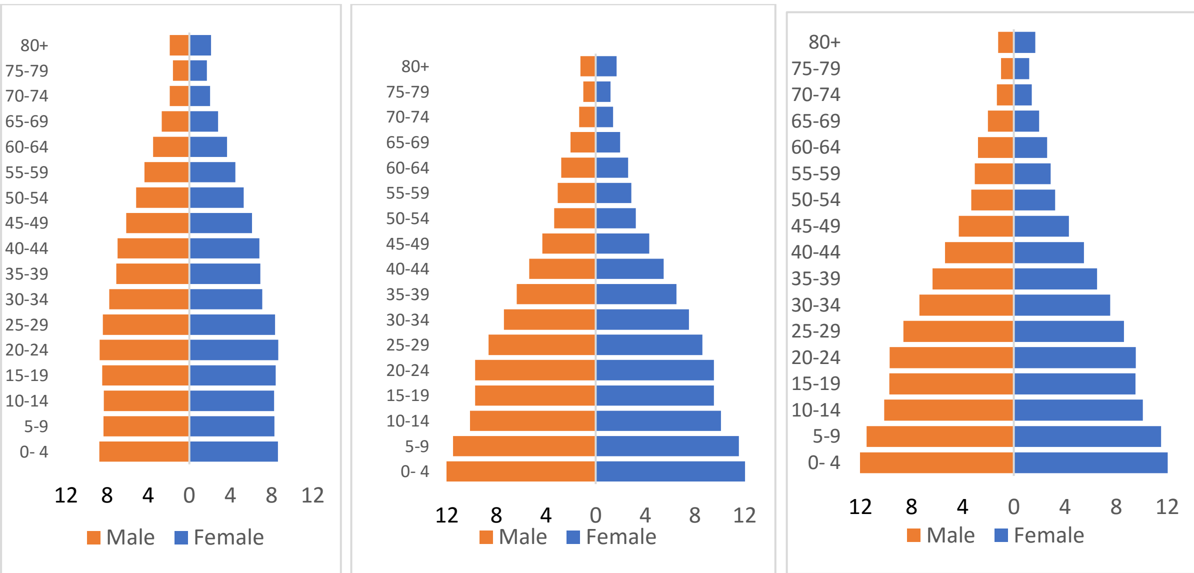
- Such a youthful population means that Timor-Leste requires significant investment in education, health, job creation and housing for the youth to make meaningful contributions to the socio-economic development as they become adults and enter the labour market.

Population (Precent) age-sex structure of Timor-Leste to 2032, Low, Medium and High variants



- Timor-Leste's population to 2032 under the high fertility variant shows that the age-structure will not be significantly different from the structure in 2022

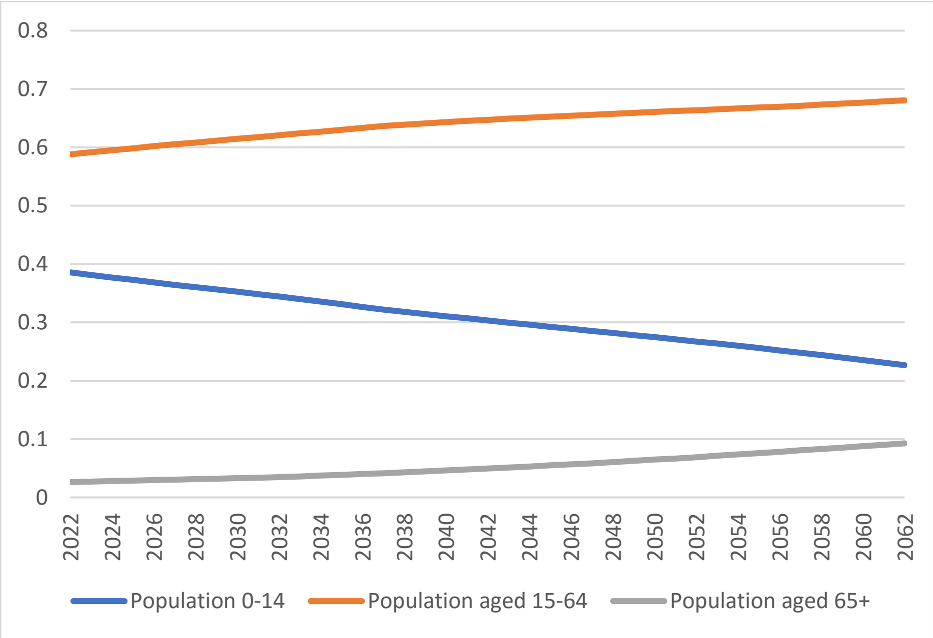
Timor-Leste age-sex structure if Timor-Leste: low, Medium and high variant 2050



The age sex distribution of the population will attain a broad-based pyramid indicating that the population in the younger age categories make up a relatively lower proportion of the population, and a broad top indicates that older people make up a relatively large proportion of the population.

Demographic Dividend

- The demographic dividend refers to the accelerated economic growth that may result from the decline in a country's mortality and fertility as well as the subsequent change in the age structure of the population.
- With relatively fewer people at the dependent ages, a country has a window of opportunity for rapid economic growth and improved standards of living.
- However, that window is temporarily, and a changing age structure does not guarantee a dividend.
- Good policies and governance are needed to maximise the potential benefits

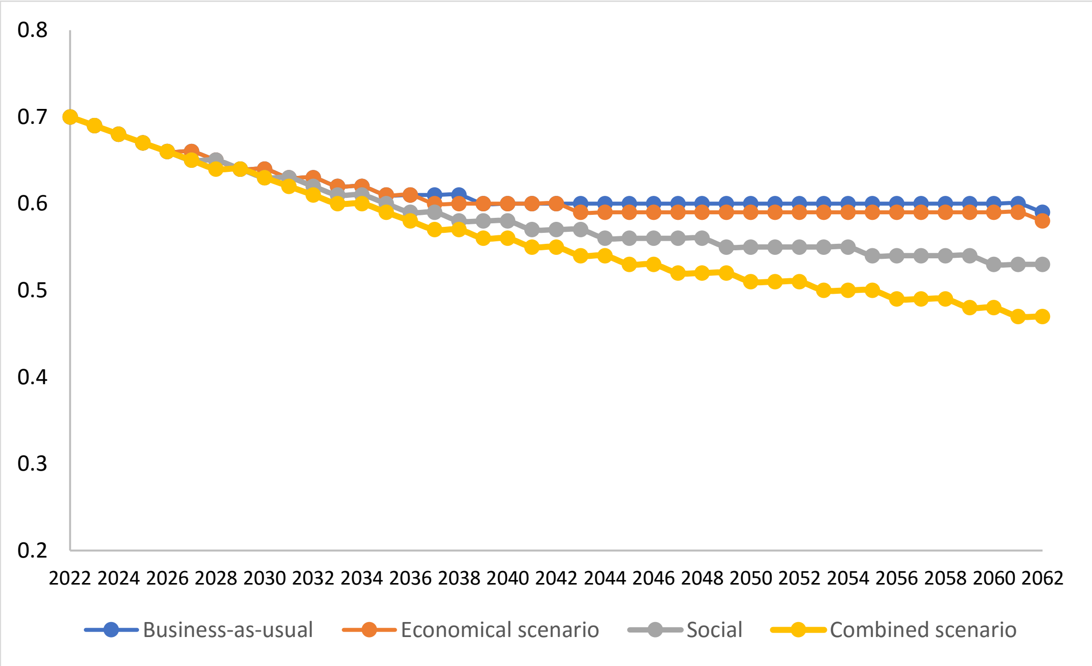


- As can be seen, the population age 0-14 is expected to decline from 38.6 per cent in 2022 to 30.3 per cent in 2042 and to 22.7 per cent in 2062.
- In contrast, the percentages of both the populations aged 15-64 and 65+ will increase during the same period.
- The share of the population aged 15-64 is expected to increase from 58.8 per cent in 2022 to 64.7 per cent in 2042 and 68.1 per cent in 2062. For those aged 65+, the increase will be from 2.6 per cent in 2022 to 5.0 per cent 2042 and to 9.3 per cent in 2062.

Harnessing Demographic Dividend

- Accelerating fertility decline to create a youth bulge in the age structure of the population must be accompanied by investment in education and health as well as economic reforms to create jobs.
- Our projection results for Timor-Leste show that the country will experience a youth bulge by 2053 under the combined projection scenario, positioning the country for harnessing a demographic dividend.

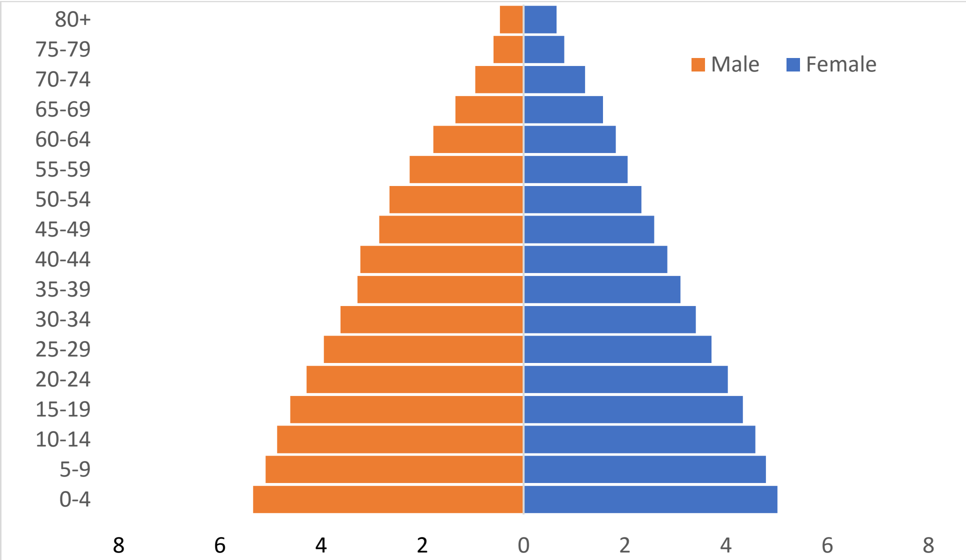
Projected ratios of dependent population (Under 15 and 64 and over to 15-64 years), Timor-Leste, 2022-2062



Resulting changes in Age-sex structures under different scenarios

Age-Sex-distribution of Business-as-usual Scenario

Population Pyramid (under Business-as-Usual scenario), Timor-Leste 2062



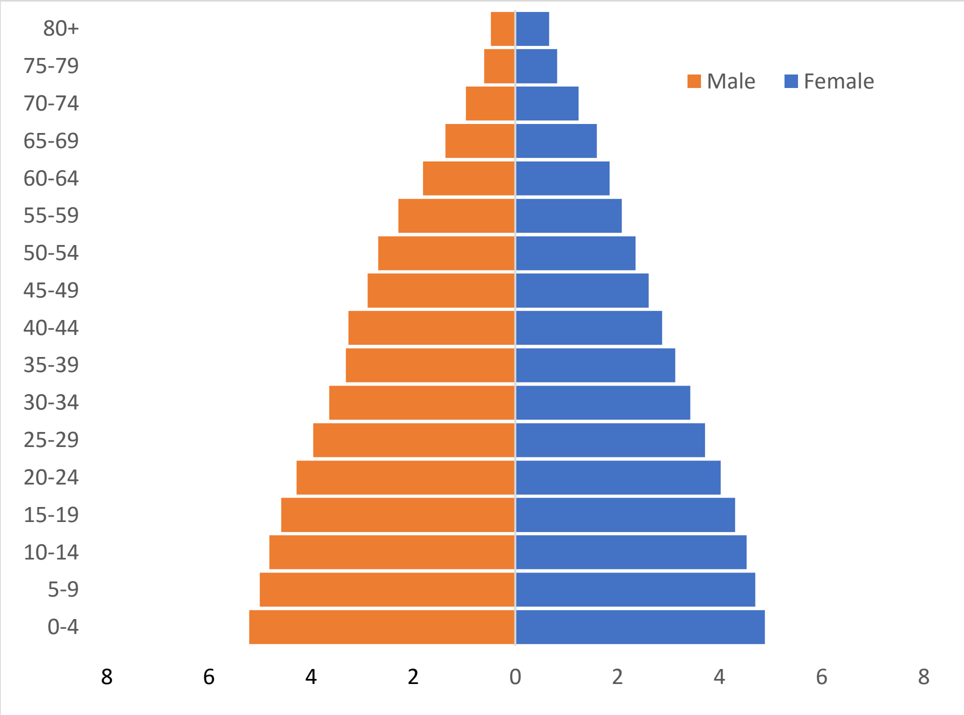
Summary of Modelling Results per Business-as-Usual Policy Scenario, Timor-Leste, 2062

Summary of indicators	Business as usual
Total Population (millions)	2518917
Population <15 (per cent)	29.7
Total fertility rate (number of children per woman)	3.01
Per capita GDP (USD)	6066
Life expectancy at birth (female)	71.6
Dependency ratio (population ages 15–64 divided by population <15 and 65+	0.59
Working Age Group	1579585

Economic emphasis

With the Economic Emphasis scenario, total fertility rate will decline from 3.6 in 2022 to 2.91 children per woman, while life expectancy will increase to 71.8 years, and the burden of children will be at 0.58 in 2062.

Figure: Population Pyramid (Economic Emphasis scenario), Timor-Leste, 2062



Summary of Modelling Results per Economic Emphasis Scenario, Timor-Leste, 2062

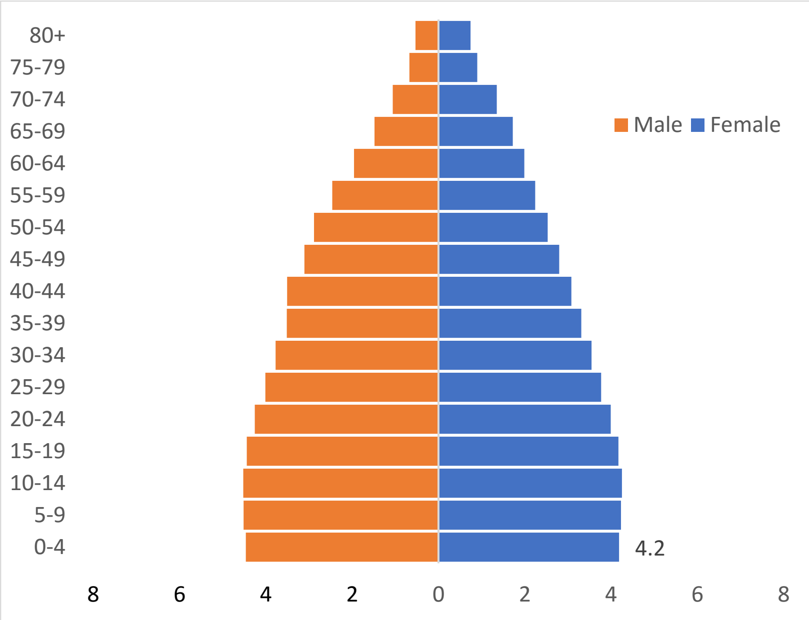
Summary of indicators	Economic Emphasis scenario
Total Population (millions)	2331015
Population <15 (per cent)	31.1
Total fertility rate (number of children per woman)	2.91
Per capita GDP (USD)	21559
Life expectancy at birth (female)	71.8
Dependency ratio (population ages 15–64 divided by population <15 and 65+	0.58
Working Age Group	1570136

Social Emphasis scenario

The striking feature resulting from the Social Emphasis is that the age structure typically takes the narrowing the base with a bulge in the middle.

The resulting base of the population structure will shrink slightly under the business-as-usual scenario; it will not be enough to create the youth bulge required for harnessing a significant demographic dividend

Projected Population Pyramid under Social Emphasis Scenario, Timor-Leste, 2062



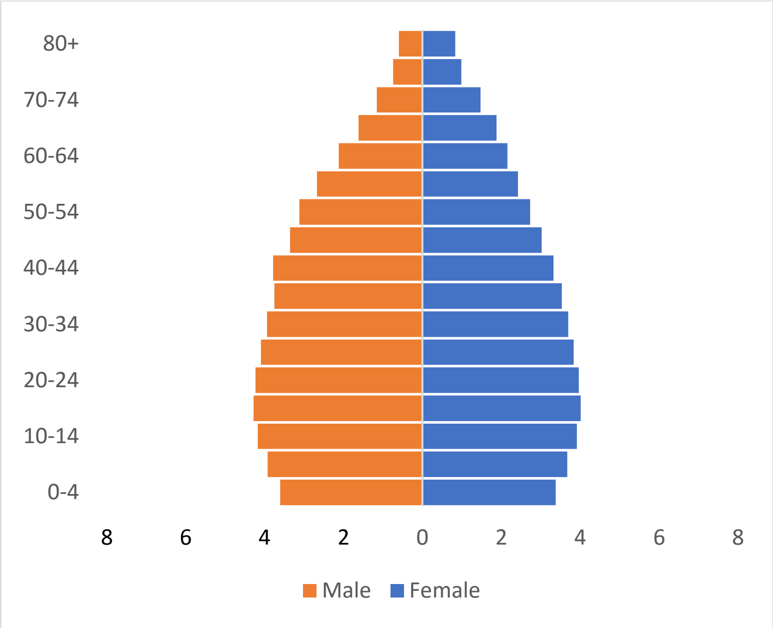
Summary of Modelling Results per Social Emphasis Scenario, Timor-Leste, 2062

Summary of indicators	Social Emphasis
Total Population (millions)	2487972
Population <15 (per cent)	24.5
Total fertility rate (number of children per woman)	2.4
Per capita GDP (USD)	9434
Life expectancy at birth (female)	72.8
Dependency ratio (population ages 15–64 divided by population <15 and 65+	0.53
Working Age Group	1523529

Combined Scenario

There is a marked increase in the working age population 15-64, and a dependency burden of 0.47, which suggests that, for every dependent, there will be two people in the working group.

Projected Population Pyramid under the combined scenario, Timor-Leste, 2062

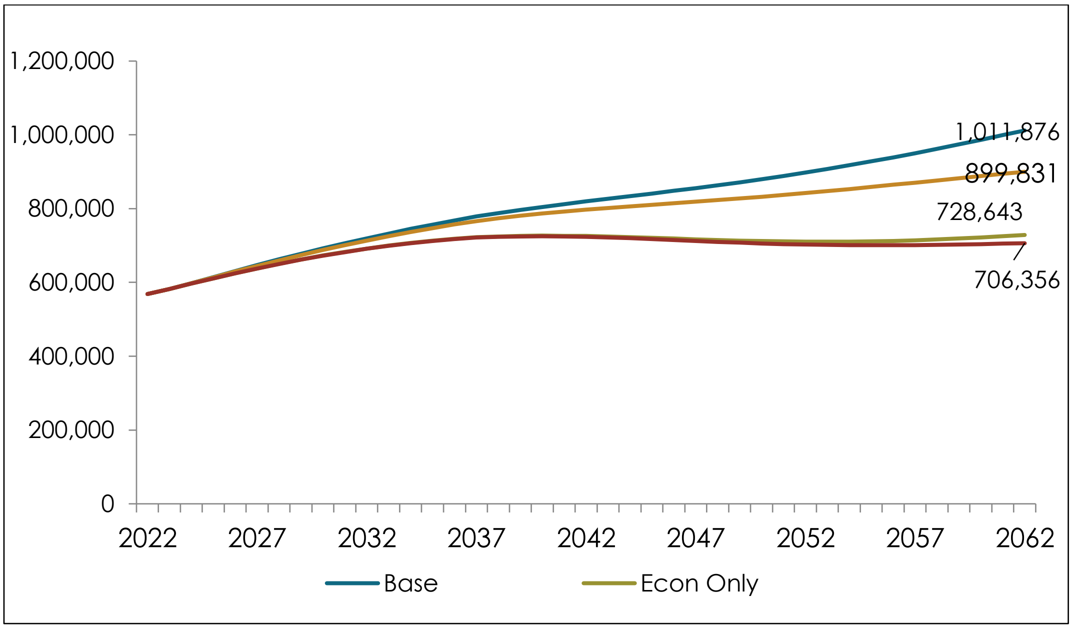


Summary of Modelling Results per Combined Emphasis Scenario, Timor-Leste, 2062

Summary of indicators	Combined scenario
Total Population (millions)	2166605
Population <15 (per cent)	22. 7
Total fertility rate (number of children per woman)	2.8
Per capita GDP (USD)	21559
Life expectancy at birth (female)	73.8
Dependency ratio (population ages 15–64 divided by population <15 and 65+	0.47
Working Age Group	1474420

The Working Age Population and Job Creation Challenge

Projected Gap between Total Population 15+ and Employment

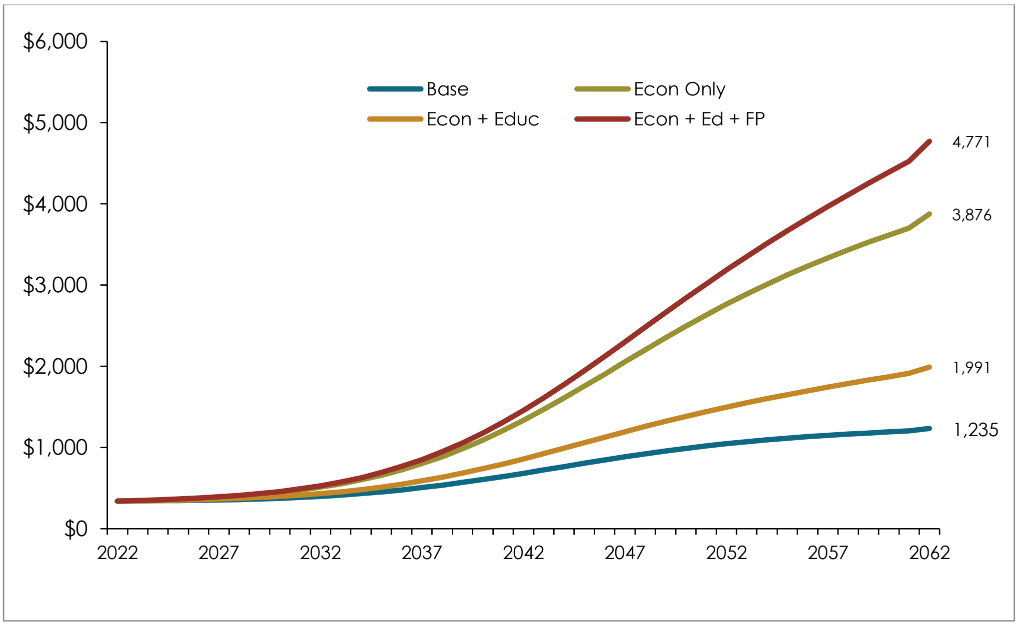


- Gap between the potentially employable and the employed under the four scenarios
- In 2022 the gap was 568,629 which will double in 2062 (1,011,876) under business-as-usual approach.
- This number will be 899,831 under social emphasis where the focus of investment is on economy and education sectors.
- Adopting an economic only approach, the strategy the number will be 728643. Under the best-case scenario in which the Combined strategy of integrated and simultaneous investments in the five pillars of the DD is followed, the number will be 706356.

Capital Stock Formation

Fixed capital formation measures how much of the new value added in the economy is invested in fixed assets (less disposals of fixed assets) by the business sector and governments, rather than consumed.

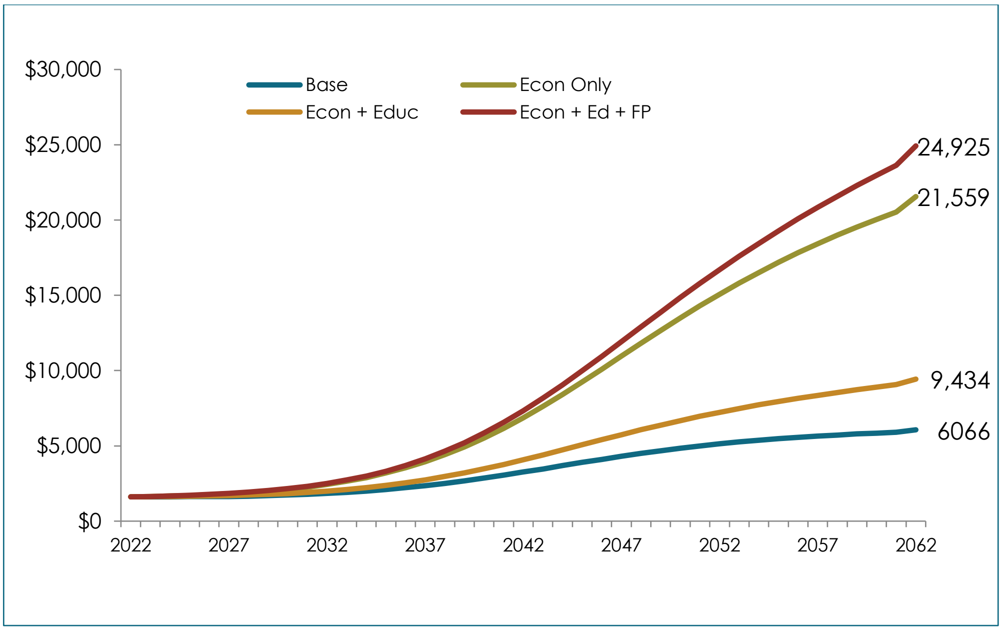
Projected Capital formation per capita by scenario, Timor-Leste, 2022-2062



- The results show that the per capita capital formation would be USD 1235 in 2062 whereas under the Combined scenario, the level of investment per capita would be USD 4771.29 in 2062.

Growth in per Capita GDP

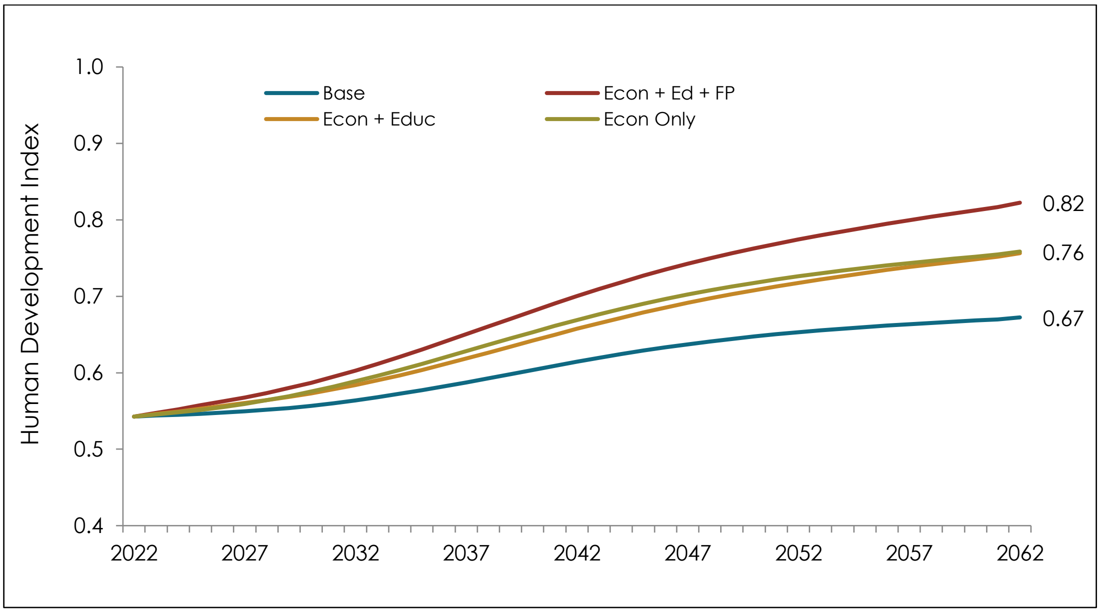
- The results indicate that the GDP per capita would increase modestly under the base and economy and education scenarios. Under the base scenario, the GDP per capita would increase from USD1,613 in 2022 to USD 6066 in 2062.
- The increase in the GPD per capita would be USD 9434 under the economy and education scenario.



- The combined scenario will produce the sharpest increases in GDP per capita, the GDP per capita would be USD24925 in 2062 while under the economy only scenario it would be USD 21559 in the terminal year.

Human Development Ranking

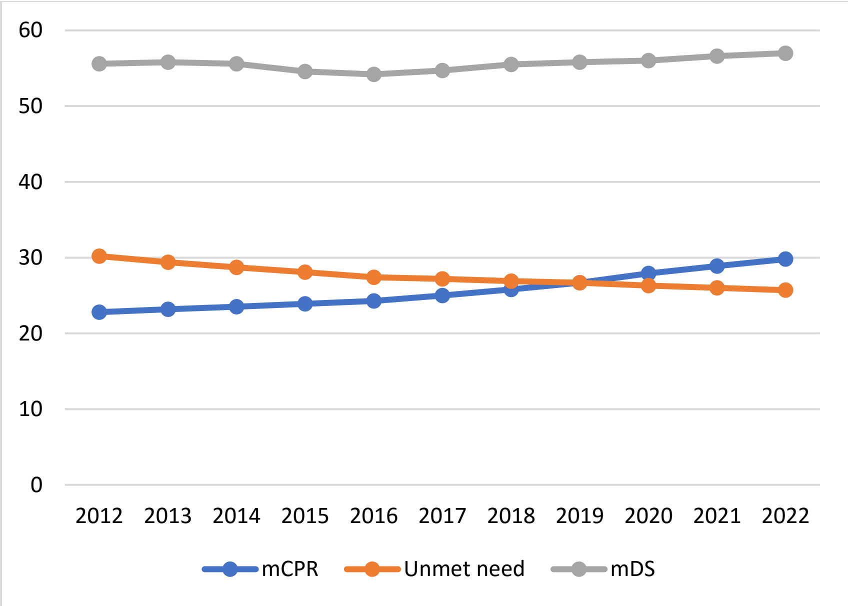
- Human Development Index (HDI), which is a composite measure of countries' levels of social and economic development based on life expectancy at birth, years of schooling, and per capita gross national income. Because of the much better economic performance under the Combined scenario relative to the Social Emphasis scenario, the HDI would be more improved from 0.55 and to 0.82



Challenges

Low modern contraceptive use

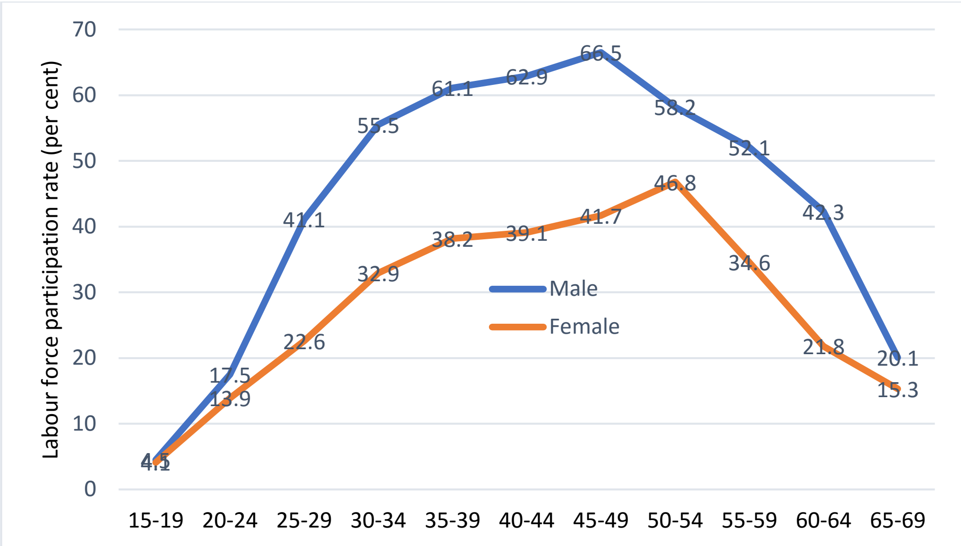
Figure: Changes modern contraceptive prevalence rate (mCPR) demand satisfied in modern contraceptives (mDS) and unmet need



- Available data from the FP2030 measurement report shows that there has not been much progress in modern contraceptive prevalence in Timor-Leste over the last decade mCPR increased slightly from about 22.8 per cent in 2012 to 25 per cent in 2017, and it is estimated at 29.8 per cent in 2022.
- Unmet need declined from 26 percent in 2012 to 17 percent in 2020.
- The country registered little success in the last ten years in reducing unmet need for modern, it remains at 25 per cent

Labour force participation rates

Figure: Labour force participation rate by sex and five-year age group, Timor-Leste, 2021



- Unemployment is higher among young people; young people aged 15-26 are as twice as likely to be unemployed than adults aged 25-64, 9.6 and 4.7 per cent, respectively.
- Recent studies on youth economic participation shows that while improvements are noted, youth participation in the economy is skewed towards agriculture and food systems.
- Disparity in labour force by sex: labour force participation rate for women (24.2 per cent) lagged that for men (36.9 per cent) by 12.7 per centage points
- Higher not in employment, education, or training (NEET) for females than men, 29.1 per cent for males and 29.6 per cent for females, respectively

Conclusion

This demographic dividend report has synthesized some available demographic, social and economic trends to demonstrate how Timor-Leste can capitalize on the upcoming unique opportunity for a "demographic dividend" – the period (usually a single generation) when a country has a large working-age population combined with both fewer children and a low number of older dependents. The findings have demonstrated that a combined effect of investing in demographic and social economic variables has enormous potential for increasing GDP growth in the next four decades to benefit from the demographic dividend.

Recommendations

- To effectively harness its demographic dividend, Timor-Leste should implement policies to address challenges like low education, high unemployment and informal employment, and gender inequalities.
- Reducing the sex gap in labour-force participation and accelerating fertility decline can further advance the timing and positive economic growth
- impact of this demographic dividend Reduce gender inequality and remove key barriers to sustainable development while empowering women will play a significant role in accelerating economic growth
- To harness demographic dividend, government of Timor-Leste should make further investments in reproductive health youth education and employment needed to be scaled up to achieve sustainable economic and social development.
- Promote favorable economic policies policy dialogue on the critical role of family planning in reducing high fertility rates
- Educate girls to stay longer in school particularly through secondary level, they are more likely to delay early marriage and childbearing and have healthier families together these investments lead to lower fertility and mortality and

enable the population structure to change opening a window of opportunity for accelerated economic growth

- Increased investments in family planning will prevent unintended pregnancies leading to fewer births per woman
- Improve child survival because improving child health services allows more children to survive and leads to couples desiring smaller families

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