Sri Lanka Journal of Population Studies
(January 2017)
Vol. 17, pp. 1-10

AGE STRUCTURE CHANGES AND DEMOGRAPHIC DIVIDENDS: THE CASE OF SRI LANKA

Lakshman Dissanayake*

Abstract: *The main objective of this paper is to examine age structure changes of the population and determine the timing of the demographic dividends in Sri Lanka. The study confirms that the duration of the first demographic dividend is 45 years from 1992 to 2037. This suggests that Sri Lanka is still left with 21 years more, which is a considerable time period, if the country desires to benefit from this historically produced demographic bonus. The benefits of the demographic dividend which are available only for about another two and half decades are not automatic, but policy dependent and hence, the window of opportunity to reap the benefits of a low dependency burden needs to be made use of productively. The study also shows that the second demographic dividend will commence from 2037 in Sri Lanka. It is expected that the second dividend comes into operation in part because prime age adults save more to provide for their retirement. Their ability or willingness to save, nevertheless, may be undermined by poorly developed financial markets or overly generous publicly funded pension programmes. These suggest that the changes in age structure define possibilities, but by themselves, do not decide the outcome.*

Keywords: First Demographic Dividend, Second Demographic Dividend, Age Structure Changes, Fertility Transition

---

Introduction

The main objective of this paper is to examine age structure changes of the population and determine the timing of the demographic dividends in Sri Lanka. Sri Lanka still cruises through the third stage of the demographic transition where fertility is still declining and mortality has already reached low levels. Such process introduces substantial changes to the age structures by producing more youth of economically productive ages. In this context, fertility decline supports economic growth through constructive changes in the age-structure which is called the "demographic dividend" of a bigger concentration of the population of labour force age, thereby increasing per capita productivity. As fertility rates fall during the demographic transition, the age structure starts moving upward by creating a youth bulge in the labour force ages. If the right kinds of educational, health, and economic policies which can make the labour force productive are in place, a special window opens up for faster economic growth and human development. As mentioned above, this progression is called demographic dividend. Demographic dividend has previously played a key role in augmenting the economies of Thailand, Hong Kong, Singapore, South Korea and Taiwan. Declining fertility enhanced their economic growth and development since their comparatively superior numbers of workers had less dependents to consume their income. Similarly, greater savings and investment rates were in turn generated, jointly with per capita output.

* Professor Lakshman Dissanayake, Senior Professor of Demography and Vice Chancellor, University of Colombo, Sri Lanka; Visiting Professor, Faculty of Health and Social Sciences, Leeds Beckett University, United Kingdom, Adjunct Member, The Australian Population and Migration Research Centre, University of Adelaide, Australia.
Email: l.dissanayake@leadsbeckett.ac.uk