

## Diagnostic Study

# Implications of Changing Demographics and Effects on Social Protection in Bangladesh

### Background

Bangladesh is currently at the third stage of her demographic transition. Bangladesh has been experiencing a rapid change in her population structure due to successes of social policy interventions which have driven down child mortality and high fertility rates and extended life expectancy. Changing population structures likely to have implications on the economy and society mainly via three channels (i) labour supply and labour market; (ii) internal migration and urbanization; and (iii) demand for goods and services – especially for public services including social protection system.

### Research Objectives

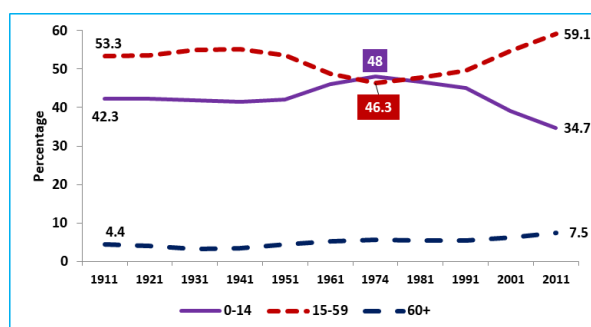
- To examine the implications of Bangladesh's changing demographics on the social protection system.
- To assess changing huge population base of youth and its effect on the social protection system
- How changes in age composition affect the demand side of the SP and whether the supply side provides commensurate responses

### Methodological approaches

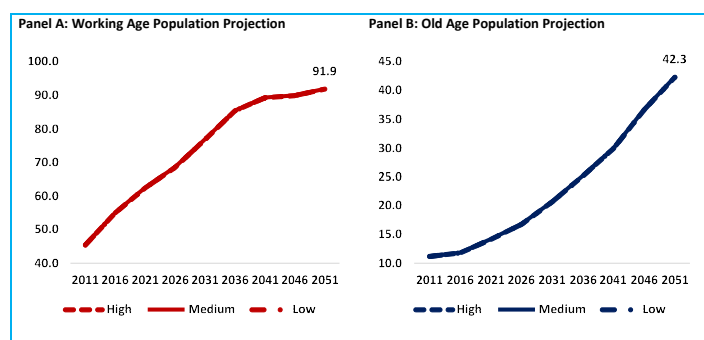
- Desk research for literature review
- Qualitative methods
- Empirical approach using micro-econometrics from HIES and BIHS .
- Field survey for gathering first-hand information

### Research Findings

**Demographic transition:** The figure below captures changing population structures by three broad age groups – children (age 0-14); working age (age 15-59); and old age (age 60 and above). The share of children in total population rose to the peak of 48 percent in 1974 before starting to decline. In 2011, children share has fell to 34.7 percent. Share of working age pop increased till 1941, fell between 1941 to 1974 and then increased thereafter. Working age group lowest point is at around 1974 with 46.3 percent. The share increased to 59.1 percent in 2011. Contrary to these two groups, the share of old age population has increased steadily over the transition period, rising from 4.4 percent in 1911 to 7.5 percent in 2011.



Population projections by BBS and UNFPA shows significant variations due to the use of different methods in their projections. Due to these variations, projected total populations in 2051 under the three variants by UNFPA<sup>1</sup> are significantly higher than the population projections of BBS.



Working age population shows an increasing trend till 2041 before it enters into the stabilization period. Old age population on the other hand, would continue to increase over these four decades. More specifically, old age population increases by over 4 times from 10 million to over 42 million over these four decades.

### Impacts of Changing Population Structure

**A. Demand and Supply Side Assessment:** Demand and supply side assessment for 2010 and 2016 pointed out some key findings. These include (i) coverage gap; (ii) resource gap; and (iii) transfer amounts.

**Large Coverage Gap:** estimated coverage gap in 2010 as percent of estimated total beneficiaries (i.e. 45.4 million) from demand side is 75 percent. Coverage gaps have been found for four of the age-specific groups. The highest coverage gap has been reported for Youth (i.e. 12 million) and followed by school age population (i.e. 9.9 million). There is no coverage gap for old age group – in fact, there is a surplus for this group. Opposing developments (i.e. population expansion of about 12 million and poverty reduction by 6.1 million), have driven the demand side for 2016. The estimated beneficiary coverage gap has fallen significant in 2016 to 19.2 million. But this is still a sizeable amount. Again, coverage gaps have been found for four of the age-specific groups. The highest coverage gap has been again reported for Youth (i.e. 7.6 million) and followed by working age population (i.e. 6.3 million). Similar to the pattern observed in 2010, there is no coverage gap for old age group – there is a surplus for this group. The size of surplus has increased from 0.5 million to 2.3 million.

**Large Resource Gap:** Large beneficiary coverage gaps led to large resource gaps. Total resource gap in 2010 is 272,605 million BDT suggesting that resource gap in 2010 as percent of estimated total resource requirements (i.e. 380,395 million BDT) from demand side is about 72 percent. Resource gaps have been found for four of the age-specific groups. The highest coverage gap has been reported for Youth followed by working age population. There is no coverage gap for old age group – there is a surplus for this group. Significant improvement in resource gap situation has been noted for 2016 as it dropped to 29 percent – almost by 3 times.

**No Systematic Pattern in Transfer Payment:** Average monthly transfer payments of 2010 and 2016 have also been compared to assess growth and patterns in transfer payment. Overall growth rate of 40 percent has been found for all schemes between 2010 and 2016 implying annual growth rate of 8 percent. Growth rate of the age-specific schemes (i.e. 6.4%) is higher than the growth rate of the non-schemes (i.e. 4.2%). The growth patterns however are diverse with high growths for children and Old age (i.e. 24% annualized growth). Growth rate for the working age is also positive at 4.4 percent. Youth schemes have experienced large reduction in transfer payment – by about 11 percent. Reductions are also found for school age children and disabled schemes. Reductions in transfer amounts (i.e. valued in nominal terms) are disturbing developments which may have been avoided.

**Overall:** When the key patterns and trends of the analytical framework are assessed against the ‘elements of good social protection system’ (please see Box below) it appears that the current social protection system is **inadequate** due to low coverage and transfer amounts. Wide spread variations in number of schemes; beneficiary coverage and transfer amounts tend to suggest that the **equity aspects are not ensured**. Moreover, due to large numbers of schemes and lack of internal balances between them envisaged that the current social protection system is **inappropriate**. However, some **dynamism** is found with adoption of more schemes for youth and children.

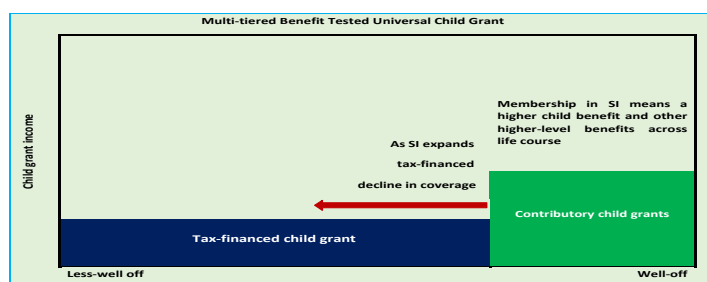
Box 1: Elements of a good social protection system

Features	Description
<b>Appropriate</b>	Each scheme should be tailored to best fit the conditions. That is, the number of scheme adopted and their internal balance and association with the other components of the public policy should respond to the intended needs of the country. Each program should be customized for best fit with the circumstances.
<b>Adequate</b>	Each scheme of the system should provide full coverage and meaningful transfer amounts to the beneficiary of a subset of the population they are intended to assist such as chronic poor; transient poor and disabled population.
<b>Equitable</b>	All beneficiaries should be treated in a fair and equitable way such that horizontal and vertical equity is ensured. More specifically, the goal of the system should be to provide the same benefit to individuals or households with similar attributes in all important respects (horizontal equity and may also provide more generous benefits to the poorest beneficiaries (vertical equity)).
<b>Cost effective</b>	The system must be cost-effective through economizing the administrative costs needed for programme implementation in two ways. First, avoid fragmentation and the subsequent need to develop administrative systems without realizing economies of scale. Second, operating efficiently with the minimum but sufficient resources to carry out programmes well and to attain the desired impact.
<b>Incentive compatible</b>	Social protection system may influence individual behaviour in a positive or negative manner. Thus, system should be designed in such way that promotes positive changes to an individual. This can be achieved by keeping the role of the social protection to the minimum consistent with adequacy. Furthermore, social protection schemes should be linked with other elements of the public policy to increase individual's income and welfare.
<b>Sustainable</b>	Prudent social protection systems are financially and politically sustainable, such that they are pursued in a balanced manner with other aspects of government expenditure and in line with the fiscal space. In low-income countries, schemes started with development partner support are gradually incorporated into the public sector budget.
<b>Dynamic</b>	A good social protection system will evolve over time with demographic dynamics, changing economic structure and flexibility to address sudden shocks. Moreover, the authority of specific scheme should also evolve as problems are solved and new standards set.

Source: Grosh et al (2008)

## Recommendation

**Programmes for Children:** Universal child grant was proposed in a conference held in February 2019 in Geneva. Conference explored various alternatives such as (i) Multi-tiered universal child grant. In tier 1 an adequate tax-financed guaranteed benefit is ensured to all children. Tier 2 provides opportunity for higher contribution by well-off groups. (ii) Benefit-tested multi-tiered universal child grant. The main advantages of this approach over 1 are that - size and cost of the tax-financed component reduce over time as more people join social insurance. Furthermore, this is an attractive alternative to poverty targeting that is administratively simple and achieves universal coverage.



Using the information of National Household Database, Bangladesh may opt for multi-tiered benefit tested universal child grant over the medium term. Contributory child grant may be mandatory for top 30 percent well-off households. They will not be eligible for tax-financed child grant. Rest 70 percent of the children will be eligible to receive a monthly child grant.

**Youth Programmes:** NEET\* rate is high in Bangladesh. Bangladesh may set a target of reducing the current NEET rate from 29% to 10% by 2030 embarking on the following strategies.

**Early identification:** NEET youth mainly come from poorer households and sometimes reveal behaviors which suggest they might have trouble transitioning to adulthood. Early identification of such characteristics might be attempted in the school system and may allow the authorities to design appropriate interventions focusing on continued education; training or employment. This step should be followed by further investigation to determine whether these youth could benefit from more information on education, training, and employment opportunities.

**Training Plus Package :** Intervention involving skill development, stipend and credit should be provided. Emphasis should be on skill development training since it will promote entrepreneurship among the young generation. In this context, engagement of the private sector may also be promoted since they are the potential employers of the youth.

\*Not in education, employment in training.

## Recommendation

**Insurance for Working Age:** Insurance schemes for the working age groups are virtually non-existent in Bangladesh. Next generation social protection schemes must be tailored to address some of these concerns. This may include access of affordable unemployment insurance schemes for both formal and informal workers; care services (i.e. for both child and adult care) to ensure higher participation of female workforce in the labour market.

Some of the recommendations made by ILO may also be considered for the working age groups. They include: (i) establish systemic linkages between social insurance and employment promotion programmes, (ii) develop employment promotion programmes linking with vocational training and registration to social insurance, targeting specifically young herders. Reinforce public employment services, in particular career/employment/training counselling, vocational training and entrepreneurship counselling, rather than focusing only on loan programmes, notably services adapted to urban and rural youth; and (iii) develop a comprehensive programme (that combines training and retraining, counselling for entrepreneurship, career counselling) for reinsertion of differently challenged people due to working injury and occupational diseases.

**Ageing and Pension:** Bangladesh is poised to enter the official stage of an ageing nation by 2030. Number of people aged 60 and above may reach over 40 million in 2050 from only 10 million in 2020. Thus, each of the next three decades may be associated with 10 million additional elderly citizens. Bangladesh government has been completing to introduced universal pension for her elderly citizens. The social pension has experienced impressive expansion in coverage. However, the coverage is still low compared to the need and transfer payment seems inadequate. Due to constraints in fiscal space, it may not be feasible to expand the tax-financed social pension to cover every single elderly citizens of the country. Contributory pension schemes need to be introduced to complement the social pension schemes. Ensuring participation of the large pool of informal workers in the contributory pension schemes may turn out to be a major challenge.

Following the example of Kenya, Bangladesh universal pension may be composed of below-mentioned four schemes.

Pension Schemes	Coverage and eligible	Regulator
Tax Financed Social pension	30% of most vulnerable elderly citizen	Public Sector
Contributory Public Sector Pension	0.5%; public sector employees	Public Sector
Contributory National Social Security Fund (NSSF)	15%; formal private sector employees (mandatory)	Retirement Beneficiary Authority (RBA)
Mbao type contributory Pension Fund	50%; formal private sector employees (Voluntary)	RBA

**Expanding Schemes for Disabled Persons:** Disability prevalence has been found for different stages of life cycle. However, prevalence rate increases with age. Moreover, almost 1.5 percent of the population has been diagnosed with sever disability. A universal scheme invoking higher than average transfer amount should be designed for the sever disables persons .