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Population and Development: Prospects for the Americas



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Population and Development:
Prospects for the Americas

by

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OPTIONS II Project

OPTIONS for Population Policy II is a five-year project funded by the Office of Population of the U.S. Agency for International Development. The goal of the project is to help A.I.D.-assisted countries formulate and implement policies that address the need to mobilize and effectively allocate resources for expanding family planning services. The project provides technical assistance to:

- improve the analytic capacity of developing country institutions to design, manage, and monitor family planning programs;
- assess legal and regulatory policies affecting the delivery of family planning services;
- promote efficient use of public sector resources in family planning programs; and
- increase private sector participation in service delivery.

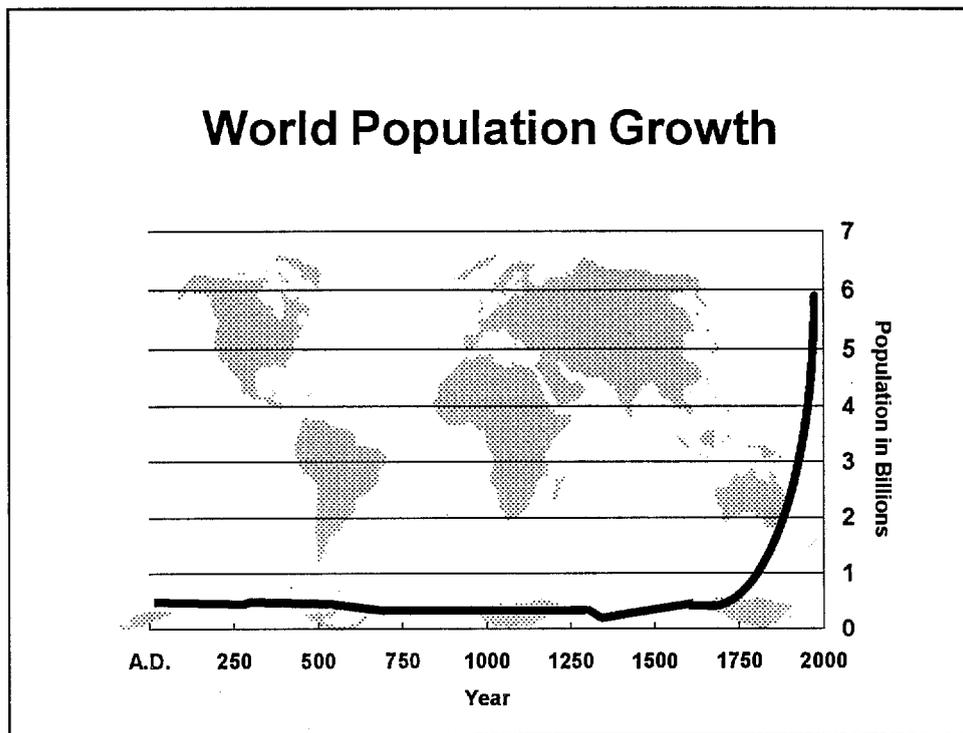
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Global Population Trends

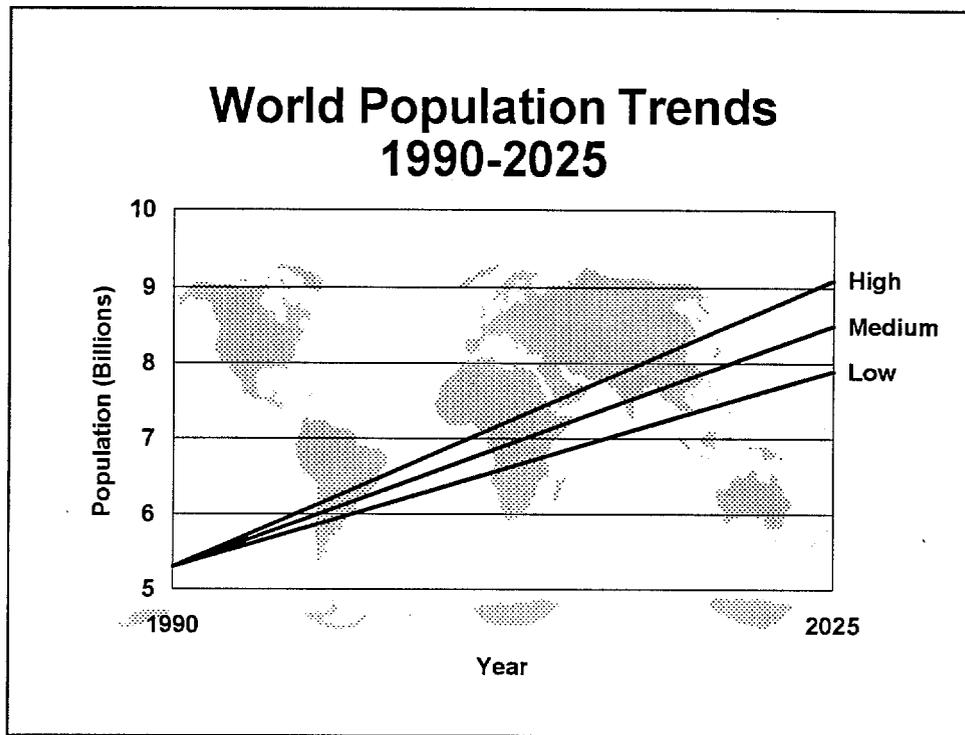


World Population Growth



Since the end of World War II, the world has experienced dramatic and unprecedented population growth. Between 1950 and today--a period of just over 40 years--the world's population has more than doubled, growing from 2.5 to 5.5 billion people. This is an astonishing growth rate when compared to the past; it took 1500 years for the world's population to double from the year 1 AD to 1500 AD and about 150 years to double once again from 1500 in 1750.

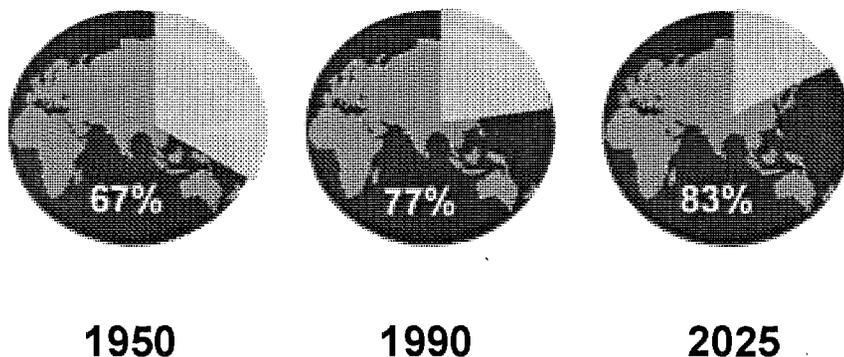
Today, the world's annual rate of growth is about 1.7 percent, down from its historic peak of 2.1 percent in the late 1960s. The world's growth rate is expected to continue to decline to about 1.2 percent by 2010, and to about 1 percent by 2025.



The tremendous challenge in world population growth can be understood by looking at three projections of world population developed by the United Nations for the period 1990 - 2025. While all of these projections include significant declines in the number of births per women, each illustrates different assumptions about the speed of this decline.

The projections show that the world's population will grow from approximately 5.3 billion in 1990 to between 8 and 9 billion in 2025, an increase of more than 3 billion in 35 years. This is the equivalent of the entire developing world today (excluding China). The middle line or "most likely course of events" shows world population increasing to 8.5 billion by 2025. Making any of these scenarios a reality will involve significant effort.

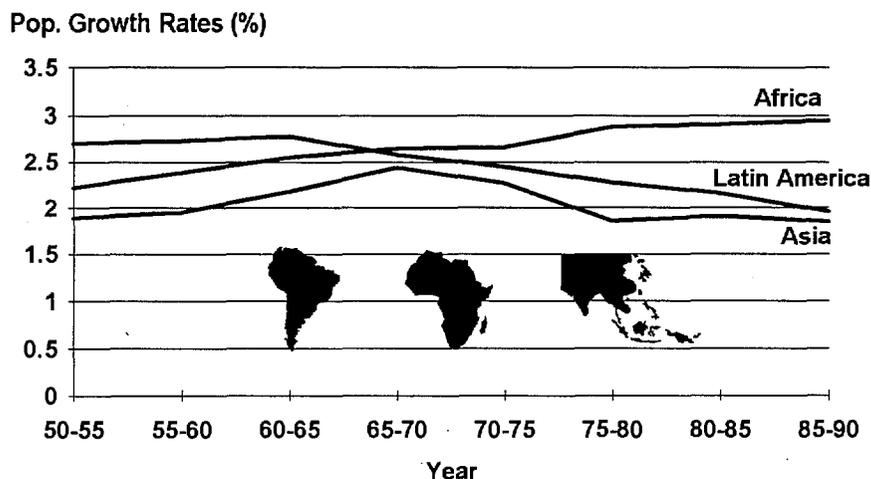
Developing Countries' Share of World Population



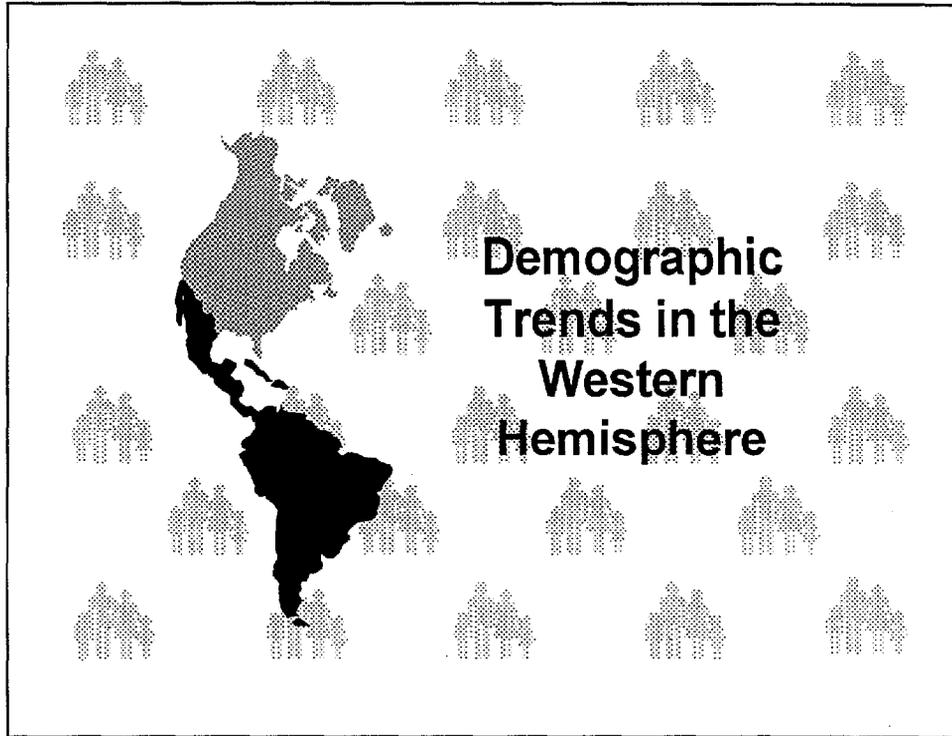
Although world population growth is slowing, the extent and pace of the decline varies substantially across the different regions and countries of the world. Most of the population growth that has occurred in the last 40 years has taken place in the less developed regions of the world: Africa, Asia (minus Japan), and Latin America. As a result, the developing countries' share of the world's population has grown from 67 percent in 1950 to about 77 percent today. According to the United Nations' medium variant projection, their share will increase to approximately 83 percent by 2025.

The population pressures associated with such dramatic growth have created and will continue to create important challenges for the world's nations, especially those in the less developed regions.

Population Growth Rates in Latin America, Africa and Asia

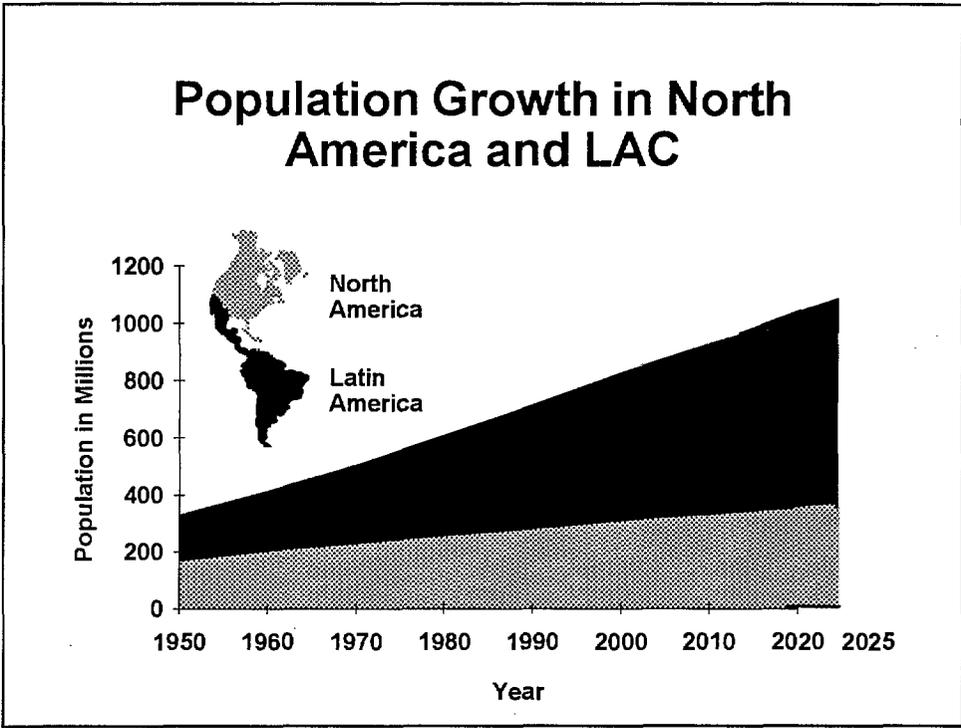


In the period immediately after World War II, Latin America had the highest population growth rate among the developing regions. Between 1950 and 1955, Latin America was growing at an annual rate of 2.7 percent, compared to 2.2 percent for Africa and 1.9 percent for Asia. By the mid-1960s, however, the effects of both the greater availability of family planning services and social and economic development took hold, and Latin America's population growth rate began to decline steadily. Today, Latin America's annual population growth rate is about 1.9 percent, compared to 3 percent for Africa, and 1.7 percent for Asia.



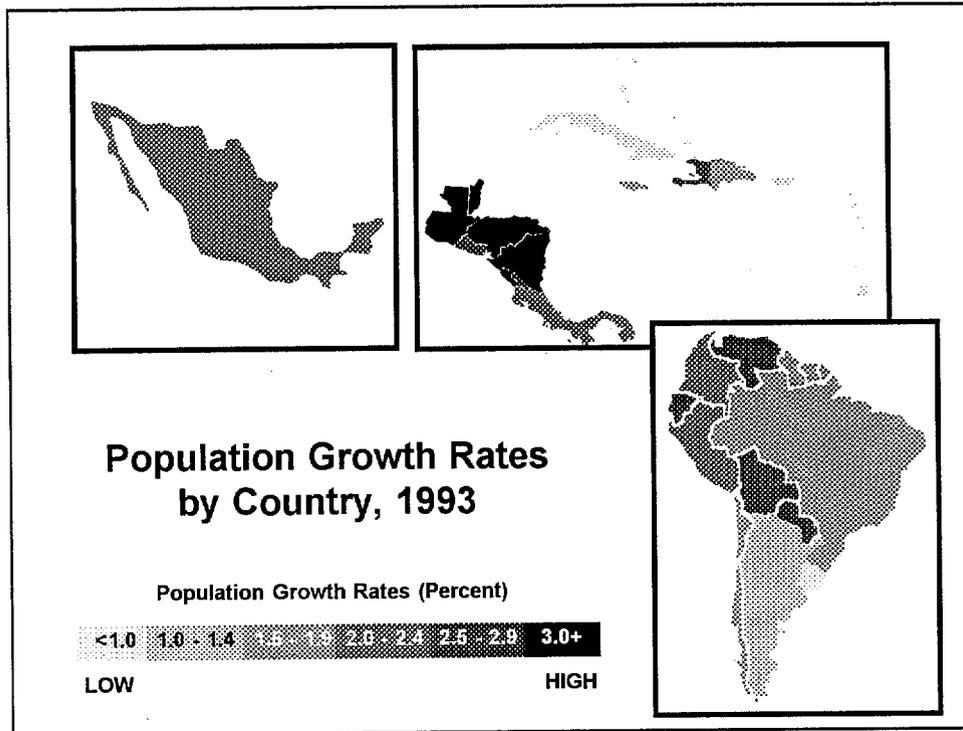
This section of the presentation reviews some of the major demographic trends in the Western-Hemisphere, including:

- o population growth rates
- o urbanization, and
- o age structures.

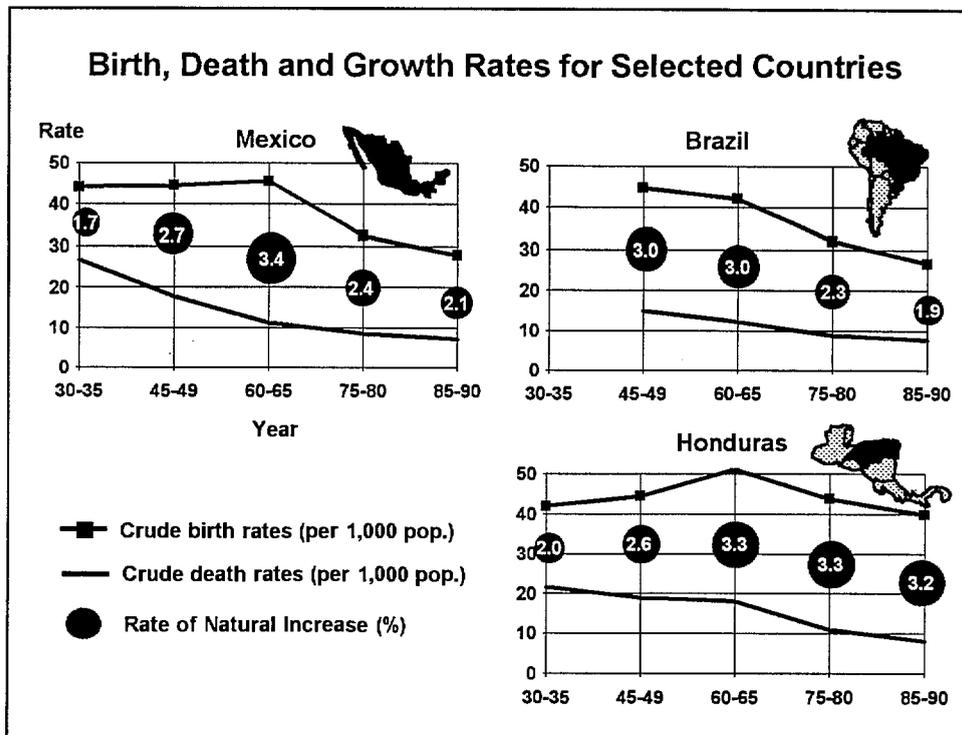


Population Growth Rates

Despite the dramatic declines in growth rates in Latin America and the Caribbean (LAC), the rates remain high compared to the developed countries in the Western Hemisphere. Consider that in 1950, North America and LAC had about the same population size. Because LAC had a substantially higher growth rate, its share of the population of the Americas is growing rapidly. By 2025 LAC's population will be almost twice the size of North America according to the United Nation's medium projection.



Yet, population growth rates are not uniform throughout LAC. The Southern Cone and the Caribbean are the slowest growing regions in LAC, where countries like Argentina and Guadeloupe have annual rates of growth of 1.3. Brazil, an important country in the region, follows closely with a rate of 1.5 percent. México, despite dramatic success in lowering its growth rate, is still growing at 2.1 percent annually. Central America and the Andean regions are the fastest growing regions in Latin America: Honduras and Bolivia have growth rates of 3.1 percent and 2.7 percent respectively. If present rates continue, Central America's population will double in about 24 years, compared with a doubling time of approximately 50 years for the Southern Cone.

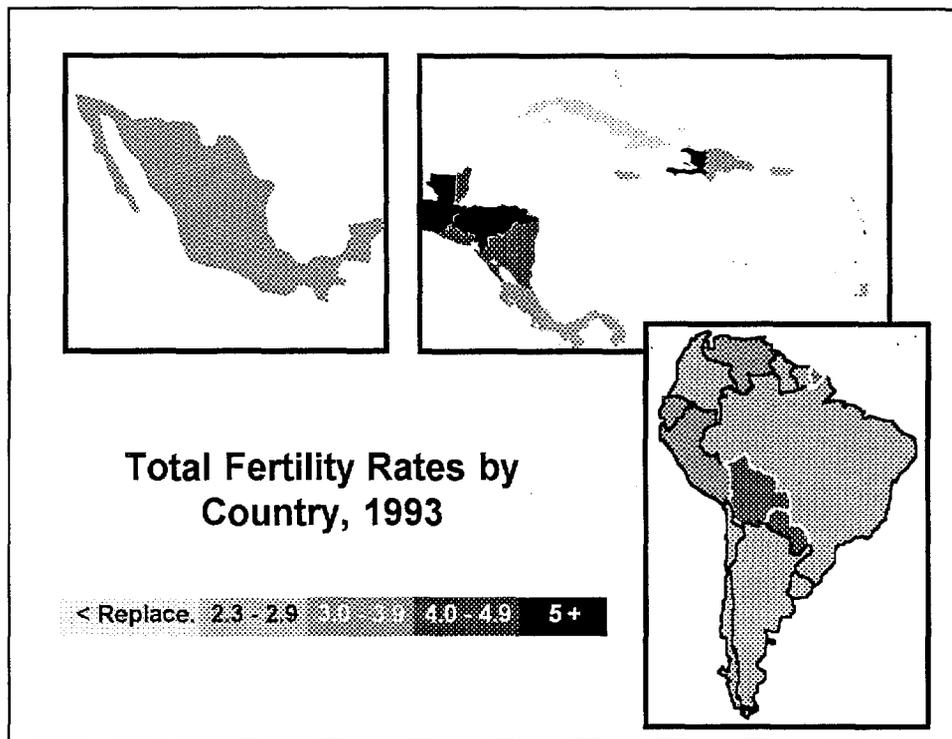


The rapid growth experienced after World War II was due to a combination of high birth rates and falling death rates. Declines in the death rate were due primarily to imported medical technologies from developed countries (e.g., immunizations and vaccinations) as well as to improved standards of living. Substantial growth ensued as birth rates remained high. It was not until the mid-1960s that birth rates began to fall throughout most of LAC and, as a result, growth rates began to slow.

As the graph shows, México has experienced a dramatic reduction in its growth rate. Within a span of about 15 years, México has managed to slow its average annual rate of growth from 3.4 in 1960-65 to 2.1 by 1985-90. México has a strong official commitment to reduce population growth even further to 1 percent by the year 2000.

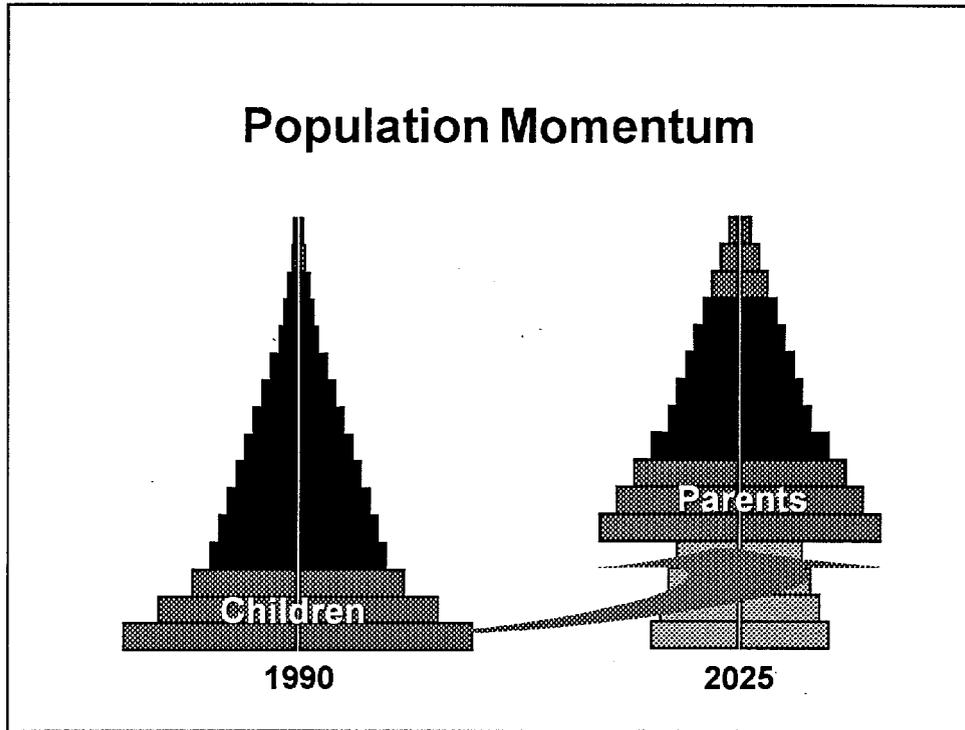
Brazil has experienced similar success in slowing the rate of population growth. Although Brazil has no official population policy like México, extensive family planning services are available through the private sector. Brazil's growth rate has declined from 3.0 in 1960-65 to 1.9 in 1985-90.

Honduras has achieved little in the way of slower population growth. By 1985-90 its average annual population growth rate was 3.2, a negligible change from the rate of 3.3 that existed in 1960-65.



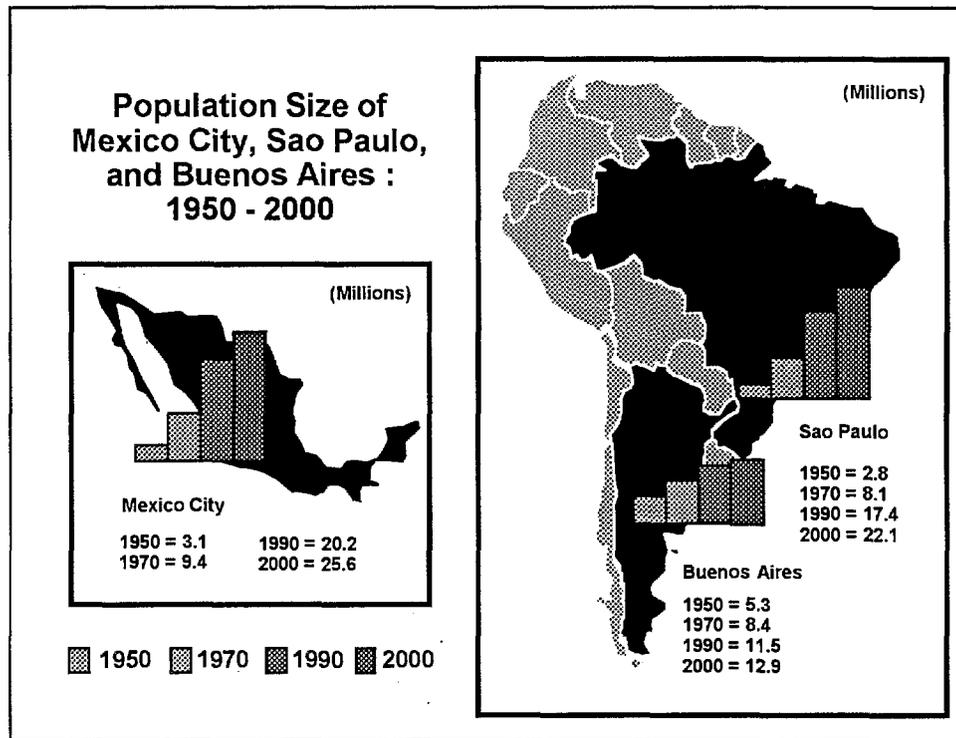
A key feature of LAC's demographic future is that it will continue to grow in absolute numbers for at least another thirty years. There are two principal reasons for continued population growth. First, although fertility has been falling in the region, it still remains well above "replacement" in most Latin American countries. Replacement level fertility refers to the average number of children that couples need to have in order for a population to just replace itself and eventually achieve zero population growth. In most developing countries, this refers to an average of about 2.3 children per couple, taking childhood mortality into account.

Currently, only 8 out of 37 LAC countries have fertility levels at or below replacement. Because these countries are among LAC's smallest, they will have little effect in slowing the region's population growth.



The second reason that LAC will continue to experience population growth is that earlier rapid population growth throughout the region has created "momentum" in the region's population age structure. Currently, about 43 percent of LAC's population is under age 15, compared to about 21 percent for North America.

Such a high proportion of young people about to enter the prime childbearing ages (ages 20-29), causes a population to continue to grow even after fertility reaches replacement. Population will continue to grow as long as there are more births than deaths.

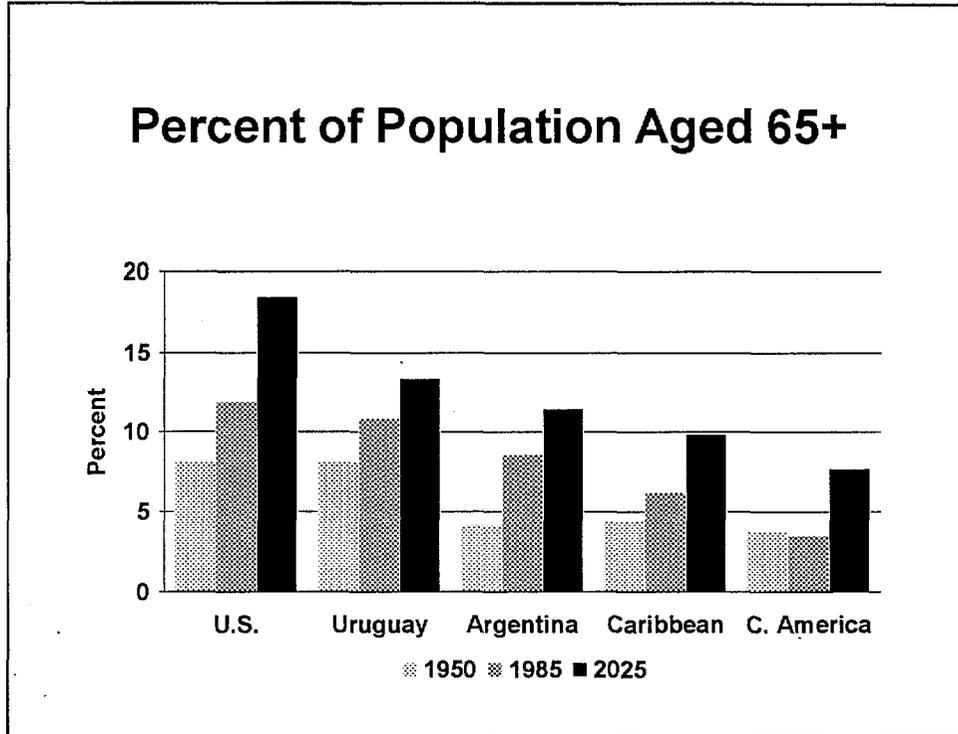


Urbanization

Another important characteristic is rapid urbanization. Latin America is currently the most urbanized region in the developing world and contains some of the world's most populous cities. The number of inhabitants in México City tripled between 1950 to 1970 while Sao Paulo almost quadrupled. Today, México City is the largest city in the world, and Sao Paulo and Buenos Aires are also on the list of the world's 10 largest cities.

By the year 2000, México city is expected to maintain its ranking as the world's most populous city with over 25 million inhabitants while Sao Paulo is expected to move up to second place with approximately 22 million people. Although Buenos Aires is projected to drop to 12th place, it will add at least another million people to a total of approximately 13 million city dwellers by 2000.

Rural-urban migration and natural increase are both responsible for the speed at which urbanization in Latin America has taken place. Such rapid urbanization strains public services (e.g. transportation, sanitation, education, and medical care) and produces high levels of unemployment, not to mention the serious challenges it poses to the environment.



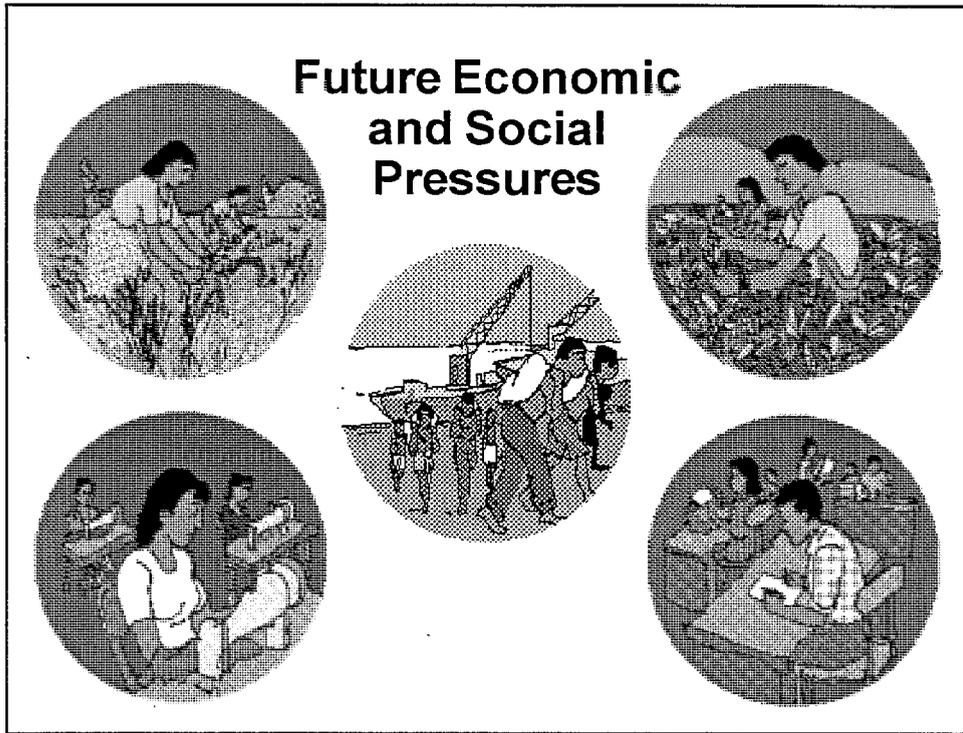
Different Age Structure

A third major demographic component of LAC's future is an aging population. While many LAC countries have youthful age structures as a result of previous high fertility levels, a few have had declining fertility for some time and are consequently experiencing a very different kind of population pressure: that which results from population aging.

The Caribbean currently has a larger percentage of people aged 65 or over (6 percent) than any other developing region in the world due to a history of relatively low fertility rates and relatively high emigration rates among its young adults. Both Uruguay and Argentina also have relatively "old" populations. In both 1950 and 1985, Uruguay had about the same percentage (8% in 1950 and 11% in 1985) of its population above age 64 as the United States.

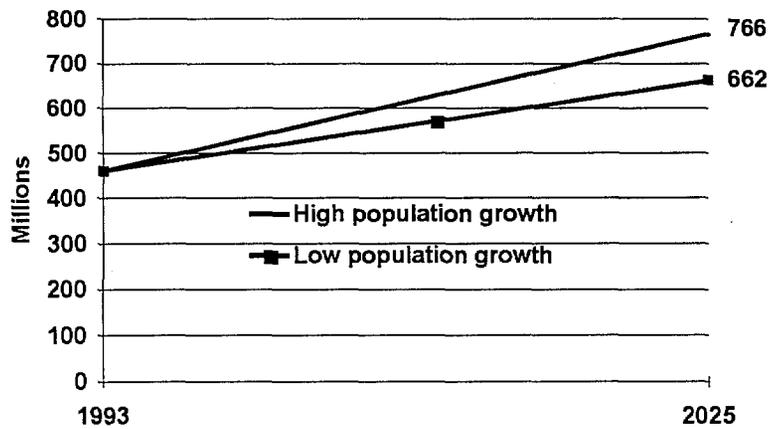
By contrast, only 4 percent of Central America's population is aged 65 or over. Nevertheless, as fertility declines, it too will experience aging effects. Thus, by 2025, 8 percent of Central America's population is expected to be above age 64.

Aging populations present challenges to both social security and health care systems. However, since aging in most LAC countries has not yet emerged as a primary population concern, there is time to plan and make institutional adjustments in order to support a large elderly population with limited resources.

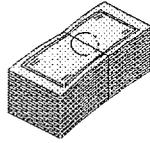


As we discussed earlier, LAC's population is expected to continue to grow for at least another thirty years. The extent to which this growth threatens to undermine economic development depends on each country's ability to keep pace with population growth and size.

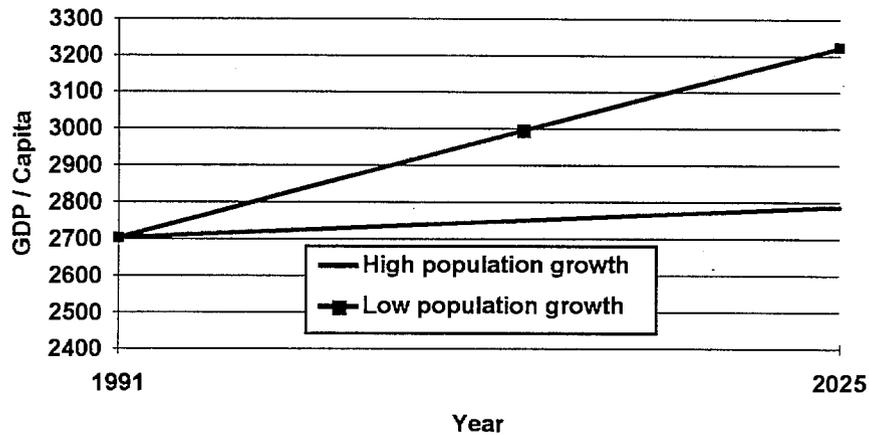
Projected Population Growth in LAC : 1993 - 2025



Today, the LAC region is home to about 460 million people. As the graph shows, by 2025--just 32 years from now--the United Nations projects the number to grow between 662 and 766 million, depending on whether population growth is low or high.

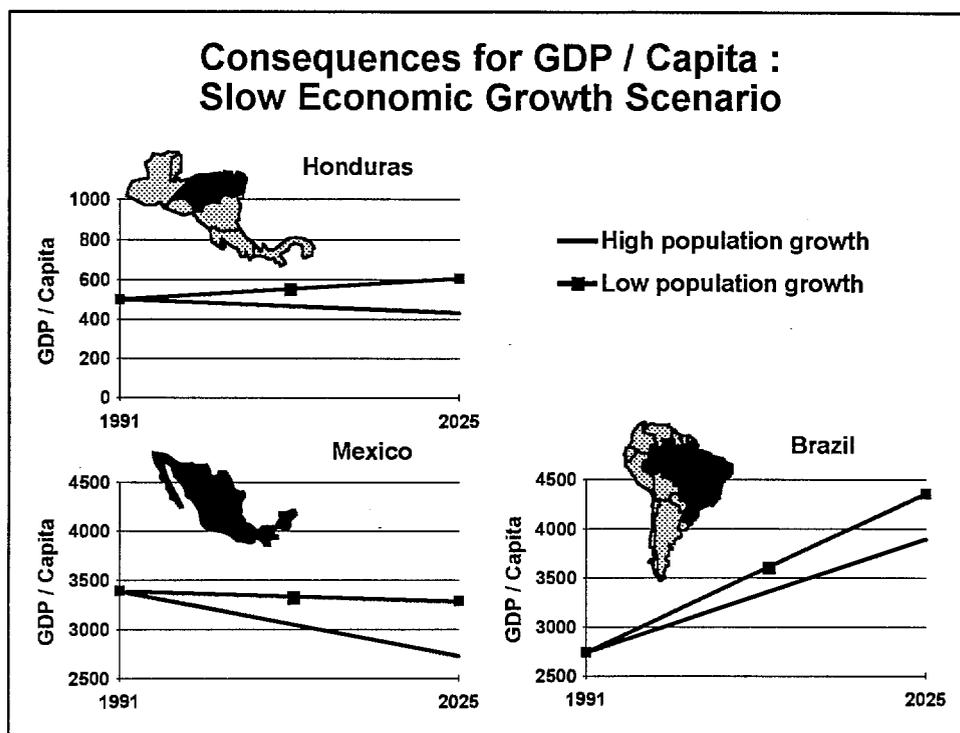


Consequences for GDP / Capita in LAC : Slow Economic Growth Scenario



The extent to which GDP (gross domestic product) per capita in the LAC region will increase (or decrease) in coming decades will depend both on the rate of population growth and the rate of economic growth.

After 10 years of relatively slow economic growth in Latin America, GDP per capita is currently about \$2700. The average annual rate of growth in GDP over this period was approximately 1.7 percent. If this rate were to continue through the year 2025 and population growth were to match the U.N.'s high growth scenario, GDP per capita would barely rise over the same time period. By contrast, under the same conditions of slow economic growth but lower population growth, GDP per capita would rise to about \$3200: an increase of 19 percent.



Now, let's look at specific country cases. In each example, we will show what GDP per capita would be if the relatively slow economic growth of the last 10 years were to continue under high and low population growth scenarios (all else held constant).

First, Honduras has one of the highest population growth rates in the LAC region (doubling time = 23 years), and it experienced an annual GDP growth rate of 2.7 percent annually from 1980-91 (higher than the LAC average). Under the same rate of GDP growth of 2.7 %, high population growth would cause GDP per capita to decline from \$502 to \$432 by 2025. By contrast, under a slow population growth scenario, GDP per capita would rise to \$606 by 2025.

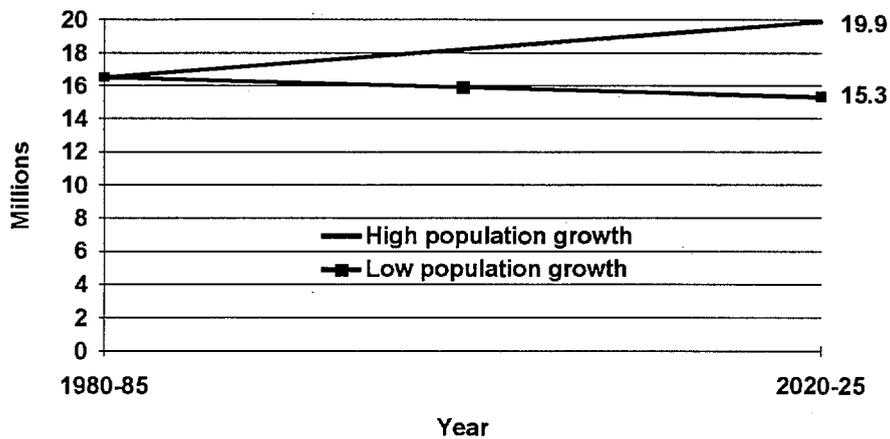
México has a lower population growth rate than Honduras (doubling time = 30 years). However, unlike Honduras, Mexico's rate of economic growth over the last 10 years has been slower than the rate for the LAC region as a whole, averaging 1.2 percent annually compared to 1.7 percent for LAC. Under the same GDP growth conditions of 1.2 percent growth, GDP per capita would remain fairly stable if low population growth were achieved. By contrast, GDP per capita would fall from approximately \$3300 to about \$2700 dollars if population growth remained high: nearly a 20% decline.

The last example is Brazil. Over the last 10 years, Brazil managed to maintain a higher rate of GDP growth (2.5 percent) than LAC as a whole. Brazil also has a lower rate of population growth than either Honduras or Mexico (doubling time = 46 years). As a consequence, even under relatively slow economic growth conditions, Brazil's GDP per capita is projected to grow under both high and low growth scenarios. Nevertheless, lower growth conditions represent a gain in GDP of about \$1600 per person by 2025 compared to about \$1100 under high growth conditions.

These scenarios show that future growth in GDP per capita depends both on the strength of LAC economies and on efforts to slow population growth. The example of Honduras demonstrates that even under conditions of higher than average GDP growth, GDP per capita can fall because of a high rate of population growth. By contrast, the example for México shows that slow population growth can prevent GDP per capita from falling during relatively slow economic growth periods.



New Labor Market Entrants: LAC

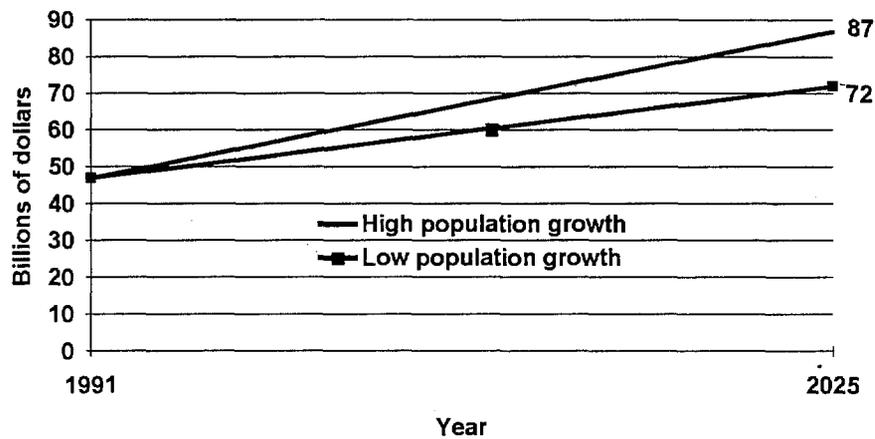


In addition to positively influencing general standards of living, slower population growth represents real savings in public expenditures in critical social sectors, such as employment, health and education.

Lower population growth can also aid development efforts by reducing the number of jobs that need to be created to keep future workers employed. In 1980-85, there were approximately 16.5 million persons entering the labor force. Under a high growth scenario, the number will increase to 20 million by 2020-25, a 21% increase. By contrast, if lower growth is attained, the number of people entering the labor market will fall to about 15 million in 2020-25, which means that few additional jobs would need to be created.



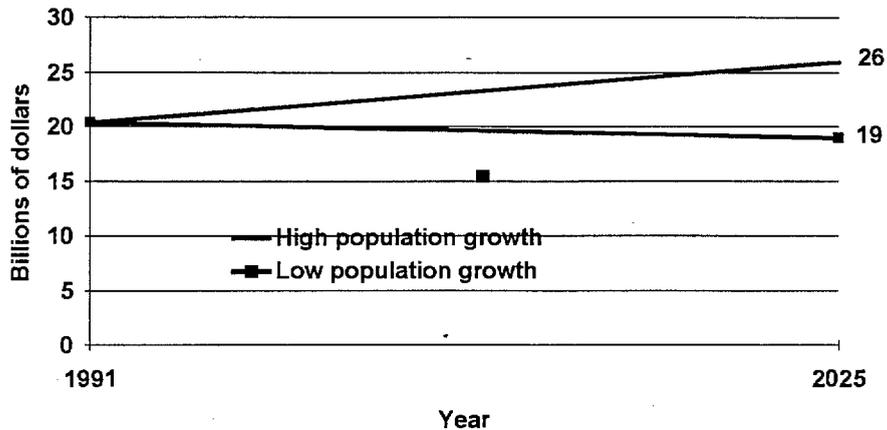
Consequences for Health Expenditures: LAC



Another way that lower population growth can aid economic development is by reducing future public and private health care expenditures. According to the World Bank, the total health expenditure in the LAC region was about 46.7 billion dollars in 1990. Under high population growth conditions, the total expenditure is projected to rise to 87 billion, compared to 72 billion under a low population growth scenario. This represents a potential savings of 15 billion dollars realized from low population growth by the year 2025; an amount that is greater than the GDP of Honduras, Bolivia, and Costa Rica combined.



Consequences for Primary School Expenditures: South America



Lower population growth would also produce savings in educational expenditures. South America (minus Suriname, Guyana and French Guiana) spent approximately 20 billion dollars on primary education in the late 1980s. Under a low population growth scenario, these expenditures are projected to fall slightly to 19 billion by 2025. Alternatively, under high population growth conditions, first-level school expenditures could rise to as much as 26 billion dollars. Thus, South America could save approximately 7 billion dollars in primary education expenditures by achieving lower population growth.

Savings from Lower Population Growth for LAC



Labor force
entries:

**5 million
fewer jobs**



Health
expenditures:

\$15 billion



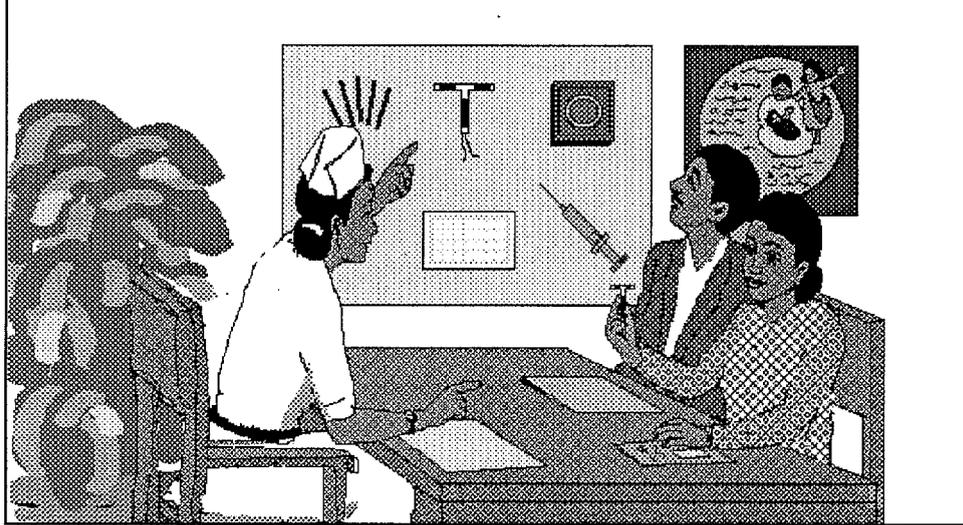
School
expenditures:

\$7 billion
(South America Only)

Governments in LAC will be hard-pressed to meet the labor market and social service demands that continued high population growth will entail. Lower population growth can lead to substantial savings: 5 million jobs, 15 billion dollars in health care expenditures, and 7 billion dollars in primary school expenditures.

These savings could be invested in the economy to boost production, and in social sectors to improve the coverage and quality of services.

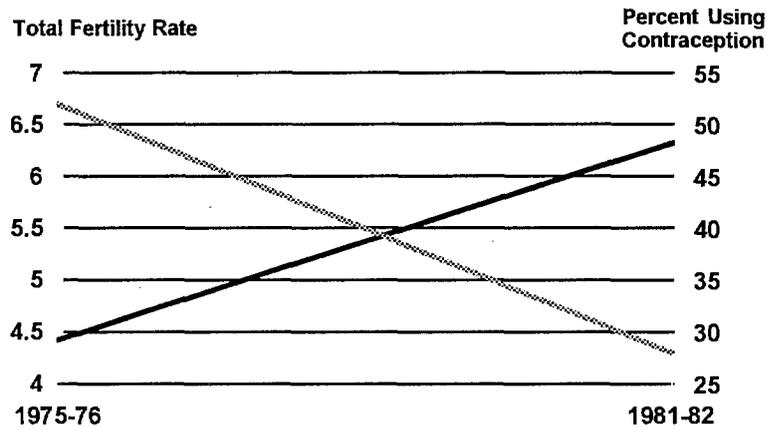
Achieving Lower Population Growth



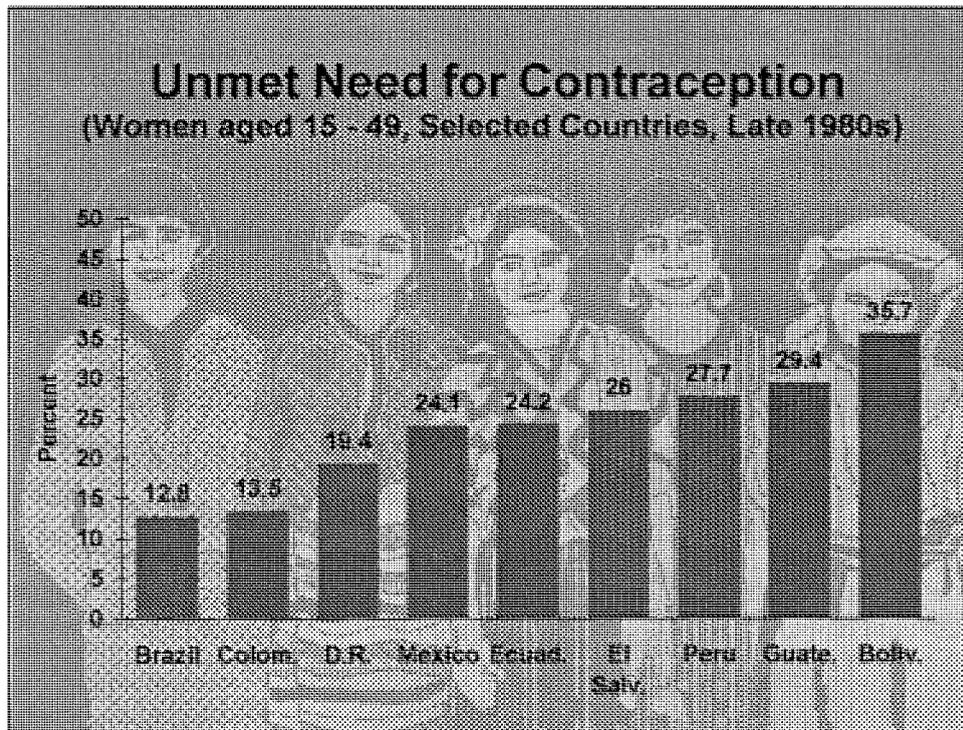
The previous discussion demonstrates that lower population growth can support economic performance and produce substantial savings in both jobs and services. Yet how can one effectively slow population growth?



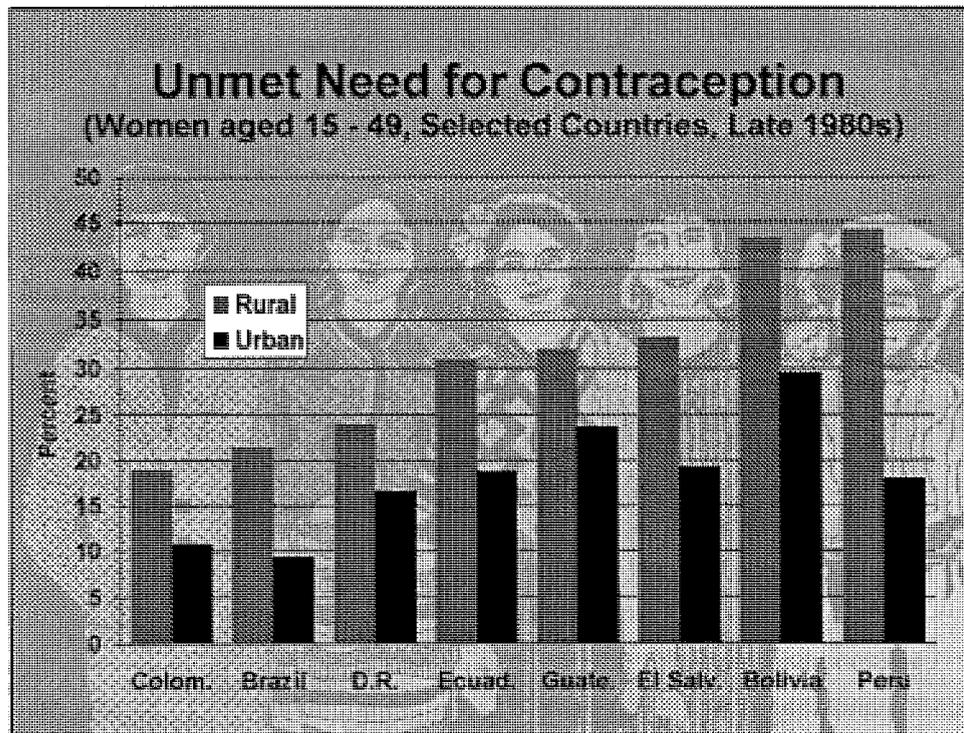
Trends in Fertility and Contraceptive Prevalence in Mexico



Research shows that fertility is by far the largest contributor to population growth (as opposed to migration or mortality) in most developing countries. Therefore, the most effective way to slow population growth is to reduce the number of children that each family has. Since the mid-1960s, the increased provision of voluntary family planning services has played an important role in reducing fertility in Latin America. In fact, the number of women using contraceptive methods has risen from about 15 percent in 1960 to 60 percent in 1990. Correspondingly, the average family size has declined from about 6 to 3 children. México represents a dramatic example of how a strong commitment to family planning can lead to rapid fertility decline. Within a span of just six years, contraceptive prevalence rose in México from 29 percent to 48 percent, and family size fell from about 6 to 4 children. Today, the average family size in México is about 2 children.

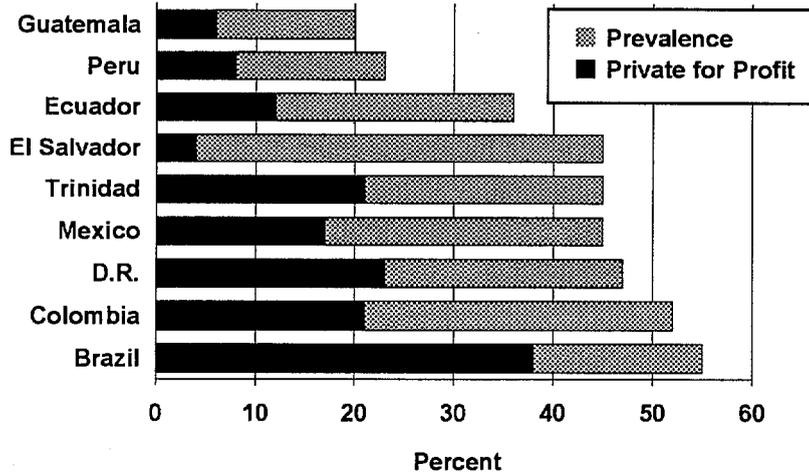


Despite such achievements, a substantial unmet need for family planning services continues to exist in a number of LAC countries. The unmet need in contraception for selected countries shown in the graph ranges from a low of 13 percent in Brazil to 36 percent in Bolivia.



In rural areas the unmet need is even greater. The graph shows, for example, that the unmet need in rural areas is over 40 percent in two countries: Bolivia and Peru.

Prevalence and Private Sector Share



During the last 25 years, the private sector in Latin America and the Caribbean has been a leader in raising awareness about the impact of rapid population growth on development and in promoting voluntary family planning. As the graph shows, in 7 out of the 9 countries, the private sector provides at least one third of family planning services. Moreover, the countries with the highest private sector share of the provision of services generally also have the highest contraceptive prevalence rates. The private sector can continue to play an important role in family planning efforts by expanding the role it plays in "high need" areas (eg., rural areas).

Conclusion

- **Although population growth rates have fallen, LAC's population will continue to grow rapidly**
- **Slower population growth will benefit economic and social development**
- **Family planning has played an important role in lowering fertility in the past**
- **There is a substantial unmet need for family planning services**
- **The private sector can play an important role in filling this need in the future**

Although population growth rates in the LAC region have fallen since the end of World War II, they still remain high compared to the growth rates of the more developed countries in the Western Hemisphere (i.e., the United States and Canada). Moreover, the absolute numbers added to the LAC population are expected to continue to grow substantially over the next 35 years as a result of historic high rates of growth and population momentum. The future size of LAC's population will depend largely on the actions taken today by countries to slow population growth by reducing fertility.

Rapid population growth will continue to exert pressure on LAC economies and to pose a formidable challenge to sustained economic growth. Yet, slowing population growth can ease some of the pressures and provide LAC countries time and resources to keep pace with the demand for social services. Reducing population growth can lead to higher GDP per capita, decrease the number of jobs that need to be created, and promote substantial savings in future health care and education expenditures.

The private sector has recognized the negative impact of rapid population growth on economic development and has played an important role in promoting voluntary family planning services. Yet, more needs to be done. Demand will outstrip existing family planning services as the number of couples entering childbearing age doubles in the next 35 years. Meeting the demand, particularly among rural populations, will effectively reduce population growth. But this requires commitment and resources. Government, along with their private sector partners, must not give up this support but instead intensify their commitment to ensure adequate and quality voluntary family planning programs.

SOURCES

Graph 1. World Population Growth. Source: Joseph A. McFalls, Jr., "Population: A Lively Introduction", Population Bulletin, Vol. 46, No. 2, October 1991.

Graph 2. World Population Trends 1990-2025. United Nations, World Population Prospects: The 1992 Revision. (United Nations: New York, NY, 1993).

Graph 3. Developing Countries' Share of World Population. United Nations, World Population Prospects: The 1992 Revision. (United Nations: New York, NY, 1993).

Graph 4. Population Growth Rates in Africa, Asia, and Latin America. Source: United Nations, World Population Prospects: The 1992 Revision. (United Nations: New York, NY, 1993).

Graph 5. Population Growth in LAC. Source: United Nations, World Population Prospects: The 1992 Revision. (United Nations: New York, NY, 1993); and Carl Haub and Machiko Yanagishita, 1993 World Population Data Sheet. (Population Reference Bureau: Washington, D.C, 1993).

Graph 6. Population Growth Rates by Country, 1993. Source: Carl Haub and Machiko Yanagishita, 1993 World Population Data Sheet. (Population Reference Bureau: Washington, D.C, 1993).

Graph 7. Birth, Death and Growth Rates for Selected Countries. Source: Thomas W. Merrick, with PRB staff, "Population Pressures in Latin America", Population Bulletin, Vol. 41, No. 3, April 1991; and United Nations, World Population Prospects: The 1992 Revision. (United Nations: New York, NY, 1993).

Graph 8. Total Fertility Rates by Country, 1993. Source: Carl Haub and Machiko Yanagishita, 1993 World Population Data Sheet. (Population Reference Bureau: Washington, D.C, 1993).

Graph 9. Population Momentum. Source: The Future's Group RAPID IV Model.

Graph 10. Population Size of Mexico City, Sao Paulo, and Buenos Aires: 1950-2000. United Nations, Prospects of World Urbanization, 1988. (United Nations: New York, NY, 1989); and United Nations, World Urbanization Prospects, 1990. (United Nations: New York, NY 1991).

Graph 11. Percentage of Population Aged 65+. Source: United Nations, The Sex and Age Distribution of the World Populations: The 1992 Revision. (United Nations: New York, NY, 1993).

Graph 12. Projected Population Growth in LAC: 1993-2025. Source: United Nations, World Population Prospects: The 1992 Revision. (United Nations: New York, NY, 1993).

Graphs 13 and 14. Consequences for GDP / Capita in LAC: Slow Economic Growth Scenario. Source: World Bank, World Development Report 1993. (Oxford University Press: New York, NY, 1993); and United Nations, World Population Prospects: The 1992 Revision. (United Nations: New York, NY, 1993).

Graph 15. New Labor Market Entrants: LAC. Source: United Nations, *The Sex and Age Distribution of the World Populations: The 1992 Revision*. (United Nations: New York, NY, 1993); and International Labour Office, *Economically Active Population: 1950-2025*. (International Labour Office: Geneva, 1986).

Graph 16. Consequences for Health Expenditures: LAC. Source: *Health Care Expenditures in LAC: 2025*. Source: World Bank, *World Development Report 1993*. (Oxford University Press: New York, NY, 1993); and United Nations, *World Population Prospects: The 1992 Revision*. (United Nations: New York, NY, 1993).

Graph 17. Consequences for 1st Level School Expenditures: South America. Source: UNESCO, *Statistical Yearbook 1992*. (UNESCO: Paris, 1992); and World Bank, *World Development Report 1993*. (Oxford University Press: New York, NY, 1993).

Graph 18. Savings from Lower Population Growth for LAC. Source: See Graphs 15, 16 and 17.

Graph 19. Trends in Fertility and Contraceptive Prevalence in Mexico. Women in Conjugal Unions: 1975-6-1981-2. Source: Francisco Alba and Joseph E. Potter, "Population and Development in Mexico Since 1940: An Interpretation", *Population and Development Review*, Vol. 12, No.1, March 1986.

Graph 20 and 21. Unmet Need for Contraception (Women Aged 15-49, Selected Countries, Late 1980s). Source: Charles F. Westoff and Luis H. Ochoa, "Unmet Need and the Demand for Family Planning", DHS Comparative Study No. 5 (Institute for Resource Development: Columbia, MD, 1991).

Graph 22. Prevalence and Private Sector Share. Source: Harry Cross, Virginia H. Poole, Ruth E. Levine, and Richard M. Cornelius, "Contraceptive Source and the For-Profit Private Sector in Third World Family Planning", Paper Presented at the 1991 Annual Meeting of the Population Association of America, Washington, D.C., March 21, 1991.