



Stagnation or Growth? Algeria's development pathway to 2040

Demographics

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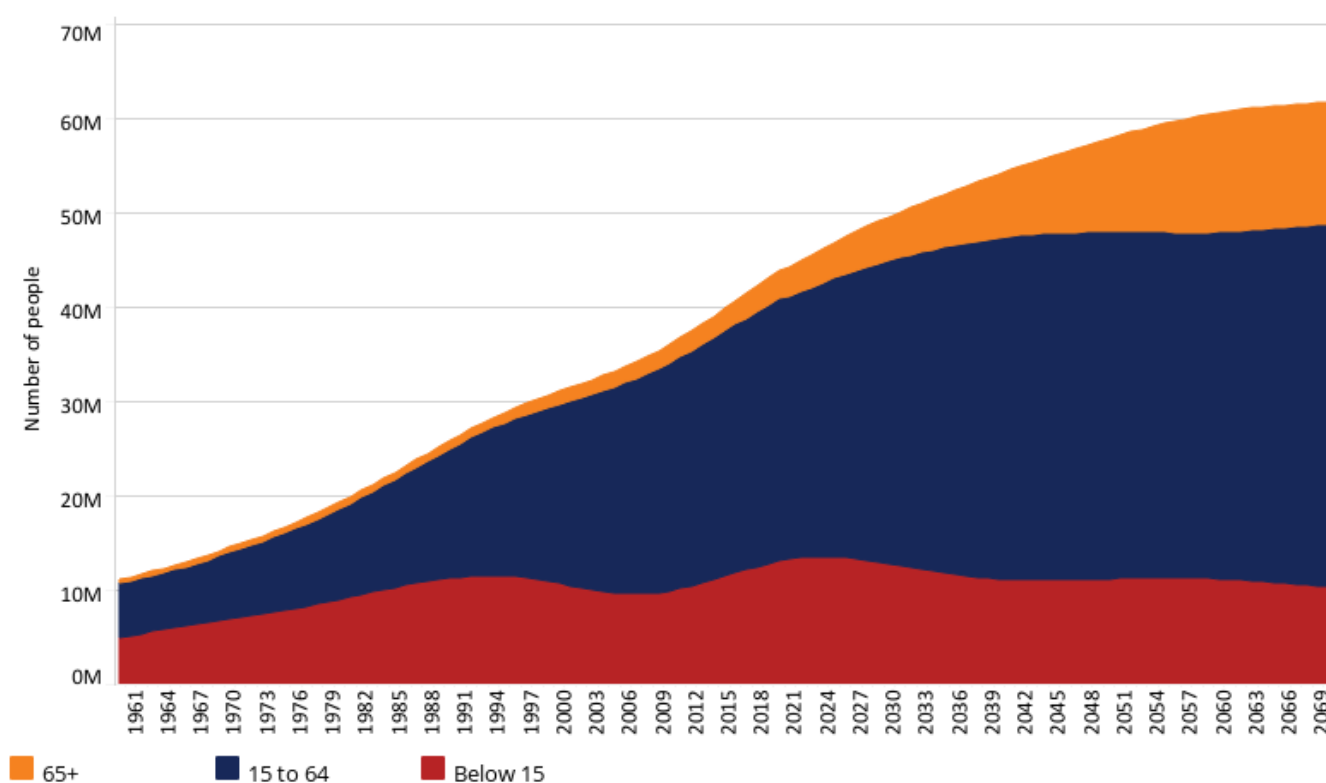
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Demographics

Algeria's population in 2020 was estimated at 43.5 million, of which approximately 90% live along the Mediterranean coast, particularly in the sprawling Algiers metropole.[1]

The rate of population growth in Algeria is significantly below the average for countries in the Middle East and North Africa and even further below the average for sub-Saharan Africa. In the Current Path forecast, Algeria will have nearly 54 million people by 2040, which is about a 24% increase over the next 20 years.

Chart 5: Population history and forecast, 1960–2070



Source: IFs version 7.53, historical data from United Nations Population Division

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Algeria's population growth rate has been falling since the 1960s owing to declining fertility rates. This is as a result of improvements in levels of female education, use of modern contraceptives and the overall impact of urbanisation.

Algeria's total fertility rate (TFR) dropped to about 2.6 live births in 2005 but increased slightly to 2.8 in 2010 and is estimated at 2.7 births in 2020. Such an increase in births often accompanies periods of social and political instability.[2] The result is a distinct double hump in the population below 15 years of age in Chart 5 (1990–2030) that dissipates over time while older population cohorts grow.

Algeria's TFR is among the ten lowest on the continent. It is projected to reach the replacement level of 2.1 births by 2035 and then drop below two children per woman after 2040. It will join over 80 developed countries in this stage of

demographic transition, where fertility rates fall below replacement levels.

This trajectory will likely present the country with a number of challenges, including increased health spending for its older population and the associated burden of more expensive non-communicable diseases (NCDs), a shrinking economy and possibly declining average incomes per capita. Such an outcome is inevitable if it is not able to invest in and improve the productive structures of its economy through better use of technology.

One contributing factor to Algeria's modest improvements in income per capita is its relatively low ratio of working-age people to dependants, which peaked in 2009, albeit at a relatively low rate of 2.1. This ratio is currently declining and IFs forecasts that the ratio will bottom out at 1.7 working-age people for every dependant in 2022. It will thereafter increase and peak again at two working-age persons for every dependant shortly before 2040, in line with the shifts in fertility rates discussed previously.

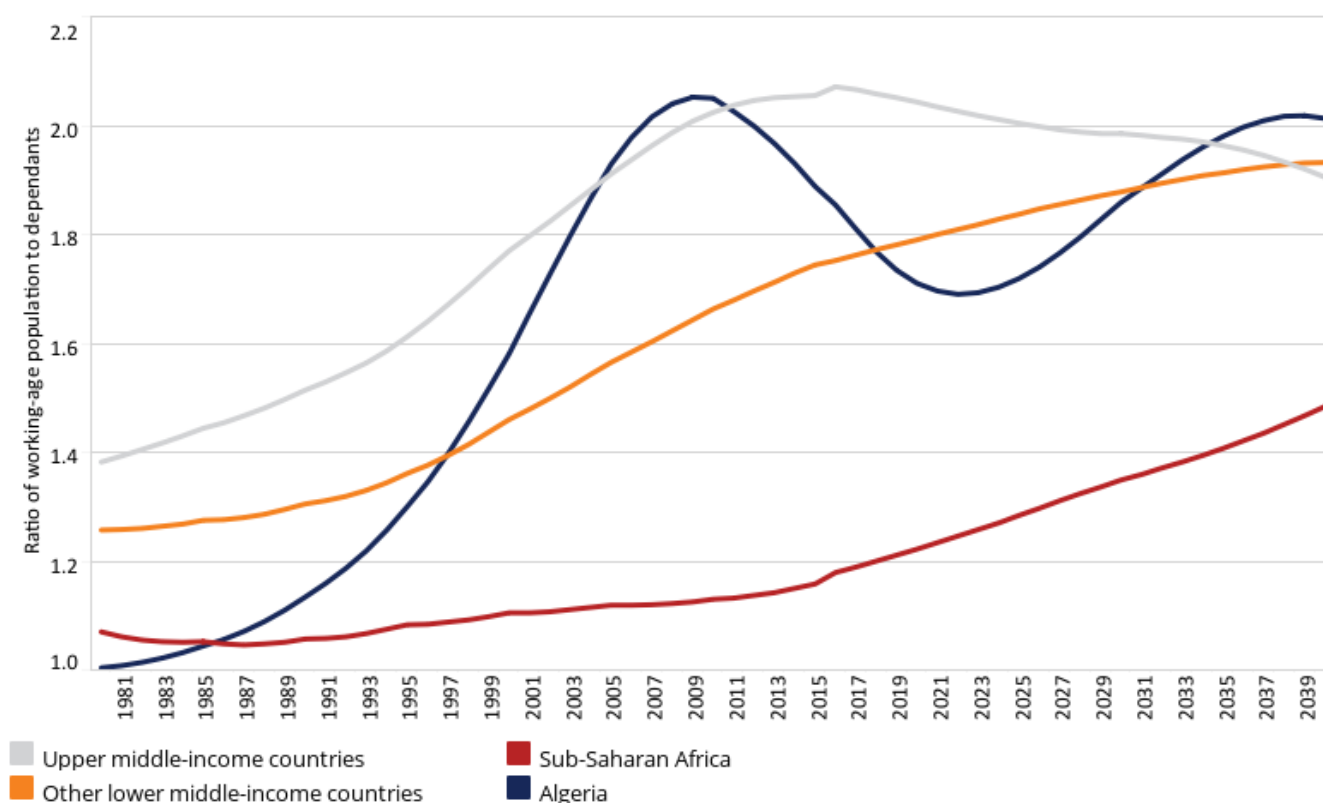
Generally, countries experience more rapid economic growth if the ratio of working-age persons to dependants is 1.7 and above.[3] Most European and North American countries have not experienced the high ratios of China and the Asian Tigers (peaking at 2.8) but have kept the ratio of working-age people to dependants above 1.7 over an extended period of time—a ratio that Algeria is projected to maintain until 2051.

Although Algeria has a favourable working-age population, unemployment remains high and female labour participation is well below that of its peers, by about 20.5 percentage points at an estimated 18.5%. This gap is currently projected to persist well beyond 2040. It is imperative that the government finds a mechanism to include this large and relatively youthful working-age proportion of the population in the economy.

In the second half of the century, the country will be faced with a declining working-age population. Algeria will need to invest in technologies that allow for improvements in productivity as its labour force shrinks as a portion of the total population. It will also need to attract significantly higher levels of investment to offset the decline in the contribution that labour makes to growth.

Chart 6 compares the ratio of working-age people to dependants in Algeria with the averages in OLMICs, UMICs and sub-Saharan Africa.

Chart 6: Demographic dividend for Algeria, OLMICs, sub-Saharan Africa and UMICs, 1980–2040



Source: IFS version 7.53, historical data from United Nations Population Division

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About 74% of Algeria's population (32 million) lives in the urban areas of the coastal plain. This share is projected to increase to roughly 82% (44 million) by 2040.

Generally, North Africa is the most urbanised region in Africa and has relatively fewer informal settlements in its towns than sub-Saharan Africa. This dynamic is typically attributed to better urban development strategies, but it is also influenced by the inhospitable desert climate in its southern regions.[4]

High rates of urbanisation and investments in basic infrastructure have translated into high rates of access to public services.

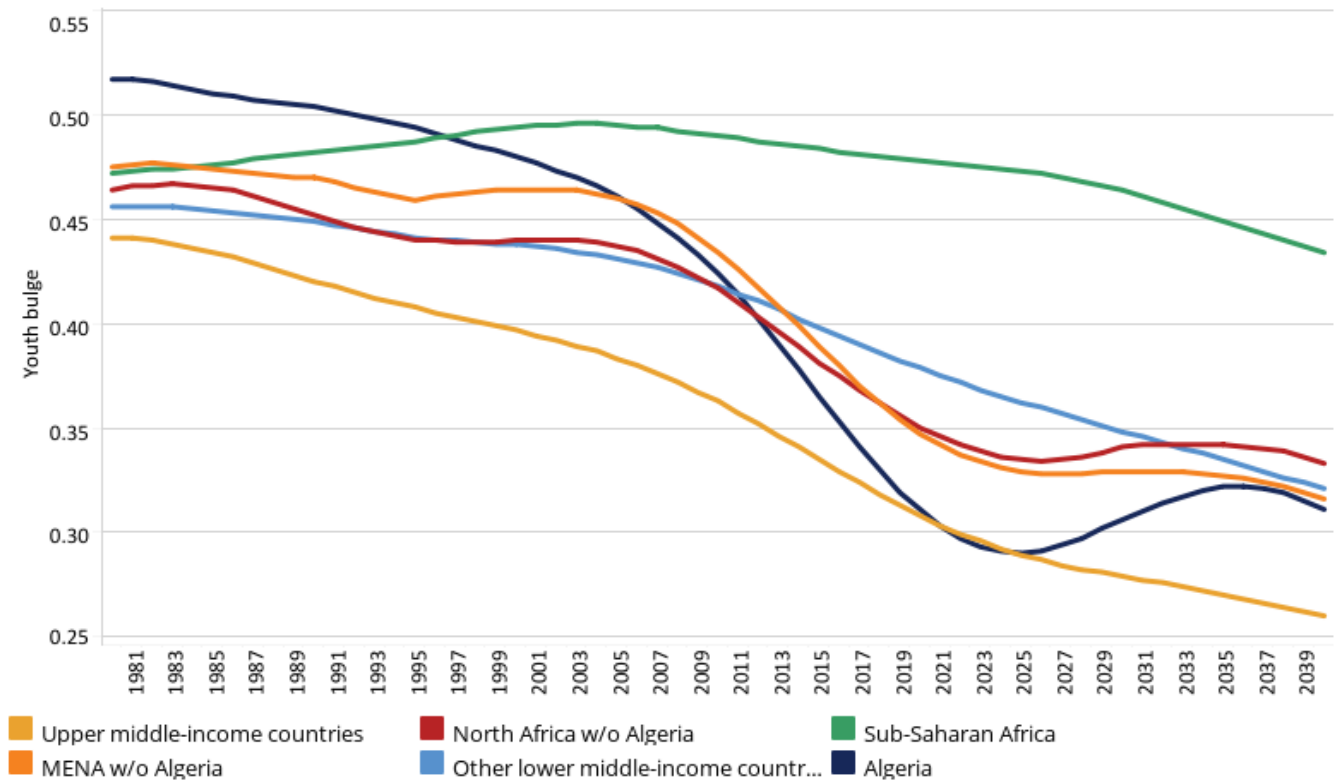
Finally, the ratio of the population aged between 15 and 29 relative to the total adult population is considered a factor in social instability, particularly a large youthful male population.[5] Generally, the larger this youth bulge, the more prone a country is to protests and riots in the absence of socio-economic opportunities.

Algeria's youth bulge peaked in the 1980s (52%) and may have contributed to the bread riots in 1988 and their aftermath (see Chart 7). It remained above the average of OLMICs until around 2011, after which it started to decline rapidly. At the time of the Arab Spring in 2011, the share of the population between 15 and 29 years had dropped to 41% of Algeria's population.

Today Algeria's youth bulge stands at just over 30%, which is significantly different from that of sub-Saharan Africa (48%), which has a much larger youth bulge. This phenomenon should moderate the demographic tendency for instability in

Algeria.

Chart 7: Youth bulge: Algeria compared to other lower middle-income countries and Sub-Saharan Africa



Source: IFs version 7.53, historical data from United Nations Population Division

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Increasing unemployment, poor quality of education, lack of economic opportunities and decades of strife and instability have resulted in disenchantment and, sometimes, the radicalisation of youth. In fact, several hundred young male Algerians left the country to fight the jihad (holy war) against the Soviet Union in Afghanistan in 1989 as part of a proxy war against the GoA's most important foreign ally. The subsequent return of these battle-hardened veterans reinvigorated terrorism in Algeria. [6]

In response, the Algerian government implemented a successful campaign of amnesty and reconciliation, as well as tighter security and comprehensive deradicalisation programmes to prevent violent extremism from taking root. Radical movements now appear to have lost their appeal among the youth and as a result fewer Algerians have joined the Islamic State (ISIS) in the recent past.[7]

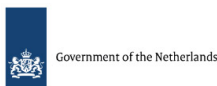
More young people are now using drugs to cope with their socio-economic frustrations.[8] Additionally, to escape their grim prospects, both legal and illegal, migration is a widespread phenomenon.

There is no reliable data on the number of *Harraga* (Algerian neologism for irregular immigration to Europe) fleeing the country every year, but Algeria is also losing a share of its human capital through legal migration. It is estimated that over 14 000 Algerian medical doctors currently work in France, for example. This brain drain reinforces the vicious cycle of poverty.[9]

Endnotes

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9. Tin Hinane EL Kadi, Peer reviewer, London School of Economics, 15 June 2020.

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Dr Jakkie Cilliers is the ISS's founder and former executive director of the ISS. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria office of the ISS. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

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