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Discussion Paper

GLOBAL DEMOGRAPHIC CHANGES AND ECONOMIC PROSPERITY

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Chair: The Honourable Bill Morneau

"The one who adapts his policy to the times prospers, and likewise that the one whose policy clashes with the demands of the times does not."

Niccolo Machiavelli

INTRODUCTION

The last 35 years have seen a staggering increase in the global workforce due to the rise in the number of women into the paid labour force in most industrialized countries and the integration of Eastern Europe, China and other emerging countries into the world trading economy.

The figures are staggering: between 1990 and 2014, the working-age population of China and Eastern Europe alone rose from 820 million to 1.120 billion (300 million, 36.6%), while that of the industrialized countries only increased from 685 million to 763 million (78 million, 11.4%). This upsurge in the available labour force combined with the acceleration of global trade has put downward pressure on real wages and prices in the advanced market economies. In addition, the decline in fertility rates, followed only later by a rise in life expectancy, have kept the dependency ratio at a remarkably low level, creating the conditions for a significant increase in production relative to consumption and investment demand, thus creating an environment of lower inflationary pressures.

The above shows where the world has been; not where it's going. As the forces unleashed by the singular shock in the working-age population participating in the global economy dissipate and global population ages, most countries will be confronted with the consequences and implications of the great demographic reversal that has begun to unfold. Demographic change is one of the biggest challenges facing labour markets, the economy and societies. Combined with the considerable investments and costs associated with climate change, the energy

transition and the unravelling of globalization, it will exert considerable pressure for higher real rates.¹

Already in 2022, 41 countries were experiencing a demographic decline. This number is set to rise to 88 by 2050, as the number of children born per woman declines almost everywhere in conjunction with movements towards urbanization, education and female participation in the labour force. In many countries, notably China, fertility rates are well below the replacement rate, the rate at which the population is renewed from one generation to the next.² So it is hardly surprising that many Western and East Asian countries are looking for effective policies to boost their birth-rate. This is in direct contrast to the overpopulation concerns of the 1960s and 1970s, when population growth trends were expected to result in a "demographic time bomb". On the contrary, population ageing and the concomitant reduction in the working-age population are becoming the most widespread and important demographic challenges facing the world. To compound the problem, there is evidence that an aging population will exert inflationary pressures over the next few decades as older people leave the workforce, reducing supply while continuing to consume out of accumulated wealth.³

FROM AN ERA OF PLENTY TO AN ERA OF SCARCITY?

It is widely expected that global demographic change, particularly the change in the age structure of population, affect economic growth in the new economic era appearing on the horizon? The most likely scenario is that global GDP growth over the next 20 years will be slower than in the previous 20 years (2.1% compared to 2.9%).⁴ The impact of the inexorable aging of the population will be omnipresent, posing difficult challenges for monetary, fiscal and social policies.

- **Monetary policy implications**

The decline in long-term real interest rates over the period 1992-2019 was, to a large extent, a global phenomenon. These rates have been much affected by long-term trends in savings and investment. In short, real interest rates fall when there is an excess of savings. As Ben Bernanke explained, the fall in real interest rates was due to a global savings glut, mainly in developed countries and developing Asia, notably China.⁵ At retirement, individuals draw on their accumulated savings which, combined with a shrinking workforce in industrialized economies, should reduce the overall amount of savings available. Such a reversal of capital accumulation would inevitably cause nominal and real long-term interest rates to rise.⁶

- **Fiscal policy implications**

Public debts as a ratio to GDP soared across the world in the wake of the global financial crisis of 2008-2009 and then again during the coronavirus pandemic and it is expected to remain

¹ William White, Sylvia Ostry Lecture: <https://williamwhite.ca/2023/12/10/the-new-age-of-scarcity-how-we-can-adapt/>

² United Nations Department of Economic and Social Affairs (UNDESA), Population Division, 2022. "World Population Prospects 2022: Summary of Results." New York.

³ Michael Juselius and Előd Takáts, "The Enduring link between demography and inflation". BIS Working Paper no. 722, Bank of International Settlements, May 2018.

⁴ Irina Tyrell, Dirk Hofschire, Jacob Weinstein, "Secular Outlook for Global Growth: The Next 20 Years", Fidelity Investments, April 2023.

⁵ Ben Bernanke, "The global saving glut and the U.S. current account deficit", Federal Reserve Governor's remarks at the Sandridge Lecture, Virginia Association of Economists, Richmond, VA, March 10, 2005.

⁶ Olivier Blanchard, challenges this conclusion, arguing that longer life expectancy should lead people to increase their contributions to retirement savings in anticipation of a longer retirement. "Fiscal Policy under Low Interest Rates", The MIT Press, 2023.

elevated. This will pose a growing challenge for policymakers, especially in an environment of rising real interest rates. In recent decades, the continuing decline in nominal interest rates helped prevent an explosive rise in public debt-service ratios. This is no longer the case. The recent rise in long real rates means that once public debt has been refinanced and the average interest on debt reflects the higher long rates, absent changes in policy, debt ratios will increase.

Today, almost all advanced economies are running primary deficits. It is imprudent for governments to assume that growth will produce economic results that will enable them to spend without increasing the deficit. This assumption would run against strong evidence that "across both advanced countries and emerging markets, high debt ratios are associated with notably lower growth outcomes".⁷ Unless long-term interest rates fall again, which is unlikely in the foreseeable future in view of the global shift in demography around the world, debt levels of national and sub-national governments could well explode, threatening financial stability and jeopardizing plans for economic growth, while limiting governments' ability to pursue social programs and use fiscal policy to limit the amplitude of economic cycles.⁸

The road to sustainable fiscal consolidation will thus be fraught with difficulties, forcing governments to face a double fiscal challenge.

While the aging of the population will erode governments' tax base due to declining labour force participation, it will at the same time require a sharp increase in spending on healthcare programs driven by various forms of morbidity, worsening medical dependency associated with old age and the cost of income support for the elderly, especially in countries without a fully funded public retirement plan. In all developed countries, the costs of end-of-life care have accelerated faster than the overall rate of economic growth, and they are on their way to becoming one of the largest component of government spending. Added to this is the additional expenditures needed to cope with the ravages of climate change, to accelerate the energy transition and to spur productivity.

Clearly, the road ahead will be a difficult one. Just preventing further increases in debt ratios will require a mix of restrictions in the funding of popular programs and increases in tax rates. Actual progress on fiscal consolidation bears the risk of a contraction in aggregate demand generating higher unemployment and the need for more government spending to preserve social cohesion and peace.

- **Living standards and political implications**

One projected effect from population aging is a decline in the workforce participation rate and thus a decline in the growth rate of material living standards. This is reflected in projections of average per capita incomes suggesting that they will rise over the next 30 years at an annual rate roughly one-half the rate at which they increased over the past 40 years.

Managing an economy with a declining working-age population presents a serious challenge because it tends to lead to weak investment. As economic prospects dim, political stability could become increasingly threatened. Therefore, prudent policies to confront fiscal shortcomings could prove to be increasingly difficult to implement. For individual countries,

⁷ Carmen Reinhart, Kenneth S. Rogoff, "Growth in Time of Debt", *American Economic Review*, May 2010.

⁸ Olivier Blanchard, "If markets are right about long real rates, public debt ratios will increase for some time. We must make sure that they do not explode.", Peterson Institute for International Economics, November 2023.

immigration could help offset the economic consequences of domestic demographic change, but it raises other social and political issues.

THE OBJECTIVE SOUGHT BY THIS CONFERENCE

The 2024 Canadian Ditchley Biennial Conference will bring together key constituents to discuss the global demographic challenges, including senior policymakers from a range of countries, business leaders, academics, technologists, as well as those who can bring direct experience of immigration. It will examine the impacts of demographic change on economies. It will review the different measures that countries are adopting to manage the many and diverse consequences for society – for governments, companies, workforces and individuals - and for economic prosperity.

The conference will learn from current debates across different countries and consider the scope of policy making in areas of savings and investments, macroeconomic and fiscal policies, technological innovation, the growth of new markets, immigration, changes in housing, care, education and social organisation that might be part of a society's responses to a fundamentally changing population age structure. It will also consider how best to address the political framing of global and domestic demographic issues as the effects of population change on economies and societies become more pronounced.

In this respect, what can we learn from countries that have already adopted policies to cope with the global and domestic demographic changes underway? To what extent have these initiatives been successful, and how might they be further adapted for the coming decades?

- How will demography influence economic outcomes in the future?
- Is it possible to decouple economic growth from the dynamics of aging population trends and remain prosperous? How might the participation rates of women, of older people and the disadvantaged be increased?
- What differences might science, technological innovations, including applications of artificial intelligence and automation, make to growth and prosperity? What new market opportunities might emerge in response to a changing demographic age structure?
- How is demographic change already affecting the political debates in different countries?
- What can we learn from participants about changing social attitudes to choosing celibacy, to having children, to ageing, to planning for care and to intergenerational relations?
- What can recent immigrants teach us about the processes of immigration and integration in their adopted societies, and about the success or failure of policies in different countries?

Migration

Alongside the major demographic shifts within populations are international migration flows. This topic was part of the October 2022 conference, [A hungry world on the move](#) at Ditchley Park, which highlighted the discrepancy between shrinking Western populations and labour

forces and the political difficulties societies have in dealing with pro-immigration policies, even when foreign workers are needed. The crisis and the failure of most industrialized countries to effectively deal with illegal immigration has triggered widespread and polarizing political debates. What has not received enough attention is the broader economic debate about what kind of migration advanced countries need.

But there is also a broader critique of the assumption that demographic mismatch can be addressed by meeting shortages in the global north with migration from the global south. This debate has moral dimensions that deserve to be considered. While current debates about migration are generally presented with interests of the global North uppermost; population loss and 'brain drain' from global South countries also have negative consequences. This is especially the case if immigrants have skills that are in short supply domestically and the costs of their training has fallen on domestic taxpayers. That said, adopting measures that would prevent individuals and families from seeking a better life and a more satisfactory use of their abilities also raises profound moral and ethical issues.

These are difficult questions: permanent migration to OECD countries saw a 26% increase during 2022 compared with 2021. Fifteen out of the 38 OECD countries registered in 2022 their highest levels of permanent migration since 2005. Labour migration was said to be a contributing factor.⁹ More than half (60%) of the increase of the UK population between 2001 and 2020 was due to the direct contribution of net migration. Again, perspectives from recent immigrants on their hopes, expectations and experience will help provide insights on the wider impact and effects of labour migration.

Cross-border remittances, closely associated with migration, is now an important feature of the global economy. Remittances are reported by the World Bank to represent the largest source of foreign income for many developing countries.^{10 11} The value of remittance payments dwarfs total foreign aid. It is a significant part of the migration story and one that deserves much better understanding. They are important for example, in the economy of the Philippines, but must be balanced against the impact of the brain drain of skilled workers and the risk to home country services. The UK NHS now employs 40,000 nurses from the Philippines. More than 40% of all new NHS nurses (registered in 2022/23) came from low and lower middle-income countries, up from 10% in 2018¹²

There are many 'pull and push' factors already driving international migration. In particular, climate change that is already encouraging immigration will intensify and intersect with related issues such as food scarcity, armed conflicts, exactions by jihadist and other terrorist and criminal groups, failed states and competition over natural resources. The dire living conditions that prevail in many Latin American, Middle Eastern and African countries are seen by the populations of Western Europe and the United States as driving mass population movements to their shores and, consequently, as a threat to their standard of living.

⁹ OECD [International Migration Flows to OECD countries](#) 23, Oct 2023.

¹⁰ Migration Observatory Report [The Impact of Migration on the UK Population](#) Feb 2023.

¹¹ World Bank [Press Release](#) November 30th 2022.

¹² [Health Foundation Research](#) 12 June 2023.

While the political salience of immigration is unlikely to calm in the coming decades, there is significant and striking variations in the response of industrial countries to immigration. Some countries have, and are, accepting a higher level of immigration (Canada, Australia,) whilst other countries are resisting inward immigration and looking for alternative answers to a shrinking workforce and the attendant pressures on productivity and growth (Japan, France, and other European countries). There are immediate political pressures directly associated with immigration (current in Germany and the USA). These differences may reflect a widespread understanding of an underlying fact: immigration without a well-established ethos of multiculturalism is a recipe for social unrest, as it often leads to exclusion, ghettoization, marginalization and violence. The experience and lessons learned from Canada's approach to immigration may be relevant in this context.

LOOKING FORWARD

Although the scale of demographic change is daunting, and could undermine economic growth and social cohesion, it remains that demography is not destiny. We have the opportunity to adapt and to change. As the Conference ponders the consequences of global population aging and declining, the conclusions of Goodhart and Pradhan need to remain front and center: "We don't know what the future will look like precisely. It will not, however, be anything like the past, of that we are sure."¹³ Hence, the sooner policies adapted to the evolving environment are considered and implemented the better the chances that the demographic challenges can be transformed into opportunities.

"Presume not that I am the thing I was....."

William Shakespeare

Can demographic change be decoupled from economic growth?

The combination of low fertility and increases in life expectancy impacts political agendas across several areas and scales of governance. At the global level are questions of global governance of conflict and over resource scarcity including water, food security, climate impacts and urbanisation.

At a national level many challenges relate to a shrinking working age population and how then to maintain economic growth. Can demographic change be decoupled from economic growth?

How best can countries deal with the macroeconomic (monetary and fiscal) implications of demographic change?

Can careful policy planning and implementation help manage the interdependence of demography and economics? Would countries that adapt their policies to address the challenges and opportunities associated with demographic shifts be better positioned to sustain economic growth despite changing global population dynamics and its impact.

Relevant issues include:

¹³ Charles Goodhart, Manoj Pradhan, "Demographics will reverse three multi-decade global trends". BIS working papers, 656. Bank for International Settlements, 2017.

Age structure – What are the range of policies that would successfully encourage higher workforce participation by women and older people?

Fertility rate – On this issue, it must be acknowledged that educating girls and urbanization lead to a significant drop in birth rates, whereas policies aimed at increasing birth rates are generally ineffective. Nevertheless, asking what kind of policy changes might make having and caring for children a more realistic prospect is a legitimate question. At present, affordable housing is a particular issue in many developed economies.

Migration – Labour shortages in advanced economies are not a temporary or short-term phenomenon. Many countries, including Canada, have successfully encouraged in-bound immigration which has contributed positively to economic growth by adding skilled workers, enriching diversity and stimulating consumer demand.

Outbound investments - Given the strong political resistance to immigration in advanced economies, private companies have resorted to offshoring. This "immigration replacement" strategy undoubtedly has many advantages and benefits. But it also entails risks and has negative consequences for a country's workforce, giving rise to further political tensions..

Advances in technology – Innovations that improve productivity can contribute to economic growth and so weaken the direct link between economies and demography. The results obtained in this respect are counter-intuitive: countries with more pronounced demographic ageing tend to adopt automation and robotics technologies more rapidly, which has stimulated growth since the early 1990s. This is particularly important in the agricultural sector. In short, there appears to be no strong negative relationship between ageing and GDP per capita as long as technology adapts to cancel out the potential negative effect.¹⁴

Future economic growth will depend on an increasingly educated and highly skilled workforces while AI enabled systems may replace lower skilled white collar work, increasing productivity. Recent results of technological company leaders may well be an harbinger of things to come where restructurings are no longer a signal of economic conditions, but innovation.

CHANGE IN HEADCOUNT VS. ANNUAL NET INCOME 2023

Company	Headcount	Net Income
accenture>	-2.5%	+1%
BlackRock.	-3%	+6%
CISCO	-5%	+16%
Google	-6%	+23%
∞ Meta	-13%	+73%
PayPal	-9%	+76%
T-Mobile	-7%	+221%
IBM	-1.5%	+358%

SOURCES: BUSINESS INSIDER, COMPANY FILINGS

¹⁴ Daron Acemoglu, Pascual Restrepo, "Secular stagnation? The effect of aging on economic growth in the age of automation", Working Paper 23077, National Bureau of Economic Research, January 2017.

New markets - There are opportunities for new areas of investment. The longevity science sector is set to become a multibillion-dollar industry with startups focused on extending longevity. Companies actively engaged in this field include, among others, Sensica, Genflow Biosciences, Shift Bioscience, Clock.bio in the UK and Altos Labs, Calico backed by Alphabet, Unity Biotechnology, Retro Biosciences in the USA.

What economic and social promises do these evolving technologies hold for the future? As lifespans lengthen, will people's years of productive work also lengthen?

How will our politics and policies adapt in response to demographic change?

There are political, social and cultural implications of demographic change including the relationship between individual preferences and wider social change. The influence of religion on the number of children a woman should bear has been and remains a major factor in several countries. More recently, climate change concerns are influencing attitudes towards having children, particularly in industrialized countries and in countries where young 'would-be' parents are better educated. Where Putin tries to bestow chilling commendations such as 'heroine mothers' for women who bear 10 or more children, Western countries are at risk of interpreting individual choices over family size through culture war lenses. This manifests itself in public debates that focus on and challenge women's choices and behaviours. Critiques of Western lifestyles and the cumulative effects of individualism often end in reductive moral judgements. The Finish demographer, Anna Rotkirch argues that instead of telling people to have babies for the sake of the economy, they should reassure young people about the future by asserting that, "the economy is there for you to have a baby".¹⁵

The political nature of debates about demography are driven by a belief that these demographic shifts are not inevitable but can be, if not reversed, at least curbed by the actions of individuals and effective policies of the state.

For example, the following policy areas are informed by demographic change.

Tax receipts, pensions and healthcare

People retiring in their late 50s and facing 40 years of being 'economically inactive' maybe regarded as selfish especially in the context of global labour shortages. Are they? An ageing workforce results in slower economic growth which limits government tax revenue. Let's not forget the social contract of the last 50 years set these expectations which are very hard to change (i.e. in France). Life-long working maybe an equally hard political sell. One response might be that a wholly different economic governance model (including the source of tax revenues) needs to be put forward and accepted.

The work of unpaid carers long undervalued by the state is likely to increase and the provision of unpaid care will increasingly be delivered by the elderly for the elderly. This may bring back to the fore the idea of a universal basic income that has been bubbling for years.

¹⁵ Anna Rotkirch, Financial Times, 29/01/2024.

The current UK government is focussed on policies to encourage people back to work. At a time of high government debt, healthcare and pension spending exert strong pressure for Western economies and present difficult electoral challenges for all political parties. In most democratic countries, the question of who pays for the costs has not been answered in politically acceptable ways. Money (i.e. care costs), decline and death – are all issues people are reluctant to discuss.

Rapid increases in the number of the very old present particularly thorny social and political issues. How will societies recognise and manage the period of mental and physical decline (90+ years old), with increases in dementia and care needs of much older people. What does it mean to have a good life and effectively and humanely manage end-of-life of decline for this age cohort?

Age and voting patterns

Intergenerational resentment is a potential feature of democratic politics. Older groups may resent being forced to work into periods of expected retirement. Younger workers may increasingly resent having to service the healthcare costs of older people who in turn may sit on assets and property less available to the young. Age is an increasingly important determinant of voting and to date younger people have been less inclined to vote.

Housing

There is pressure for radical housing policies to help address demographic pressures. Housing and the cost of housing in urban areas especially for younger people is a contentious issue in several countries. The average age of first-time buyers is increasing and young people living in the family home into their late 20s is not uncommon. While the UK and Canada are seen to be facing serious housing shortfalls by 2030, the dynamics of Japan's housing market where there is vacant housing are quite different. This suggests that the aging population should result in "downsizing" which, over time, could ease the housing shortages. The position of housing as an appreciating asset has had a significant effect on the UK's economy and many others. China is currently experiencing difficulties with declining new property values putting downward pressure on individual wealth and the whole economy.

Immigration

Immigration has been a contentious issue for most European nations, for the United States, Japan and others. The failure to hold an informed public discussion has worked against open debates about how to deal effectively with labour shortages. Even so, it would not have addressed the fundamental point that controlling entry into a country is one of the most important and sensitive attributes of sovereignty. The truth is that to survive in an interdependent world, any wealthy polity, especially a democratic welfare state, must necessarily regulate the flow of goods, finances and people in its own interests. Not surprisingly, the difficulties faced by advanced economies in controlling access to their borders and prohibiting the entry of contingents of asylum seekers, refugees and migrants fuel restrictive public opinions and anti-immigrant nativist movements that can easily turn into virulent opposition. Can a new narrative be adopted to counter this unhealthy discourse?

Innovations in technology and the creation of new markets could change the story of the impact of demographic change.

The rate of productivity growth is a major factor that could lead some regions and countries to exceed the low-growth estimates that take into account the likely impact of the global demographic transition.

One potential source of a productivity upside is investment activity, such as expenditures on research and development, public infrastructure, and corporate capital outlays. This may turn out to be an elusive solution. Robert Gordon of Northwestern University and the World Bank have noted that measured growth in Total Factor Productivity in advanced countries has been falling for a decade or more, and both project this poor productivity performance will continue.

Where and how have governments being successful in fostering rapid growth of productivity in recent years?

Technological and scientific advances are responding to demographic trends and over time may also influence them. The availability of demographic data has informed innovation in the pharmaceutical sector. Foundations such as Wellcome and the Bill & Melinda Gates Foundation are engaged in longitudinal population studies and demographic data driven research. Uses of 'real-world evidence' are transforming methods of drug discovery and driving interest in personalised medicine. Real world data is increasingly in demand from regulators, payers and commercial providers planning research on future drug markets. Demographic insights are being used to plan the future of the NHS. Big data-based health projects and health trends, such as Our Future Health, Bio-Bank and Zoe are changing access to health and ageing information.

Increases in lifespan have created potential new markets and interest in extending longevity yet further. The anti-ageing industry in the US attracts tech entrepreneurs. How do demographic calculations and related financial implications change if people live past 100? Will these biomedical technologies simply extend life spans at the expenses of quality of life and sharply increase dependency on caregivers?

It is likely that the impact of applications of AI on the economy will in turn have social consequences including on demography. Japan is well known for innovating humanoid robotics to support care provision to the elderly. Korea too is already deploying large language models and AI to provide care services to the elderly (as reported in [Ditchley's February 2023 conference](#)).

WORKING GROUPS

Taking account of the discussion topics set out, the conference will break up into three separate working groups to compare the policies adopted by different countries in the following areas, aiming to reach useful insights and recommendations for future policymaking.

Working group A: will look at the economic impact of changing demographics and migration and the policies to deliver the best outcomes.

What impact will changing demography have on working age populations and in turn what economic impact will this have? What can economic and fiscal policies do to prepare for and address potentially sustained lower growth in industrialised economies?

What is the economic impact of planned legal migration in different countries? Could we see new arrangements where younger workers stay in their home developing countries, contributing to society there but work remotely with companies in industrialised countries? Will temporary loans of workforces across countries become more common (as is already seen in health sectors)?

Is there a case for more radical economic thinking in industrialised countries with ageing populations? Does low growth have to mean low prosperity and economic discontent? How might demographic shifts fit with a transition to a more sustainable green economy? How can education help a sustainable shift from the current economy to newer economic models?

Working group B: will look at the implications of social policy and migration policy for governments, business and society.

How can we make modern society and modern working life in an industrialised economy radically more family friendly? This could include taxation, education, support for families, housing, childcare and social security more generally. How would work need to evolve for career breaks for parents to be normalised and negative impact on careers mitigated? Where is there effective practice from which we can learn?

What can we learn directly from participants about changing social attitudes to having children, to ageing, planning for child and elder care and to intergenerational relations? What will be the impact on health services as populations age and how can this be addressed?

The shape of the demographic changes means generally that racial and ethnic diversity within national populations will increase anyway and increase further as migration increases. What kinds of shifts in social policy and culture are needed to realise the opportunities of a more diverse society? How do we build a sufficient sense of shared national identity as multicultural societies evolve rapidly? What can we learn from recent immigrants about the processes of immigration and the success or otherwise of policies in different countries? How are demographic change and increased migration affecting politics in different countries?

Working group C: will look at the impact of technology combined with that of demographic shifts.

To what extent will automation of both physical and intellectual work mitigate reductions in working age populations? Will the disruption of classes of jobs and parts of other jobs mean that we need fewer workers overall? Or will the automation of the physical parts of work and a continued move to a knowledge-based economy in industrialised countries mean that more people can continue to work to a much later age? As noted above, could digitisation also mean more opportunities for remote work, bringing potential new sources of labour from developing

economies into the economies of industrialised countries whilst remaining in their country of origin?

Could the continued technological revolution break the connection between population growth and economic growth, with a stronger focus on the deployment of capital to build automated capabilities within the economy? If growth can be maintained through the deployment of capital, then how could/should increased GDP be distributed amongst the population?

ANNEX: Demographic policy responses from around the world

What are the policy trade-offs being pursued by different countries and what can we learn from one another? What plans are these countries making for future demographic change?

Will the politics around demographic change heighten pressures over the decisions individuals make and personal trade-offs between career, family and other kinds of life fulfilment, and how can the state better support the choices individuals wish to make? What are the policy trade-offs states must now make to address and offset demographic tensions? Better understanding and more open discussion of the multifaceted nature of demographic change at the global and domestic levels would support societies to be more resilient and responsive to the coming challenges.

Africa

A major demographic story of our time is Africa's population growth rate and age structure. Its population is young, with a median age of just 19, compared with 42 in Europe and 35 in North America. In the decades to come, along with India, Africa will probably be the only region to see a significant increase in its working-age population. As the New York Times puts it, "over the next few decades, the world will become more African."¹⁶

Overtime, Africa too will also undergo the same demographic transition as the rest of the world. Indeed, fresh evidence suggests that Africa's birth rates across the continent are falling far more quickly than expected. In a nutshell, "the day may come sooner rather than later when the cradle of humanity no longer grows the population of the earth."¹⁷ This is to be welcomed, as the transition from high population growth to a lower fertility rate can bring a whole range of benefits, including increased prosperity resulting from a higher share of the working-age population and more women in the workforce.

Canada

Exemplary in its relatively successful policies immigration is one of Canada's strengths. Asian countries are the fastest growing source of migrants to Canada, in particular from South and Southeast Asia. Specifically, India (29%), China (12%), and the Philippines (4%) were the largest sources of origins for new migrants to Canada in 2019 and together provide over a third of all Canada's incoming residents.¹⁸ Thanks to immigration, Canada is poised to avoid a decline in its labour force. Canada's working-age population is growing faster than that of the United States,

¹⁶ New York Times [The World is Becoming More African](#) Oct. 28, 2023.

¹⁷ Darrell Bricker, John Ibbitson, "Empty Planet: The Shock of Global Population Decline", Signal, 2019.

¹⁸ [Migration Flows](#), Canadian International Development Platform 2020

the euro area and the United Kingdom. Notably, the pace of growth of Canada's working-age population in 2023 has been more than double that of the United States.¹⁹

Canada is often portrayed as a model for immigration policies, for economic prosperity and for successful social integration? The reality is not as idyllic as the image sometimes presented to the world. The results of a recent survey of immigrants show that adapting to their new country is difficult, leading many new immigrants to Canada to consider "going back home".²⁰

China

China has had a very low birth rate for decades, due to the misguided one-child policy that was applied from 1980 to 2015. Even after this policy was lifted, Chinese couples are choosing to have far fewer children than expected, in line with the significant progress and social improvements in Chinese society. In 2022, China's population declined for the first time since the great famine brought on by Chinese leader Mao Zedong in 1959-1961. 2023 saw a further population decline despite government efforts to encourage women to have more babies.

China's working-age population peaked at over 900 million in 2011. By mid-century, it is expected to fall to around 700 million. These workers will then have to support nearly 500 million Chinese aged 60 and over, compared to 200 million today. And since China does not readily accept immigrants, the burden on the working population will grow ever heavier.

Unlike neighbouring Japan, China is getting old before it becomes rich. There is therefore no escape: China's demographic transition will constitute a major constraint, slowing down its economic dynamism and leading to much slower growth in the economy and household incomes than in the 1990s.²¹

Germany

Germany is considered a country in demographic decline, with more deaths than births. As such it is possible that Germany might be following the fate of population decline more pronounced in Southeastern Europe. For Germany, population decline was temporarily offset by immigration, most notably in 2015 and the acceptance by Angela Merkel of 1 million Syrian refugees.²² How is this policy assessed almost a decade later? Will it, can it, be repeated?

Italy

The Italian population is declining and aging. The fertility rate now stands at 1.25, one of the lowest in Europe, and the age pyramid is inverted. With 24% of the Italian population over 65, there are now 5.6 people over 65 for every child aged six or under.

India

India is set to overtake China as the world's most populous country in 2023. Its demographic trajectory is very different from that of China: while China's population has begun to decline, India's will continue to grow rapidly for some time to come. Although India is currently a young nation, it is unlikely to take full advantage of its demographic dividend. The main drawback is

¹⁹ Toni Gravelle, "Economic progress report: Immigration, housing and the outlook for inflation", Bank of Canada, December 2023.

²⁰ Reistin Hopper, National Post, March 1, 2024.

²¹ Daniel H. Rosen, "China's Economic Reckoning: The Price of Failed Reforms", Foreign Affairs, July/August 2021.

²² Paul Morland, Tomorrow's People p158/p175

that a large proportion of its rural adults do not have a minimum level of education, which hampers its ability to develop a labour-intensive mass manufacturing sector.

Japan

Leading the world in the manifestation of major demographic aging trends, Japan has among the highest life expectancies in the world and some of the lowest birth-rates. Japan is seen by many to be a leading example of the consequences of demographic change. What have been the policy responses to date and their consequences? How has Japan learned to adapt? It needs to be recognized that Japan's experience might not be reproducible: Japan got rich before it got old. In contrast, a large number of countries, particularly in Africa and Asia, including China, are getting old before they get rich, which will weigh on labour markets and thus lead to slower growth.

It's worth noting that, although the Japanese are committed to the notion of an ethnically homogenous country, their current workforce includes over three million "imported" workers, recruited under various visa programs. *Abenomics* have also brought significant improvements to the labour market. For example, Japan's female employment rate, which was low by the standards of advanced economies, now stands at 72% among working-age women, six percentage points higher than the equivalent figure in the USA. The increase in women's participation in the workforce is due, in part, to the targeted reforms introduced by Shinzō Abe, the mandatory publication of information on gender diversity and the more generous wage replacement for new parents.

Mexico

Located in close proximity to two of the world's most important centres of innovation and production – Texas and California – Mexico still retains a large youth cohort from years of historic high fertility rates and its present birth rate stands at 2.1 per woman. Its young, relatively high-skilled, low-wage population and its integration into the North American Free-Trade mega-region, leave it well-positioned for decades to come.

United Kingdom

The UK's demographic picture is marked by economic inactivity across the working age population which will be exacerbated by a large cohort nearing retirement age. This inactivity phenomenon has been preoccupying politicians and policymakers with initiatives aimed at getting people back to work.²³ Relatively high legal and illegal migration are salient political topics which have shaped the UK's electoral politics in recent years.

United States

In 2021, the U.S. fertility rate was 1.66 births per woman – below the replacement rate but above the average fertility rate of 1.53 births per woman in other developed countries. The U.S. population is aging rapidly, leading to a decline in workforce participation. By 2023, over 3.5 million people will reach the age of 65, while only around 1.6 million will join the 16-64 age group. The labour shortage will be exacerbated by the fact that 80% of people reaching the age of 65 are retiring. Nonetheless, the U.S. population is expected to grow in the coming decades

²³ Census 2021, [Population changes and economic inactivity trends 2019 -2026](#)

thanks to a massive influx of legal immigration. For example, immigration from Mexico, the most common country of origin in 2021, is primarily driven by those looking for work.

Illegal immigration from Latin America to the United States has been a difficult political issue in American politics for decades. The large number of undocumented immigrants, estimated at 11 million without legal status, means that this issue remains a burning political issue.

End.