Think
new things
Make
new connections

Conference Summary

Does older mean poorer?

What will demographic change mean for economic prosperity and social cohesion in developed economies?

14-16 June 2024

In cooperation with The Canadian Ditchley Foundation and chaired by the Honourable Bill Morneau, former Minister of Finance of Canada

DITCHLEY

Conference Summary

EXECUTIVE SUMMARY

This conference was designed to bring together different perspectives on demography within developed economies, with the intention of exploring this topic across disciplines and areas of expertise. It addressed the philosophical challenges, the implications for policy governance and for the economic models of these countries.

Participants began by outlining the positive circumstances that led to demographic decline; a society that lives longer and in which women take part in the public sphere on equal footing to men is something to be celebrated. While considering the challenges we face today, participants noted that it was crucial to remember this fact. Living longer, however, was seen to be too limited a goal. The aim must be to live healthier for longer, a process that begins far sooner than the last stage of life. Indeed, some participants questioned the life stage model – learn, earn, return – that societies have depended on. This shift in the structure of our lives forced participants to confront difficult questions, such as: what do we want our lives and societies to look like? Participants also doubted the ability of governments to address the challenges of demographic decline, given the short-term cycles of governance, and the refusal to admit to the difficult trade-offs that might be necessary.

The conference explored three potential solutions: technology, migration and community. Technology has the ability not only to increase our longevity, but also potentially to take on some of the burden of care and community building. However, participants were wary of the market's ability to consider the ethical implications of newly developing technology and encouraged governments to step in to provide ethical guardrails. There was also concern over increasing digital inequality, due to the twin challenges of access and literacy.

With regard to migration, participants emphasised that it was not a silver bullet, and that migration comes at a high cost. Financially, the cost of integration is high, and politically, some feel alienated from the mainstream politics of migration, turning to populist rhetoric. Participants acknowledged a difference between high- and low-skilled migration, but concluded that both were needed. Some considered alternative approaches to filling skills gaps, while others identified that the challenge of reskilling is not limited to migration, with the green transition and the digital revolution requiring similar solutions. Geographically, climate change and increasing geopolitical instability may increase the burden on industrialised economies, and detailed planning for housing, healthcare and civic identity should be developed.

Overall, community building was seen as the most promising solution. Developing resilient, intergenerational, and local communities could be an effective response, it was judged, to

challenges to the intergenerational social contract and loneliness, although there was a perception that governments were not the best agencies to take up this challenge.

Participants identified five intersections of demographic decline with existing policy challenges: housing, health, pensions, economics and defence. In all these sectors, demographic decline was seen to exacerbate existing challenges.

People

Chaired by former Canadian Finance Minister Bill Morneau, the conference included participants at different points of life from students to retirees, and from different disciplines, including academics, policy makers, pension fund managers, economists and journalists. Representatives from The World Bank, the WTO and BlackRock offered international perspectives, while individuals from the Canadian, American and British governments and banking systems offered national views. Domain expertise was contributed by the Wilson Centre, Oxford University and other research institutes on ageing.

FULL REPORT

Introduction

A discussion so wide ranging requires a degree of structure to be understood. With demographic transition as a starting point, the pathways of conversation varied from discussions on philosophy and the normative aims of society to well-worn tracks of policy priorities in healthcare and pension plans. To capture the discussion in sufficient detail, this summary will be divided into three sections.

The first section reflects attempts by participants to define the problem. Defining the facts of demographic trends, outlining the various philosophical implications, as well as the challenges of governance, served as a backdrop for the other discussions at the conference.

The second section outlines the proposed solutions to this problem and discusses the merits and drawbacks of each approach. While innovations in technology and increased migration are well established solutions to issues of demographic change, and discussion reflected this mature debate, investing in communities, most surprisingly, came through as the most favoured solution at the conference.

The final section outlines some specific policy challenges that result from this demographic change. Issues around the provision of housing, health, pensions, economics and defence garnered the most attention.

Defining the problem

What do we know? Outlining the facts of demographic change

Participants began the conference by outlining the facts of demographic change. In terms of fertility in developed economies, couples are having children later and they are having fewer children. On the other end of the spectrum, people are retiring at the same age but living longer. Participants agreed that neither of these phenomena were, in themselves, a problem.

People are having fewer children because of incredible strides in the inclusion of women in the workplace, the freedom and technology for individuals to make informed choices about fertility, and access to high-quality healthcare throughout life. The chief reason for declining fertility is choice: women were having fewer children because they *wanted* fewer children, although ability and affordability were also considerations. Some 100 years ago, life expectancy was just 60 years in Canada, today it is 80. What does it mean to age in this context? Throughout the conference, participants reminded one another of this, while acknowledging the challenges that demographic change can create.

Where do we want to go?

While participants got into the detail of policy recommendation throughout the conference, there was also a focus on the philosophical demands of this topic. Some outlined distinctions between the individualism that has grown over the past two centuries and duty towards your community. Others asked if we were looking to create a fully meritocratic society, or a democratic one. Others still asked if it is the very fact that life is time-bound that gives it meaning.

In designing the parameters of the discussion, participants highlighted the extremity of possible policies. We could, if we were to pursue economic growth above all other factors, institute a six-day work week, do away with eight-hour days, and eliminate the entire concept of retirement. Equally, if we were primarily concerned about the decline in fertility rates, we could criminalise birth control and force each woman to have at least three children. Thankfully, this is not the society we live in. But, if growth or high fertility are not the endpoints for their own sake, this begs the question of what the end point is that we are actually trying to achieve. This allowed the participants at the conference to look at other societal models to identify what was desirable. For example, some participants argued against a model of Universal Basic Income, arguing that paid work is essential to an individual's sense of fulfilment and dignity. While others looked at a South Korean model, in which a fertility rate of 0.8 has resulted in an immense pressure on each child to achieve. Although discussed, the design of a perfect society was not finalised over the two days.

How do we get there? The challenges of governance in demographics

Participants repeatedly and emphatically questioned the extent to which governments were up to the challenge of managing demographic change, as it requires the communication of difficult trade-offs, long-term thinking, and the coordination of multiple arms of government. For example, participants raised the 'conspiracy of silence' plaguing the current UK general election campaign, where both parties remain conspicuously silent on our challenging fiscal outlook and housing crisis. In terms of long-term thinking, participants felt that politicians were more likely to seek out a flagship policy, rather than favour the incremental change needed to address demographic decline. That is, assuming they were in power long enough to implement a coherent policy. Others questioned not only the practical challenge of governance, but the ethical one. To what extent *should* governments be legislating around decisions in our private lives? To what extent could these intergenerational challenges be co-opted by political movements, perhaps to mobilise the underrepresented youth vote?

Not all conversations on governance were negative. There was a sense that with a change in government likely, at least in the UK, there was some opportunity to take advantage of this political capital and momentum to make serious change. Participants also highlighted other

sectors that could lead on the demographic challenge. With philanthropy seen as an example of this in the US, participants suggested that this model be exported, tackling the 'scaling up' challenge that many initiatives face.

Solutions

Technology

For some problems, new technologies are providing potential solutions. Ozempic and other semaglutides could perhaps solve some of the health challenges of longevity, lowering rates of obesity and its many comorbidities, allowing individuals (if the drugs were made affordable) not only to live longer, but to live healthier. Other technologies are developing that could address issues of fertility, for example artificial wombs and advancements in IVF. And AI and robotics could help with raising children and caring for our elderly. However, some technologies are developing before the ethical implications can properly be considered. Advancements in gene selection could allow parents to not only predict disease, but to potentially select for height, intelligence, and other 'desirable' characteristics. Participants found issue with the morality of the selection, the increase in inequality it will perpetuate, and the definition of a 'desirable' characteristic and its variation based on what we, as a society, want. Participants wondered whether, if we were at war, we would choose to select for strength or aggression, for example. And how would we turn down these technologies if we saw our adversaries pursuing them? How do we stop the market responding to incentives to produce longevity technology that is not beneficial for society as a whole? How do we stop another nation dominating biotechnology, as China has done in green technology, and therefore allowing them to dictate the direction and norms of the industry?

On the topics of both biotechnology and AI, participants agreed that while government was unable to keep pace with new developments, they must pursue some form of guardrails. Participants suggested 'regulatory sandboxes' that were sufficiently well structured to help develop norms, but also with a degree of latitude to allow developers to experiment. American participants highlighted the need for more models of informed consent on data use, so that developers could be less fearful of HIPAA (health information privacy) regulations. There was disagreement on the extent to which standards could help, as some thought setting standards too early would further embed the advantages of first movers and stifle competition. There was consensus that technological developers could not be trusted to set moral guidelines for society, at least not on their own. Chief among the concerns for participants was not the future technologies that could exist, but ensuring digital access and literacy for existing technologies, as well as working against digital inequality, which would only reinforce existing trends in society.

Towards the end of the final working group session, participants had what they described to be an 'aha' moment. Policy makers' main focus should be on technology to enhance a sense of community, rather than technologies to address the symptoms of ageing, as the market would provide these 'sci-fi-esque' breakthroughs without much intervention. Some of the main challenges of ageing were seen to be around mental health, isolation and loneliness. Loneliness specifically was raised due to its measurable negative effects on productivity and longevity. How can we use technology to alleviate this? Social media can be both an isolating and a connecting tool: how can we emphasise the latter? The question of 'how you can get

technology billionaires to invest in community building?' generated some laughter, but also reflection.

Migration

Although useful in addressing skills shortages, there was an acceptance that migration was not a silver bullet. Firstly, to be part of the productive workforce, huge amounts of spending is required on integration. Germany is spending upwards of one billion Euros on language training, and if migrants enter the informal economy, governments will not see the return on this investment. There are also biological truths: these migrants will also age and require care and may be physically separated from the support networks on which they would otherwise rely. Migration also often unequally distributes pressures on housing and healthcare to specific regions, as was seen in the recent spike in immigration to Canada. Participants urged that if increased immigration is indeed inevitable, detailed planning for housing and healthcare, as well as robustly defining civic nationalism, is critical.

A distinction was drawn between different levels of support for high- and low-skilled migration. High-skilled migration is seen to be beneficial, and less closely associated with concerns over race and religion. But migration was not seen to be the only way to increase high-skilled labour, with participants suggesting that higher education be shifted to a vocational focus, with institutions leading for specific industries. Creative solutions to encourage high-skilled migration were suggested: granting residency on the completion of a degree in a subject where there is a skills gap or, as Japan is doing, investing in training centres for doctors and nurses in Thailand and the Philippines, in return for the obligation to work in rural Japanese hospitals. Some thought these challenges of skilled labour and integration were not unique to the issue of migration. Due to the digital revolution and green transition, many people in the workforce will need upskilling, credential recognition and retraining. Policies that focus on integration and filling skills gaps should be coordinated for efficiency.

These conversations, however, were not the focus of the conference's discussion on migration. How politicians communicate the challenges of migration, the 'left behind', and populism drew most attention. Some argued that strong control of illegal migration gave politicians the political capital to encourage legal migration, although this was not universally accepted. Many at the conference felt that patronising or dismissing those with concerns over migration was fuelling waves of populism in Europe, North America and Australia and had to be stopped. Most agreed it was imperative that aggrieved people felt heard. Having control of borders (although this is only one point on a long journey of migration) was seen to be critical, despite the difficulty of this policy. Participants also highlighted the difficulty in measuring migration, let alone managing it, sharing competing statistics.

Parallel to this, other participants raised the issue that, despite anger, migration will continue to increase as a response to climate change and increasing geopolitical instability. Migrants will be forced out if their region or country of origin has become inhospitable due to climate change. As our planet warms, the most liveable regions will be Canada, Northern Europe and Russia, and therefore, some participants argued, these countries must plan for an inevitable increase in migration. Movement between nations is an inherently global system which requires multilateral management, but increasing geopolitical tensions and a sense of increased domestic insecurity will only enhance this challenge.

Community

While conversations around migration drew the most spirited debate, where there was most consensus was the need to cultivate stronger communities. It was clear that there is demand for greater community, with loneliness rife across generations, in part due to the isolation resulting from the Covid-19 pandemic. While the UK's 'Loneliness Minister' was seen to be a useful recognition of the problem, the position itself was not seen to be effective. It was thought that governments were less effective at community building, and grassroots organisations: schools, religious institutions, volunteering and civic spaces should take up this mantle. The role of the individual in this community building was not extensively discussed, but it presents a challenge. There was discussion of a 'sandwich generation' taking on complex care burdens for both the young and old. In conjunction with this, participants raised the unequal burden of care that falls to women and the backlash to this burden. Some women, no longer happy to be the main caregiver, whilst also managing a career, have turned away from building traditional families, while others have rejected the expectation of 'having it all', turning away from work. Family finances are also a factor with average childcare costs per year in the US at $11,500. With these high burdens already placed on family caregivers, who will facilitate and organise this community building?

Some alternative models were raised for community care giving, as the institutionalisation of care was seen to be lacking. One participant raised a system of cohabitation and peer ageing observed in Beijing, in which the elderly would seek out partnerships in a more pragmatic approach, handing out CVs in the local park. Another participant shared an anecdote where an older couple had turned the bottom floor of their home into a writers' retreat, allowing writers access to accommodation and allowing the couple access to community. Many suggested house-sharing as a solution to both housing crises and community.

Despite finding few conclusions on these more technical aspects of community building, participants repeatedly highlighted the necessity of deeper human connection to build resilient communities.

Policy challenges

Housing

One participant expressed frustration at the refusal of UK politicians to address the trade-offs that will have to be faced in housing policy. Building more houses, required to meet the increasing demand, will devalue existing house prices, to the detriment of the older generation who tend to hold their wealth in real estate. The forced reliance on renting will increase intergenerational inequality, on top of existing challenges like higher university costs and a more strained fiscal environment. It will also reconstitute how we perceive renting, previously an impermanent state of housing: will this have to change? This intergenerational inequality will exacerbate class inequalities, as familial wealth may serve as a backstop against the increasing cost of living.

Another participant shared the unprecedented levels of people aged 25-34 living in a parental home, at 60% in Slovakia, 65% in Slovenia and 57% in Greece. What will the impacts of this be on fertility, access to job markets, community and wellbeing?

Health

Despite massive increases in lifespan, ageing is still associated with poorer health. One participant shared that two-thirds of people over the age of 65 will have comorbidities. With 7.8 million people out of a total 60 million UK citizens on an NHS waiting list, and 100,000 unfilled care roles, an older society will further stretch an already overstretched health system. Another participant estimated that 20-30% of healthcare spend is wasted due to a system of reactive rather than preventative healthcare. How do we incentivise preventative healthcare, innovation and accountability in a complex and bureaucratic system? How do we reform insurance models to better reflect this?

Pensions/retirement

Retirement, as part of a three-stage life model—education, work, and leisure—no longer aligns with increased lifespans, forcing the structure of pensions to change along with it. Participants noted that even the Canadian three-pillar pension system, which includes public pensions, employer-sponsored pensions, and personal savings, and which remains unusually well funded thanks to smart investment policies, is beginning to show signs of strain. Less than 60% of Canadians have access to employer-sponsored pension plans, and there is a significant challenge in encouraging younger employees to save for retirement.

Some at the conference proposed raising the retirement age, but with flexibility to accommodate different types of work and individual preferences. However, one participant argued that 80,000 people were driven to poverty the last time the UK raised the age of retirement by just one year. We should be careful in the policies we pursue here. It was made clear that retirement could not and should not be a one-size-fits-all model. Instead, policies should enable partial retirement and provide incentives for continued work.

Many argued that the retirement age of 65, which was suitable when most jobs were manual, no longer makes sense for many occupations today. One participant highlighted that some European countries are exploring occupation-specific retirement ages, recognising the different physical demands and life expectancies associated with various jobs. Although it is worth noting that there is a risk here of embedding class-based inequalities.

The economy: inflation, markets, debt, growth

Participants discussed the inflationary pressures of demographic decline. Initially, some pointed to Japan as an example of ageing leading to deflation due to decreased consumer spending by retirees. Others argued that ageing populations might spur inflation. While retirees reduce their economic productivity, they continue to consume resources. This ongoing consumption places increasing pressure on available resources, which can drive prices up. (Other factors were thought to contribute to inflationary pressures of course, but demographic decline was seen to exacerbate these trends.)

The impact of demographic changes on markets was another discussion point. Demographic shifts are predictable, but their implications for market dynamics are complex and less straightforward. Markets tend to react to demographic changes only when they become visible in the form of shifts in demand for specific products, such as a decreased need for baby strollers and an increased demand for wheelchairs. This lag in market adaptation creates uncertainty about whether markets can effectively anticipate and respond to these

demographic trends. As populations age, changes in spending patterns are expected, but these shifts are not always immediately reflected in market prices. The broader concern is the readiness of markets to adjust to these demographic shifts.

The fiscal outlook highlighted several alarming trends. Particularly concerning was the trajectory of US debt, which has reached historic highs. Servicing this debt has become increasingly expensive, now (as of May 2024) consuming about 16% of government revenues expenditure and set to rise further on current trends. This financial strain was compounded by rising healthcare costs, driven by the needs of an ageing population that requires more medical attention. Participants argued that the dual pressures of debt servicing and healthcare expenditures present significant challenges to maintaining fiscal stability. The cost and sustainability of welfare was also raised as a significant fiscal challenge. These fiscal strains require careful management and policy adjustments to mitigate the economic burden.

Defence and geopolitics

Demographic decline was also thought to significantly increase vulnerability. One participant shared that Europe will likely become just 3-4% of the global population by 2100, a shock for some European participants. Participants also questioned how military structures will be forced to change with an ageing population. It was pointed out that the average age of a Ukrainian soldier is 43. Rather than finding a 'geriatric peace', or a technological solution, participants looked ahead to the emergence of an ageing military. Participants also raised the impact of demographic decline on growth and prosperity, which is ultimately necessary to fund defensive infrastructure and technology. Finally, participants also noted that as growth declines, politics will become more difficult internally, likely fuelling a decline in multilateralism as countries seek to placate their own populations.

Defence was also seen as a solution as well as a challenge, with one participant suggesting that conscription, or a year of national service, could enhance a sense of community and duty. This was not seen by all as a viable solution, not least because of the experience of South Korea, where women are excluded from the fraternity of service, leaving communities fractured by gender.

Conclusion

The conference ended on a note of optimism. Participants lamented the increasing isolation and loneliness of ageing societies, but they also left convinced of the broad value of fostering community and connection. Finally, although tasked with addressing the challenges of demographic decline, participants frequently reminded one another of the cultural and technological strides that got us here.

Demographic decline emerged from this discussion as a fundamental intersectional issue, impacting health, education, housing, technology, fiscal policy and more. The conference's insights will shape future discussions at Ditchley across many fields. Whether policy makers want to take on the challenge of demographic decline or not, the consequences are likely eventually to force their way to the top of the political agenda.

This Note reflects the writer's personal impressions of the conference. No participant is in any way committed to its content or expression.

PARTICIPANTS

Ms Aikedan Ainiwaer
DPhil Student, University of Oxford

Ms Tatheer Ali
Advisor, The World Bank Group

Ms Nancy Altman J.D.
President, Social Security Works

Mr Joe Angelelli
-

Mr Anil Arora
-

Mr James Arroyo OBE
Director, The Ditchley Foundation

Dr Meghan Benton
Director, International Program, Migration Policy Institute

Jean Boivin PhD
Head of BlackRock Investment Institute, BlackRock Investment Institute

Dr Darrell Bricker
Global CEO, Public Affairs, IPSOS

Ms Talia Bronstein
Director of Policy, National Institute on Ageing

Mrs Celine Chiovitti CEBS
Chief Pension Officer, OMERS

Mr George Cooper CM KC
Member of the Board of Directors, The Canadian Ditchley Foundation

Ms Martha Deevy
Senior Research Scholar, Associate Director, Stanford University

Ms Jennifer Ditchburn
President and CEO, Institute for Research on Public Policy (IRPP)

Ambassador (Retd) Kathleen Doherty
Chief Strategy Officer, Annenberg Foundation Trust

Ms Shihoko Goto
Director, Indo-Pacific Program, The Wilson Center

Dr Jerrold D Green
President and CEO, Pacific Council on International Policy

Mr Arjun Gupta
Treasurer, The Canadian Ditchley Foundation

Mr John Hancock
Head, Policy Development, World Trade Organisation

Ms Inaya Folarin Iman
Senior Consultant, Civic Future (UK)

Mr John K Irving
President, Ocean Capital Holdings

Mr Stephen Johnston
Fellow, Healthy Longevity, SOMPO Digital Lab

Ms Lisa Lalande
Chief Executive Officer, Century Initiative

Mr Chauncy Lennon PhD
Vice President of Learning and Work, Lumina Foundation

Mr Nick Leswick
Executive Director, Policy, Bank of Canada

Mr Pierre Lortie CM FCAE
Senior Business Advisor, Dentons Canada LLP, Member of the Board of Directors, The Canadian Ditchley Foundation

Mr Mario Marazziti
Head, Institutional & International Relationships, Community of Sant'Egidio, Grande Foundation

Mr Don McCutchan
Member of the Board of Directors, The Canadian Ditchley Foundation

Professor Melinda Mills MBE FBA
Director, Leverhulme Centre Demographic Science, Nuffield College

Ms Anne Montgomery MS
Senior Advisor, National Commerce to Preserve Social Security and Medicare

The Hon Bill Morneau
Former Minister of Finance of Canada

Ms Tolu Olubunmi
CEO, Lions Write

Ms Ninjeri Pandit
Director, No. 10 Policy Unit, The Prime Minister's Office

Ms Mireille Paquet PhD
Research Chair on the Politics of Immigration, Concordia University

Dr Susan C Reinhard
Senior Vice President, AARP Public Policy Institute

Mr David R Riemer
Senior Fellow, Community Advocates Public Policy Institute
Mr Mike Schofield
SVP, Chief Actuary and Chief Risk Officer, Sunlife Canada

Mr Timothy Shortill
Chief Operating Officer

Ms Sonia Sodha
Columnist and chief leader writer, The Observer

Mr John Stackhouse
Senior Vice President, Office of the CEO, Royal Bank of Canada

Mr Douglas E Turnbull
Vice Chairman – Country Head, Canada, DBRS Morningstar, Member of the Board of Directors, The Ditchley Foundation

Mr Ray Williams ICD.D
Member of the Board of Directors, The Canadian Ditchley Foundation

The Hon Yuen Paul Woo
Senator for British Columbia, The Senate of Canada, Member of the Board of Directors, The Canadian Ditchley Foundation