
Network of Global Agenda Councils

Discussion highlights on Demographic Shifts

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This reflects work that is still in progress. It will continue to be updated and revised.

The views expressed here emerged from the Council meeting and do not necessarily reflect the views of the World Economic Forum or those of all the Council Members.

1) What is the state of the world on this issue and how is the economic crisis impacting it?

Global demographics continue to undergo a major upheaval. Populations in developed countries are growing slowly or even decreasing, as in Japan and Russia, whereas the population of the developing world is growing robustly. World population, which stands at 6.8 billion today, is projected to increase to over 9 billion in 2050. The urban share of global population continues to grow as well, with 2008 marking the first time in history that as many people can be found living in urban settlements as in rural ones.

Another major demographic shift concerns population ageing, which is occurring throughout the world, though at markedly different speeds in different countries. Population ageing is the result of decreasing fertility, increasing longevity and the arrival of large-sized cohorts at older ages. These developments owe much to technological and institutional innovations of the past half century, such as improved access to sanitation and safe water, childhood vaccinations, antibiotics and contraception and family planning.

Population ageing is challenging governments, employers and individuals to make a deep set of social and cultural changes. The legal retirement age, for example, has risen little despite increases in healthy life spans. Lower fertility eventually means smaller work forces in relative terms. Furthermore, pension plans are often set up in ways that provide incentives for early retirement instead of promoting longer working lives.

Parts of the developing world face different challenges. In Africa, for instance, life expectancies have not increased as dramatically and fertility remains high, leading to high population growth and exceedingly young populations.

Worldwide, the number of children, adolescents and young adults is expected to remain high over the coming decades. Youth bulges are common in poor countries where fertility remains high, some of which are fragile states.

Despite the persistence of major economic disparities among countries, the number of international migrants remains relatively low (under 200 million or barely 3% of the world population). International migrants are becoming increasingly concentrated in the richer countries of the world.

Today's financial crisis exacerbates the challenges posed by an ageing population, especially in ensuring financial security in old age. The most affected individuals will be those nearing or in retirement. The economic climate may induce higher labour force participation rates among the elderly, a development that would – in the short run – alleviate the negative effect the financial crisis has had on the funding status of certain types of pension plans. However, individuals may also become more sensitive to risk, slowing down economic recovery. Because of required funding levels for pension plans, capital will be withdrawn from the market to fund liabilities, which will tend to depress business activity and the rate of economic growth.

2) What should be done to improve the state of the world on this issue and by whom?

- Ensuring financial security in old age: Pension systems are changing, mostly moving from defined benefit plans to defined contribution plans. This transformation will likely be slowed but not halted or reversed as a result of the financial crisis. Governments and employers are urged to strengthen personal decision-making and responsibility by ensuring individual ownership of accounts, providing a range of investment choices within a regulated framework, and promoting financial literacy among pension plan participants.
- Ensuring healthy ageing: As the relative size of the older population swells, healthcare spending will rise, perhaps heightening interest in a system of government-financed universal healthcare. Efficient provision of a basic package of healthcare will be a hallmark of this system, with individuals retaining the option of paying for additional care.
- Increasing age at retirement: Although increasing rates of unemployment may make it difficult, raising the mandatory age at retirement is an option that must be pursued. Allowing people to work longer will reduce the level of economic dependency in an ageing population and contribute to reducing the skills gap.
- Establishing an elder corps: Social engagement benefits older people and societies. There may be special roles retired adults can play that directly address problems of youth. An international elder corps can provide needed skills in developing countries.
- Working to improve the health and financial security of future generations: There is a general lack of health and financial “literacy” among young people today. The private sector in partnership with governments could promote education on healthy behaviours, nutrition and lifestyle among children and youth as well as the promotion of financial literacy both among the young and their parents. The aim of these activities would be to ensure that future generations have better health and are better prepared to work towards their financial security than today’s elderly.
- Encouraging the migration option: Ageing populations need prime-age migrants. In this time of crisis, governments should avoid restricting migration opportunities. Migrant remittances constitute an efficient way of targeting needed funds to poor populations, and fill some of the skill gaps in richer countries.
- Rebuilding trust: The financial crisis has caused a loss of trust in financial institutions. Governments and institutions have to give urgent attention to ways of rebuilding trust.