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**World Population Day 2009:  
The developing countries would do well  
to bear in mind: their population will not  
only continue to grow, it will also age**

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## **World Population Day 2009: The developing countries would do well to bear in mind: their population will not only continue to grow, it will also age**

Bonn, 6 July 2009. Last Saturday was World Population Day – for many people an occasion to reflect on the United Nations' most recent world population projections for the coming decades (UNDESA: World Population Prospects: The 2008 Revision). The authors raised, rightly, two questions: How many inhabitants the Earth will one day have and whether the resources available will be sufficient to sustain them; and how realistic the climate targets set in Kyoto are against the background of a world population set to increase by another three, four, five, or six billion people.

The United Nations projections, though, not only indicate that world population will continue to grow until at least 2050, and in particular that the share of people living in cities will continue to rise. They also show that the rate of world population growth has already passed its zenith, that, in other words, the number of the Earth's inhabitants is growing at an increasingly slower rate. This of course does not apply equally for all countries in the world. In many African nations population growth continues virtually unchecked, while demographic growth rates in South Asia, Latin America, and above all in East Asia are already declining sharply, have reached zero levels in Western Europe, and are developing negatively in eastern Europe (where population is shrinking by up to 0.5 percent per year).

In the developing countries, for instance, the fertility rate, the number of children born per women, is also declining. Gradually, people there are also becoming aware of the fact that better hygiene, medicine, and nutrition allow mortality rates to decline, which means that couples no longer need to have numerous children to make sure that at least two or three of them will survive. In addition, some developing countries now have old-age pension systems with the effect that elderly people are no longer wholly dependent on the support of their own children.

However, the fact that birth rates are declining nearly everywhere in the world, while medical care continues to improve, has one explosive implication that is often overlooked in considering population projections – namely that this trend is at the same time also altering the age structure of the population: More and more young people are crowding into the labour market in search of jobs, while the number of new births is rising at increasingly lower rates. As a result, the working-age population (people aged between 15 and 60 years), is growing faster than the total population. For the group of persons below the age of 15 is not growing as rapidly as it did in the years of peak population growth.

This trend is good news for countries that invest substantially in productive assets, education, and know-how. They are in fact able to provide productive jobs for many of their labour market entrants, in this way ensuring that a growing share of the population is employed. Another relevant factor is that women who have fewer and fewer children do not need to spend so much time educating their children. They are thus increasingly free to seek gainful employment. And finally, families having fewer and fewer children to feed, they are able to save more money or to invest in better education for their children. The high economic growth rates experienced in recent years by China and other East Asian countries is due, among other things, to just this development: Families work more, save more, and spend more on education; and the per capita wealth passed on from one generation to the next grows because it no longer needs to be distributed among a high number of children. In other words, societies are growing in qualitative instead of quantitative terms.

This trend, though, is problematic for countries that do not invest sufficiently in education and productive assets, because, for example, their political and economic framework conditions are too insecure for foreign investors, and even domestic capital owners prefer to invest their assets abroad,



because their educational systems are substandard, and because women – even though they raise fewer children – are not available for the labour market. In these countries, only the number of male job seekers is growing. However, these men tend to be poorly equipped to meet the needs of the labour market, and too little is invested in these countries in business enterprises offering employment for job seekers. Even though a growing share of the population is employable, the number of actually employed persons is virtually stagnant. What we find instead is proliferating discontent among the growing numbers of un- or underemployed young men. This phenomenon can be observed very clearly in the countries of the Middle East and North Africa, but also in some Latin American countries.

At a later stage, the developing countries will find themselves faced with another challenge only too familiar to the industrialised countries: Twenty to thirty years after birth rates have begun to subside, fewer young people will be pushing into labour markets. At the same time, the number of persons too old for gainful employment will increase, because the high-birth-rate cohorts will be reaching retirement age and because people will live longer lives. As a result, a working-age population that is growing at a slow rate, will have to provide for a retirement-age population that is growing at an accelerating rate. As it is the case now already in the industrialised countries, this will constitute a major strain on both public old-age pension systems and families in the developing countries. This trend is already taking on clear contours in China, where the transition from high to low rates of population growth was accelerated by the one-child policy adopted in 1979 by the Chinese government.

The developing countries will be confronted with this new challenge far more abruptly and acutely than the industrialised countries used to be, because the decline in birth rates will have proceeded more rapidly in the former. They would thus be well advised to prepare in time to meet this challenge. This could prove possible if they take advantage of the transition period, in which an especially large share of the population is of working age (15 to 65 years), to accumulate savings that they will later be able to use for coping with the rise in their retirement-age population. They should, in other words, take advantage of the period of time with a favourable population age structure – a period in which a particularly large share of the population is gainfully employed – to save and invest with a view to successfully negotiating the unfavourable period of demographic transition. They may in this case be better off than today's industrialised countries, which, fully unprepared for the challenge, are now struggling to come to grips with the consequences of an aging population.



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