



Social, Humanitarian & Cultural Issues (SOCHUM)

Topic 3: The impact of imbalanced demographic megatrends

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1. Definition of key terms

Megatrend: a pattern or a movement that has a great impact on businesses and society as a whole. They are related to behaviour, mobility, and environment.

Sustainable Development Goals (SDG): adopted in 2015 as a universal call to action to ensure that by 2030 all people around the world enjoy peace and prosperity.

U.S. Agency for International Development (USAID): a U.S. government agency responsible for providing foreign assistance and promoting global development.

Urbanization: the process by which large numbers of people become permanently concentrated in relatively small areas, forming cities. The definition of what constitutes a city changes from time to time and place to place, but it is most usual to explain the term as a matter of demographics. The United Nations does not have its definition of “urban” but instead follows the definitions used in each country, which may vary considerably.

Office for National Statistics (ONS): in the UK, the executive office of the UK Statistics Authority responsible for collecting and publishing official statistics related to the economy, population, and society.

Gini coefficient: a measure used to represent the income or wealth distribution of a population.

2. Introduction

Megatrends are formidable forces shaping various facets of contemporary global society. The United Nations Economist Network identifies five key megatrends: Climate change, Technological disruption, Social instability, Urbanization, and Demographic shifts. Each megatrend profoundly influences individuals, organizations, and nations. Their intricate interactions present challenges due to the complexity of considering them comprehensively.

Megatrends cannot be immediately reversed or significantly altered, yet they can be gradually influenced by long-term policies. These trends bring about both positive and negative outcomes.

For instance, Urbanization consolidates factors crucial for technological development and increased productivity, but urban areas often contribute substantially to pollution and environmental degradation. Addressing the negative aspects of a megatrend may mitigate some of its positive impacts, and vice versa. Programs can target individual megatrends and their interconnections, presenting opportunities for co-benefits, where positive outcomes in one area result from interventions designed to induce change in another.

3. Background information

Focusing on the Demographic Megatrend, the UN has identified four key components:

- Population Growth
- Population Aging
- International Migration
- Urbanization

Population Growth: USAID recognizes population growth as a megatrend due to its profound impact on vital interconnected aspects of life, such as environmental sustainability, food security, health, education, and economic stability. By 2050, Africa is projected to host a quarter of the world's population, totalling 2.5 billion people. USAID underscores the importance of comprehending demographic dynamics and addressing challenges associated with population growth for sustainable development. The surge in population amplifies demands for resources like food, land, water, and energy, exacerbating environmental degradation and climate change. Moreover, a burgeoning population strains services like healthcare and education, placing additional pressure on already limited resources and infrastructure. The impact is most pronounced on the poorest and most vulnerable communities, affecting aspects like food security and education. Population growth not only intensifies the demand for food production, leading to resource overuse and environmental damage, but also exacerbates existing inequalities, fostering social and political instability. USAID recognizes the human right to curb rapid population growth, emphasizing the importance of family planning, reproductive health, maternal and child health to foster sustainable development and enhance the well-being of individuals and communities globally.

Population Aging: Euromonitor International reports a global aging trend attributed to increased life expectancies and declining birth rates. By 2030, over 990 million people will surpass the age of 65. The world's life expectancy at birth is projected to rise from 66.7 years in 2000 to 74.4 years by 2030. Within the 65-and-over demographic, individuals aged 75 to 79 are expected to be the fastest-growing group from 2019 to 2030. Aging populations and extended life expectancies will significantly influence global markets, reshaping consumer lifestyles and purchasing patterns. Today's older adults, particularly baby boomer retirees, exhibit distinct consumption habits, purchasing items ranging from household goods and technology to cosmetics and adventure travel. This demographic shift fuels various consumer megatrends, as older individuals, with more time and often resources, increasingly drive demand for experiences over material possessions. The rising trend in travel demand is particularly noteworthy, reflecting older consumers' increased leisure time and financial capacity for travel experiences.

International Migration: In 2020, approximately 281 million individuals resided outside their country of origin, constituting 3.6% of the global population. This figure, termed the world stock of international migrants, nearly doubled from 1990, underscoring the concurrent growth of the

world's population. Although the percentage of immigrants has slightly increased from 2.8% in 1990, it still remains a minority. The international migrant population encompasses both voluntary migrants and 34 million individuals seeking refuge across borders, including refugees and asylum seekers awaiting recognition. Immigration is a crucial global phenomenon, sparking discussions not only from a demographic perspective but also on a global scale, exemplified by the 2018 UN Global Compact on Migration and Refugees. Recent geopolitical events, such as the war in Ukraine, have triggered the largest and fastest displacement in post-war Europe, with over 6 million people displaced within the EU as of June 2023.

Urbanization: Urbanization, akin to other megatrends, possesses the potential to serve as a positive transformative force across all dimensions of sustainable development, including the reduction of inequality. Properly planned and managed urbanization can diminish poverty and inequality by enhancing employment opportunities and elevating the quality of life through improved education and healthcare. Conversely, poorly planned urbanization may result in congestion, heightened crime rates, pollution, increased inequality, and social exclusion. Inequality within cities manifests both economically and socially, with urban areas generally exhibiting greater economic disparities than rural counterparts. In 36 out of 42 countries with available data, the Gini coefficient for income inequality is higher in urban areas. While large cities are typically wealthier, they often experience greater inequality than smaller urban centres. Opportunities within cities are unevenly distributed spatially, leaving neighbourhoods and entire populations without access to essential services, including healthcare, education, sanitation, running water, employment, and suitable housing. Uncontrolled urban growth has led to insufficient public services, jeopardizing the minimum quality of life for urban residents. The current pace of urbanization in developing countries intensifies the urgency for effective urban management and planning. Without intervention, the growth of cities is likely to exacerbate inequality. While there is no universal solution to mitigate urban inequality, some governments are addressing spatial, economic, and social aspects of urban fragmentation to create comprehensive strategies that promote equitable urbanization.

4. Major countries involved

United Kingdom:

According to the United Nations, the global aging trend is evident in every country, with the number of older individuals in the population steadily rising. Projections suggest that this demographic will double to 1.5 billion by 2050, making up one-sixth of the world's population over the age of 65.

Improved public health, socio-economic development, and medical advancements have collectively contributed to this phenomenon. Globally, a 65-year-old individual was anticipated to live an additional 17 years on average from 2015 to 2020. Looking ahead to 2045-2050, this figure is expected to increase to 19 years. Currently, women outlive men by 4.8 years, but this gender gap is anticipated to narrow in the next three decades. The simultaneous increase in life expectancy and decline in birth rates underpin this global megatrend.

According to the Office for National Statistics (ONS), the UK is mirroring this global shift towards an aging population. Presently, there are around 12 million people aged 65 and over in the UK, with 5.4 million aged 75 and over, 1.6 million aged 85 and over, and over 500,000 aged 90 and over, including 14,430 centenarians.

Projections for 2050 indicate that one in four people in the UK will be over the age of 65, compared to one in five in 2018. In the next 50 years, the UK is expected to see an additional 8.6 million individuals aged 65 and over, roughly equivalent to the current population of London. ONS statistics also reveal a declining average number of children per woman in the UK, indicating a

decrease in the total fertility rate, which represents the hypothetical average number of children a woman would have in her lifetime based on age-specific fertility rates for a given year.

China:

China's Demographic Trends in 2021 reveal a notable decline in both birth rates and population growth, coupled with the rapid aging of society. Acknowledging this deceleration, the Chinese government has recently implemented measures to boost the birth rate. The issue of an aging population in China gained prominence after the 2020 decennial demographic report indicated an unexpectedly swift slowdown in population growth.

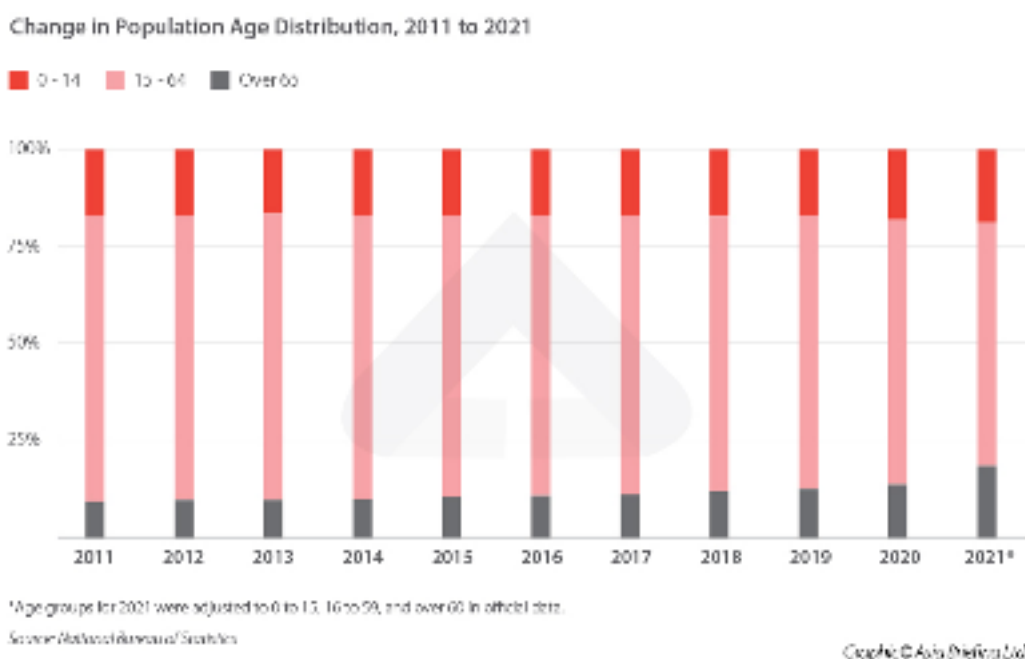
The National Bureau of Statistics (NBS) identifies key factors contributing to the declining birth rate. In 2021, there was a decrease of approximately 5 million women of childbearing age (15 to 49 years old), with a particularly sharp decline of around 3 million women aged 21 to 35.

Concurrently, the average age of childbirth has increased by two years over the past decade, reflecting a trend of delayed marriage and childbirth among women. The ongoing COVID-19 pandemic may have also accelerated this population decline, as economic uncertainties and disruptions have impacted household incomes, potentially dissuading individuals from starting or expanding their families.

China's historical population growth slowdown was initially driven by the one-child policy, in effect until 2015. The policy was relaxed to allow two children per couple in 2015 and further expanded to three in 2021. However, the shift to a two-child policy in 2015 did not result in a significant increase in births, raising uncertainty about the potential impact of the recent adjustment to allow three children per couple.

The consequences of declining birth rates are evident in the rapid aging of Chinese society. The proportion of the population aged 65 and over has risen from 9.1% in 2011 to 14.2% in 2021, signaling a decline in the working-age population. The National Bureau of Statistics has adjusted age groups to 0-15 years, 16-59 years, and 60 years and above as of 2021.

Several factors contribute to China's persistently low fertility rates, aligning with global trends observed in developed and emerging countries. Increasing female participation in the workforce, evolving attitudes toward marriage, and rising living costs, coupled with changing expectations regarding quality of life and lifestyle, collectively discourage individuals from having children. These multifaceted challenges underscore the complex nature of China's demographic landscape.



The United States:

The current demographic shift towards an unprecedented growth in the population of individuals aged 65 and older, largely driven by the baby boomer generation, marks a distinctive phase in U.S. history. Baby boomers, aged 55 to 73 in 2019, have presented both challenges and opportunities across various stages of life, influencing economies, infrastructure, and institutions. The population of Americans aged 65 and older is projected to nearly double, soaring from 52 million in 2018 to 95 million by 2060, constituting a larger share of the total population. This demographic is expected to rise from 16% to 23%, indicating a substantial aging trend. Moreover, the aging population is becoming more racially and ethnically diverse, with the share of non-Hispanic whites in this group anticipated to decrease from 77% to 55% between 2018 and 2060.

Despite increasing diversity among older adults, the racial and ethnic composition is changing rapidly, creating a generational diversity gap when comparing those under 18 to those over 65. In 2018, 24% of men and 16% of women over 65 were employed, and these figures are predicted to rise further by 2026 to 26% for men and 18% for women. Certain regions, particularly rural counties in the Midwest, are experiencing accelerated aging due to significant emigration of young people to other countries.

Educational attainment among the older population has seen remarkable improvement; in 1965, only 5% of people over 65 had a bachelor's degree or higher. Life expectancy in the United States has notably increased from 68 years in 1950 to 78.6 years in 2017, primarily attributed to reduced mortality among older adults. Furthermore, the gender gap in life expectancy is narrowing, with a seven-year difference between men and women in 1990 diminishing over time.

Over the past five decades, the poverty rate for Americans over 65 has dramatically declined, dropping from nearly 30% in 1966 to the current 9%. However, economic disparities persist among different demographic groups. In 2017, 17% of Latinos and 19% of African Americans aged 65 and older lived in poverty, a rate higher than the 7% observed among non-Hispanic white seniors, signifying more than a twofold difference. Despite advancements, the proportion of elderly people living in poverty has increased compared to previous periods.

Japan:

Japan is home to approximately 3.6 million companies, with 2.5 million being led by founders who will surpass 70 years next year. Intriguingly, 1.6 million of these businesses have no succession plans, creating a significant wave of mergers and acquisitions (M&A). The surge in M&A activity, previously unimaginable, is providing unprecedented opportunities for global players to enhance market share through roll-ups and industry consolidation.

Demographics play a pivotal role in Japan's evolving economic landscape. Japanese households have amassed a substantial \$30 trillion in wealth, with around \$20 trillion in financial assets. Notably, \$10 trillion is discreetly stashed away in chest deposits. The impending demographic shift, with \$12 trillion of these assets owned by individuals aged 70 and older, is expected to release \$5 to \$6 trillion over the next decade. This represents a significant boost to the purchasing power of Japan's younger generation, driven by the legacy of high savings rates among baby boomers.

The paradigm of compensation structures is evolving, moving from age-based pay to performance-based pay. Intense competition for talent is reshaping employment dynamics, with Japan's younger generation holding more bargaining power. Graduates are no longer pleading for jobs; instead, companies are actively seeking to attract them. Employee retention is becoming challenging, with one in five Tokyo University graduates leaving their employers within the first five years.

A transformation in workforce dynamics is underway, with mobility increasing and companies offering realistic career planning and performance-based compensation gaining a competitive edge. Global companies currently have an advantage, but as local Japanese firms adapt, the battle for talent and the demand for creative leadership will intensify, leading to increased productivity and income for workers.

Japan is also experiencing a shift toward being an immigration center, with the country welcoming about 350,000 new foreign employees in the first half of 2023, more than double the previous annual rate. With compensation practices evolving, it's foreseeable that by 2030, around 10% of Japan's workforce will be comprised of foreigners, more than double the current rate of almost 4%. Contrary to pessimistic economic forecasts, the megatrends in Japan, rooted in demographic developments, are not inherently negative. The population decline is seen as a catalyst for positive change, ushering in a new era of opportunities and growth.

India:

India stands as one of the world's fastest-growing economies, poised for remarkable expansion. Predictions indicate a quadrupling of consumer spending by 2030, solidifying its position as one of the youngest countries globally, boasting over 1 billion internet users. The emerging Indian consumer represents a shift towards affluence, increased spending habits, and distinct preferences, setting the stage for transformative megatrends that will shape the future of the nation.

Based on comprehensive research and consumer surveys conducted by the World Economic Forum and Bain for their Insights Report on 'The Future of Consumption in Fast-Growing Consumer Markets: India,' the following 10 megatrends provide insights for businesses and policymakers envisioning the India of tomorrow.

Projections suggest that by 2030, nearly 80% of households will fall within the middle-income bracket, a significant surge from the current 50%. This burgeoning middle class is expected to drive 75% of consumer spending, creating a dynamic market landscape. As approximately 140 million households ascend to the middle class and an additional 20 million move into higher income brackets, expenditures on essential goods (food, beverages), apparel, personal care, gadgets, transportation, lifestyle, and services (healthcare, education, entertainment, home care) are anticipated to surge by 2 to 2.5 times and 3 to 4 times, respectively.

The entry of middle- and high-income earners into the consumer base will also lead to a substantial increase in the ownership of durable goods. Items such as washing machines, refrigerators, televisions, and private cars are expected to witness a notable uptick, with ownership rates forecasted to rise by 15-20%.

This transformative period in India's economic landscape promises not only unprecedented growth but also a shift in consumer dynamics, creating opportunities and challenges that businesses and policymakers must navigate strategically to capitalize on the evolving market trends.

5. Timeline



6. UN involvement

The United Nations has unveiled its 2019 World Social Situation Report, centring on the future trajectory of inequality. The report delves into the repercussions of climate change, urbanization, international migration, and technological innovation on global inequality. The memorandum, titled "Global Social Conditions in 2019: Shaping the Future of Inequality" (A/74/135), serves as a precursor to the comprehensive 2019 World Social Report, slated for release during the 74th session of the United Nations General Assembly (UNGA 74). This communication scrutinizes the execution of the 2030 Agenda and scrutinizes the influence of global megatrends on inequality, aiming to instigate an equality-centric approach to policy-making.

Outlined within are three pivotal building blocks for mitigating inequality:

1. Advocate for equal access to opportunities to address the root causes of inequality.
2. Promote macroeconomic policies aimed at reducing inequality.
3. Combat discrimination and prejudice.

A salient concern raised in the memo pertains to the impact of climate change, estimating that, despite successful adaptation and mitigation strategies, the phenomenon could thrust between 3 million and 16 million people into poverty by 2020. The document emphasizes the exacerbation of economic disparities in warmer countries, rendering the world's poorest nations even more economically vulnerable. It also underscores the disproportionate exposure of marginalized groups, such as those living in poverty, small landowners, and indigenous peoples, to climate risks. The authors point out that infectious and respiratory diseases will escalate due to climate change. Nevertheless, the memo underscores that climate action and the transition to a green economy offer opportunities to alleviate poverty and inequality, citing potential job creation through sustainable practices like enhanced energy efficiency and the adoption of electric vehicles. Addressing urbanization, the publication acknowledges that urban transformation significantly impacts sustainable development, presenting both opportunities and challenges. While cities can serve as hubs for economic growth and innovation, providing improved access to healthcare and education, equality of opportunity tends to be lower in urban areas compared to rural ones. Urban slums and impoverished areas, in particular, exhibit worse maternal and child health outcomes than their rural counterparts. The report calls for a nuanced understanding of the multifaceted effects of urbanization on inequality to inform effective policy responses.

7. Useful links

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