

# Demographic Change

## Major trends and drivers in 6 dimensions of demographic change

Demographics are the quantifiable statistics of a given population. Starting from this broad definition, there are many ways to cut the pie and approach the analysis of a population. Traditionally the media has focused its approach of demographics on population size and age. On top of those broadly discussed issues, these reports aim at looking into further parameters of demographics, namely religion, social classes, gender and household structure.

This viewpoint discusses the major trends in terms of the six dimensions and the drivers behind those trends causing demographic change.

## The world population will grow from 7.2bn (2013) to 9.6bn (2050) with Africa contributing the biggest increase

By 2050, Africa will contribute the largest increase in population despite a decrease in fertility rate to 3 children per woman. This number will remain above the rest of the world and overall life expectancy will increase by more than 10 years.

With improvement of healthcare, communicable diseases will become less important as causes of deaths. Non-communicable diseases will prevail, particularly due to tobacco-associated illnesses.

The role of immigrants for population size in developed countries will remain significant.

### **Drivers**

Demographers developed the Demographic Transition Model, characterizing the move of societies from high fertility and high mortality rates to low fertility and low mortality rates.

Today (2013):

- Fertility: Africa = 4.5; RoW = 1.5-2.5 children per woman
- Mortality: Growing everywhere but Eastern Europe
- Migration (232m in 2013): South-South migration = South-North migration; Immigrants = 11.5% of population in North

## The age pyramid will become an age column

From 2013 to 2030, the amount of people over 65 will increase from 8% to 12%, while the amount of 15-year-olds will decrease from 27% to 24%.

From 2013 to 2030 the absolute number of over 65s will increase from 531m to 973m, up 83%(!), while the number of 15-year-olds will increase from 1.84bn to 1.98bn, up only 8%.

Longevity is to increase everywhere except Eastern Europe and infant mortality will decrease worldwide.

### **Drivers**

- Widespread access to food and drugs, together with social habits, are a part of what is rearranging the 'non-pyramidal' shape of the world's population.
- More of the population has medical coverage and adequate daily quantities of food and drink.
- The world average shows that infant mortality has, all in all, consistently decreased, as has the risk of death in younger generations.

## More women will enter the workforce and increase their purchasing power

The female/male gender ratio is approximately 1:1 but in many regions, women are not yet part of the labor market. This presents a huge potential for the economy.

In emerging markets, the average annual per capita disposable income of women increased by 11.0% in real terms compared to 0.1% real decline for men between 2007 and 2012. By 2020, female employment rate is expected to grow 10% while their annual disposable income per capita is set to rise 34.4%, most significantly in India (70.8%), China (61.9%), Indonesia (53.6%), and Russia (53.5%).

In the developed world, earnings of female workers have risen by 31% since 1979 (2% for male earnings). By 2024, the average woman in the U.S. and a number of developed European countries is expected to out-earn the average male.

### **Drivers**

- Trigger: During WWII, women were forced to enter the workforce due to male labor shortages.

- Macroeconomic changes: With the decline of the industrial and rise of the service sectors, women have more opportunities to compete on an equal basis for jobs that require brain power, not physical strength.
- Politics: The potential in increased productivity and pressure from feminist movements made governments take measures to promote conditions facilitating women entering and staying in the workforce.
- Education: Increased access to (higher) education has enabled women to compete on an equal level with their male counterparts.
- Technology/science: Technological advances around household appliances such as the vacuum cleaner or washing machines and the invention of the contraceptive pill have freed up women's time and allowed them to engage in work outside the house.

### **The global middle class will expand from 1.8bn in 2009 to 4.8bn in 2030**

By 2025, 50% of the world's population could belong to the middle classes (defined as earning 10 to 100 USD/day in PPP terms).

In developed countries, the middle classes are shrinking (North America) or stagnating (Europe). An explosion of the middle classes in Asia from 525m in 2009 to over 3bn in 2030 will drive global growth, while Africa & the Middle East will also see a significant increase.

#### **Drivers**

- Main driver: Economic development (GDP growth) in the country
- Secondary driver: Social policies

An illustration of interaction between both:

Brazil has invested heavily in social reforms benefitting the lower and middle classes in the past 12 years. These measures have contributed to the rise of the middle class, now at 30% (vs. China with similar GDP: only 15%).

### **The next 100 years will see a shift in dominant religions in the world**

Christianity overall is declining. In the Americas & Europe fertility is decreasing and the dropout rate is increasing. Future growth and

sustainability will lie in emerging economies, specifically in Africa and Asia.

Muslims will continue to grow and eventually be the largest population, especially in Africa. European countries will face increased immigration but will eventually see conformance to local fertility numbers.

Rapid decline in the Christian population has contributed to unaffiliated numbers. The majority of unaffiliated people come from China.

#### **Drivers**

- Fertility rate of population
- Mortality rate of population
- Conversion rate both in and out of religion

Populations with associations to various religions will grow and decline according to the fertility, mortality and ultimately transition of those leaving and entering the religion. An example is the Nigerian population and how Muslims vs. Christians will grow in the country by 2050.

### **The growth in the number of households outpaces the growth in population and households are diminishing in size**

Single person households and couples without kids will grow the fastest, even in emerging market.

This change in households' landscape is impacting the overall spending pattern as well as other societal matters such as energy consumption and urban planning.

#### **Drivers**

- Demographic factors
  - Population growth
  - Falling birth rates
  - Ageing population
- Changing family structures
  - Nuclear vs. extended family
  - Older marriage
  - Increased divorce rate
  - The rise of singles (change in attitude)
  - More empty nesters and Double Income No Kids (DINK)
- Property market
- Urbanization