

Special Report: Global youth populations

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The world is experiencing a marked shift in demographics. High levels of population growth in developing regions such as Asia Pacific, Africa and Latin America and the Caribbean means countries here have rising proportions of youth (aged 0-14). By contrast, ageing populations in more developed regions such as North America and Western Europe means that the youth population in these countries is shrinking. This will have significant implications for national and regional economic growth since developed countries must absorb the cost of social services and pensions for an ageing population while developing countries benefit from a growing working population. This demographic divide will encourage a freer flow of labour or outsourcing as businesses take advantage of a growing labour pool.

Key points

The populations of regions such as North America and Western Europe are ageing at a faster rate than those of developing regions;

Higher youth populations in areas such as Asia Pacific, the Middle East, Africa and Latin America will translate into a larger working population over the longer term. Developed regions have already experienced the pass-through effects of a youth population bulge;

The combination of a lower youth population and working population is most marked in developed regions owing to social reasons such as improved access to contraception and reduced incentives for large families;

A large youth population in emerging economies represents a significant economic resource since a young working population can drive economic growth and offset the social costs of an ageing population;

Furthermore, an ageing population in developed regions will create job opportunities for economic migrants from developing countries;

Companies may choose to relocate or outsource operations to developing regions in order to take advantage of a larger labour pool and relatively cheaper costs;

Consumer goods companies will also benefit from a high youth population in terms of a growing market for consumer products targeting young people or children;

However, large youth populations will prove an economic drag until they join the working population, since they will require support from both the state and family members;

Countries with particularly high youth populations include India, China, Brazil and Pakistan.

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Background

As countries develop, population growth tends to slow owing to economic and cultural factors. The time lag between improved infant mortality rates and increased use of contraception often results in a population bulge, resulting in an increase in youth populations before a subsequent decline. Regions such as North America, Western Europe and Australasia experienced this phenomenon in the 20th century while other regions are currently experiencing it. By 2020 this will result in a sizeable young working population in developing regions and a declining youth population in developed regions.

Growing youth populations

Youth populations are growing sharply in regions such as Asia Pacific, the Middle East, Africa and Latin America and the Caribbean:

Declining infant mortality rates (the number of infant deaths before one year of age per 1,000 live births) have improved birth rates while contraception is not yet widely available or socially acceptable in some countries;

In 1980 the Middle East and Africa had the highest infant mortality rate in the world at 99.1 per 1,000 live births. By 2007 this had fallen to 67.7 per 1,000 and is forecast to decline to 54.5 per 1,000 by 2020;

Infant mortality rates in developed regions have not fallen so dramatically, since much of the medical benefits have already been felt. The infant mortality rate in North America was 11.6 per 1,000 live births in 1980, falling to 5.5 per 1,000 in 2007 and is expected to be 4.6 per 1,000 by 2020;

In 2008, the region with the highest proportion of the population aged 0-14 was the Middle East and Africa at 39.4% of the total population, followed by Latin America with 28.9% and Asia Pacific with 25.3%;

By contrast, North America's proportion was 19.8% of the population in 2008 while Western Europe constituted 17.7%.

Advantages of population growth

A growing youth population provides a valuable economic resource for domestic and international businesses:

As developed populations decline, businesses will increasingly benefit from operating in developing countries;

A larger working population will increase competition for jobs and help to keep labour costs low, boosting business profits;
 Developing countries already benefit from relatively low labour costs and living standards compared to developed regions. GDP per capita in Asia Pacific in 2007, for example, was US\$3,279, well below the global average of US\$8,259;

Businesses will therefore begin outsourcing or transferring operations to developing countries, increasing long-term job prospects in these countries. This is already happening in economies such as India and China;
 Improved employment, particularly if employers offer training and development, will increase wage potential for local workers and bolster consumer incomes;
 Additionally, the increasing demographic youth imbalance between developed and developing regions will encourage greater migration, as youth in developing countries seek to take up jobs vacated by retiring nationals in developed economies. Developed countries will therefore benefit since a younger population will immigrate to fill employment gaps created by an ageing population, allowing economic growth to remain strong;
 Rising tax revenues from a growing working population will also serve to offset the growing social and health costs of supporting an ageing population.

Disadvantages of youth populations

In the longer term, however, a large youth population will pose the same financial challenges currently being experienced in developed countries:

A large youth population will translate into a large retired population, putting strain on social services and pension systems;

This is already being experienced in Western Europe and North America, where the global financial markets crisis of 2008 is reducing the value of pension investments;

If these provisions are not made, the current youth population in developing regions will act as a major drag on the economy once they reach retirement age after 2050;

Furthermore, the youth dependency ratio (those too young to work who must be supported by the working population) is also weighing on economic growth, in terms of state financing for education and social support or upbringing costs for families;

A large youth population may reduce the economically active population, if mothers must work part time or not at all in order to care for their children;

The pressure of supporting a large family will be felt particularly in 2008, since high prices for fuel and basic foodstuffs are increasing the cost of feeding a family at the same time as the inflationary effect of these prices rises is eroding consumer purchasing power. In Asia Pacific, for example, 32.2% of consumer expenditure was on food in 2007.

Location of high youth populations

Countries with notable youth populations include India, China, Brazil and Pakistan:

China's youth population (0-14) was 16.9% of its total population in 2008, even given China's one-child policy, while India's youth population was 31.6% of the total population;

Brazil's youth population was 27.3% of the population in 2008, while Pakistan's was 35.1%. By contrast, the youth population made up 17.5% of the population in the UK in 2008 and 20.0% in the USA;

It is little coincidence that Brazil, India and China are part of the so-called BRIC formation of economies predicted by Goldman Sachs to reach the size of the leading developed economies by 2050;

However, Pakistan's absence from this list demonstrates that a large population must be combined with investment-friendly policies and relatively stable politics in order to attract investment.

Future scenarios

Youth populations currently provide an economic advantage for developing countries:

Despite the 2008 global economic slowdown, developing regions will grow faster than developed regions in 2008, owing to less integration in the global financial system than developed regions and aided by continued domestic consumption and investment growth. Emerging economies are forecast to grow by 6.9% in 2008 compared to advanced economy growth of 1.5%;

Governments in developing countries are encouraging companies to take advantage of cheap labour costs by reducing red tape and barriers to international business;

The World Bank's Ease of Doing Business report noted that the top reformers in 2007-2008 were based in Eastern Europe and Central Asia, with the top 10 led by Azerbaijan, Albania, Kyrgyzstan and Belarus;

Developing countries are also beginning to prepare for when the current youth population ages. Mexico passed a pension reform in late 2007, while Brazil is considering proposals for the same;

However, the requirement to support an ageing population once the youth population reaches retirement age by 2050 will continue to pose a long-term threat to developing countries.

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