

Shrinking Societies: The Other Population Crisis

Venessa Wong, [Business Week](#), August 12, 2010

The earth's population is growing at an alarming rate, but in some countries the lack of growth is the biggest problem.

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A Japanese woman's role in society is to give birth, and "all we can do is ask them to do their best per head," said Hakuo Yanagisawa, Japan's former health minister. His remark drew criticism for being sexist, but it touches on one of Japan's most pressing issues: its rapidly aging and shrinking population. Japan is expected to see its population contract by one-fourth to 95.2 million by 2050, according to the [Population Reference Bureau](#), a Washington-based research group, making it the fastest-shrinking country in the world. Former Eastern Bloc nations Ukraine and

Georgia came in second and third, respectively, in a [ranking](#) of more than 200 countries by Businessweek.com based on the Population Reference Bureau's *2010 World Population Data Sheet*.

These countries defy the global trend—but that doesn't mean they'll be spared problems of their own. The world population is expected to expand by 37 percent to 9.5 billion in 2050, according to the report, but growth will not be evenly distributed. Developing countries will grow the most, with the population in Africa expected to double.

Meanwhile, other regions will shrink as the boomer generation ages, people have fewer children, and workers leave for opportunities abroad. The most widespread decline is projected in Eastern Europe, where birthrates have declined since the breakup of the Soviet Union. The number of people in every country in the region, except the Czech Republic, is forecast to contract. By 2050 the region will have lost 13.6 percent of its population, according to data from the Population Reference Bureau.

"Europe, Korea, and Japan have gone into panic mode," says Carl Haub, a senior demographer at the Population Reference Bureau. A declining population impacts a country's economic growth, labor market, pensions, taxation, health care, and housing, according to the U.N. Globally by 2050, the number of older persons in the world will exceed the number of young for the first time in history, according to the U.N. The imbalance will create havoc in the pension systems and make it difficult to support retired and elderly persons, Haub says.

Despite these economic and social consequences, there have been no easy long-term solutions for countries trying to reverse this trend. "Demographic changes are pretty glacial," says Haub.

Incentivizing Growth

That does not mean governments are not trying. Many countries are on a mission to raise the number of births. Although migration patterns affect many countries—such as Lithuania, where the number of people leaving the country is several times the number entering it—they change quickly and can be difficult to project.

Japan's fertility rate fell from 1.57 children per woman in 1989 to 1.26 in 2005, according to Haub. It has rebounded to 1.4, but remains below the rate needed to replace the population: 2.

To encourage people to have more children, the government started implementing a series of programs called "Angel Plans" in 1994, says Toshiko Kaneda, senior research associate at the Population Reference Bureau. The plan offers counseling to couples, increases child-care services, and provides a monthly stipend of 26,000 yen (approximately \$303) per child to ease the burden of raising a family.

In Germany, where the fertility rate is 1.3, the government pledged to increase the number of nursery schools and introduced an allowance that pays 67 percent of a parent's income for the first year after a child is born if he or she stays home.

Even in Iran, where the fertility rate is 1.8, President Mahmoud Ahmadinejad recently introduced a policy that pays families for every child born and deposits money into the child's bank account until he or she is 18.

Such policies only have moderate success, says Dimiter Philipov, a research group leader at the Vienna Institute of Demography in the Austrian Academy of Sciences. As subsidies mainly cause people to have children earlier, the number of births typically increases in the first few years after a policy is passed. The allowances are much lower than the amount needed to raise a child, but "this is a success because it brings in more babies and makes population changes smoother," he says.

Also, while declining fertility was once attributed to the falling marriage rate, today the deteriorating job environment also affects people's decisions to have children, according to NLI Research Institute in Japan. Thus, in developed countries, rather than offer financial incentives, Philipov says, it is more effective to relieve pressure on parents through child-care services and ensuring job security for mothers. "Some would say no one has done it better than France," where there is a broad menu of services for women and parents, says Haub.

Ideal Fertility Rate

Some argue the need to boost the fertility rate might not be so urgent. Tomáš Sobotka, a research scientist at the Vienna Institute of Demography, wrote in February in a column for *The Guardian* in the U.K. that demographers have been envisioning the demise of Europe since birthrates in the region began declining in the late 19th century, but "it is not population size but affluence and technology that make some countries more powerful than others."

Philipov says a debate has emerged about the ideal fertility rate. Advances in science and technology that boost productivity might compensate for a fertility rate below the replacement level, such as 1.7 to 1.8, he says.

Still, a fertility rate of 1.4 or 1.5, as seen in many countries, is "too low," Philipov says. At that level, the number of entries into the labor force becomes too narrow, making it difficult to support pensioners and children.

Elder Care

As fewer children are born, the fastest-growing age group in the world is people age 80 and older, according to the U.N. In 2000, there were about 4 people over age 85 for every 100 people ages 50 to 64; by 2050, it will rise to 11.

The situation is more dire in places such as Japan, where the Population Reference Bureau predicts there will only be one working-age person for every person over age 65 in 2050. Already, there are long waiting lists at nursing homes in Japan's cities. To meet demand, the government has been recruiting, testing, and training nurses from Indonesia and the Philippines.

Also, new technologies are being introduced in Japan to serve the elderly, although they are no substitute for people. For example, companies have reportedly been designing robot caretakers, devices for remote medical care, and cars that monitor brain activity to assist older drivers.

Over the next 40 years, the age pyramid will be upside down and technological advancements will only provide limited relief. While demographic trends are difficult to change, Haub says, "something will have to happen."