
Demographic dilemma

Birthrates across the globe are down and will stay down. Boards would be wise to embrace the new reality and look for opportunities as opposed to threats, writes Graham Kenny FAICD.

There's a fundamental global shift occurring that we hear hardly anything about. It's been gathering momentum for 50 years and is having a positive impact on the world and its future. It also has major implications for business planning. That directors, CEOs and managers have displayed a lack of awareness of this trend – as reported by Hans Rosling in his best-selling book *Factfulness* – is serious for business.

I refer to the birthrate, or average number of children born per woman. It's also known as the fertility rate, although "fertility" has little to do with it. So what is the state of play around the world on birthrates and population?

According to the UN, there are two billion children in the world today aged between 0 and 14. Surprisingly, by 2100 there will still be two billion children in the world in that age bracket. In short, we have already reached "peak children".

Most of us know that Japan's birthrate is declining – its rate is 1.4, significantly below the replacement rate for industrialised countries of 2.1. As a result, the nation's population is forecast to decline by a third by 2065.

Japan is not alone with this trend. The birthrate in the US runs at 1.8. China's is 1.6 and its population is forecast to peak in 2030. The UN has estimated that 51 countries will witness a decline in their populations by 2050.

It's important for directors to understand what's driving this change in birthrates as this might affect their organisation's response. The decline is underpinned by four main factors.

The first is the same across the globe – in developed and developing countries – the education of women. As women become better educated, they move up the skills path, demanding more sophisticated employment and developing careers.

Another driver is improved health services, which have led to lower child mortality rates in developing countries. In 1900, the percentage of children dying before their fifth birthday was 40. Today, it's four.

A third driver is access to contraception. In many developing countries government-sponsored

programs have been put in place to curtail the continuance of large families.

Lastly, and underpinning the first three, is technology. The advent of the mobile phone and internet has impacted women – especially in developing countries. They are better able to communicate with other women, open bank accounts, gain financial independence, increase employment choices, and access education, government services and information. This leads to increased choice for women, and many are choosing careers over caregiving.

The pace of change

This combination of drivers has produced results that may surprise.

Take Bangladesh. Most directors I know estimate the birthrate in Bangladesh as about six births per woman – the correct answer in 1982 when its child mortality rate was higher. (The pattern in poorer countries was to have six children on the premise that four would probably die.) Today, Bangladesh is starkly different. The birthrate is 2.1.

Or consider Iran. The birthrate in Iran is 1.6. This follows the fastest decline in any country's birthrate

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in history – in 1983, Iran's birthrate was around 6.5. What does this mean for the future – and the future of business?

Across the globe, directors' perceptions of these statistics and trends have been exposed as way out of date. Smart directors need to get up to speed. While such perceptions are hard to shake, they must be discarded if strategic planning is to be relevant. Adopt a proactive stance. Don't expect the tide to turn. Don't be like the strategists who see continuous growth as the ideal and declining population as a "problem" or "threat" to the global economy. Women are liberated, there's no turning back. The UN estimates that by 2045-50, 69 per cent of the world's population will live in countries where the birthrate is below replacement. How can boards prepare for this inevitable future? Here are four ways to take advantage of the opportunities presented by falling populations.

1. Recognise that with this trend in falling birthrates, families are moving up the wealth scale. Consumers are emerging in developing countries such as India, where they didn't exist before. Opportunities abound.

2. Accept the growth of Africa. By 2050, the population of Nigeria is projected to surpass that of the US, making it the world's third largest country after China and India. Africa's share of the world population could reach 40 per cent by the year 2100. What does this mean for your business growth?

3. Await the possible shift from the present era, which has relied on an abundance of labour and a relative shortage of capital, to one where the relationship might be reversed. Japan is leading the world in this economic change and is already replacing people with robots.

4. Anticipate that, as the future scenario unfolds, business may be called upon to rethink many of the economic models that underpin decisions today. Continuous economic growth isn't a certainty down the track.

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