Demography is destiny

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DEMOGRAPHY is — or, perhaps, it would be more accurate to say, it could be — destiny. I have explored this theme in this column on several previous occasions. I will indicate in a short while why I am revisiting it.

I have said before that those charged with making economic policies and plans would do well to acquaint themselves with some of the recent demographic trends around the world. This is critical for Pakistan since we now have the seventh largest population in the world. In the next four to five decades we could become the fourth largest country behind India, China and the United States. Ours is also one of the world's youngest populations with one half of the people below the age of fifteen.

A very large number of the young are poor and, what is worse, they are poorly educated. They are looking for work the economy will only be able to provide it if grows at a rate of six to eight per cent a year. In moving towards the high growth path we will need to get increased output from the sectors that can employ more workers. At the same time the quality of education and training provided to the young must prepare them for the modern and more productive sectors of the economy.

But what has the inter-twining of Pakistan's demographic and economic situation got to do with the rapidly changing population trends in several parts of the world? We should take some cognizance of what is happening around our borders and in some cases even well beyond our frontiers to turn our population into an economic asset. This can be done in two ways. One, by the physical movement of the people with requisite skills and training to the parts of the world where serious skill shortages have begun to occur. Two, by developing the industries and enterprises at home to which labour and skill intensive work can be outsourced by the countries that are running out of young workers. This is the line I have taken in the several articles previously contributed to this space that focus on population as an asset.

I am revisiting the subject today for the reason that some new developments have begun to be noticed that may have a serious bearing on this argument. Before listing these developments let us go back for a moment to the demographic trends, both

> Would an economic growth strategy focused so much on improving knowledge base of the indigenous population work in a world that has become increasingly sensitive to admitting new immigrants? The answer is "yes." Given the enormous demographic change taking place in the developed world, the countries that fail to utilize the dynamic inherent in the young populations of the developing world will suffer badly.

Such a projection of demographic change in the post-industrial world poses a number of questions about the economic, social and political prospects of the countries such as Germany. In this respect Germany, of course, is not alone. We will, in all probability, see the same phenomenon repeated in many other parts of the post-industrial world. Italy and Spain are two other candidates for the same kind of demographic implosion. Japan has already begun to go down that route and to the great surprise of many experts the rapidly growing economies of East Asia may be about to experience the same phenomenon.

Many parts of the post-industrial world are simply running out of people at the two ends of the workforce spectrum. There are shortages of people with well developed skills and education and also of those with low level of skill development but required for difficult manual labour. Without these two types of workforce most post-industrial societies will lose economic dynamism. How to cope with this situation?

The United States and Canada are the only two post-industrial societies that have, at least for the moment, succeeded in bucking their demographic trends. Good explanations of demographic trends are generally not easy to provide. Demographers work mostly with three variables — the rates of birth and death and migration. Any of these can change quite suddenly and unexpectedly. Not many people had predicted that both America and Canada will see the arrival of so many people under various immigration programmes adopted by them in the quarter century between 1975 and 2000. The vast majority of these newcomers were from the developing world — from the countries with large but young populations and with few attractive job opportunities available at home.

landscape, particularly in the agricultural sector. That is not always the case in Europe. The continent's notorious common agricultural policy, has sought to arrest the pace of change in the countryside. But the CAP is now under serious attack as the Doha round of trade negotiations makes some halting progress.

One of the more notable manifestations of the unfolding of post-modern and post-industrial societies is at the way people spend their time. Considerably more time is spent on holidays; on entertainment; on visits to doctors, hospitals and health care workers; on eating out, rather than cooking at home. People also want bigger and better homes with more art work, better crafted furniture, bigger and roomier cars that can also provide all forms of entertainment.

Those who have the money to spend — and there are many more of these than ever before — look for professional help to manage special events. They turn to marriage consultants, and dinner party planners; they let travel advisers work out detailed itineraries; they even turn to professionals to help plan how evenings should be spent. The point of all this is that these enormously important — but still not fully grasped — lifestyle changes will have a great consequence for the way the global production system is structured and how the world's workforce gets to be distributed.

Among the changes we have already begun to notice is the way the world industrial production system is being restructured and reorganized. I will use a few examples to illustrate this point. China's south-east, the area contiguous to Hong Kong and generally known as the Pear River Delta, has already become the world's one large factory that produces a vast variety of goods. There is little the Chinese workshops are not churning out these days. Their output ranges from toys and shirts, to sophisticated consumer electronics, to auto and aircraft parts. China is using its vast, disciplined, educated and highly skilled workforce to capture a share in world trade that, at times, is being gained at the expense of the countries such as Pakistan.

And then there is India, another mega-population country that has, more by accident and less by design, become the most rapidly growing "back-office" for the post-industrial, post-modern societies. India is providing the workforce committed to such global and regional, that had begun to interest population experts in recent years.

A number of predictions about the size and distribution of world population have turned out to be way off the mark. Instead of the demographic explosion feared by many analysts, what is happening is a demographic implosion in many post-industrial societies. These societies are mostly in Western Europe and North America and also include Japan and some small East Asian countries such as Singapore and Hong Kong. In most of them, the rates of fertility have declined much more rapidly than was expected a few years ago. The birth rate has fallen so sharply in several countries that over the next several decades we will see a precipitous decline in populations in several countries around the globe. I will illustrate this point by looking at one example of a western, post-industrial society.

Unless Germany, by far the largest European country in terms of the size of its population and the size of its economy, allows a large number of immigrants to come into the country, its population will decline by one half over the course of this century. Germany will see its population decrease from 82 million in 2001 to just over 40 million, by the end of this century. Not only will the German population be so much smaller, it will also be considerably older. If you open the obituary pages of any German newspaper, you will see how long lives have become. This trend is likely to increase as a result of the enormous advances being made by health science and health care.

This wave of migration provided the two North American countries the workers they needed to fill a number of gaping holes in their economies. The migrants came in not only prepared to work in the sectors where there were serious labour shortages. They also brought with them a different set of social values, including the preference for large families — large, at least, in the context of Canada and the United States. This means that for several years what experts call demographic inertia will keep the population of America and Canada growing, while that of Europe, Japan and some parts of East Asia will begin to decline.

There is much talk today of "post-modern societies" — societies that no longer depend on the manufacturing sector for producing the bulk of the national product or for providing most of the jobs to the workforce. It is no longer accurate to describe North America, Western Europe and Japan as industrial countries since they don't obtain a significant part of their income from industrial activities. Industry also is no longer the main employer of the workforce.

What is happening to manufacturing is what happened to agriculture many decades ago. As they did in agriculture, industrial workers have simply moved out of the factories and gone into offices, shops, hospitals, universities, the government and many other parts of the service sector. This transformation has been much more profound in the United States and Canada where the governments have been more willing to let the winds of change sweep the economic

repetitive and unexciting activities as accounting, medical and legal transcriptions, telephone call centres, bookings for airlines. In other words, China and India by pure happenstance are exploiting in different ways the problems of demographic transition now faced by the post-modern societies.

Would an economic growth strategy focused so much on improving knowledge base of the indigenous population work in a world that has become increasingly sensitive to admitting new immigrants? The answer is "yes." Given the enormous demographic change taking place in the developed world, the countries that fail to utilize the dynamic inherent in the young populations of the developing world will suffer badly. Fortunately, with the unexpected demographic revolution has come the revolution in information and communication technology that has made it possible for the countries rich with young people to provide their labour without physically moving to the countries that have serious skill shortages.

This phenomenon now has a name — "outsourcing." It is resulting in the movement of hundreds of thousands of jobs away form the countries that don't have abundant supplies of skilled people (such as America, Europe and Japan) to those where such labour is available in abundance (such as China, India, the Philippines). Why is Pakistan missing from this second list and how could it be included is a subject to which I will return next week.