

Fewer people = lower living standards

1 Warmer

a. Discuss these questions.

- What do you think this sentence means? *Birth rates are falling in many of the world's richest economies.*
- Do you think this is true only in very rich countries?
- Why do you think birth rates are falling?

2 Key words

a. Match the words with their definitions. Then read the article and look at how the words are used to check your understanding of them. The paragraph numbers are in brackets to help you find the words quickly.

shrink (4)	witness (2)	stark (4)	dent (12)
lever (9)	boost (16)	stagnate (13)	
enhance (13)	pace (2)	fall (1)	

1. _____ : to become smaller
2. _____ : a tool or an action used to achieve something
3. _____ : to stop progressing
4. _____ : to decrease or become less
5. _____ : to cause something to increase or become better
6. _____ : to damage something or make something weaker or less
7. _____ : the rate or speed of movement
8. _____ : to add or do something to further improve a thing or a system
9. _____ : very obvious or severe, often in a negative way
10. _____ : to see or observe something

Declining birth rates increase the possibility of sharp decline in living standards

PEOPLE WILL NEED TO PRODUCE MORE AND WORK LONGER TO PLUG GROWTH GAP LEFT BY WOMEN HAVING FEWER BABIES, REPORT SAYS

BY VALENTINA ROMEI

- 1 Many of the world's richest economies will need to at least double productivity growth to maintain historical improvements in living standards amid sharp falls in their birth rates.
- 2 A McKinsey report investigating the economic impact of declines in birth rates found that the UK, Germany, Japan and the US would all have to see productivity rise at double the pace seen over the past decade to maintain the same growth in living standards witnessed since the 1990s.
- 3 The consultancy's report, published on Wednesday, showed that to match GDP per capita growth between 1997 and 2023, productivity growth in France and Italy would need to triple over the coming three decades. In Spain, it would need to rise fourfold between now and 2050.
- 4 The report highlights the stark impact of declining birth rates on the world's most prosperous economies, leaving them vulnerable to a shrinking proportion of the population of working age.
- 5 Without action, "younger people will inherit lower economic growth and shoulder the cost of more retirees, while the traditional flow of wealth between generations erodes", said Chris Bradley, director of the McKinsey Global Institute.
- 6 Governments globally are struggling to contain a demographic crisis amid rising costs for housing and childcare, as well as social factors such as fewer young people being in relationships.
- 7 Two-thirds of people now live in countries with birth rates per woman below the so-called "replacement rate" of 2.1, while populations are already shrinking in several OECD member states — including Japan, Italy and Greece — along with China and many central and eastern European countries.
- 8 "Our current economic systems and social contracts have developed over decades of growing populations, in particular working-age populations that drive economic growth and support and sustain people living longer lives," said Bradley. "This calculus no longer holds."
- 9 Bradley, who co-authored Wednesday's report, said there was "not one lever to fix" the demographic challenges.
- 10 "It's going to have to be a mix of injecting more young people into work, longer working lives, and hopefully productivity," he said.
- 11 The report follows similar warnings by the Paris-based OECD, which last year said declining birth rates were putting the "prosperity of future generations at risk" and urged governments to prepare for a "low-fertility future".
- 12 McKinsey calculated that in western Europe, the decline in the proportion of people of working age could dent GDP per capita over the next quarter century by an average of 10,000 US dollars per person.
- 13 While some economists believe generative AI and robotics could enhance productivity, there is little sign of that happening in a meaningful way yet. Productivity across Europe has largely stagnated since the pandemic, widening a gap that opened up with the US since the financial crisis.
- 14 The consultancy argued that more countries will have to encourage people to work for longer, following the example of Japan, where the labour force participation rate among people 65 years and older is 26 per cent, compared with 19 per cent in the US and 4 per cent in France.

Continued on next page

- 15 Despite longer working lives, Japan's GDP per capita has grown by little more than a third of US levels over the past 25 years.
- 16 "The demographic drag is inexorable and severe, and when it hits, boosting productivity growth becomes even more relevant," noted the report.
- 17 The consultancy calculated that to keep living standards rising at the same rate, a German worker would have to work 5.2 additional hours per week or the share of the population in work would need to increase by nearly 10 percentage points from its current level of nearly 80 per cent among people aged 15 to 64 years.
- 18 The UK and the US required a lower level of additional work thanks to more favourable demographic prospects, but Spain and Italy would also need an increase in the share of people in the labour force by double-digit figures.

FT

Valentina Romei 14 January 2025

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3 Understanding the article

a. Read the article again. Then choose T (true) or F (false) for each statement.

- | | | |
|--|---|---|
| 1. Until now, living standards have usually improved from one generation to the next. | T | F |
| 2. In the future, workers will have to produce more in order for living standards to keep improving. | T | F |
| 3. Large population growth in many rich countries is causing economic problems. | T | F |
| 4. In general, there are fewer people of working age and more retired people than in the past. | T | F |
| 5. Populations are growing in many Asian and European countries. | T | F |
| 6. Young people will be able to retire at a younger age than previous generations. | T | F |
| 7. AI and robotics are already increasing production in Europe. | T | F |
| 8. In Europe, the population is declining faster than in the UK and the US. | T | F |

b. Choose the correct answer to each question according to the information in the article.

- What will happen if people continue to have fewer children?
 - People will have to work more hours and retire at an older age.
 - There will be cheaper housing and better salaries.
 - There will be more young people and fewer old people.
- The traditional economic model is that ...
 - many people work until old age because they have to help support their young adult children.
 - many children start working as teenagers to help support their families.
 - young people enter the work force and help support old people who have retired.
- In the next 25 years, the gross domestic product per person in western Europe may be ...
 - about 10,000 US dollars more per year than it is now.
 - about 10,000 US dollars less per year than it is now.
 - about the same as it is now.

4. For many countries to have an increase in the standard of living in the future, ...
 - A. people will have to have fewer children.
 - B. governments will have to put price controls on things like food and housing.
 - C. more people will have to work and/or workers will have to increase their productivity.

4 Business language – phrases

a. Match the words in the two columns to form collocations from the article. Then find them in the article to read them in context.

- | | |
|-----------------|--------------------|
| 1. per | rate |
| 2. living | growth |
| 3. labour force | standards |
| 4. flow | the cost |
| 5. productivity | participation rate |
| 6. economic | impact |
| 7. birth | capita |
| 8. shoulder | of wealth |

b. Write the phrases from the previous activity next to their definitions.

1. _____: the average amount of money, number of possessions and level of comfort of the people in a specific area or country
2. _____: the number of babies born per year per 1000 people
3. _____: to take responsibility for paying for something
4. _____: the percentage of a population that is working or looking for a job
5. _____: an economic or statistical term meaning *each person*
6. _____: the money, investments or valuable possessions that one generation passes to another

7. _____: the effect that an event or a situation has on a person, community or country
8. _____: an increase in the amount of work or products produced by a worker or produced each hour

5 Discussion

a. Discuss these questions.

1. Do you think the standard of living has risen in general in your country over the last four or five decades? To help you answer, compare the following factors in your parents' or grandparents' generations and in your generation:
 - working hours and job quality
 - money not just for things you need but also for things you want
 - household appliances
 - services such as water and electricity
 - infrastructure like roads, bridges and transportation
 - communication systems
2. Do you think the birth rate in your country is rising or falling compared with previous generations? What could be the reason(s) for this?

6 Wider business theme – effects of population levels on the economy

a. Read the text and discuss the questions.

After World War II, there was a massive increase in birth rates in the USA and a smaller increase in the UK and Europe. This was called the *Baby Boom*, and the people born from 1946 to 1960 are called *Baby Boomers*. The positive economic impact of the Baby Boom was enormous because suddenly there were many more people who needed goods and services. However, now that the Baby Boomers are retiring from the labour force, a smaller workforce of younger people will have to shoulder the costs of a very large elderly population. This could have a very negative economic impact.

1. According to the text:
 - What was one positive effect of a rising birth rate in the Baby Boom generation?
 - What is one negative effect of falling birth rates after the Baby Boomers?

2. Was there a Baby Boom in your country after World War II, or at any other time in the last five or six decades?
3. Which of these trends have you observed in the Millennial and Gen Z populations in your country?
 - People are getting married later or not getting married.
 - People are having fewer children.
 - Many people are not having children.
 - There are fewer economic opportunities than for previous generations.
 - Because of technology, there are fewer jobs.
 - Young people have to support older parents and grandparents because people are living longer.

b. Research to answer the questions below about past and present population trends for your country and their economic impact.

1. What population trends have there been in the past five or six decades? What effects did they have on the economy?
2. Is your country's birth rate rising or falling now and what are the projections for the next several decades?
3. What positive or negative effects on the economy will the current and future population trends probably have?
4. Prepare and present a report on your research. You may want to include graphs.

Useful language:

The effects of this are ... / The impact of this is ... / This means that ...

As you can see ... / This graph shows ... / The statistics indicate that ...

In conclusion, I think ... / For these reasons, I believe ...