

Fewer people = lower living standards

1 Warmer

a. Discuss these questions.

- The article you are going to read states that birth rates are falling in many of the world's richest economies. Do you think this is true only in the wealthiest countries?
- Why do you think birth rates are falling?
- What problems do you think could be caused by
 - o underpopulation?
 - o overpopulation?

2 Key words

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

lever (9)	stark (4)
enhance (13)	stagnate (13)
GDP (gross domestic product) (3)	dent (12)
witness (2)	amid (1)
hold (8)	OECD (Organisation for Economic Co-operation and Development) (7)
boost (16)	fourfold (3)
pace (2)	erode (5)

1. _____: to see or observe something
2. _____: the total value of goods and services in a country in one year
3. _____: to add or do something to further improve a thing or a system
4. _____: very obvious or severe, often in a negative way
5. _____: a tool or an action used to achieve something
6. _____: an international organisation that develops policies to promote economic growth
7. _____: to damage something or make something weaker or less

8. _____: four times as much/many
9. _____: to cause something to increase or become better
10. _____: to stop progressing
11. _____: to gradually destroy something or make it weaker
12. _____: in the middle of
13. _____: to stay the same
14. _____: the rate or speed of movement

b. Complete the sentences with the words from the previous activity. You may have to change the form of some words.

1. There was a(n) _____ contrast between this year's and last year's GDP.
2. The OECD develops policies to help _____ poor economies to a higher level.
3. If a government doesn't keep its promises, people's trust in it _____.
4. A billion dollars won't even make a small _____ in the national debt.
5. Younger legislators don't yet have the _____ of power that older legislators have, so they have less influence on laws and regulations.
6. If the new regulations _____, they will help with global warming, but there are challenges in the courts.
7. The slow _____ of economic growth has a direct impact on our country's GDP.
8. The prime minister had to resign _____ rumours of corruption.
9. The economy has _____ over the past couple of years because of inflation.
10. The next generation may _____ even more natural disasters like fires and floods if global warming is not controlled.

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.

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- 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. Answer the questions. Try to use some of the key words.

1. How do falling birth rates damage economies?
2. What are some of the factors that are causing people to have fewer children?
3. In paragraph 7, what does *replacement rate* mean?
4. What is the evidence that indicates that AI and robotics may not enhance productivity?
5. If birth rates keep falling, what kinds of things will need to happen in order for living standards to continue to rise?

4 Business language – phrases

a. Complete the sentences with the phrases in the wordpool.

per capita flow of wealth birth rate
living standards productivity growth shoulder the cost
labour force participation economic impact

1. _____ can be measured by factors such as level of income, life expectancy and economic opportunities.
2. To maintain the population level of a country, the _____, or number of children each woman has, should be about two.
3. When there is a natural disaster in one area of the country, the federal government has to _____ of cleaning up and rebuilding.
4. The unemployment rate is low when there is a high _____, with most people of working age having jobs.
5. In 2023, the average _____ income in the USA was about 78,000 US dollars, but of course, many people earned far more or far less than the average.
6. The _____ (money, investments, real estate, etc.) from one generation to the next is expected to decline as populations get smaller.

7. A natural disaster can have a terrible _____ on a community, or even a country, because of the cost of helping people rebuild houses and infrastructure.
8. _____ can be represented by an increase in how much each worker produces or how much a company produces per hour.

5 Discussion

a. Discuss these questions.

1. In your opinion, has the standard of living risen in general in your country over the last four or five decades? Consider the following factors in your parents' or grandparents' generations and in your generation to help you reach a conclusion, and give specific examples or details when possible:
 - 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 evidence can you give for your answer? If the birth rate is changing, what do you think are the reasons for it?

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

a. Read the text and discuss the questions below.

After World War II, there was a massive increase in birth rates in the USA, and to a smaller extent, 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 services and products. However, now that the Baby Boomers are retiring from the labour force, there are fewer young people to take their places. Younger generations will have to shoulder the costs of a very large elderly population, and there are fewer people in the workforce to pay for them. The smaller working population and larger non-working population could have a very negative economic impact.

1. In your opinion:

- What are some of the positive and negative effects of a rising birth rate, apart from the positive ones mentioned in the text?
- What are some of the positive and negative effects of a falling birth rate, apart from the negative ones mentioned in the text?

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? If so, what caused it and what are the effects of it?

3. Which of these trends have you observed in the Millennial and Gen Z populations in your country? Add any other trends that you have noticed or that you mentioned in question 2 of the discussion questions.

- 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 find out about population trends and projections for your country and their economic impact. Consider the following:

- population trends in the past five or six decades and their positive or negative effects on the economy
- whether the birth rate is rising or falling now and birth rate projections for the next several decades
- positive and/or negative effects on the economy of current and projected birth rates

c. Prepare and present a report on your research. Include a conclusion about whether you expect your standard of living in 30 years to be generally better or worse than it is now and why. 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 ...