

DIANE FRANCIS

Is Canada headed for demographic disaster?



[Diane Francis](#) | Sep 21, 2012 | Financial Post



BANFF, Alta. — Canadian demographer and author David Foot took the Global Business Forum annual gathering on a worldwide trek and forecast the success of nations through his unique lens.

Demographics is destiny, the theme of his *Boom, Bust & Echo* books, and national outcomes are therefore predictable by charting population mixes. While much has been written about aging nations, his latest research contained surprises as to which countries will win, and which will face challenges, in the next 20 years and beyond.

"You can forecast economic success based on whether there are too many young people or too many old people in a country," he said.

In essence, winning conditions include a ready pool of young people to keep their economies growing, but not too many that youth unemployment and unrest occur. "If there is not enough work, they leave or they trash the place," he commented.

The Arab Spring was demographically predictable, given the massive number of unemployed young persons. But so is the continuation of instability even after regime changes as well as the difficulty in democratizing these countries. This is because soaring birth rates and low educational levels among females in these countries will perpetuate youth joblessness.

This bodes badly for Syria, Libya, Yemen, Egypt, Afghanistan, Iraq, Algeria, Saudi Arabia and Kuwait. The exceptions in that region are Turkey and Iran because of higher female education levels, lower birthrates and the correct balance of young and old people.

Ironically, he added, Iran's 80 million people "should have been our partner [strictly] from a demographic viewpoint." But politics has nullified economic success there, which illustrates that demographics is not the whole story.

"But watch out for Turkey," he said. "It is in perfect shape to continue to grow" faster than any of its neighbours in the Middle East or Europe.

Among large economies, Germany, Russia and Japan are aging so rapidly they will not be major powers in the future. In all three, deaths will continue to rapidly outpace births every year.

Europe's exceptions are France and Scandinavia, where social policies have encouraged higher birthrates through generous family benefits, day-care subsidies, lengthy maternity leaves, among other policies.

Southern Europe is hopeless, in terms of birthrates and economic activity. Interestingly, even though Germany ages, the country has overcome its demographic decline by aggressively automating, thus enhancing productivity and economic growth through exports.

The Global Business Forum is an annual initiative, sponsored by Alberta and the oil industry, so Foot also examined the future of prospects, among the world's biggest energy producers outside the Middle East.

Venezuela, Kazakhstan and Mexico have the right population mixes to sustain growth in future, but Nigeria is hurtling toward a demographic crisis involving massive youth unemployment that will become even more politically destabilizing than is already the case.

Japan, oldest among developed nations, is not alone in Asia and China's one-child policy has reduced the pool of young people. But, also like Japan, he believes that China is capable of getting richer, despite slower growth rates, if it "moves upmarket as the Japanese did" and produces higher value-added products.

On the other hand, India's demographics are a disaster, not a competitive advantage as some may claim. This means the world's largest democracy faces instability politically as unemployment reaches higher levels.

Obviously, demographic advantages alone are not sufficient to create success. Politics plays the critical role as in the case of Iran and others.

Those big economies with the right policy ingredients are the United States and Brazil. Another sleeping giant, Indonesia, is also in good demographic shape to take off economically, as is Vietnam, but only if accompanied with enlightened policies.

"The countries of the future are Brazil, Turkey and Mexico because they have educated females, lower birth rates, but are younger demographically so they can increase living standards by employing everyone," he said. "Indonesia is on the cusp of taking off with the right political decisions and Mexico will, but needs to improve its institutions."

Mexico is NAFTA's youngest partner followed by the relatively young United States, then a rapidly aging Canada — even at immigration levels of 250,000 annually. This means slow growth and a labour crunch loom. By 2026, he said, "Canada will have more old than young people and no amount of immigration can change the figure."

For instance, he said university and college enrolments by Canadians peaked in 2011 and will decline rapidly in future, which is why ratcheting up the number of foreign students, potential immigrants, is now a policy being considered by Immigration Minister Jason Kenney.

"Mexico would be a good place to recruit students from for Canadian post-secondary institutions," he said.

All governments and businesses must shape decisions to reflect their demographic realities. Among effects, he cited, was that older populations use more electricity and natural gas, play fewer sports and attend fewer sporting events. Older countries win fewer gold medals at the Olympics.

"People in their 30s need child-care services; in their 40s pet care; in the 50s eye care and in their 60s pharma care," he said.

They play more golf and less tennis or hockey, prefer exercise classes, gardening and walking, meaning that municipalities should resist the urge to build hockey arenas or stadiums.

There are, however, regional differences. Alberta is the youngest part of Canada, and Calgary the country's most youthful city. In the U.S., Texas is the youngest state.

Foot is an entertaining and informative speaker and, through his books and consulting firm Footwork Consulting Inc., is an encyclopedia of factoids that businesses, investors and governments are well-advised to heed.