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Sustainable economic health of countries with a low birth rate

Economic and Social Council

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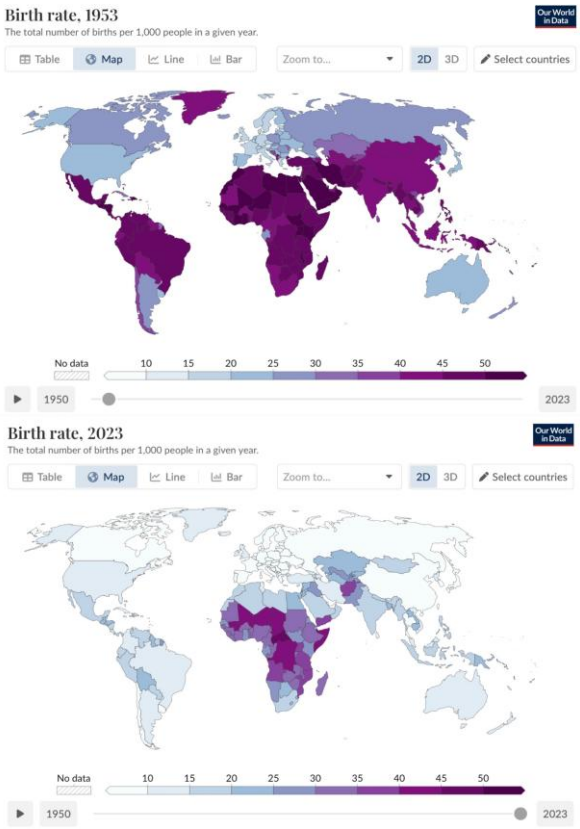
Introduction

In our modern world, a growing number of countries, particularly the higher income nations, have witnessed a significant and consistent decrease in birth rates. Even though this trend was once considered a minor problem, it has now evolved into a major socioeconomic issue. By 2021, more than half of the world had reported an average fertility rate, the average number of births per woman, to be below that of 2.1 children per woman. Studies have highlighted a particularly worrisome trend for countries like South Korea, Japan, Serbia, Germany and Italy where the fertility rate is lower than 1.1 children per woman. At the same time, life expectancy continues to rise.



Birth rate chart map from 1953 to 2023 (Source : OurWorldinData)

Low fertility rates, by themselves, are not inherently problematic. But when they are paired with extended life expectancy and declining immigration, they can have profound socioeconomic effects. When the labor force of a country is starting to decrease, productivity, innovation and tax revenue also start reducing. Meanwhile, an expanding elderly population increases spending on healthcare, pensions and social services, threatening to destabilize public finances, slow economic growth, and widen intergenerational inequality.

In order to face these problematic trends, some governments have already begun to introduce new policies, rethinking the structure of labor markets, retirement systems, immigration policies, and family support programs. France, for example, has implemented generous childcare subsidies, financial assistance to help with the cost of childcare, and parental leave schemes that have helped maintain a relatively higher fertility rate than other European countries. In contrast, South Korea has spent billions of dollars on housing incentives and financial benefits for young families, yet still reports one of the world's lowest fertility rates. Many other nations have taken a variety of approaches to somewhat resolve this issue, all of them differing from each other, and their limited success shows how complex and deeply rooted this issue is.

Given the global nature of these demographic shifts, international cooperation is essential. As the primary UN body focused on economic and social policy, the Economic and Social Council (ECOSOC) is positioned to address how countries can secure sustainable economic health, despite declining birth rates. This report will examine the causes of low fertility, outline the economic risks of an aging population, and explore potential solutions that can help governments adapt to these unprecedented demographic challenges.

Definition of key terms

Aging population

A demographic situation in which the median age of a country's population increases due to declining fertility rates and rising life expectancy, resulting in a higher proportion of older individuals.

Birth rate

The number of live births per 1,000 people in a population in a given year, used as a basic indicator of population growth or decline.

Dependency ratio

The ratio between the non-working-age population (typically under 15 and over 64) and the working-age population (typically 15–64). A higher dependency ratio indicates more dependents for each working-age person.

Demographic dividend

The economic growth potential that can result from shifts in a country's age structure, typically when the working-age population is larger than the non-working-age population.

Fertility rate

The average number of children that would be born to a woman over her lifetime if she experienced current age-specific fertility rates throughout her reproductive years.

Labor force

All the people within a country or an organization that have the ability to work, viewed collectively.

Life expectancy

The average number of years a person is expected to live, based on current mortality rates within a population.

Urbanization

The increase in the proportion of people living in towns and cities, because they moved from rural areas (countryside) to urban areas.

Workforce participation rate

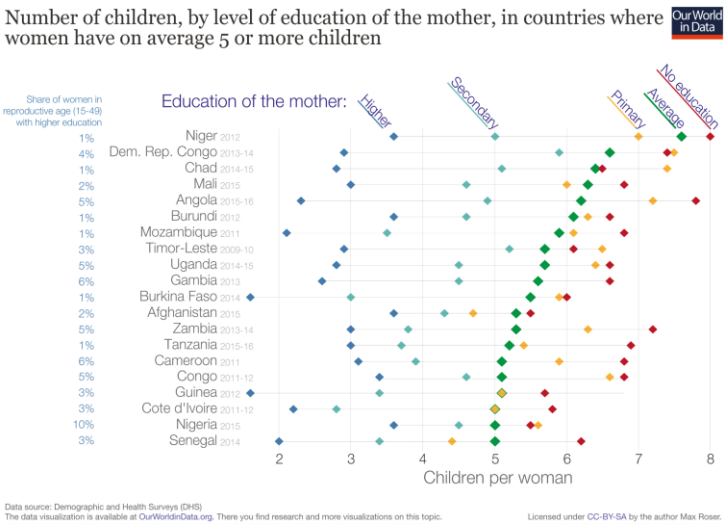
The percentage of the working-age population that is either employed or actively seeking employment.

General Overview

As mentioned previously, the issue of declining fertility rates has become one of the most significant demographic challenges, affecting countries across the globe. Although every nation experiences its own unique social and economic context, the overall trend is similar: families are having fewer children, *life expectancy* is rising, and societies are transitioning into an aging population. This transformation has deep implications for sustainable economic health, since it affects the size of the labor force, the balance between working-age citizens and dependents, and the ability of governments to maintain public services and social welfare systems.

Causes of low birth rates

There is no single, ultimate cause of falling birth rates. Instead, multiple social, economic and cultural factors contribute to this trend. In many higher-income countries, urbanization and growing living expenses have made it extremely difficult for young adults to be able to afford children. Families now are significantly pressured by childcare expenses, education fees and housing costs. At the same time, many people are choosing to delay marriage and parenthood because of career aspirations, educational pursuits and other either financial or personal reasons. This is especially evident in East Asian countries, like South Korea and Japan, where long working hours and an expensive urban lifestyle prevent people from having children.



Another important factor is the now evolved role of women in society. As more women enter the workforce and achieve higher levels of education, they often choose to prioritise their careers and delay having children. On the left, we can see a chart from countries with some of the highest birth rates that shows how women with a higher level of education tend to have less children than those with a lower level (data from OurWorld in Data). While this is a positive development in terms of gender equality and economic growth, it has contributed to reduced fertility levels in many societies. Furthermore, cultural shifts have changed family expectations; in some countries, young people value independence and personal freedom more than traditional expectations of early marriage and large families.

Economic consequences

Over time, a declining working age population leads to a reduction in the workforce participation rate. As a result, there are fewer workers who contribute to the productivity of the country, fewer taxpayers who finance public budgets, and possibly reduced economic innovation. This can be particularly harmful for nations that mostly depend on manufacturing and labor-intensive industries.

In the meantime, the need for long term care, pensions, and health-care services is growing due to the increasing aging population. Governments are faced with the challenge of supporting a growing elderly population, while relying on a smaller base of workers to fund these systems. The *dependency ratio*, the ratio between dependents and workforce, rises significantly, putting pressure on both public finances and younger generations. In Japan, for example, the dependency ratio has already reached one of the highest in the world, having fewer than two working age people for each retiree. And this situation is only expected to worsen as time goes by, especially for OECD countries.

For all nations' economies, this situation can be a bit of a mixed picture, having a larger aged population is not totally negative. Society can benefit from workers who have had years of experience in the workforce and some individuals have the financial ability to spend on health care, travelling, housing and other services, since many older people have more savings than younger people. However, the other side of the coin is indeed heavier, the positives mentioned above do not surpass or come close to the socioeconomic instability this problem provides.

Social and political impacts

Beyond just the economy, low birth rates affect society and politics. Countries with shrinking populations may have a reduced worldwide influence, in comparison to countries with larger and younger populations. This is often described as *the loss of the demographic dividend*[1] , meaning that because of the working age population being reduced and possibly lower than the elderly, the nation can no longer rely on them to boost their development.

Domestically, generational tensions may arise. Younger generations could feel burdened and pressured by high taxes and social contributions needed to support retirees, while older generations may worry about the sustainability of pension systems and healthcare services. These tensions can become politically sensitive, as governments struggle to balance intergenerational fairness.

In some regions, declining populations also raise concerns about national security and cultural abandonment. For example, in South Korea, the fear that arises from decreasing birth rates is connected to questions about how well the nation's military service is going to be and even about how culture and old traditions will be sustained. So, it is understandable that dropping fertility rates can have widespread consequences that extend far beyond economics.

Attempts at solutions so far

Many governments have recognized the risks mentioned above and have introduced policies to maintain the problem. These attempts can be separated into 3 main categories; encouraging child birth, adapting labor markets and immigration policies.

In order to encourage child birth, mostly financial support has been provided. Some governments have tried to resolve this issue by providing proper childcare funds and tax benefits to its citizens. France for example, has followed this method by allowing subsidized childcare, child allowances and generous parental leave. These methods have helped France maintain a higher fertility rate than its European neighbors. On the other hand, countries like South Korea have spent millions, maybe even billions for "baby bonuses" and still have not seen much success. South Korea still has the lowest fertility rate in the world, showing that financial support alone does not solve the problem.

[1] Demographic dividend is the growth in an economy due to a change in the age structure of a country's population.

Other governments have chosen to focus on adapting their labor markets instead. For instance, Japan has promoted a policy known as *Womenomics*[2] and when Prime Minister Abe took office in 2012, he made this a key part of his "Abenomics" reforms, introducing policies like expanded childcare support and targets for increasing female employment. In addition, many European countries, like Germany have gradually raised the retirement age to ensure that older workers stay active for longer periods of time. This approach does not directly raise fertility rates, but it does help sustain economic growth.

Lastly, a different approach some countries have taken is to use immigration as a way to balance the shrinking workforce, mostly by bringing in younger workers from abroad. Canada for example has set ambitious immigration targets each year, particularly for skilled workers, in order to fill in gaps in industries that need it, like technology, healthcare and construction. This has allowed Canada to keep its workforce participation high, even though they face the problem of low birth rates. Germany has also used this tactic, targeting sectors where local labor shortages are severe, such as healthcare and manufacturing. However, this tactic does come with its challenges. Apart from the financial investments that newcomers will need to make on housing etc, immigration is often a politically sensitive issue. For this exact reason, not all countries accept this attempt as a long-term solution, even though it has proven to work, at least in the short term for laboring markets.

Looking ahead

The problem of declining birth rates is unlikely to disappear in the near future. In fact, many studies show that by 2050 most countries will have fertility rates below the level of 2.1 children per woman. This suggests that low birth rates are not just a passing challenge, but a long-term issue that will shape economies for decades to come. The real question is not whether it will have an impact, but rather how governments will adapt to it in order to keep *sustainable economic growth* and *health.*

A lot of opinions throughout the globe have been shaped about which is the most effective solution to this problem. Many believe that new technology will be our savior, or better childcare systems, broader social reforms, more flexible working conditions, the list goes on and on. What seems clear though is that there is no single answer. Every country faces its own unique situation and a combination of policies will be used so that it can align with each government.

[2] Womenomics is the concept that promoting gender equality in the workforce and empowering women leads to economic growth. It was first introduced by economist and strategist Kathy Matsui.

Major parties involved

European Union (EU)

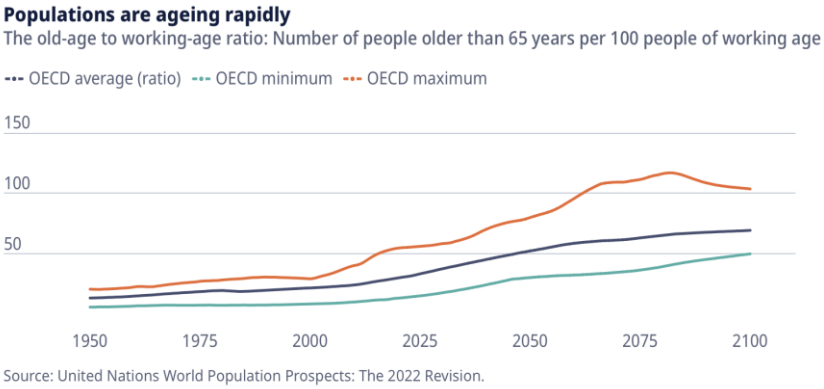
The European Union is an organized political and economic union of 27 states, which actively creates policies on fertility, family benefits, pensions, immigration and it has been actively addressing low fertility rates. Many EU countries, like Germany, France and Sweden, have developed strong family policies, including child allowances, subsidized daycare and paid parental leave. These programmes aim to reduce the financial burden of raising children and to support gender equality in the workforce, which can help raise workforce participation rates for women. However, success has been uneven across member states. France has maintained a high fertility rate, while countries such as Spain and Italy continue to face very low birth rates. As a bloc, the EU is also concerned about the impact of an aging population, so they have introduced policies like raising the retirement age, and increasing labor mobility. The EU's approach has shown that while financial support can help, cultural and social factors also play a major role in shaping fertility decisions.

International Longevity Center (ILC)

ILC is a global policy alliance and a Non-Governmental Organization (NGO) that focuses on the implications of aging populations for society and the economy. With branches in several countries across the globe, ILC consists of 16 member-centers so far. These centers tend to work both autonomously and collaboratively in order to seek and offer solutions to the impact of increased proportions of older people. Unlike governments, ILC does not create policies directly, but it influences decisions by providing researched recommendations to those who do. Its work often highlights the balance between generations, stressing the need for solutions that protect both older and younger people while supporting sustainable economic health.

Organization for Economic Co-Operation and Development (OECD)

The OECD is an international organization consisting of mostly higher income countries, many of which are facing the problem of low fertility rates and high aging populations. Currently, ageing is one of the topics OECD countries are actively attempting to fight. On the left, we can see a chart, taken from the OECD website under the topic ageing, that shows the increasing old-age to working-age ratio, the dependency ratio, that only seems to be increasing as the years pass. This is one of the many regularly published reports, they often include labor market changes, pension reforms and many others. Most of their analysis stresses that countries must take early action in order to prevent long-term damage. While the OECD suggests a combination of measurements, that have been mentioned previously, in order to tackle the problem, it also stresses that there is no single solution, since cultural and social factors affect families' decisions differently in every country. Even though



Source: United Nations World Population Prospects: The 2022 Revision.

the OECD cannot enforce a policy, its research and recommendations make it an important voice in shaping how governments deal with the issue.

South Korea

South Korea, along with Hong Kong and Macao, takes the first place of the lowest birth rate in the world, with 0.7 live births per woman in 2023. This number is far below the replacement level fertility[3] of 2.1 and has made the situation in South Korea one of the most pressing demographic challenges worldwide. On the right, we can visually observe the country's sudden drop in fertility rates from the year 1950 to 2023 (chart from OurWorld in Data). Despite spending billions of dollars on a variety of solutions in order to tackle their problem, South Korea's birth rate has only continued to decline year by year. This means that their ageing population is growing rapidly, while the workforce participation rate is dropping and the economic consequences are already being felt. The government has also faced difficulty trying to balance generous family policies with the high costs of urban housing and the country's culture of long working hours, which discourage family formation. It is suggested that immigration could help reduce the pressure, but South Korea has historically been reluctant to large-scale immigration due to cultural and political concerns. South Korea's case is very important, because it shows that even having a significantly large amount of financial resources alone are not enough to resolve this issue.

United Nations Department of Economic and Social Affairs (UN DESA)

UN DESA plays a critical role in the global discussion of population and economic health. Through its Population Division[4] UN DESA produces the World Population Prospects and other key reports that provide governments with information on fertility rates, life expectancy and dependency ratios. While UN DESA does not enforce policies, it acts as a neutral platform for dialogue between all countries so that common ground may be found. It also connects the issue of low fertility rates with the United Nations' Sustainable Development Goals(SDG)[5], especially goal 8 which focuses on *sustainable economic health* and decent work.By promoting cooperation and knowledge-sharing, UN DESA helps ensure that governments facing similar demographic challenges can learn from one another.

[3] Replacement level fertility is the number of children per woman needed to keep a population stable without migration, usually 2.1.
[4] The Population Division is a branch of UN DESA that collects and analyzes demographic data, including fertility, mortality, and migration trends.
[5] The SDG are 17 global objectives/goals adopted by all UN members in 2015, covering a variety of issues like poverty reduction, health, education, etc with a target year of 2030.

Timeline of events

1966 October 1st	Romania signs Decree 770, which states that most abortions and contraception are now illegal and triggering a momentary baby boom[6]
1974 January	Fertility rates in many high-income countries fall below replacement level fertility of 2.1 for the first time, beginning the long-term demographic decline.
1982 July 26th	The United Nations holds its first World Assembly on Ageing in Vienna, adopting the Vienna International Plan of Action on Ageing to guide future policies for ageing societies.
2002 April 8th	At the Second World Assembly on Ageing in Madrid, the UN adopts the Madrid International Plan of Action on Ageing to guide global strategies over three priority themes: older persons and development, health and well-being, and supportive environments.
2006 July	South Korea introduces its first major national plan to increase fertility, investing billions in childcare subsidies and housing incentives.
2015 October 29th	China ends its one-child policy after more than three decades, allowing families to have two children.
2019 June 20th	The EU officially adopts the Directive on Work-Life Balance for Parents and Carers, aiming to promote gender equality and support families with leave and flexible working hours.
2020 July 16th	The United Nations publishes World Population Prospects, hinting that most regions will fall below replacement fertility by 2100.
2023 February	South Korea records a fertility rate of 0.72, the lowest in the world despite years of government investment.
2025 June 5th	Japan records the fewest births in over a century, intensifying concerns about its economic sustainability.
2025	The ILC Global Alliance are due to meet in South Africa alongside the IFA's 17th Global Conference on Ageing

[6] A baby boom is a period of time marked by a significant amount of births within the population of a country

Possible solutions

Boost productivity with modern day technology and reskilling

With fewer workers, countries can raise productivity and support their workers by encouraging useful technology and helping the people learn the skills to use that tech well. The key is pairing technology with training, so people aren't left behind.

Lifelong learning for adults would help raise the skills of the workforce, giving them the opportunity to reach their fullest potential and prepare them for the rapidly evolving economy. Offering and funding training courses like these helps mid-career workers to stay relevant in their sectors while building on their skills. An example to follow would be Singapore's SkillsFuture Movement launched in 2015.

Using technology and AI in the workforce these days has become very controversial. In this case, support tech and AI would only be used where there is a real shortage of workers. In health and elder care, pilot robotics/AI would be useful, paired with training for the rest of the workers so that technology is paired with them and supports them, not replaces them.

Support families through work-life balance and housing reforms

Countries can support families by making it easier to combine work and family life while also lowering the costs of housing to an extent. Paid parental leave, flexible working hours and affordable childcare all help parents balance their careers with children. The EU's Work-Life Balance directive is an example of this, setting minimum standards for parental leave and flexible work. These kinds of measurements are not only suitable for parents, but also can help the workforce participation rates grow as a whole.

At the same time, housing costs play a huge role in family decisions. Governments can make a difference by investing in affordable housing, ensuring families that they have stable options even if they choose to rent or buy a house. By focusing on work-life balance and affordable housing together, countries can make it less stressful for people to start families.

Use Targeted Immigration to balance the workforce

As previously mentioned, the technique of targeted immigration is used to stabilize the working-age population. By allowing more young workers and families to enter, countries can slow down the decline of the dependency ratio and keep economies active. However, this plan only works well if it is carefully thought out and supported with good integration policies, like language programs, housing access and recognition of professional skill.

Canada, as said above, has been an example of this technique, with short-term success. After some time, the nation decided to scale back these plans so that they would not put too much pressure on housing and public services. This is why balance is important, making sure that needed immigration won't affect the economy negatively.

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