



Development, Demography and Migration

AUGUR Work Package #4

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INTRODUCTORY REMARKS

- This work package has focused on four of the combined European-Global Scenarios generated by the CAM model:
 - 1) Struggling On plus Reduced Government
 - 2) EU Breakup plus US-China Accommodation
 - 3) Multi-Speed Europe plus Global Regionalisation
 - 4) Towards Federal Europe plus Multipolar Collaboration
- It has focused on the Economic Dependency Ratio (EDR), which combines the young and elderly share of the population with the unemployed and economically inactive working-age population
$$EDR = [(Young + Elderly) + (Unemployed + Inactive)] / Employed$$
- This ratio is able to compare the effects on dependency of purely demographic trends and employment-related trends



INTRODUCTORY REMARKS

- This approach allows us to more usefully enter the debate on demographic trends, especially in Europe, by identifying employment-related solutions within the working-age population instead of relying exclusively on targeting the benefits of the elderly
- It also allows us to propose more progressive economic policies for Developing Countries in dealing with increases in young dependents and their growing need for employment
- The CAM model's database also allows us to examine gender differentials in employment rates so that we can program disproportionate increases in female employment in countries where such policies would be appropriate
- We also track trends in the stock of net migrants between 2012 and 2030 as part of our model-based research



Economic Dependency Ratio by 2030

CAM Scenarios	North Europe	West Europe	United Kingdom	South Europe	East Europe
<i>2012 Starting Value</i>	1.16	1.30	1.26	1.71	1.67
Struggling On + Reduced Government	1.31	1.41	1.38	1.77	1.72
EU Breakup + US-China Accommodation	1.50	1.56	1.54	1.80	1.80
Multi-Speed Europe + Regional Globalisation	1.13	1.12	1.23	1.41	1.33
Federal Europe + Multipolar Collaboration	1.13	1.11	1.23	1.40	1.33



Trends for Europe: Economic Dependency Ratio

1. **Struggling On + Reduced Government**: The EDR would rise in all European blocs—most severely in North Europe, West Europe and the UK—as ageing intensifies and employment stagnates
2. **EU Breakup + US-China Accommodation**: ‘The Worst -Case’ Scenario based on a sharp rise of the EDR, especially in N. and W. Europe and the UK, based on greater stagnation of employment (despite a declining working-age population)
3. **Multi-Speed Europe + Regional Globalisation**: A generally significant reduction in the EDR, most notably in South and East Europe (based on an explicit programmed stimulus to employment)
4. **Towards Federal Europe + Multipolar Collaboration**: Basically the same improved results as for Scenario #3 (no additional employment boost)



Trends for Europe: Net Stock of Migrants, 2012-2030, Millions

Global Scenarios	North Europe	West Europe	United Kingdom	South Europe	East Europe
Struggling On + Reduced Government	0.77	1.68	0.38	2.80	-0.75
EU Breakup + US-China Accommodation	0.29	-0.19	-0.17	2.46	-1.57
Multi-Speed Europe + Global Regionalisation	1.01	4.64	0.92	5.70	0.31
Federal Europe + Multipolar Collaboration	0.91	3.83	0.86	6.09	-0.69



Development Perspectives: North Africa and West Asia

A. Multi-Speed Europe + Regional Globalisation: We programmed an additional Employment Stimulus for North Africa and West Asia:

- 1) In the underlying Scenario, Employment would rise only modestly and the Economic Dependency Ratio would decline only modestly by 2030 (to a still high 2.2). Both North Africa and West Asia confront a serious problem of Economic Dependency (based on a rapidly growing youth population and a notable lack of productive employment)
- 2) We programmed a rise in the ratio of 'Employed/Working-Age Population' to 52% (from 43-44% in 2012): increasing government expenditures (linked to private investment) and depreciating the real exchange rates in both blocs
- 3) As a result, the EDR would decline dramatically from 2.58 in 2012 to 2.00 in 2030 in North Africa, and from 2.58 to 1.86 in West Asia, accompanied by an overall increase in labour productivity, maintenance of manageable fiscal positions and increases in the exports of manufactures and services



Development Perspectives: China and India

- B. Towards Federal Europe + Multipolar Collaboration: This is the most optimistic of the four combined European-Global Scenarios, particularly for the income convergence of Developing Countries**
- 1. China and India face distinctly different demographic futures: China would experience a doubling of the share of its elderly by 2030 (to about 16%) while India would experience some decline in its large share of youth (to about 24%). But the share of the working-age population in both countries would end up about the same, 68-69%**
 - 2. China's Economic Dependency Ratio would be about 0.60 in 2030 (very low because of a high employment rate) while India's EDR would be much higher, 1.71 (because of a much lower employment rate)**
 - 3. In response, we programmed employment-focused economic policies for India based on: a) an overall target of a 62% employment rate, and b) a disproportionate increase in female employment**



Projections for China and India

4. The Results from this Employment-Focused Scenario:

- a) The female (formal) employment rate in India would rise from 28% in 2012 to 44% in 2030, and the overall employment rate would hit 61%
- b) India's Economic Dependency Ratio would fall to 1.38 from 2.00 in 2012 (instead of to only 1.71 in the underlying scenario), based on a more rapid rise in the Employed (especially female employed) in comparison to Economic Dependents
- c) India's labour productivity would also end up increasing substantially, indicating that employment would not be expanded at the cost of falling productivity (and wages)
- d) China's employment rate and labour productivity would still surpass India's in 2030 but the development gaps between the two countries would narrow significantly



Brief Concluding Remarks

- We have developed the Economic Dependency Ratio as an analytical tool for our research on demographic trends, both for developed countries in Europe (the focus of the AUGUR project) and developing countries in North Africa, West Asia and Asia (i.e., China and India)
- This tool has helped us to judge the impact of economic policies that could help explicitly to boost employment rates in both developed and developing countries
- This would help address the Economic Dependency directly due to unemployment and economic inactivity (and thus lessen the impact of demographic pressures)
- This approach has helped us to position the well-known demographic problems of an increasing share of either young dependents or elderly dependents within a broader analytical framework and test the feasibility of employment-generating economic policies in particular (on the basis of the multiple feedback mechanisms of the CAM macro model)