

The growing problem of shrinking population

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As they relaxed with their two children in their small Paris apartment the other night, Odile and Gregoire Jarrosson wrestled with a question that is troubling countless French families today: Would they have a third child in exchange for an extra \$1,400 a month?

"It certainly sounds tempting to people like us," said Mr. Jarrosson, 41, an unemployed caterer. "Before, a lot of Parisians like us were refraining from having another child because you don't want to put three kids in one room in your apartment.

"But that's enough money to get another room."

Ms. Jarrosson, a successful 38-year-old actress, is not quite so swayed by the French government's new offer.

"I think it's a very good policy, and it's good that France is paying to have more children, but it doesn't make me want to have another child."

But after she tucked 8-year-old Madelaine and 3-year-old Elie into bed, she contemplated the huge sums her government is offering to make her family grow.

The recently announced plan would pay €750 (\$1,060) per month for a year to the parents of a third child, plus a permanent monthly allowance of €262 (\$373) for the third child on top of \$164 for each of the first two.

Tax deductions will be doubled for third and any additional children, railway fares will be 75 per cent cheaper for three-child families, all child care will be free and an additional gift of €826 (\$1,176) will be paid when the third child is born.

While French Prime Minister Dominique de Villepin spoke grandly of allowing a "better reconciliation of professional and family rhythms," he made it clear that the policy has one crucial goal: making sure that France's population does not collapse in a looming worldwide crisis of depopulation. "We must do more to allow French families to have as many children as they want," the Prime Minister said.

The Jarrossons, with two kids, are a perfectly average European couple -- somewhat above average, in fact, since European families have, on average, 1.5 children, far below the 2.1 children necessary to maintain a stable population without immigration.

That fact has become deeply worrying to the continent's 25 national governments who fear the consequences of stable or shrinking populations: poverty, unemployment, fiscal crises and a loss of competitiveness.

Within the next century, the entire world will experience population shrinkage. Education and public health are spreading worldwide, and in countries where women are educated and life expectancy is high, people tend to have fewer and fewer children. Add spiralling housing costs in the Western world, and it is

increasingly rare that anyone in the better-off half of the world wants to have more than two children.

In France, Ms. Jarrosson points out, having more than two children is something for the very poor or the very rich, as it increasingly is in most of Europe, in Japan, and in Canada.

If the political climate turns against immigration, Canada's population could start falling immediately. China's population is expected to start falling by 2025, according to United Nations forecasts, while the United States, India and parts of Africa will see their populations start to drop after 2050.

But Europe's population is already under threat and governments are scrambling to find solutions.

France is offering huge cash sums for extra children. Sweden and Austria provide as much as two years' maternity leave at full pay. Northern European countries are paying men to stay home with their children to encourage career-minded mothers to have more than two. And Spain is paying foreign immigrants the airfare to move to depopulated towns.

"There is a real crisis looming, and many of us are already experiencing it," says Reiner Klingholz, the head of Berlin's Institute for Population Development, a think tank devoted to the problem.

France, with 1.9 children per family, reasonably high immigration levels, and a tradition of using state programs to support a higher fertility rate, has managed to stave off a crisis. But other wealthy European countries are in deep trouble: Italy, Spain and Germany now have only 1.3 children per couple, and while Spain and Germany are experimenting with high immigration levels, they are beginning to realize that even this won't help in the long run.

Compensating for a very low fertility rate requires extremely high levels of immigration, far higher than Canada's or Germany's, and not just in a short burst to replace a lost work force -- it has to be permanent. Boosting immigration carries its own issues: European societies are already bristling over cultural tensions, and social inequalities, caused by existing immigration.

"You can do like some countries and use skilled immigrants to replace the work force. But this is not a way out of the population crisis," says Mats Johansson, a demographer with the Royal Institute of Technology in Stockholm.

"The kind of educated immigrants you need do not have high fertility rates, even if they are from countries that do have high fertility rates."

To understand the scope of the problem, consider Germany, which currently takes in about 200,000 immigrants per year, about the same number as Canada. This is becoming politically challenging since the country is experiencing an economic crisis, with five million unemployed.

"But if we don't want to suffer from depopulation, we need a lot more immigration than that," Mr. Klingholz said. "To keep our current population stable until the year 2050, we'd need to be taking in 750,000 immigrants per year starting now. Even if we only maintained 200,000 immigrants per year, we will have lost eight million people by then -- a tenth of our population."

So what is so bad about losing a tenth of your population? After all, scholars have spent the past two generations fretting about the dangerous effects of population growth (which is still a dire problem in

many countries, especially in Africa).

In fact, as Europe and Japan are learning, a shrinking population can be devastating, undermining economic growth, increasing poverty rates and boosting government debt. That leaves governments with little choice but to cut spending as the tax-paying population disappears and state expenses rise sharply.

The core problem is that a shrinking population is, by definition, an aging population: With fewer children, you have a higher percentage of old people. Old people consume more government resources -- think pensions and medical services -- so you need an equal number of tax-paying citizens to cover their cost.

Today, 49 per cent of Europeans are considered dependents, that is, they cost governments more than they pay in taxes (this includes most people under 15 and over 65). By 2030, according to the European Union, dependents will rise to 66 per cent of the population.

"Never in history," a European Union task force pointed out in a major study this year, "has there been economic growth without population growth."

In another study commissioned earlier this year by the former Dutch prime minister Wim Kok, economists found that population decline, at its current rate, could cut European economic growth almost in half, from its current rate of 2.25 per cent per year to 1.25 per cent in 2040 -- a huge blow to prosperity.

At the moment, Western European countries are saved from the negative economic effects of depopulation because they have a steady stream of low-wage workers coming from Eastern Europe. But, Mr. Klingholz points out, those eastern countries have the lowest fertility rates in the world, and will soon be facing their own labour shortages.

Yet as both France and the former communist countries have shown, it is possible for governments to "buy" a higher fertility rate, and some economists say that it may be economically beneficial to do so.

Indeed, this was the conclusion reached by the EU study. Its surveys found that the average European would like to have 2.3 children, while the actual continent-wide fertility rate is 1.5.

"Europeans would like to have more children," the EU concluded, "But they are discouraged from doing so by all kinds of problems that limit their freedom of choice, including difficulties in finding housing. . . . This means that, if appropriate mechanisms existed to allow couples to have the number of children they want, the fertility rate could rise overall."

France has led the way in this direct, money-for-babies approach. The communist countries of the east also managed to raise their fertility rates above the shrinkage level in the 1970s through welfare payments and aggressive pro-family propaganda.

Other countries, such as Denmark and Sweden, are using flexible working hours and family-friendly benefits to encourage women to have more children without sacrificing their careers.

Indeed, European demographers have discovered one encouraging trend: more money, and more education, can lead to more children.

"Normally, a textbook would tell you that the more developed a country is, the lower the birth rate," Mr. Klingholz said. "But that only applied up to the 1970s. After that, further modernization and introduction of civil rights in countries started to result in more children. The more equal the sexes in the West, the higher the birth rate."

Still, most countries are beginning to realize that retirement ages will have to be raised to 70, that teenagers and young adults will have to be better integrated into the work force, and that incentives will have to be provided to make the young and old work, all so that a shrinking population can be as productive as a growing one.

Some governments are beginning to realize that depopulation is inevitable. "In Sweden, our new development policies have dropped the population-growth goal; instead, the policy is aimed toward creating a good life: We call it 'civilized depopulation,'" Mr. Johansson said.

"You make sure the older people are cared for, and you make everyone comfortable with the idea of a lower standard of living in the future." There is a stark sense of ambivalence here between a widespread European desire for a slower -- albeit poorer -- lifestyle, and an equally strong desire to avoid losing the standard of living that has made Western Europe the world leader in prosperity and equality. You can sense that ambivalence in Odile and Gregoire, as they discuss the temptation of a richer life with three children.

"The payment is pretty cool: It takes away the complex, the stigma associated with large families," Mr. Jarrosson says. "Yes," says Ms. Jarrosson. "But you don't put your children in a balance, with a pile of money at the other end. It's more complicated now, but it isn't going to change our decision."

Baby deficit

Many countries in the world especially in Europe, are facing the prospect of declining populations as fertility rates dip below the 2.1 children per family needed to maintain a stable population without immigration.

| Life expectancy At birth 2005 | Live births Per thousand people |
|----------------------------------|------------------------------------|
| France 80 years | Niger 56 |
| Canada 80 years | Afghanistan 48 |
| U.K. 78 years | Chad 45 |
| U.S. 78 years | Sudan 37 |
| China 72 years | India 25 |
| Ukraine 68 years | U.S. 14 |
| Russia 66 years | France 13 |
| India 62 years | China 12 |
| Sudan 57 years | U.K. 12 |
| Chad 47 years | Russia 11 |
| Niger 43 years | Canada 10 |
| Afghanistan 42 years | Ukraine 9 |

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