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on Demographic Challenges

Megatrend «Global Demographic Change»: Tackling Business and Society Challenges in 2030 and beyond

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Universität St.Gallen

Hochschule für Wirtschafts-, Rechts-, und Sozialwissenschaften

(HSG)

**Lessons learned from the WDA Forum Expert Congress
“Upcoming Demographic Changes in Islamic Countries”**

Swiss Re Centre for Global Dialogue
Rüschlikon / Switzerland November 1 – 3, 2010.

Rationale for the Conference
Hans Groth

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Rationale for the Conference

Demographic change is a global phenomenon of the 21st century affecting both the developed and the developing world. This inevitable change is not just about the simple size of a given nation – it is also about a new and unprecedented equilibrium among generations. On a national level, this new equilibrium implies potential challenges concerning the economy, wealth, health, political governance, and social structures. In addition, this change might also affect the quality of relations between single nations and regions. Furthermore, there is a likelihood that new alliances will occur – some countries will gain influence while others will become less influential and powerful.

While European nations are increasingly concerned about the ageing and shrinking of their continent, knowledge about unfolding demographic trends in developing regions such as Africa, Asia and the Middle East is limited and thus, does not currently receive the public attention it deserves. However, in a globalizing world, such knowledge is critical for current and future leaders from both a business and societal perspective.

The objective of this WDA Forum Expert Symposium “Future Demographic Changes in Islamic Countries” is to help close this knowledge gap regarding the entire global Muslim community, especially considering the forecasts which indicate that they will represent more than one quarter of the world's population by 2030.

| Challenges in Population Sizes with Geopolitical Impact | | | |
|--|------------------|------------|-------------|
| | 2010 (Mio) | 2030 (Mio) | vs 2010 (%) |
| Global Population (193 Nations) | 6'909 | 8'309 | 20.3 |
| Organisation of the Islamic Conference (57 Members) | 1'588 | 2'150 | 35.4 |
| | + 562 Mio | | |
| EU-15, Norway, Switzerland | 407 | 422 | 3.7 |
| | + 15 Mio | | |

Source: <http://esa.un.org> - medium variant

While more detailed conference proceedings can be found in the monograph “**Upcoming Demographic Changes in Islamic Countries**” (Swiss Re Centre for Global Dialogue, Rüschiikon 2011), this paper has a very special purpose:

It is about giving the young generation an independent and unbiased voice about their future.

Today's young generation is the one who is going to determine how demographic change will further evolve in the next two decades and beyond. Therefore, four Master Students from the

Global Demographic Change

University of St. Gallen (HSG) were invited to attend this conference as part of their curriculum. In their paper “Learnings and Conclusions” they have summarized their findings which they have developed when listening to the numerous presentations and discussion rounds – views which have also been discussed in the closing session of this conference.

The importance of giving the young generation a voice could not be better summarized as in a recent quote from Babatunde Osotimehin, the new Executive Director of UNFPA:

“Too often we imagine that we know what young people need, but what is important is our ability to listen and experience, to learn about our children, our ability to allow them their space.”

(Lancet 377, 711, 2011)

Dr.med Hans Groth,
Guest Lecturer at the University of St. Gallen & Member of the Supervisory Board of the
World Demographic & Ageing Forum (WDA Forum)

Introduction from a Demographer's Perspective

In 2009, there were around 1.6 billion Muslims around the world and they constituted around 23 percent of the world population . The majority of Muslims live in the Middle East and North Africa, but they are also spread widely in other parts of Africa as well as South and Southeast Asia. Islamic countries have experienced a rapid demographic transition in recent decades. Fertility has fallen rapidly in such countries as Iran, Tunisia and Algeria – but it is still high in some of the Islamic countries in Africa and Asia. Fertility has also been seen to be higher among Muslims in some European countries as compared with other religious groups, but the fertility difference in these countries is trivial, and contrary to the generally held view the impact of higher Muslim fertility on the population of these countries would not be significant. Rapid mortality decline in some of the Islamic countries has also led to a large population growth rate. As a result, Muslim countries have a very young age structure and population momentum which is a potential for further population growth; and a rising demand for employment, education, marriage, and housing; as well as urgent reproductive health needs particularly for adolescents. While their age structure is still young, rapid ageing will be another consequence of their rapid demographic transition in the future.

Whilst there is a tendency to define Muslims as a unique *ummah* nation, Islamic countries represent a wide range of ethnic and cultural backgrounds as well as socio-economic conditions. Mass education, particularly women's education, has changed traditional values and norms in most of these countries. In addition, rapid demographic transitions in some of these countries has led to such social changes as the increased age at marriage, intergenerational changes in the family, and rise of divorce. Rising aspirations along with high levels of unemployment particularly among the educated youth has created anxiety as a result of which some of these countries are facing political upheavals and the demand for further democracy. The current situation in the Arab countries in the Middle East can be the result of a combination of such factors as declining fertility, young age structure, high unemployment as well as the rise of education and aspirations among the youth.

These issues should be taken into account in formulating population policies in Islamic countries. However, given the cultural and socio-economic diversity of these countries, no unique policy can fit with the situation of all Muslim countries, and thus, context-specific analyses should be carried out to provide a better understanding regarding the population needs as well as the pathways by which these needs can be met in each country or region.

Further, voices of the new generation of Muslims who are very much an urbanized – and educated generation should be heard. Short term solutions for overcoming their temporary frustrations and anxiety would not solve the problem. Rather, a long term perspective with a well planned ACTION based on a deeper understanding of their demographic and social characteristics could lead to a sustainable future.

Mohammad Jalal Abbasi-Shavazi,
Senior Fellow, ADSRI, The Australian National University; & Professor of Demography,
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Findings & Conclusions from 4 HSG Students

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1. Executive Summary

Demographic change affects every country in this world, but in various stages and at different rates. As diverse as these challenges are, there are some common aspects to be found. Many of these topics made up the discussions at the WDA Forum Expert Symposium "Upcoming Demographic Changes in Islamic Countries" which took place at the Swiss Re Centre for Global Dialogue in Rüslikon, Switzerland on November 1 – 3, 2010.

This paper presents some characteristics of the causes and effects of these changes, with examples from two Gulf States, Iran, and Yemen. To show the many sides of demographic change, some implications for Europe are discussed. The final conference topic, "What are the Next Steps from our Lessons Learned from the Perspective of the Young Generation?", pointed out five important priorities in order to manage the transition that lies ahead of what is referred to as the Islamic world, as well as other parts of the globe.

In Islamic countries the importance of religion, tradition, and culture cannot be neglected when discussing demographic developments. Many of the discrepancies among demographic trends can be linked to these features. Religious leaders have an important role. Furthermore, the female segment of the population offers a key to managing demographic change. Education and empowerment of women leads to better health for mother and child, increased age of marriage, higher social status and better societal involvement. All of these factors contribute to lower and more controlled fertility rates.

The demographic patterns across the Islamic countries vary from declining and even disappearing populations to those with enormous growth. To follow up on these insights, strategies are needed on both the micro and macro level. Female autonomy and advocacy must be accommodated and there is a need for overarching initiatives regarding health, education, and family planning.

To ensure a positive future outcome for the youth bulge, seen in the latter of these two scenarios, and for reasons of national and global stability, employment for hundreds of millions of individuals must be created in these areas.

As the challenges identified might seem overwhelming, case studies from the past provide encouraging evidence that rapid change is possible. For example, some countries show an enormous decrease in crude birth rates. The last decades have also shown that new industries can emerge and, almost overnight, grow to employ a significant part of the population.

To meet future challenges and to facilitate a shift from description of change to managing the transition, a framework – called ACTION – is proposed. It aims to be general enough to have relevance across the diverse Islamic countries and elsewhere.

Broad awareness must be inspired and causality of changes must be determined. The approach requires that trust is built between the various participants. Commitment and loyalty need to be combined with political will, while protectionism and nationalism need to be avoided. There must be interaction between cultures, generations, and the public and private sectors. Finally, change must be organized; organization is needed to ensure facilitation and encouragement of the appropriate actions, to coordinate the many approaches and gain synergies now.

2. Introduction

In November 2010, the Swiss Re Centre for Global Dialogue hosted the WDA Forum Expert Symposium "Future Demographic Changes in Islamic Countries". Representing 18 countries, 84 experts gathered to share their knowledge and broaden the understanding of demographic change in the Islamic region. While the size of a country's overall population plays an important role, the changes in the structure between age cohorts generates more pressing concerns. Such changes and disruptions create possibilities, but also challenges on a national level regarding education, employment, social services, and health. If these are not handled in a constructive manner, the outcome will result, sooner or later, in social unrest on both a national and regional, or even international level.

When looking at Islamic countries, one quickly has to realize that it does not make sense to talk about "the Islamic world" as a whole, at least not when it comes to demographics. The diversity among this group of countries is vast. Geographically, the "Islamic world" reaches from West Africa to the eastern parts of Asia. It ranges from small to large countries both in respect to their physical size and to the size of their population. Among these we find some of the richest and some of the poorest countries in the world. The level of health also varies considerably, which results in very high rates of infant, child and maternity deaths in some areas compared to very low ones in others. The role of religion differs, as some of these countries are secular states and some are religious. The role of individual autonomy, especially for women, differs and the same goes for the homogeneity of the population.

The Islamic population is increasing and will continue to be a large part of the world. It is therefore useful in many ways to learn more and understand how and why these changes are occurring. In our globalized society, the outcome of how these challenges are handled in the Islamic countries also has an effect on and in Europe.

The paper's structure will follow the WDA Forum Symposium insofar as it will start off with presenting a couple of countries to highlight the diversity and different demographic dynamics within and between the group of Islamic countries. In a second part this paper summarizes the symposium's findings and shares thoughts on how we believe it will affect Europe.

Finally, a general approach – called ACTION – is proposed on how to continue the task of managing demographic change.

3. Demographics in Specific Countries

The countries covered at the WDA Forum-Symposium were selected because of their importance within the Islamic world, their size, wealth, relation to Europe, and the features of their demographic changes. Three examples were chosen to highlight different demographic patterns and subsequent challenges; the Gulf States of Qatar and the UAE, Iran, and Yemen. Despite the similarities in geographical location and religion, these three examples represent completely different stages of demographic and economic development and show huge differences in terms of wealth, health, and education level.

3.1 Gulf States: Qatar and UAE

The economies of the six Arabic Gulf States of Saudi Arabia, Kuwait, Bahrain, Qatar, Oman and the United Arab Emirates (UAE) are shaped by their enormous oil reserves. The smaller states of this region (Qatar, Kuwait, and UAE) are among the richest in the world, building up huge economies, which are beyond their population’s capabilities. This leads to an extremely high proportion of foreign citizens: international migrant stock in UAE is 70% of the total population (United Arab Emirates, 2010b) and in Qatar it amounts to almost 90% (Qatar, 2010b). Local populations (with local citizenship) are expected to further decrease, for UAE down to 10% in 2015 and 5% in 2020. “In 2025 there might be almost no local citizens left in UAE, Qatar, Kuwait and Bahrain”

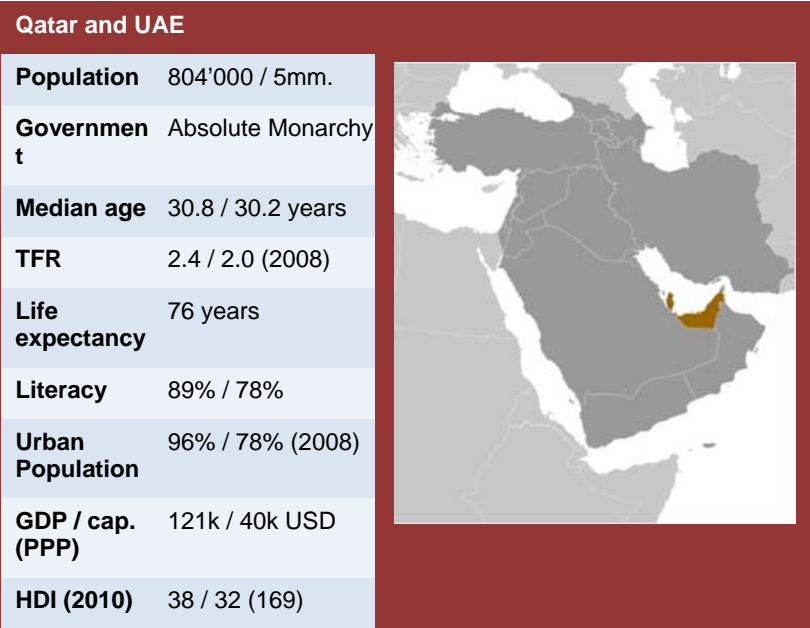


Figure 1 – Qatar and UAE, Source: CIA World Factbook

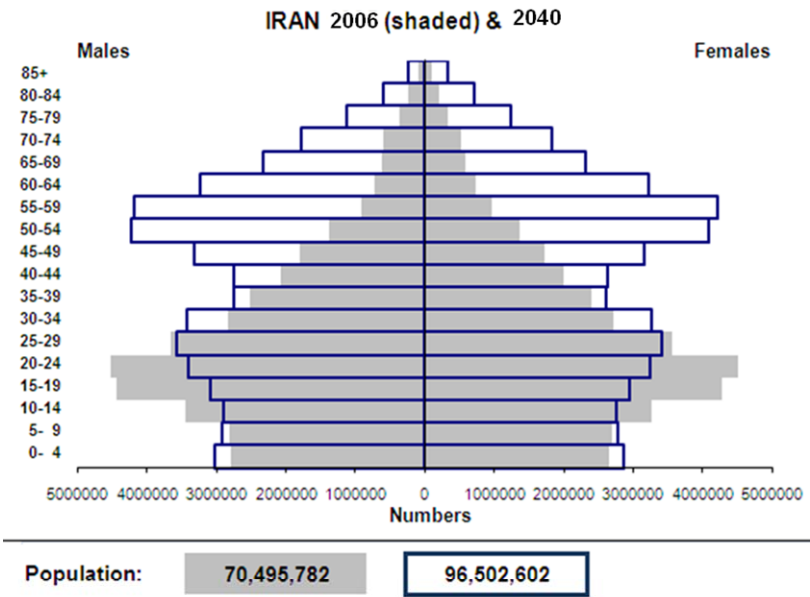


Figure 2 – Islamic Republic of Iran, Source: Hosseini-Chavoshi, M., 2010

(Abdulkhaleq, 2010). Yet, there seems to be no will to change. Despite the obvious need to open up the society and start integrating and naturalizing foreigners, there are no governmental or societal movements in this direction. This lack of long term planning can be explained by a fear of loss of wealth and social benefits (at the moment all the oil earnings are

shared among the shrinking group of locals), political stability (today a few families are in absolute power, without any popular opposition), and cultural heritage. Yet another consequence of these limited scope economies starts to take the center stage: total dependency on oil production, without any promising long-term options for future development. So the challenge will be to slowly build a solid foundation for the nouveau riche Gulf States as well. One important factor will be to motivate young locals to return home – as many choose to stay abroad, where they often complete their studies. But the more important and more challenging task will be to ease the power inequalities between locals and foreigners, by providing better health and living conditions, education, as well as economic and social security. This should finally lead to political and economic empowerment of foreigners and of course liberalizing naturalization. This might prevent the oil rich Gulf States from disappearing as quickly as they have grown.

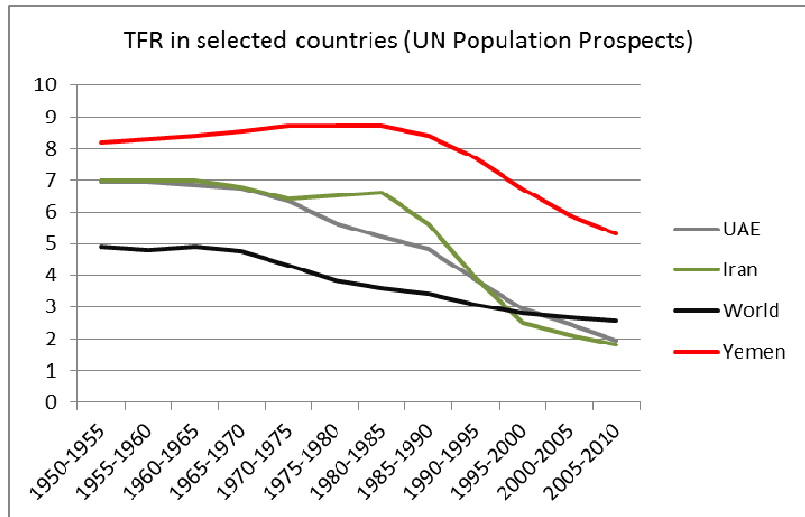


Figure 3 – Total Fertility Rates in UAE. Source <http://esa.un.org/unpp/>

3.2 Islamic Republic of Iran

The Islamic Republic of Iran is a role model when it comes to awareness of policy makers for demographic issues. Already in the 1960s, family planning programs were implemented, reducing total fertility rates. During the years preceding the Islamic Revolution in 1979 fertility measurements were abandoned and

later a pro-natalist movement was enforced, whereupon the total fertility rate (TFR) rose

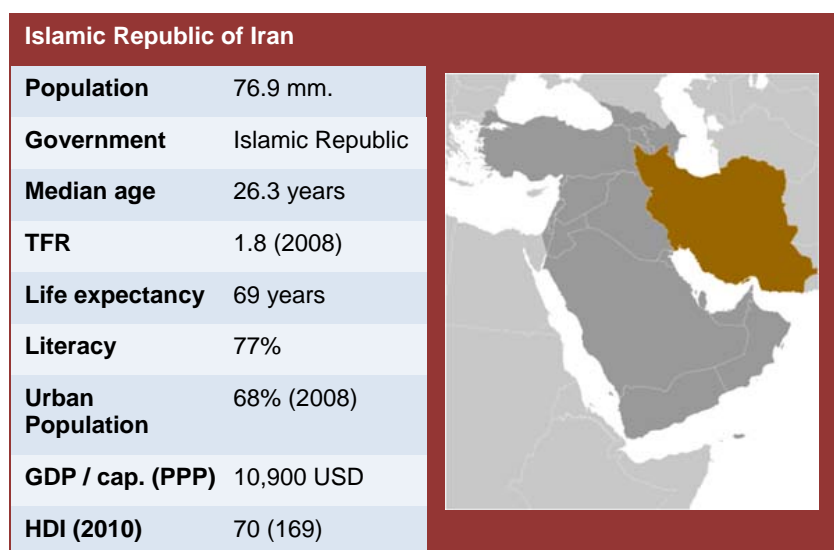


Figure 4 – Islamic Republic of Iran, Source: CIA World Factbook

again, up to 7 in the mid-80s. In 1989 a new anti-natalist family planning program was launched, which led to the sharpest decline in total fertility rates ever recorded in Iranian history: down to 2.8 in 1996 and 1.8 in 2010. As this is already below the replacement rate, the Iranian government is now examining ways to reverse this development – however, without any foreseeable success (Hosseini-Chavoshi, 2010).

Along with rapidly declining fertility, some other significant changes have taken place: an effective nationwide health network system was built up, which led to a doubling of the life expectancy in 50 years (from 35 up to 69 years in 2009) and a strong decline in infant mortality. Literacy and education were improved – especially female education is remarkably high in comparison to neighboring states. Female literacy in the 15-19 age group amounts to 98% in urban and 93% in rural areas respectively (Hosseini-Chavoshi, 2010).

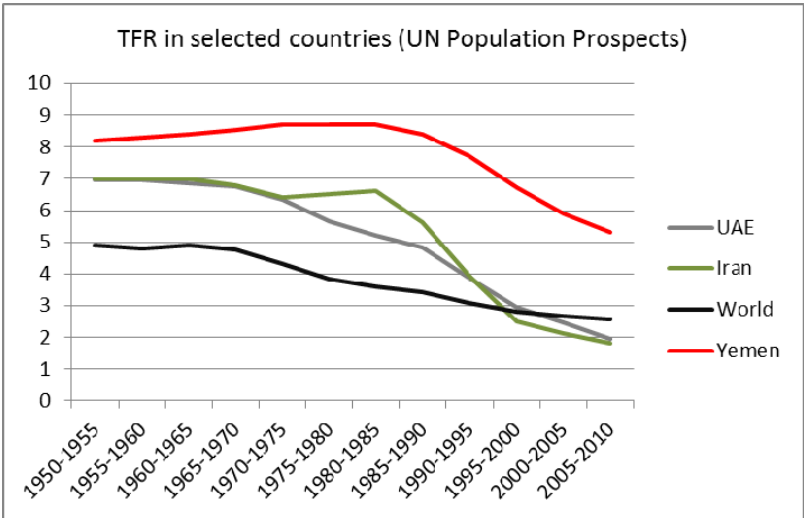


Figure 5 – Total Fertility Rates in the I.R. Iran, Source <http://esa.un.org/unpp/>

Additionally, girls largely outnumber boys in universities (65% vs. 35%) (Abbasi-Shavazi, 2010). Finally, the use of contraceptives was enabled and promoted, with the effect that almost 75% of women (ages 15-49) use contraceptives (Iran, 2010b), with most relying on modern methods (60% of all women vs. 14% who use traditional methods) (Hosseini-

Chavoshi, 2010). The unwanted pregnancy rate successfully went down from 37% in 1993, to 11% in 2005 (Nicknam, 2010). This current “contraception picture” is similar to most European countries.

The positive expectations are that differences between rural and urban areas will continue to decrease, especially concerning fertility rates. Urbanization and the trend of marrying at a later stage in life will also continue, and the level of education is expected to further increase. But some demographic challenges will have to be addressed. First, the below replacement level fertility rate has to be handled. Policy measures thus far have failed to increase fertility, suggesting that the current level may only be maintained if family friendly environments can be created to support existing wishes to have children. Also, the demographic opportunity of low dependency ratios has to be used for economic development. This can only be successful if enough jobs are created to employ the youth cohorts – otherwise unemployment will augment significantly from today’s 12% (Iran, 2010a). Finally, the country has to prepare for rapid aging, which will take place in the next decades. In addition to demographic issues, some societal issues will have to be faced, including the improvement of political space and female labor participation, as well as relieving political tensions, in order to maintain economic growth and national stability.

3.3 Yemen

Yemen is one of the poorest Islamic Countries (ranked 176th according to GDP per capita in PPP), along with Pakistan (178th), Nigeria (183th) and Sudan (187th of 229) (CIA, 2010). Additionally, the country faces huge problems due to political instability exemplified by ongoing rebellions in the North, secession fights in the South, combined with a weak autocratic central government, a growing natural resources shortage (especially water) and growing societal inequalities (Augustin, 2010).

Yemen's demographics are predominantly marked by a very high TFR, estimated at about 5.3 live births per women. While TFR decreased significantly over the last decades in more developed Islamic countries, Yemen failed to follow this trend. This was caused by several factors. There are huge health gaps, which contribute to a high infant mortality of 58.4 per 1000 live births (Yemen, 2010b). Also, access to reproductive health care is very low and only 27% of women aged 15-49

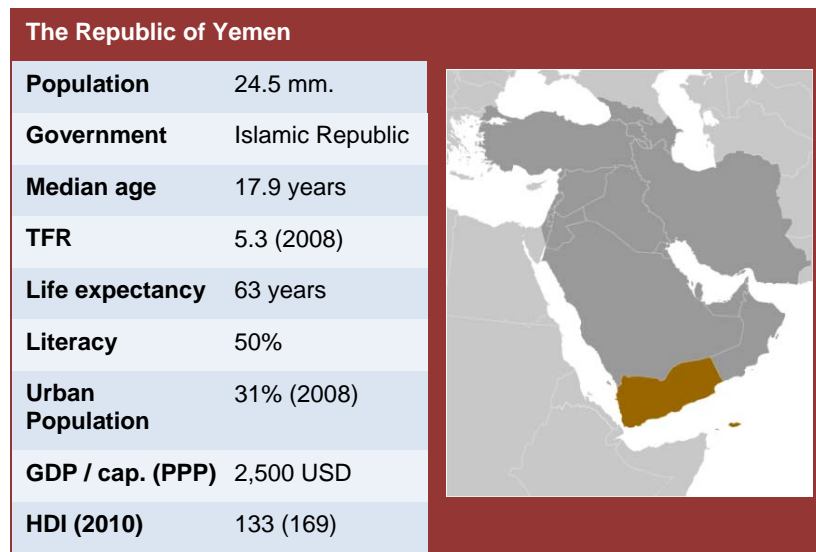


Figure 6 – The Republic of Yemen, Source: CIA World Factbook

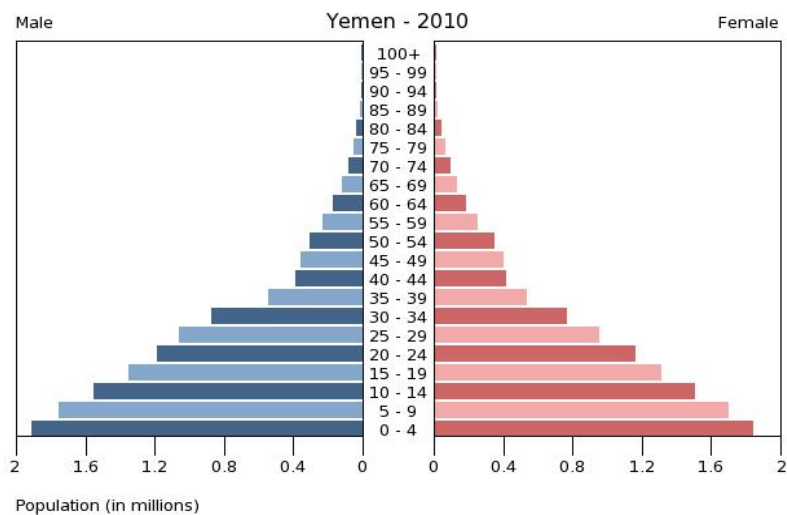


Figure 7 – Population by Ages in Yemen (2010), Source: <http://www.census.gov/ipc/www/idb/index.php>

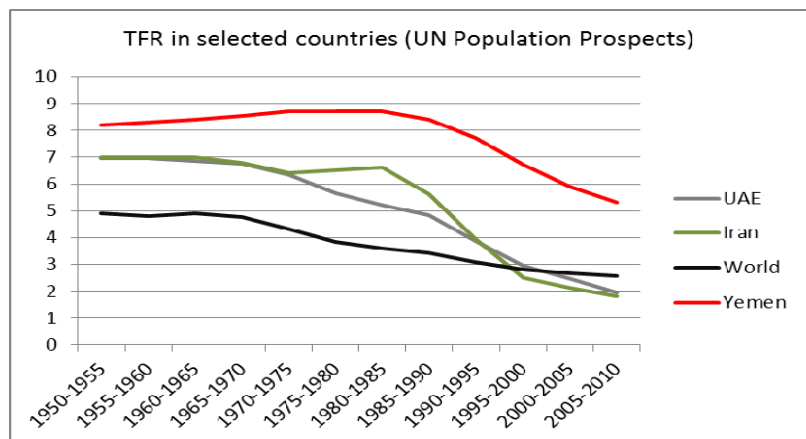


Figure 8 – Total Fertility Rates in Yemen, Source <http://esa.un.org/unpp/>

use contraceptives (Yemen, 2010b). The median age of marriage is 16.5 years for women (Augustin, 2010), compared to 23.3 in Iran (United Nations, 2009). Finally, female illiteracy is still very high, at a level of 70% (Yemen, 2010a). All these aspects are driven by gender inequality and power imbalance, mainly due to patrilocal and patriarchal family structures and a strong prevalence of strict gender roles. Yemen holds the last place in World Economic Forum's Gender Gap Index (134th of 134) (Hausmann, Tyson, Zahidi, 2010). Additionally, as health conditions are slightly improving and mortality is going down, fertility remains high, leading towards a youth bulge in Yemen. Currently 43.9% of the population is younger than 15 years (Yemen, 2010a). This will soon lead to a vast youth cohort, seeking employment – which will cause even more pressure on the economy and political system, since unemployment is already high at 35% and even higher amongst young people (18-24) at the enormous level of 50%.

These brief descriptions demonstrate the immediate urge for dramatic improvements in economic, educational, health and societal conditions, in order to prevent social instability and unrest to further escalate.

3.4 Interim Conclusion

These three examples from the Gulf States, Islamic Republic of Iran, and Yemen serve to demonstrate the enormous socio-economic diversity amongst the Islamic countries and the resulting demographic challenges in each region. It becomes clear that no general policy can fit the diverse needs of all the Islamic countries. Thus, as Abbasi-Shavazi (2010) emphasized during the WDA Forum Symposium, the basis of political and economic action has to be context-specific analyses, which should provide a better understanding for the populations' requirements in order to handle the upcoming challenges.

Nevertheless, some topics were repeatedly mentioned. They seem to be common problems and to have strong implications on the future development of all Muslim countries. They are presented in detail in the following chapter.

4. Lessons Learned

High diversity among Islamic countries makes it difficult to generalize the key issues that drives their social, political and economic changes. However, some of the information provided by the numerous experts at this conference could be summarized as general lessons – lessons based on focus and attention given to key factors which will be described below as our perspective from the young generation. A further lesson learned is that some key challenges apply to both Islamic and Western countries. Finally, it is to note that each of these key factors is important but just when put into context with each other, the exceeding impact can be seen.

4.1 Religion is Key

Unlike Western countries, only a few Islamic countries have secular regimes. Islamic countries are usually strictly governed according to religious rules. In this sense, religion in these countries is a key element for any kind of change the society wants to pursue. In Europe, this was the case a couple of centuries ago, however, over time religious authority has gradually diminished and the separation of the church from state affairs has reduced the influence of religion over society and governance. It therefore needs to be taken into account that in the Islamic countries religion and traditions still influence decisions on both personal and national levels. This can help to understand some of the developments in this region, and reveal possible initiatives and starting points of managing the demographic transition, as well as the economic and social impacts. In order to enable or facilitate change, it is necessary to work with and gain the support of religious leaders.

Although the relationship between religion and demography is not as clear, Islamic countries tend to have higher fertility rates compared to Western countries. In many cases, economic, social and political factors also play important roles to explain demographic patterns. This makes it difficult to differentiate the level of correlation between religion and demography. It could be argued that economic reasons are much more influential over fertility rates – as is usual in richer countries, even in the Islamic ones – because fertility rates tend to decrease proportionally with increasing wealth. On the other hand, China's one child policy, Iran's health reform, and Turkey's economic development constitute different reasons behind the ongoing decline in fertility rates in these countries. Therefore, it is a formidable challenge to identify correlations between the different factors which influence a nation's demography, and therefore difficult to indicate a clear relationship between religion and demography. However, the heuristic and indirect relationship is easier to predict and observe.

The secular nature of Western governments leaves the influence of religion on social affairs up to the level of willingness or faith of individuals. This in turn provides an opportunity for societies to easily overcome traditional and religious impediments in order to develop and advance. On the other hand, religious rules can tie a society to religious or traditional practices by continuously imposing them upon a nation and ignoring their irrelevancies for the current century. In such regimes, scientific research and education is often pushed back and thus societal development is obstructed.

While the continuous increase in education levels, science and wealth – each reinforcing each other – is reflected by steadily declining fertility rates in some Western Countries, high illiteracy rates, growing poverty and social inequality is reflected in very high fertility rates in

some Islamic countries. Strong and authoritative rules in many Islamic states have increased the role of religion in the society, while decreasing the pace of social development, and allowing religious leaders to manipulate the rules according to their interests and ideology.

Nevertheless, religious leaders in non-secular Islamic countries still possess the highest power over the society. Therefore, religious leaders play the most important role in initiating any kind of change and development in these Islamic countries. The use of contraceptives in Iran gained significant pace only after religious leaders supported their usage. To summarize: religion is a determining factor for authority and influence in Islamic countries, and determines their development both in pace and magnitude.

4.2 Role of Women

The role of women is another crucial factor in the process of managing demographic change. Higher education of women is generally associated with lower fertility rates due to the following effects: training in issues such as child care, maternal health, and nutrition, in addition to access to basic healthcare, can reduce child mortality and hence the fertility rate (see Figure 6). Additionally, women’s education often leads to a higher marriage age due to a greater influence on the marriage decision, which consequently reduces fertility. Finally, higher education correlates with higher use of contraceptives and thus a lower fertility rate. The education of women leads to fewer children both due to changing needs as well as changing preferences, although these effects are diminished by gender-stratification. Even though the lever seems to be women’s education, it is in fact their social role, autonomy and empowerment.

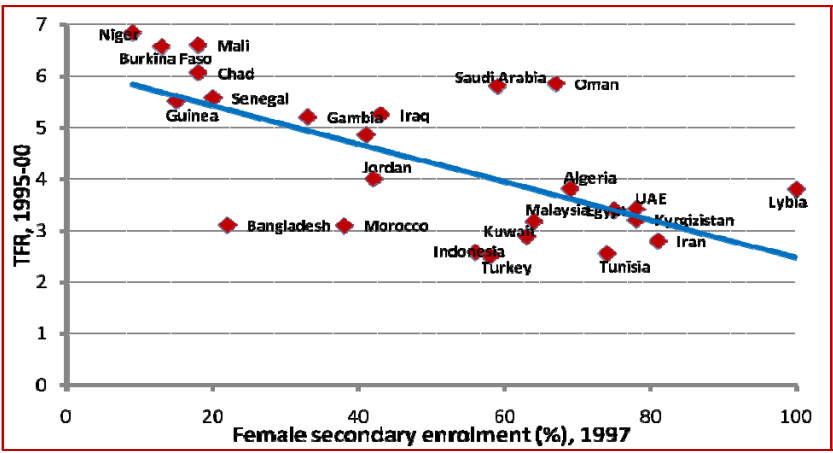


Figure 9 – Negative impacts of Female Secondary Enrolment Rate

The role of women is even more important for Islamic countries on many levels. Increase in education of women associated with efficient health systems has clearly demonstrated its effect on declining fertility rates. Figure 6 displays the inverse correlation between female education and fertility in different countries. However, women in Islamic countries do struggle with inequality and restrictive access to education, as do women in other places of the world. However, many of these oppressive practices do not originate from the religion itself, but are part of local cultural traditions, which at some time had been integrated in the religious rules of Islamic governments. Although Islam gives women rights, some of which were not enjoyed by Western women until the 19th century, the religious rules in Islamic countries have led to manipulation of those rights and consequently to oppression of women. Due to the religious rules applied and expanded over decades, women in Islamic countries face today more oppressive practices than women in other countries.

The level of women's education has a tremendous effect over society's development and evolution. Although women tend to be oppressed in Islamic countries, they are still the ones who raise the children and manage the household. Therefore, education of women not only has desired effects over infant mortality, fertility rates, and nutrition, but also has a great influence on the overall development of a country. Educated women are much more informed and aware about childcare, nutrition and children education. Thus, they prefer to have fewer children and to provide them with the best opportunities they can afford. Educated women who have an income use it to support their children. Women generally tend to spend a much higher proportion of their income for their children or household compared to men.

The level of education of women and consequently their participation in the workforce also has a significant positive impact on the overall economy and development of a country. Unemployed and/or uneducated women in Islamic countries translate into untapped development potential. Assuming that women constitute roughly half of the population, this means that especially in Islamic countries, almost half of the workforce is not utilized.

4.3 Micro and Macro Level Strategies

To benefit from these insights, strategies are needed on both micro- and macro levels of a given society. Female autonomy and advocacy must be accommodated from the bottom as well as the top levels of society. On the personal and community level, ways to increase autonomy of women could lead to higher knowledge and acceptance of contraceptives. Female labor participation could increase if the correct measures were taken. In several Islamic countries there are large numbers of women holding university degrees, who are nevertheless unable to work. Work participation can delay age of marriage and further strengthen the role of women. Both factors have a direct influence over the preferred family size. On the other hand there is a need for overarching initiatives regarding health, education and family planning, involving or driven by the local government.

In order to achieve a stable demographic transition, the state must ensure the implementation of both micro and macro level strategies. While macro level strategies such as education, human rights, healthcare and family planning are important to remove the oppressive rules and regulations over women, micro level strategies are important to ensure that women are actually allowed to benefit from these changes. In Islamic countries, women often have little autonomy, both in the family and in society. The man in the family – husband, father or even brother – usually decides the fate of the woman. Thus, macro level strategies solely are not enough to achieve the desired progress and change.

Micro level strategies, which aim to reach families individually, should inform and advise families about the benefits of female education and empowerment. The high rate of illiteracy in many Islamic countries makes it even harder to achieve success through a macro level approach, as men do not tend to self-educate themselves on such issues.

4.4 Jobs, Jobs, Jobs

Some of the Islamic countries in the Middle East/North Africa (MENA region) will experience a demographic dividend (due to lower dependency ratios), which could lead to either strong economic growth – in case the economy manages to absorb and employ the additional

workers – or huge unemployment and social instability. The negative impacts of a mishandled youth bulge could threaten to spill over to the whole region, possibly reaching even further. One challenge should be handled cooperatively, and that is to create the approximately one hundred million jobs needed for the young people joining work force over the next decades in this region.

Current demographic forecasts indicate that the Muslim population will continue to expand in the next decades and will constitute roughly 40% of the global population by 2050. The young population structure of many Islamic countries creates opportunities for growth and development.

However, the current political and economic structure of many Islamic countries is not suitable to

accommodate the potential workforce. Furthermore, poor education and unskilled youth creates additional difficulties for accommodating the growing workforce.

On the other hand, unemployment among young people could lead to desperate searches for means of living. In some cases this will result in increasing illegal migration and illegal trade. A growing number of people reaching working age in a country with an already high unemployment rate and low income might contribute to even more instability. Failure to improve the conditions could make it easy for radical or even terrorist groups – who often obtain money by trading drugs and guns – to gather proponents by offering what sometimes is the only option for income in the region. Additionally the uneducated youth is easily influenced, tricked and convinced.

Creating jobs for the increasing working-age population is therefore relevant not only for the Islamic countries, but for the overall global stability. For that purpose, promoting and ensuring education is a necessary prerequisite and a very crucial factor. A stable and secure infrastructure plays a critical role in foreign investment and cooperation with other countries. By creating favorable conditions, Islamic countries could not only attract investment from all over the world – they could also create new and urgently needed jobs and thus secure sustainable economic growth and development.

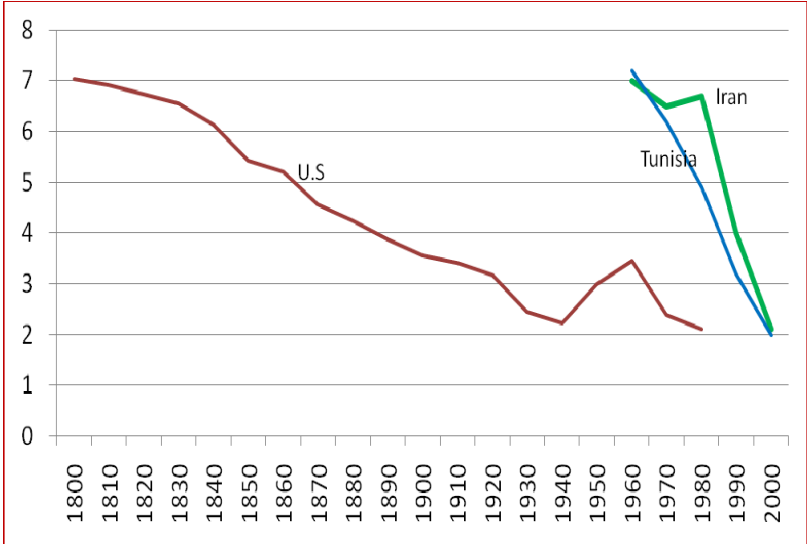


Figure 10 – Duration of achieving below-replacement fertility (TFR=2.1)
 Source: Based on <http://eh.net/encyclopedia/article/haines.demography> and UN, World Population Prospects: The 2008 Revision <http://esa.un.org/unpp> the U.S, Iran and Tunisia.

4.5 Rapid Change is Possible

The challenges identified might seem immense, but achievements in the past have brought evidence that rapid change is possible. The decrease in crude birthrates that has been achieved in Iran is one example. The last couple of decades have also shown that new industries can emerge almost overnight, creating immediate advantages of increased employment and other social benefits.

Applying the right micro and macro level strategies, empowering and educating women, channeling religion to help promote those improvements, and creating opportunities for investment and education will facilitate rapid change in the social, economic, political, and demographic structures of Islamic countries. These changes will ultimately lead to improvements in welfare, development and stability by using the potential of both the young population and women. Such measures will not only ensure the peaceful development of Islamic countries but would also provide the best solutions for countering radicalization and terrorism.

Change can reach its own pace once started with the right policies and by employing the critical factors listed above. The recent history has shown how rapid changes can take place once the necessary foundations are in place. The striking examples from Iran or Tunisia which achieved below replacement fertility rates in just around 20 years, which is ten times faster than the same achievement in U.S., is an example which cannot be ignored. It is imperative that action is taken now to inform societies about the opportunities of this rapid and unprecedented change.

5. Implications for Europe

In Europe, the issue of demographic change displays various facets as well. There are several aspects of demographic change and its implications in Europe which are particularly worth discussing. Some countries are experiencing rapid ageing combined with a shrinking workforce, and thus resulting in an increasing old-age dependency ratio. This severely affects the very foundations of the welfare systems as we know them today.

Increased life expectancy and healthy ageing are indeed opportunities. Handled in a constructive manner, this progress could translate into an advantage for individuals, countries, and for Europe as a whole.

As of 2010, healthy ageing has in most cases been translated into more years in retirement – a great luxury, which is only affordable to a limited extent. In the long run, either state pensions will decrease, or the number of working years has to increase or be extended.

Production functions continue to increasingly rely on knowledge and research. Shortening the time spent on education is not a feasible option in a knowledge intensive society, therefore the central question is: “How can labor participation be prolonged in an acceptable and meaningful way?”. New ways of balancing work and leisure have to be found and lifelong learning must become a reality and not only a phrase. Changes will have to be made in the way age is perceived in businesses and society. On the one hand, it has to be ensured that education on the highest level and quality is sufficiently available for the young generations and that the labor market is flexible enough to easily welcome new entrants. On the other hand, highly experienced workers should be given the chance and means to contribute even at a higher age. Governments need to incentivize both workers and companies to make this happen, and set the necessary general conditions and frameworks.

| Statutory vs. actual retirement age | |
|---|------------|
| Statutory retirement age in France | 60 years |
| Actual retirement age in France | 59.1 years |
| Statutory retirement age in Germany | 65 years |
| Actual retirement age in Germany | 62.1 years |
| Statutory retirement age in South Korea | 60 years |

Figure 11 – Statutory vs. actual retirement age, Source: Gellner, A.K. (2011, January).

5.1 Private and Business Initiatives

An interesting business approach is, for example, the Consenec Model: Senior managers of the companies ABB, ALSTOM, and Bombardier are obliged to leave their positions at the age of 60 and can enter the in-house consultancy, Consenec, as Senior Consultants. They are free to choose their workload (0-100%) and have to acquire their cases by themselves. Their basic remuneration will amount to approximately half of their previous salaries and will rise according to their time-commitment and place of work. The Senior Consultants are required to stay with Consenec until their retirement age, but many choose to work longer (Hörhager, K., 2011, p.157-160). The vast knowledge and experience is thus used in a meaningful way, while at the same time, junior employees are supported in their further development. A similar model can be found within the Bosch Group. In Bosch Management Support GmbH, already retired senior managers may return to work for specific, mostly short time consultancy projects (Deller et al. 2008, p.128-129.).

These are models to voluntarily prolong the labor participation of highly qualified workers. Developing and applying models suited to different situations will be a significant challenge for future human resource management, but at the same time offers a lot of new opportunities.

5.2 Change in Pension Schemes

The reliance on state pension schemes is decreasing, as they are already heavily stretched in Western countries. Private savings will have to play a more important role for a large part of the population. There is a need to educate the public about alternative schemes and how to set them up. Most European countries currently employ an unfunded social insurance system i.e. expenses for the current recipients are paid by the current contributors. This system displays a considerable advantage in situations with a lot of contributors (working people) and few recipients (retired): the burden for every working individual is small. On the other hand, the transition to a funded system is difficult and is not a win-win situation for everybody, especially when started in situations with few payers and many receivers. As most European countries are approaching this predicament, it seems unlikely that governments will be capable of solving this issue without the support of society, businesses/employers, and international efforts.

Private savings are one building block. Suitable and reliable financial products have to be tailored to create private pension plans. In a phase of transition, combined models of both public and private savings plans, can lead the way. Present examples are plans, where individuals are incentivized to save for their retirement through combined state funding. Since this involves a longer investment horizon than most people are used to, and the choices made are critical for the future of individuals, it is important to design a system that facilitates appropriate choices in a transparent manner.

The particular products employed in those schemes therefore should be trustworthy, easily understood and closely followed and monitored. This is especially important since the previous financial crisis created considerable distrust towards financial institutions and financial politics. When adjusting pensions towards being less reliant on the state, the welfare aspects must be continued in such a way that there is basic coverage for those who, for different reasons, cannot manage on their own, and to ensure that these too have an income in their silver years.

5.3 Low Fertility Rates

In addition to challenges associated with higher life expectancy, Europe faces other issues. Most of the countries are confronted with very low fertility rates, which are already way beyond the replacement rate, with no signs for a long lasting return to replacement levels. A central question will be: "How can we make having children an easier choice?". Smoothing the apparent conflict between work and family life with the help of micro and macro level strategies is only a first text-book answer.

Since shrinkage of the European population is unavoidable at this point, this continent will face growing migration, either wanted or unwanted. Therefore the need to implement strategies facilitating successful integration is a challenge policy makers and societies have to tackle already today. Instead of following the trend of nationalism and protectionism, it will

be crucial to strengthen an open society. Key success factors might be reducing and preventing parallel societies as well as improving educational opportunities for everybody.

The threat of massive unemployment is not unique to the Islamic countries. Europe will face a similar problem (evoked not by a youth bulge, but by slowing growth) and will have to respond to the question of how to foster innovation, in order to guarantee employment and growth.

6. Next Step: ACTION

After exploring the various demographic challenges, it becomes clear that a “one fits all” solution is not possible – measures need to be tailored to the needs of each specific country and region. Some of the challenges require very quick adjustments, while others require a carefully managed, slow transition from one phase of demographic change, to another. In either case, the goal is to find a way to smoothen the transition. As a way to approach this challenge we propose a general framework to manage this process successfully.

6.1 Awareness

The ramifications of the demographic changes we are experiencing are huge, and thus deserve consideration. Since our society is globalized and interconnected in so many ways, there is a need for awareness. The changes in the Islamic countries will have implications beyond the national societal issues and this needs to be given attention in the Western world as well. In general, the demographic changes will affect the lives of future generations, and this also calls for attention to, and understanding of, the masses. It is important to involve not only specialists, demographers and politicians, but a broader public as well. One way to do this is, for example, through courses at universities and thesis works. Solutions are needed in, and from, various fields. A more direct education through media and government channels should be employed. The education reforms needed are politically tough to handle, and thus in need of a considerable amount of political attention and support. Voters need to have a clear understanding of this imperative and imminent situation.

6.2 Causality

The demographic changes are complex to deal with, and the reasons behind even more so. If looking at the Islamic world, from a Western perspective, the dimension of religion makes it even more complicated to understand and estimate. The look at the causality of the changes is critical and should not be underestimated. Yet, the reality is that some steps towards a solution are more favorable on a political dimension than others. The appropriate course of action should be found so that attention can be given to the most important issues. This becomes even more pressing since we know that delaying attempts to bridge existing and unavoidable gaps, makes it more difficult to accomplish anything.

6.3 Trust

In order to deal with the challenges that arise from demographic change, trust is essential. A basic understanding of the situation was mentioned as a prerequisite to ensure a willingness to go through with the reforms needed. Trust in the solutions that are proposed is another one. This trust must also cross national borders and cultures, in the sense that trade and migration is facilitated.

6.4 Interaction

The challenges that stem from demographic change affect not only certain industries or age groups, but the societies overall. Ways to cope with and overcome these challenges must therefore come from and reach our society as a whole. For this to happen, interaction is needed between governments and industries, between agencies, generations and, last but

not least, between and among cultures. As countries are in different stages of demographic evolution, knowledge has to be exchanged. If countries are willing and able to learn from each other, it might be possible to explore some of the options and counter some of the challenges that lay ahead with greater ease and success.

6.5 Organization

To make sure that correct actions are being taken, and that sufficient progress is made, bridging the gaps is a process that must be organized. As time is pressing, actions should be organized, rather than just initiated. Again, several levels of governance need to be involved. If governments are able to both allow for and to facilitate change through regulations and incentives, this will inspire a more “appropriate” behavior. The “appropriate” alternatives should be made easy to implement and execute through organization. It could mean to inspire job creation through entrepreneurship by easing up bureaucracy. It could also mean to prepare immigrants for their host country to help them integrate as soon and as well as possible.

6.6 Now

As the issues stemming from demographic change become increasingly pressing, it is important to start off now. The increased difficulties of dealing with the effects of demographic changes too late in the process have been pointed out. The sooner the work with managing this process starts, the better the outcome will be.

7. Conclusions

Demographic change poses different challenges for every country and region. This is not just true in Europe or the Western world, but also for the Islamic world. Regarding demography there is no such common thing as an Islamic world. As shown in the first section, within this umbrella of countries a broad variety of situations and developments can be found. Qatar and UAE are very rich countries with only a small fraction of the population of local origin and an economy highly dependent on revenues from oil production. Iran on the other hand demonstrated the capability of fast change, by decreasing TFR within a quarter of a century from around 6 to less than 2 – a development that took more than two centuries in the Western world. Yemen being one of the poorest countries in the world faces a high TFR and huge gender imbalances.

Nevertheless, we were able to generate some key findings during the conference – common themes, that play an important role in all Islamic countries. These key findings, presented in section 4, are critical factors and insights to actively shape demographic change: religion is the key to influence any social change in Islamic countries. It is crucial to have a look at the role of women, when talking about children or the number of desired children. But developing the appropriate means from the top are not enough; strategies have to be enacted on a macro and on a micro level at the same time. Jobs will have to be created for the youth joining the work force and for the people not yet ready to retire. If these drivers are tackled well, a positive outlook remains since change is possible.

Based on these findings several implications for Europe could be made. In Europe – as in the Islamic world – the challenges of creating sufficient new jobs and maintaining economic growth and prosperity, heavily influence their societies. Governments have a crucial role in presenting and managing the shift to an increased retirement age and other changes to come. To enable this process we suggest the ACTION framework.

Overall the WDA Forum Expert Symposium “Upcoming Demographic Changes in Islamic Countries” was both a wake-up call and a huge success. Going forward, it seems worthwhile to increase the international collaboration on this topic, as regional challenges often can be offset by the support of other regions. Future successful research efforts in this area need to reflect a comprehensive approach which incorporates a broader public, for example including interest groups, media, and politics.

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