Population Aging is One of Three Great Waves of Change on the Global Economic Horizon

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As a journalist and editor at outlets like the Wall Street Journal, CNBC, and Time, and most recently as the CEO of Fortune, I've had a front row seat to extraordinary amounts of change. It's been my job to discern where global business trends are headed, so I'm always thinking about what's next.

Looking ahead today, I see three waves of change that could be as significant — or more — than anything that's come before. In all three cases, strategic foresight and preparation could help power new levels of growth and prosperity. But without urgent action, these waves could turn into tsunamis that overwhelm businesses and governments.

The first wave of change is the ongoing revolution in technology, which includes but is not limited to artificial intelligence, robotics, biotechnology, nanotechnology, and quantum computing. Technological advances are bound to increase as researchers and innovators find ways to create and commercialize developments in these new frontiers.

The second wave is a massive energy transition, driven by the global necessity of fighting climate change — a major risk to future prosperity — as well as the need to meet global demands for electricity, which the U.S. Energy Information Administration says could grow up to three-quarters by 2050. Clean energy generation and storage have become steadily more reliable and affordable, and that trajectory is expected to continue. In the years ahead, we'll have opportunities to reimagine how we power our homes, our businesses, and our vehicles (including the self-driving cars expected as part of the technology wave of change).

These first two waves are familiar topics. You can scan the news on any given day and find coverage of big changes in tech and energy — and you can be sure that corporate managers are having regular conversations about how to respond to these shifts. But the third wave is less frequently discussed, despite the fact that its impact will be felt in homes, workplaces, and markets all around the world, and the urgent need for creative thinking and proactive execution from businesses that don't want to be left behind.

The third wave of change is our rapidly aging global population, driven by increasing longevity and declining fertility rates.

By the end of this decade, one in every six people on the planet will be older than 60. By midcentury, people age 50-plus will make up a third of the earth's total population. The growing number of older adults will require thoughtful reconsiderations of entire economies, from the goods and services we produce to the people we employ to produce them. While analysts have tended to look at aging populations as a liability — anticipating a strain on the social safety net, for example — well-positioned businesses could ride this wave of change to new levels of growth.

Consider the spending power of this growing demographic. According to the Global Longevity Economy Outlook — a recent AARP-sponsored report that covered 76 countries comprising 79 percent of the global population and 95 percent of global GDP — the spending of older people already makes up 35 percent of global GDP. That is expected increase to almost 40 percent by 2050.

In particular, that spending is expected to drive strong growth in key sectors. The Global Longevity Economy Outlook found that by 2050, real estate is projected to see the largest relative contributions from those 50 and older. At the same time, industries like agriculture, manufacturing of pharmaceuticals and petrochemicals, electricity and gas, telecommunications, financial services and more are estimating impacts of more than 50 percent of their GDP through the economic activity of older adults.

Alongside their consumer spending, contributions of older people to the the global workforce will also increase. By 2050, the 50-plus population will support 1.5 billion jobs around the world and have a $53 trillion impact on labor income, making them increasingly critical to overall economic productivity and output in the decades to come.

In total, the global economic power of the over-50 group, already $35 trillion today, will grow to $95 trillion by 2050. No one can afford to ignore numbers like that.

As businesses plan ahead, it will be important to understand that these demographic trends are truly global. It's easy to assume that population aging is a phenomenon primarily affecting wealthy nations, such as Japan or Singapore. Indeed, four of the five largest economies today are home to the world's largest over-50 populations. But in fact, 85 percent of the growth in the 65-plus population in the next 25 years will occur in low- and middle-income countries, or LMICs.

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And those changes could shape the business outlook in LMICs in different ways.

Many wealthy countries like Canada, the U.S., and Germany are expecting incremental growth in their 50 and older population by 2050, while many LMICs will experience a more significant change in their demographic balance. In Laos, for example, 14 percent of the population was over 50 in 2020. That is expected to double to 28 percent by 2050. Even though the overall proportion of older adults is smaller relative to other nations, the change taking place could have more significant effects.

The stronger spending power of aging populations will also be a factor in LMICs. Even in countries with relatively young populations, the older population often has an outsized economic impact. In Ghana, the second-most populous country in West Africa, the over-50 group is only 12 percent of its 35-million-person population. But that group accounts for 37 percent of the country's spending. A relatively small 50-plus population can still account for a substantial share of spending.

Companies will also need to consider how aging populations affect the industries and economic models most prevalent in LMICs. Many LMICs are export-dependent, so demand for their goods and services is strongly influenced by consumers in other countries. As global spending power shifts toward older populations worldwide, economic activity in LMICs will need to adapt to meet the demands of 50-plus consumers. This could have implications for the workforce as well, to ensure not only that there is room for older workers in these changing economies, but also to leverage their knowledge and experience.

If companies and countries prepare for it, global population aging is a huge opportunity. By understanding the evolving consumer landscape, they can create products and services that meet the unique consumption needs of this massive block of older spenders, including plenty of new technologies — get ready to hear more about "AgeTech" as the technology revolution wave meets the aging population wave.

By recognizing the value of a rapidly expanding and experienced labor, companies can build teams that maximize the potential of a multigenerational workforce. Research from AARP, the World Economic Forum, and the OECD and others has found that age inclusion in the workplace can have positive impacts on productivity and innovation. It also makes good business sense to hire and retain mature workers when so much of the market companies are trying to reach will be 50 and older in the years to come.

The businesses that win will understand that global population aging is a change every bit as big as the technological revolution or the energy transition. If they start today with forward planning and real preparation, they'll be ready to seize the opportunities of tomorrow. •

Alan Murray
Founding President
WSJ Leadership Institute