# **Deloitte.**

Ageing Switzerland: It's time to act





# **About the study**

This report is the first in our series on the demographic challenges facing Switzerland. It will be followed by further in-depth studies on the following issues:



Workforce dynamics





Consumer behaviour and trends



Pensions





Technology and automation

Ageing Switzerland: It's time to act

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# **Key findings**



# The world is ageing and birth rates continue to fall

Most countries around the world and on every continent except Africa now have ageing populations. The problem of overpopulation has now been overtaken by another – demographic ageing. The pace of demographic ageing is accelerating, and there is also a continuing decline in birth rates.



# Family policy increasingly ineffective in boosting the birth rate

Switzerland could further strengthen measures to help people more easily combine work with family responsibilities, without substantially increasing the size of the welfare state. Employers could provide more support for parents and parental care wherever possible. And the right combination of flexible working arrangements, in terms of both location and working hours, could help substantially to improve people's ability to combine work with family responsibilities.

# The growing importance of a sustainable migration policy

If migration is to help reduce the impact of demographic ageing, Switzerland needs access to migrants who are willing and able to work in its labour market, so its migration policy needs clarification. 'Business as usual' no longer fits the bill as pressure mounts on both supply (do enough foreign workers want to migrate to Switzerland?) and demand (does Switzerland want migration?).



### **Swiss population ageing but also expanding** Switzerland's population, although ageing, is also growing, mostly as a result of migration. Fewer children are being born, and the birth rate is falling. There are now fewer young workers entering the labour market than older workers leaving it as they retire.





# Children not always perceived as essential to personal fulfilment

The factors involved in declining birth rates are both financial (housing costs and the high cost of living) and social, and social factors appear to be gaining in importance. People now attach greater value to personal fulfilment: their priorities are changing, and some are pessimistic about what the future holds. This limits the state's ability to help increase birth rates: financial support for families is becoming less effective over time. In any case, the state's influence on decisions by individuals – including starting a family – must remain limited in a free society.







#### The 'war for talent' intensifies in Switzerland

The global 'war for talent' is set to intensify, with Switzerland being particularly affected. The country needs skilled labour, and most will come from countries that are themselves grappling with an ageing population. Around the globe, countries with high average levels of education and training are generally seeing their working age population decline, while countries with poorer levels of education and training are seeing their working age population grow.

#### Current measures will not offset demographic ageing

Even targeted measures to support families have limited ability to respond to demographic ageing or prevent its (further) acceleration. However, the trend towards smaller families and higher incomes has been in evidence since the early days of industrialisation and now predominates in many countries and cultures around the world. There is no sign of this trend being reversed – quite the contrary, in fact.

Switzerland and Swiss companies must, therefore, adapt to demographic change and its multidimensional impact on the country and its economy.

We identify six key areas for action, each of which will

- Workforce dynamics
- Health and longevity
- Consumer behaviour and trends
- Pensions
- Technology and automation



#### **Companies not yet adequately prepared** for an ageing population

Companies see the biggest impact of an ageing population on pensions, the labour market, and technology and automation. The proportion of companies surveyed reporting a large or very large impact in these areas is 83%, 71% and 61% respectively.<sup>1</sup>

These are also the areas in which companies identify the greatest mismatch between impact and preparedness – that is, where the need for action is greatest.

Demographic ageing is already highly relevant to business: 40% of companies report that they are already affected by the impact of ageing, while a further 20% expect to be impacted over the next three years.



# Demographic ageing accelerates

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# Demographic ageing: The race against time

Demographic change is a long-term challenge. 'Demography is destiny', as the old saying goes, and while societies have known for decades about the challenges demographic change brings, the rate of change has accelerated over recent years, making the challenges more acute. Moreover, the problems are multidimensional, and even before the recent acceleration of change Switzerland as a whole, and Swiss companies in particular, were inadequately prepared to tackle them.

Globally, the picture is one of two contradictory demographic trends. Some countries are still seeing rapid population growth, and others face declining populations. At the same time, populations are ageing increasingly rapidly, with fewer countries now having a young population. Over recent years, the number of countries with a growing population has declined, and in most cases so has the rate of growth (see Chart 1), while more countries now have an ageing population with the rate of ageing accelerating.

Demographic ageing affects not just developed economies, but also, and increasingly, emerging economies and developing countries. Even prosperous countries face challenges from ageing, but for low-income countries such as China, these challenges are even more existential: these countries are in a race to become prosperous before they age – a race that they are increasingly at risk of losing.

Chart 1: Highest and lowest birth rates in 2023 Live births per woman; arrow indicates change compared with 2003	
Hong Kong	↓ 0.72
South Korea	↓ 0.72
Taiwan	↓ 0.84
Singapore	↓ 0.94
Ukraine	↓ 0.98
China	↓ 1.00
Chile	↓ 1.17
Italy	↓ 1.20
UAE	↓ 1.20
Lithuania	↓ 1.20
Japan	↓ 1.21
Switzerland	↓ 1.33
Mozambique	↓ 4.76
Afghanistan	↓ 4.84
Burundi	↓ 4.88
Angola	↓ 5.12
Mali	↓ 5.61
Central African Republic	↑ 6.01
Democratic Republic of Congo	↓ 6.05
Niger	↓ 6.06
Chad	↓ 6.12
Somalia	↓ 6.13
Source: UNO World Population Prospects 2024	

The whole world is ageing, with a growing shift in the global population from workers to pensioners, and this is having an impact on labour markets, social security systems, consumer spending, and businesses.

One major factor in an ageing society is longer life expectancy. The trend to greater longevity is likely to continue, especially in the less developed countries but also in countries like the US, though potential for further increases in life expectancy is unlikely to match the scale of recent advances.

This means that the current acceleration of demographic ageing is being driven primarily by falling birth rates. Fertility rates are falling in virtually every country around the world and, in many non-western countries, are now below 2.1 children per woman, the figure required for long-term population stability.

Birth rates fluctuate, of course, and may pick up again, and the future trends are uncertain. This also calls into question the projections of population size and composition that are obtained from the current assumptions about trends. However, the size and composition of the current generations are a known quantity, and very low birth rates mean that the numbers of younger people will continue to decline over the next few decades. Even if birth rates were to rise again suddenly and dramatically, the youngest cohorts – those entering the labour market from around 2040 and retiring around 2090 – would remain smaller than projected for the coming decades.



#### Chart 2: Summary of birth rates (live births per woman) 1950-2100

Smaller generations also form part of a self-reinforcing pattern: the fewer women there are in a population, the fewer women of childbearing age there will also be; so subsequent generations will also be smaller, even if the birth rate remains stable. This decline is even greater when fewer women of childbearing age are also having fewer children. And as birth rates fall year by year, the trend gains momentum and becomes more difficult to reverse.

As Chart 2 shows, this pattern is particularly marked in Europe, North America and large parts of Asia. By contrast, African countries and also Afghanistan continue to have very high birth rates, even though these too are falling.

These global changes are long-term. The current UN baseline scenario expects the global population to peak at 10.3 billion around 2080 before declining from 2084. The global working age population is expected to fall from 2070. China, currently the world's second most populous country after India, is already seeing its population decline, with an expected fall to around 630 million by the year 2100, the lowest level since 1957. Eurostat, meanwhile, expects the EU's population to peak in 2026, dependent on levels of migration. The UN estimates that the population of western countries will decline between 2030 and 2100 to around 1.2 billion, by which time the global population is expected to be 10.2 billion.

### Scenarios

The UN World Population Prospects analysis, along with other population forecasts including those of the International Institute for Applied Systems Analysis (IIASA) and The Lancet, are revised on an ongoing basis. They are generally very reliable. The generations already born are known quantities, and knowing the size of the cohort born in 2024, for example, means that, if mortality rates remain stable, statisticians can reliably predict at least the theoretical increase in the working age population in 2039, when this cohort reaches the age of 15, or how many people will retire in 2089 (assuming no change in the retirement age). However, it is much more difficult to forecast changes in the migrant population, the birth rate for future generations, which may fluctuate much more than expected, or the mortality rate. Bodies like the UNPD, the IIASA and The Lancet therefore usually publish not only baseline scenarios but also alternative scenarios reflecting both higher and lower expectations (see box and Chart 3).

The reliability of these scenarios varies. UN population projections have often aligned closely with actual figures and, since 1968, have often been within a few percentage points.<sup>3</sup> However, the same is not always true of the accuracy of regional projections. In Europe, projections have often overestimated the number of births and underestimated the number of older people, because they are too pessimistic about improvements in life expectancy. In Africa, Asia and South America, actual population figures have also confounded projections. The timescales covered by projections is a further factor: forecasts for a few years ahead are broadly accurate, but accuracy over longer periods then declines. Over the past few years in particular, the baseline scenarios have been inaccurate, with actual birth rates much lower than expected in some cases, leading to a more dramatic fall in the population and the need to revise projections downwards.<sup>4</sup>

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How the UN scenarios are calculated: These scenarios are based on estimates of changes in mortality, fertility and international migration. For birth rate projections, the UN draws on a theory of demographic transition based on historical trends. The theory posits that individual countries pass through three stages: a pre-transition stage (during which the birth rate is high); the transition phase; and the post-transition phase (during which the birth rate is low). The UN assesses the position of each country in this process and models the rate at which its birth rate will decline. A probabilistic model takes account of both systematic decline and ad hoc distortions. There are further calculations for countries reaching stage 3 of the process. According to the UN, 39 countries had reached stage 3 in 2023. The median scenario is the average of 2,000 completed family sizes. The high-fertility scenario assumes 0.5 births more than the median scenario and the low-fertility scenario assumes 0.5 births fewer than the median scenario.

**Differences from other methods:** One commonly cited alternative method is that used by the International Institute for Applied Systems Analysis (IIASA), which draws more heavily on interviews with experts. Taking account of levels of education in its qualitative assessment, the IIASA forecasts a more rapid decline in fertility in sub-Saharan Africa than the UNPD does. The IIASA's median projection for global population size is around the UN's lower 95% projection interval. The Lancet differs from both the UN and the IIASA in that it makes greater use in its models of variables such as women's level of education and access to contraception. This produces lower projections.

Source: UN World Population Prospects 2024, Vollset, Stein Emil et al. (2020), Fertility, mortality, migration and population scenarios for 195 countries and territories from 2017 to 2100: a forecasting analysis for the Global Burden of Disease Study, The Lancet, Volume 396, Issue 10258, pp. 1285-1306



Source: UN World Population Projection 2024

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This may also apply to the current UN projections. The actual birth rate in many countries was in line with the low-fertility scenario projections, or lower in some cases.

If this trend continues, global demographic ageing will gather pace and populations will begin to decline sooner. In other words, all the trends described in this report will happen more rapidly and on a larger scale. But why are birth rates falling? And why are they falling more markedly than expected?

# Demographic change: the link between prosperity, life expectancy and birth rates

When it comes to starting a family, as with other areas of their lives, individuals respond to incentives and opportunities. When a prosperous society invests more in health, life expectancy increases, and individuals feel it is appropriate to invest in a smaller family rather than a larger one. This lowers birth rates, not least because women now have greater freedom to plan their own lives. Increasing life expectancy and better education are two major drivers of higher female employment, enabled by higher incomes and a growing economy that needs skilled labour. Higher pay, including for women both with and without children, transforms the higher economic opportunity costs arising from low levels of labour market participation by women with children.<sup>5</sup>

Chart 4 demonstrates the strong correlation between prosperity and fertility, but also shows that this correlation can produce very different outcomes. Prosperity is not the only driver of fertility, which is also influenced by a number of interrelated and sometimes interdependent factors, including income, educational level, healthcare, lifestyle, urbanisation, family structure, labour market conditions, and pension arrangements. The recently industrialised countries have achieved more rapid growth by adopting technological and social advances, and they are now also seeing an acceleration in their rate of demographic change. In the United Kingdom, the first country to industrialise, it took 95 years (1810 to 1905) for the birth rate to fall from six births per woman to three. By contrast, the same reduction in the Asian tiger economy of South Korea took just 19 years (1960 to 1978).<sup>6</sup> Demographic change also seems to be starting earlier: before 1990, it typically started once average real-term GDP reached USD 2,700 (adjusted for purchasing-power parity), whereas after 1990, this figure fell to USD 1,500.<sup>7</sup> The number of countries affected by change is increasing – as is the pace of change.







### Chart 4: Real-term per capita GDP and birth rates 1960-2023





Source: UNO World Population Prospects 2024, World Bank 2024



Our World In Data breaks down the demographic transition into five stages (see Chart 5), of which the first four are already evident or have been evident in many countries, and are therefore well documented.<sup>8</sup> In the initial stages, rising incomes translate into lower death rates, while birth rates remain high. Populations then grow rapidly until government incentives and individual preferences prompt a corresponding fall in the birth rate. In a functioning and highly developed society, the death rate will then remain low in the fifth stage that follows. Future trends in the birth rate are, however, more difficult to identify: it may remain low, may rise again or may fall further. The unexpected current fall in fertility suggests that the third of these outcomes is happening, both currently and for the smaller cohorts now being born – and this will have an impact over the coming decades.

Here, too, a number of factors are at play that interact or are interdependent, producing differing impacts in each country.

# **Economic factors**

The cost of living is high, and it has become more expensive for countries to look after a larger population. Making the financing of old age an aspect of social security – that is, having a pension system through which the state looks after older people, rather than families doing so – and the professionalisation of work, with employees filling specialist roles rather than entire families running the family farm, for example, means that the traditional financial advantages of having children have largely disappeared, leaving the cost and financial risks largely in place, albeit also now dealt with to some extent by the state. Generally higher costs, particularly for housing, hit families harder because they need more living space.



# Chart 5. The five stages of demographic change: what happens in stage 5?

Source: Our World in Data 2019

The start of the current and unexpected decline in birth rates coincided broadly with a sudden jump in inflation, driving up costs in general but particularly the costs of having a family, including housing and food prices. Inflation has now fallen again, but this only means that prices are rising less and not that they have fallen back to previous levels. The OECD identifies a clear negative correlation between the cost of housing and birth rates.<sup>9</sup> Higher costs suggest shortages, and while the availability of housing varies from one region to another, many countries have seen housing shortages become much more acute over recent years.

Economic uncertainty has also now increased, particularly in western countries but also, for example, in China. In terms of its impact on families, this uncertainty is particularly relevant to young adults and is both very much higher than in the past. Youth unemployment is widespread across Europe, including in Spain and Sweden, which both have youth unemployment rates of around 25%, in Italy (20%), and in France (17%). However, China also has high levels of youth unemployment, which reached 18% in autumn 2024 according to government statistics. Switzerland is performing better on this measure, with a youth unemployment rate of 2.6% in October 2024. However, alongside unemployment, young people also face rising costs of living, precarious work, and high levels of debt arising from their time in education and training. In such economically uncertain times, many couples put off plans to start a family or even decide to remain child-free.

Housing shortages and rising costs are not universal, and conditions may vary widely from one region to another, but these factors are consistent in shaping the decisions about family of many different kinds of households with different aspirations. They play a clear role in decisions at least to delay the birth of the first child.

# **Social factors**

A variety of social factors have an impact on young people's attitudes to starting a family and in particular on their choice of when to do so. Some of these factors overlap or interact with each other.

These social factors include:

### Professional and personal development

Increasing numbers of people, particularly in industrialised countries, are prioritising their own personal and professional development over starting a family. It can be difficult to combine work with family responsibilities, so couples now start thinking about it later than in the past, or even not at all. Almost 60% of Swiss women without children report that the birth of a child would have a negative impact on their employment prospects (70% of women who have completed tertiary education and 50% of women with secondary education).<sup>10</sup>

# **7** Higher levels of education and changes in gender roles

 Over recent years, levels of education and training have improved substantially, particularly among women. Higher qualifications often mean better employment prospects and greater independence. At the same time, traditional gender roles and family models are changing, which is also contributing to the trend towards women having children later or remaining child-free.

### **O** Growing acceptance of child-free lifestyles

Modern societies are increasingly accepting of child-free lifestyles, and less stigma is now attached to a decision not to have children, which is perceived as a legitimate choice by couples and individuals.

### Urbanisation and lifestyle

4 Urbanisation also contributes to declining birth rates. It is often more expensive to live in urban areas, where housing for families is often in short supply. Modern lifestyles, with their focus on leisure and consumer spending, may mean that children are regarded as a cost.

### Increase in short-term relationships and single lifestyles

Divorce rates are higher and single-person households are now more common, with a potential negative impact on birth rates.<sup>11</sup> Short-term and unstable relationships often do not create the framework that many would consider optimal for starting a family.

# 6 Advances in family planning

Better access to contraception and improved family planning opportunities mean couples can think in a more targeted way about whether – and when – to have children. The ability to prevent pregnancy safely and effectively often means that such decisions can be taken more consciously and in a more informed way.

### **7** Cultural change and priorities

Attitudes to family and children have changed in many countries. Individuals increasingly want flexibility and are less willing than in the past to accept the responsibilities and constraints that children bring with them. Children enrich people's lives in many different ways, but they can also complicate life, and many people view them as a risk to financial prosperity and lifestyle. Fewer people now see them as a factor in stabilising and strengthening a relationship.

### **Q** Climate change and environmental concerns

Environmental issues and climate change – or at least the way these issues are reported – may also feed into decisions about starting a family, at least for some individuals and particularly in the west. Some opt not to have children because they are worried about the world in which those children would grow up.

### Higher (self-imposed) demands on parents

Since industrialisation, demographic change has been driven by parents' decision to invest more in fewer children rather than less in more children. And 'investing more' is not finite: parents are finding that increasing demands being made on them, by themselves, by others or by a combination of the two. In 1965, women with children in developed countries spent an average of one hour a day with their children: that has now risen to three hours, and in South Korea, the figure is almost four hours.<sup>12</sup> Parenting is widely seen as a challenge, increasing the pressure on parents. Support for (early) learning, foreign languages, music, and sports activities, along with private tutoring, are all on the increase, prompting parents to wonder how much extra-curricular activity their own child needs if it is to keep up with its peers.

These factors are often closely interlinked, and their combined impact is a decline in birth rates in many countries.

One key factor is the age at which individuals start their family. Lengthy periods spent in education combined with later career launches, longer periods of economic uncertainty, self-development, and embarking on stable partnerships at a later age, are all prompting people to defer having their first child. This choice is facilitated by greater independence, better information, and improved family planning. Advances in fertility treatments and improvements in health, however, do not necessarily guarantee pregnancy, so not all couples are able to have children when they finally feel the time is right.

For many years, starting a family was one of the first steps people took in their adult life: now it is a decision frequently taken at the 'end of the beginning' of adult life or even later. Individuals are tending to delay having children until they are established and have completed their studies, launched their career or achieved their first promotion, have secured good housing, and are in a stable long-term partnership.<sup>13</sup>

It is also striking that the decline in birth rates has less to do with smaller family sizes (women giving birth to two rather than three children, for example) and reflects instead the trend towards having no children. In the UK and US, 34 year-old women are more likely to have no children than to have one or more, while in both countries, a relative majority have no children (yet), and it can be assumed that a significant number of these women will remain child-free.<sup>14</sup> 67% of Swiss women aged 25 to 34 have no children, 16.3% have one child and 13% have two children. Among women aged 35 to 44, by comparison, 36.5% have two children, almost double the percentage of those who are child-free (20%).<sup>15</sup>

The average childbearing age has also risen around the world. In most OECD countries, the average rose by between 2.0 and 5.6 years between 1971 and 2021, with the higher of these figures relating to the Czech Republic. Mexico and Colombia were the only two countries where the average childbearing age fell over this period. More specifically, the average age of women when their first child is born has been increasing. The figure varies significantly among OECD countries, ranging from 26.6 years in Turkey to 32.6 years in South Korea, but since 2000 it has risen in all countries with available data, with most countries seeing an average increase of at least two years. In South Korea, Estonia and Lithuania, the increase has been twice as high as the average, at four years.<sup>16</sup>

There has been a particular decline in the number of young women having children, especially teenage women but also more generally those under 25. In the US, the average number of children per woman has more than halved from 3.6 in 1960 to 1.6 in 2023. The birth rate among women over 30 has risen slightly but has fallen among women aged between 20 and 24, especially those aged under 20.<sup>17</sup> 4.6% of Swiss women having their first child in 2023 were aged between 15 and 20, compared with around 12% in 2000 and 33% in 1969.<sup>18</sup>

This is a desirable trend both for young women wishing to educate and establish themselves before having their first child and also for their children. Children of women with lower educational levels have more restricted opportunities than those born to women with higher educational levels, especially in countries with poorer than average social mobility. Women who no longer have children at a young age do not always go on to have them later in life. In many countries, it is predominantly women with higher educational levels who have the number of children they choose, while those with lower educational achievements are less likely to have children at any stage of their life.<sup>19</sup>

### Workforce trends

These social changes go hand in hand with a dramatic impact on the number and distribution of future workers. Economic growth in prosperous countries is driven to a large extent by strong population growth, and the global economy benefited enormously from the opening up of the former Communist countries of Eastern Europe in the 1990s and from hundreds of millions of Chinese workers newly entering the global economy, driving down costs and creating impetus for growth. Now, however, countries around the world face the opposite situation. The available workforce is predicted to fall by 2050 in many countries, with a significant shift in the global distribution of labour (see Charts 6 and 7).

Chart 6: Change in the working age population between 2023 and 2050		
China	-237,634,408	
Japan	-19,217,673	
Russia	-13,442,885	
South Korea	-12,889,428	
Thailand	-11,219,486	
Ethiopia	71,427,365	
Democratic Republic of Congo	75,331,706	
Pakistan	95,175,304	
Nigeria	105,491,067	
India	155,952,598	
Source: UNO World Population F	Prospects 2024	

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Chart 7: Two worlds: Growth and decline in the working age population up to 2050

In most European countries, the working age population is projected to decline significantly: and in just a handful of countries, including Sweden and the UK, will it continue to grow slightly up to 2050, driven by migration. Sweden expects total migration of more than 700,000 between 2025 and 2050, while the figure for the UK is almost 7 million. The UK projection is comparable with actual levels of migration between 1999 and 2024, and over this period, actual migration to Sweden was twice as high as projected. Overall, it is clear that the main driver of increases in the working age population is migration rather than natural population growth.

Growth in the working age population in Asia is projected to shift from China to India, but other Asian countries including Japan and South Korea will also be among the main global losers (see Chart 6). The US could see its proportion of the global labour force remain at around 4%, but this is likely to be driven largely by increased migration.<sup>20</sup> Africa is likely to see significant growth, however, and by 2050, the continent will account for more than a quarter of the world's labour force.

The difference between regions of the world where the workforce is growing and those where it is falling is also thrown into relief by a comparison of average education levels. Overall, the working age population is growing in countries with lower average levels of education and falling in those where education levels are higher (see Chart 8).

However, the average employability of a working age population is in inverse proportion to the availability of labour in a country, and the shortage of skilled workers is likely to worsen. Developing countries are making more use of initial and continuing training programmes, and the increasing availability of labour in these countries is an opportunity not only for their own economies but also for the world. However, seizing this opportunity requires an increase in the average employability of workers.

### **Chart 8: Population growth and average education levels** Population growth 2023-2050



#### Ageing Switzerland: It's time to act

Individual countries will seek to offset the decline in their own working age population by using migrant labour. However, not all migrants can be integrated to the same extent into the labour market or into the host society. The impact of migration on the labour market also varies from country to country. It may even be negative, for example if higher taxes and social security contributions mean that there are more potential beneficiaries of the social security system, reducing incentives to work, or if large numbers of low-skilled migrant workers drive higherskilled workers out of the labour market or even the country. Government policy must take adequate account of a country's ability and willingness to integrate migrants if migration is not to undermine the labour market and increase social tensions.

It is therefore likely that demand will focus on migrant workers who are easy to integrate, but their capacity for integration makes them more difficult to attract. And while individual countries can use migration to shape their own demographic trends to a certain extent, the world as a whole cannot, so the global 'war for talent' will continue to intensify.



# Trends in Switzerland

Demographic ageing is already at an advanced stage in Switzerland. The simplified historical patterns in Chart 5 suggests that the country is currently transitioning from stage 4 to stage 5. Both its death rate and its birth rate have both fallen sharply and remain low.

These changes have seen the median age of the population rise from 33.9 years in 1970 to 46.0 years in 2023.<sup>21</sup> One-half of all Swiss nationals are already over 45, with the effect that proposals running counter to the interests of the over-45s are electorally unpopular and unlikely to pass, a trend that looks set to intensify.

The younger generations are smaller than the older ones, so the traditional age pyramid is now changing gradually towards an inverted pyramid – increasingly narrow at the bottom and broader at the top, with a particularly large representation of older generations and a smaller representation of younger generations. The number of Swiss citizens of pension age is, according to baseline projections by the Swiss Federal Statistical Office (BfS), likely to rise by around one million to 2.67 million between 2020 and 2050 out of a total Swiss population of more than ten million. And the over-80 age group is set to double over the same period, to 1.11 million.<sup>22</sup>

Future changes in the birth rate will be crucial. If the past few years are taken as an indicator, this rate is likely to fall below expectations. The birth rate in Switzerland has been below the replacement rate since 1971 (see Chart 9) and declined from 1.6 live births per woman in 2016 to 1.5 live births in 2021. Since 2021, this decline has

#### Chart 9: Births in Switzerland 1971-2023



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accelerated further, to just 1.3 births per woman in 2023. The fertility rate of non-Swiss nationals in the country is slightly higher than that of Swiss nationals, but even among this group of women, the trend is downwards.<sup>23</sup>

The actual birth rate is therefore substantially lower than that projected by the BfS. For example, BfS projections for live births in 2020 were 11,236 higher than the actual figure. This suggests a deficit of more than 10,000 compared with BfS projections for 2023 alone. Similarly, there were 8,300 fewer live births in 2022 than projected and 6,300 fewer for the period from 2019 to 2021. Projections systematically over-estimate live births, with a particularly marked deficit for 2022 and 2023. If the actual birth rate by 2030 matches the 2022/2023 average, then almost 79,000 fewer children will be born than projected. This deficit will then rise to around 191,000 by 2040.

This means that from around 2037/2038, 11,236 fewer people will be entering the labour market than are currently projected to do so. Similarly, between 2040 and 2065, fewer women could be having children, a trend that would reduce the size of the next generation further, assuming the birth rate remains stable.

Despite the advanced stage of demographic ageing in Switzerland, and despite the surprisingly significant fall in the birth rate, the Swiss population is growing substantially. However official statistics also markedly underestimate this growth. BfS population projections therefore systematically underestimate population growth and overestimate the birth rate.

Switzerland is seeing modest natural growth in its population, although the birth rate has long fallen below the replacement rate. The small surplus of births over deaths can be attributed mainly to two factors (see Chart 10). Firstly, a population can for many years have an average birth rate well below 2.1 children per woman without the number of births falling in absolute terms provided that there is also an increase in the number of women of childbearing age. An increase in the number of women of childbearing age means that fewer births in one age group can be offset by more births to women in another age group. This was the case in Switzerland between 1980 and 2000,



Chart 10: Population growth 1900-2023

Source: BFS (2024)

when many women born of the earlier baby-boom were reaching childbearing age: between 1971 and 1996, the number of women in the 25-40 age group rose from 717,000 to 912,000, and since 2000 the total number of women in the population has also risen as a result of migration. So following a fall to 856,000 in 2007, the number of women aged between 25 and 40 rose again, to 977,000 by 2023. Secondly, longer life expectancy may stabilise the actual number of deaths, even where the population is growing, and this was the case in Switzerland between 1990 and 2010.

The number of children born in Switzerland reflects this trend. Since 2018, this figure has been declining (with the exception of the pandemic year 2021), falling from 87,851 to 80,024 in 2023, although the figure is still higher than the 2003 low point of 71,848 live births. Projections based on actual figures up to September 2024 suggest a further drop to 75,600 live births for the whole of 2024.<sup>24</sup> This would again be a year-on-year fall, but the total would remain above the 2003 low point.

To re-phrase Mark Twain, reports of Switzerland dying as a result of demographic change have been greatly exaggerated,<sup>25</sup> and more than 70,000 children are born each year. Nonetheless, natural population growth is not just relatively weak but the number of births is actually declining in absolute terms. Although Switzerland now has more women in its population, the birth rate per woman and the absolute number of live births are both falling (see Chart 11).

#### Chart 11: More women but fewer children

Number of women of childbearing age and live births per year: projected live births 2024 based on actual figures to September



Source: BFS (2024)

The main reason for the rapid growth in the Swiss population is the high – and often under-projected – level of net migration (see Chart 10). When the Swiss voted on the country's bilateral treaties with the EU in 2000, the Swiss Federal Council argued against concerns that migration would increase sharply.<sup>26</sup> In fact, migration from the EU has since risen more than threefold, from 38,531 in 2000 to 130,042 in 2023. Net migration (immigration minus emigration) rose around 23-fold over the same period, from 2,803 to 64,019.<sup>27</sup>

Overall, the permanent resident population of Switzerland has grown by 1.8 million since 2000, and the rate of increase has been accelerating: it took 18 years (1994-2012) for the population to grow from 7 million to 8 million but only 12 more years for it to grow to 9 million. If population growth continues at the current rate over the next few years, Switzerland will have a population of 10 million by 2036.<sup>28</sup>

Most migrants to Switzerland are of working age. Migration therefore offsets demographic ageing, though it can only slow the trend, not stop it in its tracks.

This is having a marked impact on the structure of the working age population as well as of the population as a whole. For example, since 2011, the numbers entering the labour market (defined as those reaching the age of 15 in any one year) have already fallen below the numbers leaving the labour market because of retirement at age 65 (see Chart 12).

# Chart 12: Working age population trends 1860-2070

Projections 2024 onwards



Source: BFS (2024)

Switzerland's working population has, however, continued to grow, driven partly by higher participation rates by women with children but primarily by migration. However, the country relies heavily on migration from countries that are affected by demographic ageing as much as, if not more than, Switzerland itself. As the working age population falls in these countries of origin, the more difficult it is likely to be for Switzerland to attract their nationals. Current projections suggest that the EU population will fall to 432 million by 2070 from its current total of 451 million, with projected net migration at 1.2 million a year and a projected birth rate – which looks very optimistic, given the current actual figures – of 1.77 children per woman. Without migration, the fall in the population is projected to be 20% to around 358 million.<sup>29</sup>

Despite migration, some occupations are already facing skills shortages. Demographic ageing will exacerbate this further. The Swiss State Secretariat for Economic Affairs (SECO) has calculated the demographic replacement rate by occupation group (see Chart 13)<sup>30</sup>, defined as the number of employees within ten years of the statutory retirement age as a percentage of the total workforce. Its calculations show that all occupational groups face a replacement demand of more than 10%, with five groups set to see more than 25% of their workforce retiring over the next ten years.

It is clear from these figures that Switzerland faces issues of general societal ageing as well as of an older working age population. But what options does the country have when it comes to mitigating the impact of this ageing?



### Chart 13: Replacement demand by occupational group



# Is demography destiny? Evaluating measures to tackle demographic ageing

A country has two main options if it wishes to halt or reduce demographic ageing. The first is migration; the second is to boost growth in its own population. Measures to reduce or offset the negative impact of ageing on the labour market offer greater prospects of success than measures to influence general population trends. For example, a higher statutory retirement age increases the size of the workforce without actually changing demographic ageing. But if the aim is to halt demographic ageing, then changes need to be made to the structure of the population – the size of younger generations must increase. Specifically in relation to long-term demographic trends, there is an issue around sustainability: measures to tackle demographic ageing must be sustainable and effective over the long term if they are to produce results.

# Migration

Foreign workers are a key component of the Swiss labour market, to which they contribute in different ways – some are cross-border workers, for example, while others are permanent residents. International mobility is crucial for businesses and an important source of expertise.

This will remain the case, but there is growing evidence that migration alone cannot solve the problem of demographic change and is ultimately not a sustainable solution to it, for three main reasons.

The first reason is that migration is not a sustainable solution: high levels of migration would be required over a very long period to influence demographic

growth. Economiesuisse and the Swiss employers' federation recently predicted a labour shortage of 460,000 FTEs by 2035; and even if the domestic pool of labour were fully utilised, this would still require 312,000 workers from abroad.<sup>31</sup> Not all migrants will work full-time, however, and each migrant in employment is matched by another who is economically inactive: between January and October 2024, Switzerland had 75,704 economically active and 69,285 economically inactive migrants.<sup>32</sup> This means over 600,000 migrants would be needed to provide 312,000 economically active individuals. And it is unclear whether Switzerland's skills shortages would be resolved even if these figures were achieved.

The second reason is that population growth does not automatically increase per capita prosperity and does not therefore necessarily benefit the economy. In fact, Switzerland is at risk of growing in size but not in economic terms. Real-term per capita GDP fell slightly by 0.6% in 2023, a year when levels of migration were high.<sup>33</sup> Not all migrants have the same profile: some integrate very easily, but others do not.

The third reason is that labour market migration may tackle a skills shortage but can also actually exacerbate it. New workers arriving in the country increase demand in other areas – for administrative services, for example, or childcare and healthcare – so more workers are needed to provide those services. The public sector in particular then has to expand to provide state infrastructure, administration, and health and education – an expansion that brings higher costs with it.

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Moreover, some of these additional jobs, especially in the public sector, can only be done by Swiss nationals. These include roles related to national security, such as policing, or jobs with specific language requirements (such as providing childcare to children speaking Swiss German). The Swiss nationals recruited for these roles are lost to other areas, often in the private sector, so further recruitment from abroad is required to fill these gaps.

This effect rather offsets the positive impact migration can have on skills shortages, and creates some unintended – and not always welcome – consequences, such as higher public spending and an expansion of the state sector.<sup>34</sup>

These effects illustrate how important it is to target migration, particularly in labour market terms. And it is in this area that a fourth limiting factor comes into play: the key countries of origin of foreign workers, and especially of (highly) skilled workers, are precisely those countries that are as severely affected by demographic ageing as Switzerland is, or even more so. This creates pressure on migration, both on the demand side (does Switzerland want migration?) and on the supply side (do enough foreign workers want to migrate to Switzerland?), despite the country offering high levels of pay. And this is particularly the case in areas and occupations where migration is most needed by the country and its labour market.

As Chart 8 shows, there is negative correlation between average education and training levels (and hence employability) and a higher working age population. Countries with poorer average education levels are those where the working age population is most likely to be growing, while those with better average education levels are more likely to see their working age population contracting. Migration into Switzerland, and particularly labour market migration, involves primarily employable foreign workers – mostly from the EU – with the skills that Switzerland needs to boost growth in its highly developed economy.

The 'war for talent' is therefore likely to remain intense unless Switzerland diversifies its economic activity away from a focus on the EU. This however would raise major questions about other migrants' skills and cultural adaptability, as well as about the relationship Switzerland wants to have with the EU if the labour market advantages of free movement become less important.

Switzerland would be well advised to keep its migration policy competitive with that of other countries if it is not to lose labour and businesses to its competitors.<sup>35</sup> Even then, though, there would be no guarantee that migration alone would resolve the problems of domestic skills shortage and demographic ageing.

Indeed, there is evidence that Switzerland's past model for success, driven by migration from the EU in particular, is becoming ineffective. This model is expanding the population in purely numerical terms but is becoming politically more unpopular because of the increased pressure on public infrastructure. This may drive down the numbers wanting to come to Switzerland from many countries of origin.

There are also signs that companies will be reducing their focus on recruiting large numbers of foreign workers. Naturally, there is an advantage to having as smooth an access as possible to labour, but companies are also becoming increasingly aware of the cost of recruiting from abroad. Maintaining a workforce in Switzerland is more expensive than doing so outside the country, so more companies are seeking to secure their growth abroad, and are doing so in Switzerland only when workers have to be in the country or when the benefits of quality offset the higher costs.

Further measures being taken by companies include shifting their focus to attractive locations, innovation, and a higher retirement age.

## Increasing the birth rate

Migration is a problematic response to demographic ageing, but increasing the natural birth rate is more problematic still. Starting a family is a highly personal issue, and family size is a decision for individuals or couples to take on the basis of their own preferences, over which any free society has very little influence. The current BfS Families and Generations Survey shows that a large majority of Swiss citizens would like to have at least one child (58% of the 20-29 age group, compared with 17% of the same age group who report not wanting to have children). This potential could be achieved by dismantling barriers to having children. Yet even if all those wanting to have children were having as many as they wished, the birth rate among Swiss citizens would still be lower than the replacement rate (depending on the assumed family size for families with three or more children in the calculation).

It also seems unlikely that this potential could be achieved in full solely by removing barriers to women and couples having children. Nobody knows what having children is like until they actually have them, and the reality of a first child is sometimes enough to change individuals' or couples' aspirations for a larger family. This is borne out by the marked contrast between generations: older generations are three times more likely to have a single child than younger generations are to express a desire to have a single child.

# Measures to tackle the economic barriers to starting a family

Most of the economic barriers to starting a family, such as inflation, housing costs, economic uncertainty and youth unemployment, form part of general economic policy issues rather than specific family policy. In general terms, many western countries neglect market economy measures that boost both economic growth and prosperity. It would be to their advantage to focus more on such measures, and this could also help remove some of the barriers to starting a family. At the same time, increased prosperity can, as discussed previously, contribute to a declining birth rate, so the role of economic policy in stimulating the birth rate seems to be limited.

It is more difficult to evaluate the influence of other financial measures to support families. Many countries already have wide-ranging and expensive measures in

place to support families, yet are not seeing birth rates increase as a result. The United Kingdom over recent years has expanded considerably the support given to families, but its birth rate is falling. Finland has long been viewed as a model for family support and has a relatively high birth rate, but despite further expansion of its support measures, the Finnish birth rate has now fallen below the OECD average. And Hungary spends 5% of its GDP on supporting families, yet its birth rate has also fallen recently after a small and short-lived increase. Between 1980 and 2019, most developed countries have tripled their spending on support for families, yet their birth rates have fallen over the same period from an average of 1.85 children per woman to 1.53 children.<sup>37</sup>

If financial support were not available, average birth rates might be lower still, so this support may be beneficial in other ways, for example by helping to combat child poverty. However, financial support for families seems to produce rapidly diminishing marginal returns. Increasing the birth rate is increasingly expensive, and in any case, fewer couples now make their decision whether or not to start a family purely on grounds of the financial incentives available. Estimates of the impact of a Polish family support programme between 2016 and 2019 found that each additional child born as a result cost USD 1 million.<sup>38</sup> Existing financial support might also come to be viewed increasingly as an expectation, reducing its effectiveness as an incentive and locking governments into a cycle of paying increasingly more for diminishing returns in terms of boosting the birth rate.

There are also indications that the impact of financial support for starting a family is dependent on the recipients' income – that is, women with low incomes and low levels of education are more likely to be influenced by financial support than women with higher incomes and higher levels of education. This is hardly surprising, given that state subsidies have a greater impact on the lower-paid in general. The birth rate has fallen particularly among younger women who are more likely to be in education or in the early stages of their career and therefore to have lower incomes, so young women are more likely to respond to such financial support.

#### Ageing Switzerland: It's time to act

Some governments are therefore starting to target support directly at young women: the Chinese province of Zhejiang has a support programme for women under 25, as does Russia, while Hungary provides support for women under 30. But there are conflicts of interest here: should the young women who are most likely to respond to financial incentives be encouraged to have children if, without such incentives, they would be more likely to focus on their initial and continuing training or on gaining economic independence and launching their career, at least for a few years?<sup>39</sup>

### Measures to tackle the social barriers to starting a family

Conflicts of interest are even more marked when it comes to government measures to tackle the social barriers to starting a family. A free society can have only a limited influence on its citizens' personal decisions, including the decision to start a family. Many of these social barriers reflect otherwise desirable factors, such as personal and professional development, educational achievement, and the wider acceptance of child-free lifestyles, so a free society will have only a limited influence on policy in these areas.

One approach would be to support measures enabling citizens to combine working with having children. Switzerland has made substantial progress in this area over recent years, but still lags behind other European countries in some respects. The quality, flexibility, country-wide accessibility and, above all, cost of childcare are still an issue in Switzerland, and childcare can and must be improved. The range of services has already been significantly expanded depending on the region, however, so further improvements need to be targeted and, where possible, funded by the private sector, so as not to impose an excessive burden on the welfare state.

It would also be possible to adopt innovative solutions, such as direct support for or provision of childcare by employers where possible, to support parents and parenting to a greater extent. The right combination of greater flexibility over location and hours of work could greatly improve employees' ability to combine work with family responsibilities. Nevertheless, it is unlikely that any combination of measures can completely overcome the obstacles to or additional burden of having a family. Employees with children will always have more responsibilities and demands than their child-free colleagues, and not every role at work can be made fully flexible.

Making it easier to combine work and family responsibilities also addresses only one aspect of the social barriers to having a family, so expanding measures in this area will have only a limited effect.

A survey conducted by Deloitte in spring 2024<sup>40</sup> found that part-time working is increasingly popular and that the most commonly cited reason for wanting to work part-time – by both men and women and across almost all age groups except women aged 35 to 49 – is not the demands of having a family but the desire for more time for hobbies and personal interests. A cultural shift seems to have taken place, with an impact on work and careers, as individuals focus more on personal development and work-life balance.

Canadian research echoes these findings:<sup>41</sup> the major reason for not having children, it argues, is personal development, followed by career goals, more time for hobbies and personal interests, along with the cost and time involved in raising children. The availability and cost of childcare are much less important, the study found, ranking only 16th and 18th respectively in the list of reasons cited by respondents.

## **Conclusions:**

Government measures can have a limited influence on demographic ageing or may help prevent its (further) acceleration. The link between higher incomes and smaller families has, however, been evident across many countries and cultures since the beginning of industrialisation. There is no prospect of this trend being reversed – quite the contrary, in fact. Family size is largely resistant to variables that are open to influence by the state and is determined to a great extent by individual preferences. Traditional models of family support - parental leave, child benefit and so on – are becoming less effective as incentives as society undergoes a cultural shift.<sup>42</sup> These forms of support may reduce financial risk, and more could be done to help individuals combine work with family responsibilities, but there is no model of support that can relieve parents of their caring role, their responsibilities as parents, and the time and energy they put into raising their children. If individuals feel they would prefer not to share their time and their life with children, then no reduction in the financial cost of having children will convince them otherwise. And it is unclear what the outcome would be if Switzerland did take further measures to support families.

Nor can support measures actually increase people's desire to have children. The decision whether or not to have children, and how many, is a personal one, and a free society can have only a limited influence on such decisions.

Even if these individual preferences were to change radically and translate into a rapid rise in the birth rate and the numbers entering the labour market, it would be at least 15 years before this would translate into natural population growth and an increase in the working population (and number of consumers) in the economy.

Switzerland as a whole, and Swiss companies in particular, therefore need to focus on demographic change, which will have a multidimensional impact on the country and on its economy.

# The impact on Switzerland

#### Ageing Switzerland: It's time to act

Switzerland's demographic ageing will transform the country fundamentally, slowly but surely. We have identified four areas for action (see Chart 14).

#### Chart 14: The impact of demographic ageing on Switzerland - key areas for action



Switzerland's demographic ageing will transform the country fundamentally, slowly but surely. We have identified four areas for action (see Chart 14).

## **Political action**

Changes in voting patterns are likely as the electorate ages, prompting a potential shift in the political agenda as older age groups vote in line with their own interests. There will be greater pressure on younger generations to pay for the cost of pensions and healthcare, and public spending in these areas will also rise substantially, putting pressure on state budgets and making the inter-generational redistribution of resources more difficult.

Migration will become increasingly important in the political debate, and it will be difficult to achieve consensus over the need for labour market migration – not only in relation to its socially acceptable level but also in relation to its composition. Mobility and infrastructure policy could focus more on the needs of older people, which would require greater investment in age-appropriate transport systems and public spaces. Security issues may also gain in prominence.

# **Social action**

As the population ages, the family will become more important as a care network, and the pressure will increase on younger generations to care for older family members. This will bring about a shift in traditional gender roles, with women increasingly likely to be working, so the responsibility for caring is to have to be shared more between men and women. Work-life balance will also be an increasingly important factor here, as juggling work, family life and caring for older family members will be a challenge for many. Flexible models of working and support systems, too, will be more important as individuals attempt to reconcile these differing priorities.

This shift in societal values is likely to gather pace, with a growing focus on individual well-being, personal freedom and self-development, while collective responsibilities – such as the care of older people – will increasingly have to be shared. Demographic change will also affect urban design, as towns and cities adjust to the needs of an older population and create new structures to reflect changing preferences, such as closeness to nature, and increased demand for infrastructure such as easy access to healthcare. Societies will also have to find new ways of creating a balance between individual and collective prosperity in an ageing world, especially as evolving personal preferences and cultural influences have a significant impact on the birth rate and, ultimately, demographic ageing.

# **Economic** action

An ageing population means a smaller working age population, which may slow down economic growth. A more limited availability of labour is a challenge to long-term economic growth. To offset this, there will be a greater need to boost productivity through technological innovation and automation. Investment in artificial intelligence (AI) and robotics could help to boost efficiency and overcome skills shortages. However, the Swiss economy will need to be more dependent on highly skilled labour and on migration if it is to maintain its labour market potential.

The country's ageing population will also have an impact on savings and investment patterns. Older people tend to save less, using their existing savings to meet their living expenses, day-to-day spending and health costs. This could reduce the ability of the economy to invest, as less money will be available for long-term investment in companies and structures. At the same time, younger generations will find it more difficult to build up savings, with a further negative impact on economic growth potential.

### **Business action**

Demographic change will be a significant influence on companies and business models, especially as consumer behaviour changes. An ageing population will drive demand for specific goods and services, including healthcare, pensions and assistive technologies for older people. At the same time, the purchasing power and spending habits of this group will become increasingly important as they will account for a growing proportion of market spend. Companies will have to adapt their goods and services more to the needs of older consumers and tap into new business areas that target the 'silver economy', such as age-appropriate housing, digital health technologies and leisure provision for pensioners and older people.

On the manufacturing side, demographic change will bring about a shift in production factors: a smaller working age population translates into skills shortages and a lack of expertise and know-how. The demand side for goods and services may also change as companies have to produce more flexibly and efficiently to maintain control over their costs in an environment shaped by scarce resources. Companies that react early to such changes and adapt their business models will be better placed to benefit from demographic trends than those that do not.

## Key areas for action

We focus in this report on issues with relevance to the economy. Our analysis enables us to identify six key areas for action, as shown in the next section, some of which are complementary or overlap. However, to tackle the challenges posed by demographic ageing and to exploit the opportunities it represents, progress is needed in all these areas. Some changes focus particularly on the challenges, such as pension reform. Others focus on opportunities, such as tailoring supply to a changing consumer environment. But only by combining all these measures will Switzerland be able to transform the challenges of an ageing society into an opportunity. Along with many western countries, Switzerland faces many different challenges, and it is vital that the country also seizes the opportunities they bring.

# Key areas for action

We consider the following six areas for action to be key to tackling demographic ageing constructively. They include the central measures we think are most important, which will be explored in detail in the individual reports making up this series.

#### Workforce dynamics

Demographic change is one of the most serious challenges facing Switzerland over the coming decades. Societal ageing, the imminent wave of baby boomer retirements, and falling birth rates are all contributing to a decline in the working age population at the same time as labour and skills shortages become more severe in many sectors. The skills shortages in the information and communications technology sector are particularly alarming.

So how can Switzerland tackle these changes? Do we need to rely more on migration, or can we solve the problems with innovative approaches, such as AI, and by making better use of the domestic labour pool? And what can we learn from other ageing societies?

This report provides answers to these questions and sets out some specific areas in which policy makers and business can act.

#### **Health and longevity**

The ageing of the population will put further pressure on healthcare, with a tangible impact on costs and staffing. The Swiss health service is already under considerable pressure, but now faces the challenge of meeting even greater demand from an ageing society.

If our health service is to remain viable, it needs to become more efficient. But how can this be achieved while keeping the focus on patients? What part can prevention, early diagnosis and innovative technologies play in this process? And how can the concept of longevity help tackle the challenges of demographic change?

This report explores how the Swiss health system needs to reform and considers its future.

#### **Consumer behaviour and trends**

Demographic change means more older people around the world, and also older consumers accounting for a much higher proportion of total consumer spending. Indeed, consumers over the age of 50 may well become the key target group for marketing by consumer goods companies.

But while the over-50 age group already underpins consumer demand to a great extent, many companies are giving more attention to younger consumers. So how can companies better tailor their offer to older consumers in future and meet their needs, making better use of the market potential they represent?

#### **Pension system**

Demographic change poses a structural challenge to Switzerland's pension system. The basic pension (AHV) in particular is coming under increasing pressure as a result of the imbalance between contributors and beneficiaries, while occupational pension schemes are struggling with the unforeseen redistribution effects of an ageing population. As a result, individual financial security is becoming increasingly important. Digitalisation and price competition are making it easier for individuals to invest in the 'third pillar' market, as private pension schemes are known in Switzerland, yet many groups in the population are not making adequate use of these opportunities, which are then lost. So how can financial inclusion be boosted and the longterm stability of pensions be ensured?

This report considers the specific challenges and sets out approaches to adapting Switzerland's pension arrangements to demographic change

#### Sustainability

Research studies find that in industrialised societies, older people on average produce higher  $CO_2$  emissions each year than younger people. One reason for this is that an older population uses more electricity and other forms of energy. Projections for the ageing of the Swiss population therefore means a higher carbon footprint in the coming decades – and this is at odds with the Federal Council's 2019 decision to achieve net zero greenhouse gas emissions by 2050.

How then can the state and business tackle the country's growing carbon footprint and achieve its net zero target?

#### Technology

What will be the impact of ageing populations on productivity and innovation? And what potential do technology and automation have to cushion the impact of demographic ageing?

Technological change can help offset the negative impact of an ageing society and ageing workforce. But maintaining productivity requires greater investment in automation and artificial intelligence (Al).

Automation and robotics can replace or support manual tasks, while AI and machine learning offer ways of boosting productivity, particular in the service sector. Case studies from Japan and South Korea show that these approaches can be very successful. And the use of AI in digital health and lifelong learning can improve both efficiency and education/training.

A key consideration is how all these approaches are actually implemented. This report explores potential measures that business and government could take.

# How do companies assess the impact of ageing – and how well are they prepared?

The H1 2025 Board survey conducted by swissVR and Deloitte with the Lucerne University of Applied Sciences and Arts sheds light on how companies perceive the impact of demographic ageing and how well prepared they are in the six areas for action set out above.

Demographic change is often seen as a long-term phenomenon, but 40% of companies report that its impact is already evident, and a further 20% think it will become evident within the next three years. The future is already here.

Board members think that demographic change will have a particularly large impact on pensions, the labour market, and technology and automation, which is unsurprising, as all these areas are directly relevant to business. 83% of Board members expect the impact on pensions to be 'large' or 'very large': 71% expect a large or very large impact on the labour market; and 61% expect a large or very large impact on the labour market; and 61% expect demographic change to have a large impact on health and longevity (57% of survey respondents) and consumer behaviour (51% of respondents). The impact on sustainability is rated as smaller, though one Board member in five (21%) expects it to be large or very large.

In terms of preparedness for demographic change, most companies rate it similarly across the six areas for action – and most feel their level of preparedness is lower than the expected impact. Businesses in the ICT sector, for example, report the highest levels of preparedness, while those in the sustainability sector are least well prepared, although Board members in this sector also expect demographic change to have less impact on their company than those in any other sector.

The biggest mismatch between perceived impact and level of preparedness is in the area of pensions (see Chart 15). Board members report the greatest need for action in this area if companies are to be appropriately prepared to tackle the impact of demographic change. There is also considerable work to be done in the areas of labour market and technology, whereas most consumer goods companies are comparatively well prepared for an ageing customer base. And in the sustainability sector, companies feel they are more than adequately prepared for the challenges of demographic ageing. However, this positive view of their preparedness may well reflect the fact that the challenges are less visible in this sector than in many others.

### Chart 15: The gap between impact and levels of preparedness





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