Societal transition

Demographics compound insecurity, inequality, and inequity

Societies are increasingly susceptible to destabilisation and disruption, which in turn are combining with longer-term demographic trends to fundamentally reshape demands on the social contract. There is considerable uncertainty as to whether governments have either the political will or fiscal capacity to implement reforms that will bring broad social benefits. At stake are society's ability to address insecurity, inequality, and inequity (whether real or perceived). Incomplete policy solutions that only partially manage challenges will become increasingly dissatisfactory to citizens, risking (further) polarisation and civil unrest.

Policy trends

Demographic change

Advanced economies in East Asia and Europe confront the greatest aging challenges. Addressing these remains politically costly, particularly in a significant year for elections globally. Many emerging markets across Africa, the Middle East, and South Asia can put good use their demographic dividend, but the opportunity is fleeting and many lack fiscal capacity to make the education and infrastructure investments necessary to future proof their population and economies. Migration continues to rise due to increasing conflict and labour demand in advanced economies that face shrinking workforce populations and a growing ratio of non-working dependents. Tackling immigration policy (including for internally displaced people) will remain a key focus of international organisations but has become highly politicised at the domestic level, polarising electorates as governments face substantial anti-immigrant movements that reject needed reforms. Social safety net and pension reforms are also needed to reflect changing societal compositions.

Declining social progress

For the first time, indices of social progress moved backwards in 2023. This is partially due to progress slowing as easy wins become exhausted (like cell phone roll out), but also due to reversal of progress on education and health – across advanced and emerging economies. As many countries return to economic growth, the lack of inclusion/inclusive policies will prevent trickle down impacts to ordinary citizens – increasing inequality and perceived injustice in a year where 80% of voters live in a country where social progress is stagnant or declining. The inability of countries to fulfil the social contract may potentially divide populations across a range of social issues, raising barriers further to consensus-building, successfully achieving inclusive social policy outcomes, and threatening greater civil unrest.

Societal divisions

Despite progress globally (such as on EM wage growth), Covid-19 has increased inequality within countries. In many economies, social media is fuelling division on many societal fault lines (e.g., age, race, gender, ethnicity), which is compounded by rising wealth inequality and digital divides. Social cohesion is fraying, fuelling polarisation/extremism in and between countries, increasing political and economic inefficiencies.

What can we expect in the next 18 months?

Sovereign debt

Low-income countries face record high external financing needs in 2024: around USD78bn in long-term external public debt is due (up from USD43bn in 2023), of which around USD50bn is owed to official bilateral and multilateral creditors. Lower growth, increased debt-growth projections, and shrinking political will among advanced markets to accept burden-sharing raise the likelihood of defaults. In advanced economies, high debt and financing costs weigh on fiscal capacity and decrease political will to support emerging economies. For example, the US's annual budget deficit is projected to reach USD2tn this fiscal year and grow to USD2.8tn by 2024. Questions concerning the sustainability of advanced economies' growing debt will produce calls for politically challenging national-level fiscal reforms. Weakening multilateral institutions are unlikely to be able to sufficiently coordinate efforts to manage overall sovereign debt burden at a systemic level.

Future of SDGs

Pressure on the UN system and Sustainable Development Goals (SDGs) will continue to increase (following a reversal of progress on major deliverables and unfavourable press coverage) ahead of the 2024 'Summit of the Future" and 2025 4th International Conference on Financing for Development, which will re-think or re-launch the global effort behind the SDGs. As the UN's time is spent on responding to the world's armed conflicts, the private sector will be sought to help deliver this agenda. Substantive work will kick off ahead of the 4th International Conference, which creates the opportunity to co-create policy recommendations on achieving the SDGs but raises stakeholder expectations on private sector action.

'S' regulation

As reforms to address the 'E' of ESG are implemented, tackling the 'S' will become a larger focus of sustainability policy, (through either specific rules or as part of 'just transition / do no significant harm frameworks). Expect jurisdictions to continue increasing social disclosure requirements – such as on diversity and inclusion metrics or human rights – in anticipation of potential rulemakings surrounding social risks in coming years. However, in a world with fragmenting value sets, agreeing on and defining what social norms and standards are will become increasingly difficult, and possibly contentious.