

## Part I – Global Risks 2015:

# Fragile Societies under Pressure

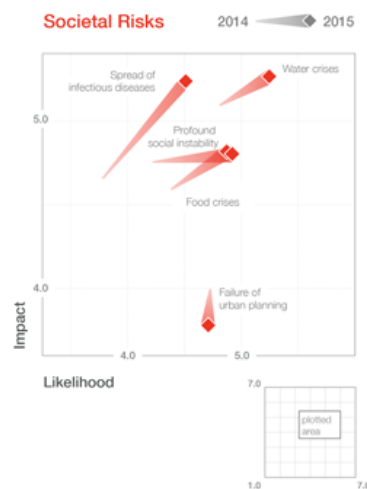
The fragility of societies is of increasing concern, fuelled by underlying economic, societal and environmental developments (Figure 3 and Figure 1.2). A major driver of social fragility is **rising socio-economic inequality** within countries, although it is diminishing between countries. Among the members of the Organisation for Economic Co-operation and Development (OECD), the average income of the richest 10% has now grown to about nine times that of the poorest 10%. In other countries, the ratio is even higher: for example, more than 25 times in Mexico.<sup>3</sup>

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Income inequality is widening quickly in large emerging markets. The People's Republic of China has seen its Gini Index rise from about 30 in the 1980s to over 50 in 2010.<sup>4 5</sup> While extreme poverty (less than \$1.25 per day) was reduced from afflicting over 50% of the world's population in 1990 to 22% in 2010, the same reduction did not take place in those earning under \$3 per day.<sup>6</sup> The story is of people escaping extreme poverty, yet remaining poor. Widening income inequality is associated with lower and more fragile economic growth, which reduces the scope to meet rising social expectations in emerging markets.<sup>7</sup>

Figure 1.2: The Changing Global Risks Landscape 2014-2015, Societal Risks



Source: Global Risks Perception Surveys 2013 and 2014, World Economic Forum.  
Note: See endnote 25

Rising **structural unemployment** drives both inequality and social pressures. Lower economic growth and technological change are likely to keep unemployment high in the future, also in developing countries. The spread of connectivity enables protest movements to mount more quickly, increasing the risk of unrest and violence that could easily spill over from individual countries to affect the global economy. While inequality and unemployment contribute to social instability, social instability in turn impacts negatively on equality, employment and wealth creation. The multidirectional cause-and-effect relationship makes it harder to address the related risks.

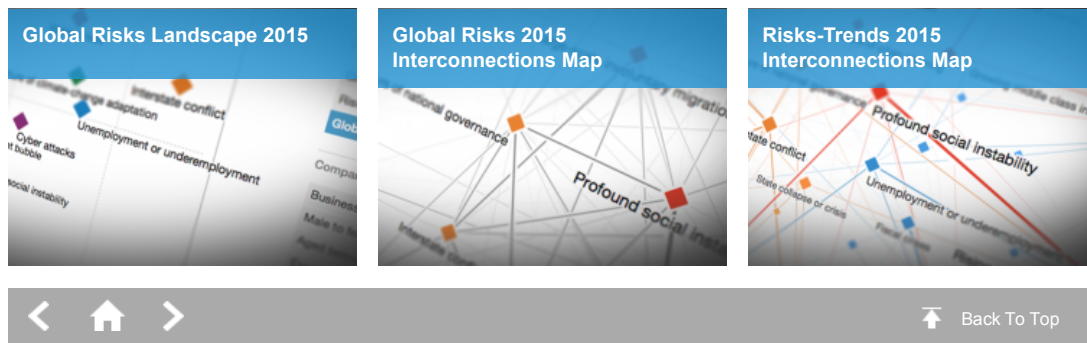
Underlying social fragility is also the accelerating pace of change, growing complexity and the deepening extent of global interdependence, which together reduce people's feeling of control over their immediate environment and hence their sense of stability and security. A common psychological response to insecurity and perceived loss of control is the desire to turn inwards towards smaller groups that have a stronger sense of identity. At the same time, increased global connectivity allows people to make their voices heard and to convene with like-minded individuals. The growing risks of social extremism and isolationism are brought to light through the rising influence of religious groups and in the separatist movements in Catalonia and Scotland.

The effects associated with **climate change** will put further pressure on societies. Its expected impact on the ability to grow food and access water could prompt sudden and uncontrolled population migrations, putting additional pressure on receiving countries.<sup>8</sup> Already in 2014, the number of refugees worldwide from environmental or conflict-related causes reached its highest level since World War II.<sup>9</sup>



As societies become less homogenous and less bound by common values, and more polarized into the haves and have-nots, they will become harder to govern effectively. This in turn increases the risk of prolonged economic stagnation, creating the potential for a self-reinforcing downward spiral into social chaos. States will need to mitigate this risk through policies to make growth more inclusive: providing public goods and services such as social protection, hospitals, schools, transport and telecommunications infrastructure.

25. Global risks may not be strictly comparable across years, as the names and description of the risks were revised between 2014 and 2015. The risks introduced in 2015 are not displayed in the figures and only the risks for which the name or the description were slightly revised between 2014 and 2015 are presented. Water crises was categorized as an environmental risk in 2014 but as a societal risk in 2015. To ensure legibility, the names of the global risks are abbreviated. Please see Appendix A for the full name and description.



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