COMMISSION OF THE EUROPEAN COMMUNITIES



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# COMMUNICATION FROM THE COMMISSION

Green Paper "Confronting demographic change: a new solidarity between the generations"

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Europe is facing today unprecedented demographic change. In 2003, the natural population increase in Europe was just 0.04% per annum; the new Member States, with the exception of Cyprus and Malta, all saw falling populations. In many countries, immigration has become vital to ensure population growth. The fertility rate everywhere is below the threshold needed to renew the population (around 2.1 children per woman), and has even fallen below 1.5 children per woman in many Member States.

Europeans would like to have more children. But they are discouraged from doing so by all kinds of problems that limit their freedom of choice, including difficulties in finding housing.

It is also the case that families — the structure of which varies but which still constitute an essential part of European society — do not find the environment in which they live conducive to child-rearing. If Europe is to reverse this demographic decline, families must be further encouraged by public policies that allow women and men to reconcile family life and work. Furthermore, the family will continue to play an important role in solidarity between the generations. The Union therefore needs to find out more about families in the various Member States, in particular with regard to employment and income in single-parent families, access to housing, social benefits and care for the elderly.

The Union's population is set to grow just slightly up until 2025, thanks to immigration, before starting to  $drop^{1}$ : 458 million in 2005, 469.5 million in 2025 (+ 2%), then 468.7 million in 2030. Yet 55 of the 211 regions of the EU-15 already saw a fall in population during the second half of the 1990s. This is also the case in most of the regions of the new Member States (35 out of 55 regions), because of natural decrease and net emigration<sup>2</sup>.

This trend is even greater when just the total working age population (15-64 years) is considered: between 2005 and 2030, it is due to fall by 20.8 million.

The report from the High Level Group chaired by Wim Kok emphasised the importance of the demographic challenge for the Lisbon Strategy: ageing could cause potential annual growth in GNP in Europe to fall from 2-2.25% today to 1.25% in 2040, with all that entails for entrepreneurship and initiative in our societies.

To meet this challenge, the Lisbon Agenda must be resolutely implemented, in particular those policies focusing on getting people into jobs - especially certain groups in the population such as women and both younger and older people – on innovation and increasing productivity.

<sup>&</sup>lt;sup>1</sup> Eurostat's baseline scenario, used for population forecasting, provisional results – December 2004.

<sup>&</sup>lt;sup>2</sup> Regions NUTS 2. *Source: Third report on cohesion*, February 2004.

It is also necessary to continue modernising social protection systems, especially pensions, to ensure their social and economic sustainability and to enable them to cope with the effects of demographic ageing.

For several years now, the Union has been developing policies<sup>3</sup> to help anticipate these changes<sup>4</sup> and recent initiatives, such as the Green Paper on an EU approach to managing economic migration, contribute to the discussion.

These demographic changes are the result of three basic trends:

- **Continuing increases in longevity** as a result of considerable progress made in health care and quality of life in Europe: healthy life expectancy is still rising. This trend should continue, with the gap between male and female life expectancy closing. It will not be uncommon to see four surviving generations of the same family. But the individual members will move about more and will not always live as close to each other as they did in the past.
- The continuing growth in the number of workers **over 60**, which will stop only around 2030, when the baby-boomer generation will become "elderly".
- **Continuing low birth rates**. The baby-boomer generation has had fewer children than previous generations, as a result of many factors: difficulties in finding a job, the lack and cost of housing, the older age of parents at the birth of their first child, different study, working life and family life choices. Almost everywhere, fertility is below the population replacement level. In certain southern and eastern European countries, it is less than 1.3 children per woman.

The structure of society is also changing radically. Family structures are changing: there are more "older workers" (55-64), elderly people (65-79) and very elderly people (80+), fewer children, young people and adults of working age. The bridges between the various stages of life have become more complex: this is particularly the case for young people, who are experiencing certain life events later (e.g. graduation, first job, first child).

European and national level public policies must take these demographic changes into account. This is the goal of the preparatory action adopted by the European Parliament in  $2004^5$  which seeks to better take into account the impact of demographic changes in all the relevant policies.

In a growing number of Member States, adapting to these trends has already become a political priority. To compensate for the predicted fall in the working age population, the Union advocates greater employment participation, particularly by women and older people, encourages investment in human resources and higher productivity through economic reforms, research and innovation. Greater efforts are needed to integrate young people into the labour market and to support them as they pursue 'non-linear' careers, alternating between employment, study, unemployment and retraining or the updating of skills.

<sup>&</sup>lt;sup>3</sup> See Annex 1.

<sup>&</sup>lt;sup>4</sup> Towards a Europe for All Ages - COM(1999) 221, 25.2.1999; Europe's response to World Ageing - COM(2002) 143, 18.3.2002.

<sup>&</sup>lt;sup>5</sup> Budget heading 25 04 01 - OJ L 53, 23.2.2004, Volume 47, p. II/1281.

In the context of the Union's new social agenda, a more in-depth debate is needed which respects the various powers of different levels of governance. Many issues associated with demographic change come within the exclusive competence of the Member States or their regional authorities, or social partners. But these are also urgent issues of common interest to which all the Member States need to respond.

The fact is that the demographic dependency  $ratio^{6}$  will rise from 49% in 2005 to 66% in 2030. We will have to not only reach but to exceed the objective in the Lisbon Strategy – an employment rate of 70% – to compensate for the expected drop in the working age population: employment participation will have to increase, and the retirement age will have to continue to rise. It will be important to assess and discuss how best to mitigate the most damaging effects of these trends.

Do you take the view that the discussion of demographic trends and managing their impact should take place at European level?

If so, what should be the objectives, and which policy areas are concerned?

### 1. THE CHALLENGES OF EUROPEAN DEMOGRAPHY

The three causes of demographic ageing mentioned above can be found throughout Europe, but the situations are very different, as summarised below<sup>7</sup>:

- The Union no longer has a "demographic motor". Those Member States whose population is not set to fall before 2050 represent only a small share of Europe's total population. Of the five largest Member States, only the populations of Britain and France will grow between 2005 and 2050 (+ 8 % and + 9.6% respectively)<sup>8</sup>. The population will start to drop in some cases before 2015, and in some cases the fall will by more than 10-15% by 2050.
- Immigration has recently mitigated the impact of falling birth rates in many countries.
- The situation in the **candidate countries** accentuates the demographic contrasts. Forecasts for Bulgaria and Romania show negative growth (-21% and -11% respectively by 2030), as do UN forecasts for Croatia (-19%). However, the population of Turkey is set to rise by more than 19 million between 2005 and 2030 (+25%).

Eurostat base scenario, EU-25 (in thousands)	2005-2050	2005-2010	2010-2030	2030-2050
Total population	-2.1%	+1.2%	+1.1%	-4.3%
	(-9642)	(+5444)	(+4980)	(-20066)
Children (0-14)	-19.4%	-3.2%	-8.9%	-8.6%
	(-14415)	(-2391)	(-6411)	(-5612)
Young people (15-24)	-25.0%	-4.3%	-12.3%	-10.6%
	(-14441)	(-2488)	(-6815)	(-5139)
Young adults (25-39)	-25.8%	-4.1%	-16.0%	-8.0%
	(-25683)	(-4037)	(-15271)	(-6375)
Adults (40-54)	-19.5%	+4.2%	-10.0%	-14.1%
	(+19125)	(+4170)	(+10267)	(-13027)
Older workers (55-64)	+8.7%	+9.6%	+15.5%	-14.1%

<sup>&</sup>lt;sup>6</sup> The ratio of the population aged 0 to 14 and over 65 to the population aged between 15 and 64 years.

<sup>&</sup>lt;sup>7</sup> See Annex 2.

<sup>&</sup>lt;sup>8</sup> Spain will see growth of 5.7 % between 2005 and 2030, and a drop of 0.8 % between 2005 and 2050.

	(+4538)	(+5024)	(+8832)	(+9318)
Elderly people (65-79)	+44.1%	+3.4%	+37.4%	+1.5%
	(+25458)	(+1938)	(+22301)	(+1219)
Very elderly people (80+)	+180.5%	+17.1%	+57.1%	+52.4%
	(+34026)	(+3229)	(+12610)	(18187)

These developments are part of a wider trend: all parts of the world will witness demographic ageing over this century. Our main partner, the United States, may see its population rising between 2000 and 2050<sup>9</sup>. In China it will be fast, with a falling population from 2025. However, the populations of our neighbouring regions in Europe, Africa and the Middle East will start to age much later: their populations are much younger, with an average age of 20 years or less, compared to 35 in Europe.

## **1.1.** The challenge of a low birth rate

In this context, a low birth rate is a challenge for the public authorities. Never in history has there been economic growth without population growth. Increasing productivity, in particular through access to lifelong learning, and increasing employment participation, in particular by creating a real European labour market and a higher level of occupational mobility, are two important ways of doing this, as are increasing the birth rate and immigration.

Europeans have a fertility rate which is insufficient to replace the population. Surveys have revealed the gap which exists between the number of children Europeans would like (2.3) and the number that they actually have  $(1.5)^{10}$ . This means that, if appropriate mechanisms existed to allow couples to have the number of children they want, the fertility rate could rise overall, even though the desired family size varies considerably from one Member State to another.

The low fertility rate is the result of obstacles to private choices: late access to employment, job instability, expensive housing and lack of incentives (family benefits, parental leave, child care, equal pay). Incentives of this kind can have a positive impact on the birth rate and increase employment, especially female employment, as certain countries have shown. However, 84% of men surveyed by Eurobarometer in 2004 said that they had not taken parental leave or did not intend to do so, even when informed of their rights.

Over many years, the Union has been making considerable efforts to achieve equality between men and women and has coordinated national social protection policies.

How can a better work/life balance help to tackle the problems associated with demographic ageing?

How can a more balanced distribution of household and family tasks between men and women be encouraged?

Should the award of certain benefits or advantages (leave, etc.) be linked to an equal distribution of tasks between the sexes? How best to ensure an adequate income for both parents on parental leave?

<sup>&</sup>lt;sup>9</sup> UN forecasts, 2002.

<sup>&</sup>lt;sup>10</sup> *Report of the High-level Group on the future of social policy in an enlarged European Union*, May 2004.

How can the availability of child care structures (crèches, nursery schools, etc.) and elderly care structures be improved by the public and private sectors?

Can a reduced rate of VAT contribute to the development of care services?

How can parents, in particular young parents, be encouraged to enter the labour market, have the career that they want and the number of children they want?

# **1.2.** The possible contribution of immigration

Immigration from outside the EU could help to mitigate the effects of the falling population between now and 2025, although it is not enough on its own to solve all the problems associated with ageing and it is no substitute for economic reforms. As stated in the recent Commission Green Paper<sup>11</sup>, ever larger migrant flows may be needed to meet the need for labour and safeguard Europe's prosperity. Given the demographic situation in Europe and its geographical environment, this immigration will also be intended to reinforce the population in general, and not only to supply manpower. This means that the admission mechanisms for third country nationals must be managed effectively and transparently, and proactive integration and equal opportunities policies must be ensured, in order to achieve a balance between the respective rights and responsibilities of migrants and host societies<sup>12</sup>. The option of a wider recourse to immigration as part of the response to demographic ageing needs to be discussed at national and European levels, as well as with the countries of origin.

The Thessaloniki European Council in June 2003 declared that an EU integration policy [for immigrants] should help to meet the new demographic and economic challenges currently facing the EU. This is the debate initiated by the Green Paper adopted last January.

To what extent can immigration mitigate certain negative effects of demographic ageing?

What policies should be developed for better integrating these migrants, in particular young people?

How could Community instruments, in particular the legislative framework to combat discrimination, the structural funds and the Employment Strategy, contribute?

# **2. A NEW SOLIDARITY BETWEEN THE GENERATIONS**

Demographic changes are creating a new society, and these changes are set to speed up from 2010 onwards: ever fewer young people and young adults, ever more older workers, pensioners and very elderly people. Our societies will have to invent new ways of liberating the potential of young people and older citizens. Dealing with these changes will require the contribution of all those involved: new forms of solidarity must be developed between the generations, based on mutual support and the transfer of skills and experience. The European initiative for youth proposed by the Commission in the Communication on the mid-term review of the Lisbon strategy should contribute to this.

<sup>&</sup>lt;sup>11</sup> COM(2004) 811, 11.1.2005.

<sup>&</sup>lt;sup>12</sup> Communication from the Commission on immigration, integration and employment - COM(2003) 336.

# 2.1. Better integration of young people

Today's children and young people will have to take over from larger numbers of individuals in the previous generations. Their level of education and training is certainly markedly higher than that of their elders: for example, in the EU-15, nearly 28% of 25-34 year olds had been educated to degree level in 2003, compared to 16% of 55-64 year olds. This points to a potential for higher productivity and greater adaptability than was the case for previous generations. However, the Union must accept that young people are becoming a rare and yet undervalued resource. The fact is that young people are finding it hard to integrate in economic life:

- The unemployment rate for under 25s was 17.9% in December 2004, compared to 7.7% for those aged 25 or over.
- Young people are at particular risk of poverty<sup>13</sup>: this applies to 19% of 16-24 year olds, compared to 12% of those aged 25-64<sup>14</sup>. This proportion is also higher than that for people aged 65 years or above (17%).
- Young people are sometimes faced with discrimination on the grounds of their age and lack of occupational experience, accentuated by other factors such as gender, social origin or race, all of which make it more difficult for them to integrate into economic life and society.
- The skills learnt at school are not always in line with the requirements of the knowledge society and the level of school failure is still a source of concern. In 2002, some 16.5% of 18-24 year olds left school with no qualifications. There are many reasons for this. Measures to support families and their school-age children, associated with the modernisation of teaching systems, should reduce school failure rates.
- Moreover, children are also at risk of poverty: this is the reality for 19% of under 15s. The risk is even worse for those living in single-parent families. One consequence of this is that children are forced to drop out of school early, which may, in the medium term, accentuate the risk of poverty amongst young people.

The education system will have to meet a significant challenge: it needs both to raise the level of initial training and to offer more flexible pathways, in which, for example, young people would be more likely to alternate education at college, work and work-linked training, in order to meet the needs of the economy. They should also have greater access to the opportunities provided by distance learning.

Demographic ageing does not of course mean an automatic solution to the problems of unemployment and integration. The social partners, the school system, public authorities and local players will have to reflect on how best to improve integration pathways and combat the discrimination which can affect young people.

<sup>&</sup>lt;sup>13</sup> I.e. with a net income less than 60% of the average.

<sup>&</sup>lt;sup>14</sup> Joint Report on Inclusion : http://europa.eu.int/comm/employment\_social/soc-prot/socincl/joint\_rep\_fr.htm

European objectives have been laid down for the prevention of long-term youth unemployment, combating school drop-out and raising the level of initial training. The structural funds help to attain them at grass roots level.

How can Community policies contribute more to combating child poverty and poverty among single-parent families and to reducing the risk of poverty and exclusion among young people?

How can initial training and adult training schemes be improved? What can non-formal education and voluntary activities contribute? How can the structural funds and the instruments for achieving better access to the knowledge society contribute?

How can the bridges between school and working life and the quality of young people's employment be improved? What role should social dialogue play? What can dialogue with civil society, in particular youth organisations, contribute?

What forms of solidarity can be fostered between young people and elderly people?

# 2.2. A global approach to the "working life cycle"

The number of young adults (25-39 years old) will begin to fall in 2005 and this trend is set to accelerate significantly after 2010 (-16% between 2010 and 2030). The number of 40-54 year olds will start to fall in 2010. In parallel, the number of people aged 55 and over will grow by 9.6% between 2005 and 2010, and by 15.5% between 2010 and 2030, before falling sharply in its turn. Companies will therefore have to rely increasingly on the experience and skills of older workers, whilst actively preparing those younger than 55 to replace them. Despite a certain degree of progress, the employment rate for people aged 55+ (40.2% in 2003, or around 20.5 million people in employment) is far below the European objective of 50%.

Young employed people may want to spend more time with their children and work more at another time in their life. These demographic changes may therefore lead to a new, more adaptable and flexible organisation of working time. Technological developments are another way of better balancing family life and work.

The quality of jobs and the working environment will also make a significant contribution to keeping people at work, by reducing the risk of occupational accidents and improving workers' health, in particular the health of the oldest workers. Anticipating these changes will help us to manage the working life cycle better. It will also be necessary to develop incentives to change people's behaviour with regard to older workers and to combat discrimination.

In order to promote the transition to a knowledge society, EU policies promote the modernisation of work organisation, the definition of lifelong learning strategies, the quality of the working environment and "active ageing", in particular raising the average retirement age. Demographic changes reinforce the importance of these policies, whilst raising new questions:

How can the organisation of work be modernised, to take into account the specific needs of each age group? How can young couples' integration in working life be facilitated and how can we help them to find a balance between flexibility and security to bring up their children, to train and update their skills to meet the demands of the labour market? How can we enable older people to work more?

How can work organisation best be adapted to a new distribution between the generations, with fewer young people and more older workers?

How can the various stakeholders in the Union contribute, in particular by way of social dialogue and civil society?

# 2.3. A new place for "elderly people"

The number of elderly people aged 65-79 will increase significantly after 2010 and until around 2030 (+ 37.4%). They will be more active and in better health if current trends continue. They will also be better off, having been more likely to build up a full pension, and will have more savings than their predecessors and their children.

Elderly people in certain countries are increasingly choosing to move to another region or abroad: mobility is not the reserve of the young or of employed people. They are consuming more new goods and services and want to participate actively in social life, in particular in the voluntary sector. They may wish to continue working or to combine part-time work with retirement, a trend that is developing in the USA. The employment rate of 65-74 year olds in the EU was 5.6% in 2003, compared to 18.5% in the USA. Some of them will also want to help their children and grandchildren and ensure that their wealth is passed down to the younger generations.

The European coordination of retirement scheme reforms is promoting more flexible bridges between work and retirement.

Should there be a statutory retirement age, or should flexible, gradual retirement be permitted?

How can elderly people participate in economic and social life, e.g. through a combination of wages and pensions, new forms of employment (part-time, temporary) or other forms of financial incentive?

How can activities employing elderly people in the voluntary sector and the social economy be developed?

What should be the response to pensioner mobility between Member States, in particular with regard to social protection and health care?

How should we be investing in health promotion and prevention so that the people of Europe continue to benefit from longer healthy life expectancy?

# 2.4 Solidarity with the very elderly

With life expectancy increasing all the time, our societies are witnessing the presence of an ever-rising number of very elderly persons (80+): +17.1% between 2005 and 2010, +57.1% between 2010 and 2030. On that timescale, very elderly people would number nearly 34.7 million, compared with approximately 18.8 million today. The proportion of people living alone, particularly women, will increase owing to female widowhood resulting from the difference in length of survival between the sexes. Retirement pensions for women are significantly less generous than for men. Women also have shorter careers and earn less during their working lives.

Families will not on their own be able to solve the matter of caring for these people, however dependent or independent they are. The improved health profile of today's younger generations holds out the hope that the very elderly of the future will remain self-sufficient for longer, and that they will wish to remain in their own homes. High intensity care will be increasingly concentrated towards the end-of-life period. Nevertheless, there will also be more people than today who will need such high intensity care as a result of the loss of their independence.

In either case, appropriate care will be needed, and this today is provided in many countries by families and particularly by women. Yet these women are increasingly in employment. Furthermore, more grown-up children live far away from their parents.

Families must therefore be supported to a greater extent. This is where social services and networks of solidarity and care within local communities come in.

The coordination of national social protection policies is due to be extended to long-term care for the elderly in 2006. How can this help to manage demographic change?

In particular, should a distinction be drawn between retirement pensions and dependency allowances?

How do we train the human resources needed and provide them with good quality jobs in a sector which is often characterised by low salaries and low qualifications?

How do we arrive at a balanced distribution of care for the very old between families, social services and institutions? What can be done to help families? What can be done to support local care networks?

And what can be done to reduce inequality between men and women when they reach retirement age?

How can new technologies support older people?

## **3.** CONCLUSION: WHAT SHOULD THE EUROPEAN UNION'S ROLE BE?

In order to face up to demographic change, Europe should pursue three essential priorities:

- Return to demographic growth. We must ask two simple questions: What value do we attach to children? Do we want to give families, whatever their structure, their due place in European society? Thanks to the determined implementation of the Lisbon agenda (modernisation of social protection systems, increasing the rate of female employment and the employment of older workers), innovative measures to support the birth rate and judicious use of immigration, Europe can create new opportunities for investment, consumption and the creation of wealth.
- Ensure a balance between the generations, in the sharing of time throughout life, in the distribution of the benefits of growth, and in that of funding needs stemming from pensions and health-related expenditure.
- Find new bridges between the stages of life. Young people still find it difficult to get into employment. An increasing number of "young retirees" want to participate in social and

economic life. Study time is getting longer and young working people want to spend time with their children. These changes alter the frontiers and the bridges between activity and inactivity.

Should the European Union be promoting exchanges and regular (e.g. annual) analysis of demographic change and its impact on societies and all the policies concerned?

Should the Union's financial instruments – particularly the structural funds – take better account of these changes? If so, how?

How could European coordination of employment and social protection policies better take on board demographic change?

How can European social dialogue contribute to the better management of demographic change? What role can civil society and civil dialogue with young people play?

How can demographic change be made an integral part of all the Union's internal and external policies?

In July 2005, the Commission will be organising a conference bringing together all the players concerned and which will offer an opportunity to examine the issues raised in this Green Paper. The objective of this conference and the Green Paper is to collect the best practices of the Member States and other players. The debate could also contribute to the European Youth Initiative proposed in the mid-term review of the Lisbon strategy<sup>15</sup>.

#### 4. How to take part in the consultation

The period of public consultation will commence on 16 March and end on 1 September 2005.

We invite you to submit your contribution using the electronic form which you can find on the European Commission site at the following address:

http://europa.eu.int/yourvoice/consultations/index\_en.htm.

All information of a personal nature will remain anonymous. Organisations are asked to identify themselves.

We encourage you to use the electronic response form which will make it easier to process your opinions during this consultation.

You may, however, also send us a written contribution to the following address:

Green Paper on Demographic Change

DG EMPL/E/1

J-27 01/122

European Commission

<sup>&</sup>lt;sup>15</sup> Youth Ministers agreed at the Council on 21 February 2005 to the use of the name "European Pact for Youth .

B-1049 Brussels.

## ANNEX 1

For several years now, many Community policies have been helping to anticipate demographic change:

- The European Employment Strategy and education and vocational training policy have mobilised those involved to combat school drop-out and to raise the level of young people's initial training<sup>16</sup>, as well as to promote "active ageing", the gradual raising of the average retirement age<sup>17</sup> and an improvement in the quality of jobs. Here too, the Union is far from achieving the objectives set.
- The reform of social protection systems. The common objectives for the reform of pension schemes, adopted in 2001, call for the solidarity between the generations to be preserved and for a balance between retired and working people to be maintained. Extending the coordination of national health care and long-term elderly care policies will help to develop this approach. The European Strategy on Social Inclusion has set objectives for tackling child and family poverty.
- Respecting the principle of equality between men and women and taking this dimension into account in all the Union's policies ("gender mainstreaming"). Measures to help achieve a better work/life balance play a vital role in raising the employment rate. For example, the Barcelona European Council called in 2002 for Member States to develop child care structures. The social dialogue has concluded agreements on parental leave and part-time working which have been implemented by way of directives. Despite this progress, much remains to be done, as demonstrated by the low take-up rate of parental leave among men and the persistence of obstacles to women's access to high quality employment.
- Combating discrimination. Since 2000, a legislative framework has covered all discrimination in employment and has promoted diversity.
- The Broad Economic Policy Guidelines call for growth to be made more sustainable by reducing public debt and implementing sound policy. The multilateral surveillance of the implementation of the Broad Economic Policy Guidelines and the Stability and Growth Pact includes the evaluation of the sustainability of public finances. Work has been undertaken in the Economic Policy Committee to measure the medium-term and long-term economic and budgetary impact of ageing.
- A common approach to immigration policy including economic immigration has been developing for several years.
- The Social Fund, as a tool to support the Employment Strategy, and the European Regional Development Fund promote the development of child care and better "age management" in companies.

<sup>&</sup>lt;sup>16</sup> Guideline 4, Council Decision of 22 July 2003 (OJ L 197, 5.8.2003, p.13).

<sup>&</sup>lt;sup>17</sup> Guideline 5.

• The research framework programme supports many projects associated with ageing and demographic change, focusing especially on clinical research into diseases affecting the very elderly and their impact on health care systems. The framework programme also includes studies on demographic trends in Europe.

<u>ANNEX 2</u>
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1.	The challenges of European demography	4
1.1.	The challenge of a low birth rate	5
1.2.	The possible contribution of immigration	6
2.	A new solidarity between the generations	6
2.1.	Better integration of young people	7
2.2.	A global approach to the "working life cycle"	8
2.3.	A new place for "elderly people"	9
3.	Conclusion: what should the European Union's role be?	. 10
4.	How to take part in the consultation	. 11
Graph 1	: the European Union in the world	. 16
Graph 2	: old age dependency	. 17
Graph 3	: share of the youngest and the oldest in the European population	. 18
Graph 4	: the ageing of the European population	. 19
Graph 5	: size of the youngest (15-24) and oldest (55-64) working age groups	. 20
Graph 6	change in the median and average age in the EU-25 1950-2050	. 21
Graph 7	: ageing patterns across the Union	. 22
Graph 8	: trends in fertility	. 23
Graph 9	:fertility trends in the EU between 1960 and 2003	. 24
Graph 1	0 & 11: trends in life expectancy at birth	. 25
Graphs	12 & 13: life expectancy at the age of 60 (1960-2002)	. 26
Graph 1	4: trends in net migration	. 27



### GRAPH 1: THE EUROPEAN UNION IN THE WORLD

Graph 1 shows that the share of the EU-25 in world population between 2000-2030 is likely to fall from 12 to 6%. Other regions are also affected. Africa is likely to become one of the new giants. The shares of India and Other Asia are also expected to rise. The increasing demographic size of these other regions could diminish Europe's influence in the world.

#### **GRAPH 2: OLD AGE DEPENDENCY**



Graph 2 shows that old age dependency is going to be a global challenge over the next three decades with the exception of Africa. The pressure is going to be the highest in Japan and Europe. This means that the problem does not only exist in EU-25 and that all developed regions of the world are forced to redesign their policies and institutional arrangements in order to resolve the problems associated with ageing.



GRAPH 3: SHARE OF THE YOUNGEST AND THE OLDEST IN THE EUROPEAN POPULATION

Graph 3 presents the shares of the two youngest and the two oldest age groups between 2000-2050 for Japan, USA and EU-25. In all three cases an important decline in the share of younger cohorts is observed while the share of the older cohorts has increased. The main implication of these trends is that the overall demand for care will increasingly have to shift from the young to the elderly. The only way to cope with this potentially huge increase in demand from old age groups is to develop *active ageing* policies.



#### **GRAPH 4: THE AGEING OF THE EUROPEAN POPULATION**

Graph 4 shows that ageing is having an important effect on the age structure of the European population. As the baby boom generation moves through the age pyramid, older cohorts become more numerous than the younger ones. The total EU-25 population has grown from 350 million in 1950, to 418 million in 1975 to 450 million in 2000. In 2025, population is expected to grow to 470 million persons but after this, it is likely to decrease to 449 million in 2050. In other words, it will take two more decades before ageing starts to have a negative effect on the absolute size of the population. On the other hand the effect of ageing on the age composition comes at much earlier stage and is therefore of much importance for the labour market and the health and long-term care sector.



GRAPH 5: SIZE OF THE YOUNGEST (15-24) AND OLDEST (55-64) WORKING AGE GROUPS

Graph 5 shows that around 2009 the size of the youngest cohort of the working age population will dive below the size of the oldest cohort. In 2050 there are expected to be 66 million persons of 55-64 and only 48 million of 15-24. This means that the working age population will start declining soon after 2010 and that the labour market will increasingly have to rely on older workers. The graph illustrates that it has become very urgent to improve the employability of our older workers in order to prepare our labour markets for the onset of ageing.



GRAPH 6: CHANGE IN THE MEDIAN AND AVERAGE AGE IN THE EU-25 1950-2050



## **GRAPH 7:** AGEING PATTERNS ACROSS THE UNION

The pattern of ageing is different across the Union. Graph 7 shows on a timeline the years at which the total population and the working age population in each of the Member States are expected to stop growing and start declining. All Member States will have to deal with ageing challenge but not at the same time and not to the same degree. The decline in the total population of the EU-25 is expected by 2025 and it will be preceded by a decline in the population of working age starting already in 2011.

#### **GRAPH 8: TRENDS IN FERTILITY**



Graph 8 shows that in 1960 fertility in almost all Member States laid above the replacement level of 2.1 with a high margin, while today (2003) the rate has almost everywhere dropped well below replacement levels. What is also striking is the present gap in fertility between some of the new Member States and the rest of the EU. Most demographers expect that a catch up towards the average level in the EU-15 will be the most likely scenario.



#### GRAPH 9:FERTILITY TRENDS IN THE EU BETWEEN 1960 AND 2003

Graph 9 shows the different patterns of fertility decline in Europe. The drop in fertility took place firstly in Northern and Western Europe, and was followed by Southern Europe with almost a 10 year delay and with a 20 year delay for Central Europe. Despite these time lags fertility in Southern and Central Europe is today lower than in Western and Northern Europe. This means that the various parts of the EU are basically following the same transition albeit with important phase differences.







Source: Eurostat

Important gains in life expectancy have been realised between 1960 and 2002, with the exception of men in the Baltic States. The graphs also show that the average life expectancy of women is 6 years higher than that of men. For the future, demographers expect that the difference in life expectancy between men and women will narrow and that life expectancy of men in the Baltic States will within a few decades improve towards the EU. The increase in life expectancies is the result of drops in the mortality of all age groups and is not limited to the very old.



GRAPHS 12 & 13: LIFE EXPECTANCY AT THE AGE OF 60 (1960-2002)<sup>18</sup>

*LV: decrease from 16,5 in 1970 tp 15,2 in 2002 SK: decrease from 16,6 in 1960 to 16,4 in 2002 Source: Eurostat* 



According to graphs 12 and 13, life expectancy at the age of 60 between 1960 and 2002 has increased almost everywhere, except for men in Latvia and Slovakia. The differences at the age of 60 are smaller than at birth for both men and women. It is also clear that during this period the gap in life expectancy between men and women has further increased. Nevertheless the new baseline projection assumes that this gap, measured in terms of life at expectance at birth, will start to shrink from 6.3 years in 2002 to 5.2 in 2050.

18

No 1960 figures exist for DE, CY, HU, MT, SI and FI.

## **GRAPH 14: TRENDS IN NET MIGRATION**

Graph 14 demonstrates the growing importance of migration as a source of population growth. Furthermore, without migration our total population would have already started to decline. To the extent that migrants have higher fertility rates than the indigenous population, migration may boost the natural increase.



Graph 14 also shows that in the past, Germany was always a favourite destination of migrants who often came from Eastern Europe. However, its position has recently been taken over by the UK, Italy and Spain. A large share of the recent migrants to Spain comes from Southern America whilst the UK and Ireland are also popular destinations for migrants coming from Asia. A large share of migration comes about as a result of family reunification.