



European Economic and Social Committee

# Demographic change: a challenge and an opportunity

*"Let's not talk about the formal retirement age. What is important is the value we attach to the time we spend at work. In a truly inclusive labour market with high quality work, people will want to – and will be able to – stay active longer. Satisfied people are more productive and this should be fully recognised as a key factor for growth."*

**Leila Kurki, President of the EESC's Employment, Social Affairs and Citizenship Section**

## Introduction

Europe's population is changing. The proportion of older people is growing as the 'baby boomer' post-war generation reaches retirement age. Life expectancy is going up by some two to three months every year, and the number of 60-year-olds and over is increasing annually by about 2 million: twice as fast as before 2007.

On the other hand, after years of decline, the fertility rate is now rising slowly, up from less than 1.45 children per woman to 1.6. However, a birth rate of 2.1 children per woman is needed to replenish the population.

Europe's current population growth is fuelled mainly by immigration. Between 1 and 2 million non-EU citizens move to European countries each year, and intra-EU mobility has also increased. By 2060 the proportion of migrants and their descendants will double.

## Why is action needed

As the population ages, there is a risk that a shrinking working population will have to support more pensioners, as well as young and unemployed people on benefits. Welfare systems will be unable to cope.

Despite the fact that over 23 million people are looking for work in the EU, the employment rate for older workers (55 to 64) is creeping up, reaching 46.0% in 2009. But the European Economic and Social Committee has pointed out that many more older people who could - and would like to - work are excluded from the labour market, either because of prejudices, or because they are forced into early retirement. Older workers are twice as likely to face long-term unemployment when they lose their jobs.

More women are entering the labour market, but their employment rate is still lower than men's.

Unemployment among young people is at an all-time high, although there are signs that the dramatic rise provoked by the economic crisis in early 2009 is beginning to level off. In July 2011, youth unemployment stood at 20.7% in the EU-27.

## What the European Union is doing

In its Communication on *Dealing with the impact of an ageing population in the EU* (2009), the Commission called for action in a number of policy areas, coordinated at EU level.

***“Success in tackling Europe’s demographic challenge continues to depend on a thriving, dynamic economy with rising productivity,” says the European Commission. But, mired in the ongoing economic crisis, many Member States are failing to grow their way back to recovery, partly because certain groups of people find it harder to get work. Restoring growth means creating an inclusive labour market that makes full use of everyone’s employment potential, whatever their age or background.***

In its most recent *Demography Report*, the Commission argues that “Europe’s future depends ... on its capacity to tap the strong potential of the two fastest growing segments of its population: older people and immigrants.”

Helping young people into the labour market, and enabling workers to adapt their skills throughout their lives, are two of the priority ‘flagship initiatives’ of the EU 2020 Strategy, which proposes a range of actions. To push this issue up the policy agenda, the EU has declared 2012 the European Year of Active Ageing.

## The EESC position

The EESC has recently agreed three important opinions on demographic change. *The future of the labour market in Europe – in search of an effective response to demographic trends* (2011) underlines that better working conditions and job prospects would enable older people, among other disadvantaged groups, to be less economically dependent. It urges governments to apply effective labour market policies.

The growing proportion of older people is expected to double the ‘demographic dependency ratio’ by 2050, and this is often equated with a growing burden on social security and pensions. But it is actually the ‘economic dependency ratio’ – the proportion of people on welfare benefits compared with those working and paying taxes – that impacts on prosperity. At present, the economic dependency rate is twice as high as the demographic ratio of 65-year-olds and over: largely because millions of working age people (20-64) do not have jobs. If more of them were economically active, it would offset the ageing of society.

The EESC opposes moves to force older people into work by reducing pension support or raising the statutory retirement age. Instead, policies should promote participation by increasing the supply of good-quality jobs with fair pay, social security contributions and appropriate working conditions, and expanding lifelong learning and training to update skills. “Older and younger workers are not interchangeable”, recognises the opinion: but whereas young people may be more flexible, older ones have invaluable experience.

At the same time, demographic change also offers new scope for the ‘silver economy’. Older people have growing purchasing power, making them a significant consumer group, particularly in sectors like leisure, tourism and healthcare. Because they are staying fit and healthy for longer, they are willing and able to stay in the labour market after formal retirement age. Yet prejudice is a significant obstacle to older people getting work.

The EESC calls for awareness-raising campaigns to counter stereotyping and turn ‘ageing’ into a positive concept.

## Adapting work organisation

“It is not only a question of adapting jobs specifically to older workers,” says the EESC. Work organisation should accommodate all categories, including disabled workers, as well as catering for changing needs throughout people’s careers. In its opinion on *The role of legal immigration in the context of demographic challenges* (2010), the Committee calls for a holistic response to social change, recognising Europe’s need for both highly and less-qualified immigrant labour if it is to avoid serious gaps in the workforce. It deplores the fact that the EU is witnessing a rise in intolerance and xenophobia. European legislation on immigration should ensure equal treatment based on non-discrimination, it affirms.

The EESC also calls for measures to reconcile work and family life, to enable more women to enter the workforce. Professionally staffed crèches, family leave, and care services for dependants are indispensable if women are to fulfil their potential. In its opinion on *The role of family policy in relation to demographic change* (2011), the EESC calls for policies to support families and combat child poverty, and to enable men and women to have as many children as they want without having to withdraw from the labour market. In view of this, it firmly supports the idea of making 2014 the European Year for Families.

## Further information

**EESC Opinions:** <http://www.eesc.europa.eu/?i=portal.en.opinions-search>  
SOC/400 – Demographic trends and the labour market  
SOC/373 – Legal immigration in the context of demographic challenges  
SOC/399 – Family policy and demographic change

**European Commission Demography Report 2010:** <http://ec.europa.eu/social/main.jsp?langId=en&furtherNews=yes&newsId=1007&catId=89>

**European Commission Communication:** Dealing with the impact of an ageing population in the EU: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0180:FIN:EN:PDF>