

Demographic challenges and solidarity between the generations

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The Commission presents a Green Paper on “Confronting demographic change: a new solidarity between the generations”. It begins by pointing out that Europe is facing today unprecedented demographic change. 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. Families 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. 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. 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.

The Green Paper discusses the trends resulting in the demographic changes. These are continuing increases in longevity as a result of considerable progress made in health care and quality of life in Europe; the continuing growth in the number of workers over 60, and continuing low birth rates.

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). In a growing number of Member States, adapting to these trends has already become a political priority. 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.

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. 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 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.

The Green Paper discusses the challenges of a low birthrate and the possible contribution of immigration. In order to develop solidarity between generations, it advocates a better integration of young people into economic life. It discusses a global approach to a 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. 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.

The Green Paper also discusses solidarity with the very elderly. It points out that with life expectancy increasing all the time, our societies are witnessing the presence of an increasing 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. The Green Paper states that the coordination of national social protection policies is due to be extended to long-term care for the elderly in 2006, and asks how can this help to manage demographic change. It also asks whether a distinction should be drawn between retirement pensions and dependency allowances.

The Commission concludes that, in order to face up to demographic change, Europe should pursue three essential priorities:

-Return to demographic growth: We must discuss whether 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.