

13th Economic Forum,
Prague, 23-27 May 2005

EF.DEL/21/05
22 May 2005
ENGLISH
Original: ENGLISH
FRENCH

The demographic crisis: required reforms and new policies

Prague, 23 May 2005

Speech

by Mr Vladimír Špidla

*Member of the European Commission in charge of
Employment, Social Affairs and Equal Opportunities*

Mr Chairman,

Ministers,

Ladies and gentlemen,

Europe today faces a considerable challenge: the challenge of demographic decline.

More than a third of the regions of the European Union already have declining populations. Assuming that the Union accepted no further immigrants, its population would have fallen by more than 3% by the year 2030. And according to the Commission's latest projections, produced in cooperation with the national statistical institutes, with zero immigration the Union could have lost more than 60 million inhabitants by the year 2050.

The trend in the working-age population shows even more sharply what awaits us, with a projected drop of approximately 21 million persons by the year 2030.

The consequences of this demographic decline are clear.

Europe's "potential annual growth" would fall from around 2% today to only 1.5% by the year 2015.

These changes will have a major impact on our collective capacity to preserve our social fabric, our social protection systems, our health systems. Choices will need to be made that will test the solidity of our democratic institutions. Migrations from other regions of the world will reshape the face of Europe, increase its ethnic and cultural diversity and test the adaptability of our societies. These are all issues which interest the Organization for Security and Cooperation in Europe, and I thank the Chairman-in-Office and the Coordinator for devoting this thirteenth Economic Forum to the subject.

Let us start with some facts. Europe is the first region in the world to be witnessing, simultaneously, three demographic changes of considerable import :

- continuing low birth rates. Of the 10 countries in the world with the lowest birth rates, three are in the European Union – the Czech Republic, Slovakia and Slovenia. Europe is no longer renewing its population.
- increased life expectancy. This represents considerable progress for Europeans, more and more of whom are living to an advanced age. It also means more elderly and very elderly people.
- the ageing of the "baby boomers". This abundant generation is now becoming the generation of "older workers" and pensioners. It forms a sort of demographic "bubble", since it produced few children.

These facts provide a measure of the challenges that lie before us.

What role should public policies play?

What contribution can immigration make?

How can we get birth rates up again?

These are the basic questions posed in the Green Paper on "Confronting demographic change" adopted by the Commission.

We need to adopt a rounded approach. No single measure in itself can miraculously solve our problems. What we need to do is to bring into play all the tools at our disposal.

We must also stop viewing demographic ageing exclusively as a problem of pension financing or of employment of older workers. Obviously these are extremely important issues, and they have indeed been priorities in Europe for several years.

But the problem of demographic ageing concerns all age groups. It affects the economy as a whole and society as a whole. It is set to redefine the relationships between generations. And it raises tricky questions, such as how to encourage the birth rate and how to respond to immigration.

As I have indicated, immigration is already mitigating the more negative effects of the declining birth rate in many countries. Without immigration, by the year 2030 Germany's population will be 6 million less than today. But the fertility rate of immigrants soon tends to converge with that of the host country: if the rate is low, permanent and substantial flows of immigrants would be required, which is difficult to imagine.

More specifically, immigration would help Europe overcome the shortages of manpower likely to arise in certain regions or sectors. But many so-called economic migrants put down roots in the host country, and there is no point imagining they will all return to their own countries at the end of an employment contract.

Next, we need to develop a balanced and preventive policy.

Firstly, by introducing an active integration policy for immigrants, starting with teaching them the host country's language and including education, integration into the labour market and combating discrimination. Since the year 2000 the European Union has possessed a comprehensive legislative framework, which the Commission is endeavouring to implement on the ground.

Nevertheless, immigration can be only one element of a much more rounded solution.

We need to ask ourselves three simple questions:

What priority do we attach to children?

What place do we want to give families, whatever their form, in European society?

How can we develop new forms of solidarity between the generations, in particular to cope positively with the rising numbers of pensioners and very elderly persons?

The fertility rate in Europe is no longer high enough to sustain generation renewal. Surveys have revealed the gap which exists between the number of children Europeans would like to have (2.3) and the number that they actually have (1.5).

This indicates 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.

We know that incentives such as crèche availability and parental leave can have a positive impact on the birth rate and increase employment, especially female employment. 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.

We have to give parents the opportunity to fulfil all their lifestyle choices. This will require resolute action on a number of fronts, such as housing, financial support for parents wanting to take parental leave, development of an adequate childcare infrastructure, in terms of crèches, nursery schools, etc, and long-term care for the elderly.

It will also require, in my view, a new, more rounded approach to the policy of equal opportunities between men and women, which has always anticipated changes in society in order to promote balanced participation in economic and social life.

The challenge facing us over the next few years is clear: we must encourage a more balanced distribution of domestic and family responsibilities between men and women, for example by linking certain benefits or advantages, such as parental leave, to equal sharing between the two sexes – as some countries already do.

We must also encourage employers to organise work more flexibly, with staggered working hours, part-time work and teleworking.

And finally, we must support families, including at the financial level. This will require reflection on how the costs should be shared.

Next, we must work out new balances between the generations, in the sharing of working time throughout life, in the distribution of the fruits of growth between generations, and in the sharing of funding needs for pensions and health-related expenditure.

Today, people can live for 80 years or more, which means that 50 years can be spent in education and retirement. However, "young retirees", often in good health, increasingly want to carry on working, or at least to combine part-time work with retirement. They already play a substantial role in the voluntary sector.

But in the European Union less than 6% of these "young retirees" still work, compared with almost 19% in the United States. How can we provide a flexible and gradual transition between work and retirement for those who want it? How can we avoid the retirement age becoming an insurmountable barrier between the world of work and the world of inactivity? Should there even be a statutory retirement age? These are some of the questions posed in the Green Paper recently presented by the Commission.

Demographic ageing will have another extremely significant effect, namely a veritable explosion in the number of very elderly persons. These will number almost 35 million by the year 2030 compared with around 19 million today, i.e. almost double.

These elderly persons will no doubt wish to carry on living in their own homes for as long as possible. Nevertheless, a lot more of them than today will require high intensity care as they lose their independence.

Appropriate care will therefore be needed, and in many countries today this type of care is provided by families, and particularly by women. Yet these women are increasingly in employment, and they need to be because of the inevitable reduction in the working population. Furthermore, more and more grown-up children now live far away from their parents. So families will not on their own be able to solve the problem of caring for these persons, however dependent or independent they may be. Families must therefore be given more support than they are given today.

This role will fall to the social services, which are still rudimentary in many countries and which must offer high-quality services delivered by professionals. And herein lies another serious challenge: how can these growing recruitment needs be met at the same time as the working-age population will be declining and the competition to attract or retain talent will therefore be growing fiercer between the different sectors? The only answer is to start giving priority, as from right now, to improving the quality of these jobs and enhancing the attractiveness of these career pathways.

Finally, we need to improve the transitions between the stages of life. Young people still find it difficult to get into employment. Growing numbers of "young retirees" want to carry on participating in social and economic life. The time

spent in education is getting longer, and young working people want to spend time with their children.

We must therefore promote a global approach embracing every stage of life. To achieve a sustainable increase in the rate of employment of over-55s, action will need to be taken at the outset of working life, or even before. Such an "active ageing strategy" will therefore need to embrace issues such as lifelong learning, improving the working environment and creating flexible transitions between employment and retirement. The Commission therefore proposes that the "national reform plans" - which will reflect the commitments made by each country in the fields of economic policy, employment policy and economic reform - should from this year onwards set a national employment target to be attained by the year 2010 and make precise commitments regarding investment in training and education.

By inventing new forms of solidarity, by weighing up the demographic challenge facing Europe, we can manage to preserve our social model.

The OSCE has an important role to play in fostering awareness of the demographic challenges and of the responses required. Conferences like this one allow us to share experiences and examples of good practice. Precise information could be made available to governments and the general public through practical guides or Internet sites, on important issues such as equality between men and women, anti-discrimination policy or family policy.

This Economic Forum is therefore of crucial importance: we must build on the past and present experiences of each country in order to work out responses commensurate with the challenges facing us and with our democratic values.

For further information:

http://europa.eu.int/comm/employment_social/social_situation/green_paper_en.html

http://europa.eu.int/comm/employment_social/fundamental_rights/index_en.htm

http://epp.eurostat.cec.eu.int/portal/page?_pageid=0,1136184,0_45572595&_dad=portal&_schema=PORTAL