



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 14 June 2011

11563/11

SOC 571

NOTE

from: Presidency
to : Delegations

Subject: **Demography: changing face of Europe
(Lunch debate at the EPSCO Council - 17 June 2011)**

Delegations will find attached a background note prepared by the Presidency in view of the discussion during lunch at the EPSCO Council on 17 June 2011.

BACKGROUND NOTE FROM THE PRESIDENCY

LUNCH DEBATE

Demography: changing face of Europe

Demographic trends, facts and figures are extracted from the European Commission's Demography Report 2010, entitled 'Older, more numerous and diverse Europeans'

Due to current demographic trends, Europe is facing serious challenges in the upcoming decades such as a shrinking working age population, a higher proportion of elderly persons and increasing dependency rates¹. The possible consequences of these unprecedented demographic changes such as a possible labour shortage and a fall in economic productivity as a result of rising welfare costs have received increased political, economic and sociological interest in recent years throughout Europe. It is a widely shared view that the success of the recently launched Europe 2020 Strategy will depend to a large extent on Member States' ability to tackle these demographic challenges. Three elements are worth special consideration:

¹ The current old-age dependency ratio (the population aged 65 or older related to the population aged 15-64) is around 20% and it may increase to 45-55% by 2050. It will definitely put pressure on public spending (pensions, health care and social services most importantly). According to estimates, by 2050 the extra costs due to ageing (costs of pension and elderly care) will amount to between 4 and 8% of the GDP in the European countries, and will lead to a tax increase of 10 to 20% according to the Europe in figures - Eurostat yearbook 2010.

1. Fertility issues

In 2009, around 5.4 million children were born in the EU-27, compared to about 7.5 million at the beginning of the 1960s. Lowest-low fertility – below 1.3 children per woman – has ended in all Member State and the most recent figure for EU-27 was 1.6. It could even rise to over 1.7 if adjustments for the postponement of births (the so-called ‘tempo effect’) are taken into account². This small adjustment does not make up for the shortfall in relation to the replacement ratio of 2.1, but it could contribute to a slower rate of population decline in the medium/longer term, in conjunction with a possible further increase in fertility as EU Member States become wealthier. There are significant differences in fertility trends among Member States, and in 2009 the birth rate was still below 1.5 in 12 of them. Over the past 30 years, the timing of births has changed significantly: postponement has led to a considerable rise in the mean age of women at first childbirth.

2. Ageing population structure

Low fertility rates are only one side of the coin, the other being a decline in the number of deaths or, in more positive terms, an increase in life expectancy. In 2008 life expectancy for the EU-27 was 76.4 for men and 82.4 for women³. The EUROPOP2008 projections prepared by Eurostat and presented in the previous Demography Report indicate that by 2014 the working age population (20-64) will start to shrink, as the large baby-boom generation are entering their sixties and retiring. The number of people aged 60 and above in the EU is now rising by more than two million every year, and the working population is also ageing, as the proportion of older workers in employment increases compared to the cohorts made up of younger workers.

² SEC(2011) 431, p.1.

³ SEC(2011) 431, p.2.

3. Migration

In many countries, immigration has become vital for ensuring population growth⁴ since immigration partially compensates for the demographic deficit. Though large-scale migration and the mixing of cultures are clearly not new phenomena in the history of the EU, changing patterns of migration and mobility in Europe are making national sentiments and feelings about belonging to a particular nation more diffuse and complex, especially in the case of mobility between EU Member States: people are moving abroad for shorter periods, mainly to other Member States, to seek work, or to pursue their education or other life opportunities. Most Member States have already agreed to develop a common immigration policy⁵ in order to better manage migratory flows through a coordinated approach which takes into account the economic and demographic situation in the EU. The current trends also imply that additional efforts are needed to ensure that immigrants have the opportunity to integrate into their host society and, crucially, to enable them to contribute to the labour market by making full use of their education.

Policy responses

In its October 2006 Communication entitled ‘The Demographic Future of Europe – from Challenge to Opportunity’⁶, the Commission has already identified five key policy areas where adjustments and urgent actions would be needed in order to meet the demographic challenge, namely:

- promoting demographic renewal in Europe through better support for families;
- promoting employment by, among others, promoting active ageing;

⁴ 7607/05

⁵ The legislative provisions relating to the development of a common immigration policy do not fully apply throughout the EU: Denmark has an opt-out regarding Title IV of the Treaty establishing the European Community, while Ireland and the United Kingdom both decide upon their involvement on a case-by-case basis.

⁶ 14114/06

- reforms to increase productivity and economic performance;
- attracting and integrating migrants in Europe; and
- sustainable public finances.

These policy priorities have remained valid over the years and oriented policy measures both at national and European levels.

The financial and economic crisis has deeply affected European economies and societies. The commitment of the Member States' to respond to demographic challenges was not diminished by the recession. Moreover, it has not only become part of the crisis management strategy but is also part of the exit and longer term growth strategies.

Member States have different sets of opportunities, as shown by the successive Demography Reports, published by the European Commission in 2006, 2008 and 2010. The latest report also enables policy makers to compare their own country's situation with that of other Member States, and on that basis, to identify other Member States that could provide interesting good practices.

No doubt, Europe's future depends on its ability to respond successfully to the major demographic transformations of the coming decades. As the Demography Report 2010 concludes, it is crucial to tap into the potential of all segments of the EU's population, particularly the two fastest growing segments: older people and immigrants. Three policy areas appear to be especially important:

- The reconciliation of work and family life: people with caring responsibilities still lack adequate support and suitable arrangements for combining their responsibilities. Apart from the negative effect on fertility rates, this may also have negative consequences on economic growth since too many people are prevented from capitalising on their high skill levels and education on the labour market. Women are particularly affected because of persistent gender gaps in employment and pay.

- The promotion of active ageing: older people now can look forward to many more years of healthy life, and most of them possess valuable skills and experience. It is crucial to make a much better use of their potential offering more opportunities to older people will enable them to continue to contribute to the economy as well as to society, even after retirement.
- The successful integration of migrants and their descendants is of crucial importance considering their constantly growing share in Europe's labour force.

Despite its relative lack of competence in these fields, the European Union can effectively support the Member States' efforts to tackle the challenges of demographic change.

Question for Ministers' Debate

Bearing in mind that population decline, ageing and migration are increasingly complex phenomena that cannot be addressed separately, and the responses should come from several policy areas, Ministers are invited to share their thoughts on the following question:

In your opinion, which policy fields deserve increased attention and which actions are desirable at the European Union level in order to respond more efficiently to the demographic challenge, and to the needs of older, more numerous and diverse Europeans?