



DEMOGRAPHIC CHANGE – AN UNAVOIDABLE CHALLENGE LOOMING

Background Paper

AER COMMITTEE 2
SOCIAL POLICY AND PUBLIC HEALTH
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1. Causes - A Deep Modification Of Our Societies

Demographic change describes the process of population ageing with the perspective of shrinking¹. This is the result of the evolution of two major variables: declining fertility rates and increasing life expectancy, enabled by medical advances thanks to economic prosperity and the existence of a Welfare State.

At the local level, a third variable compensates or accelerates these developments: migration.

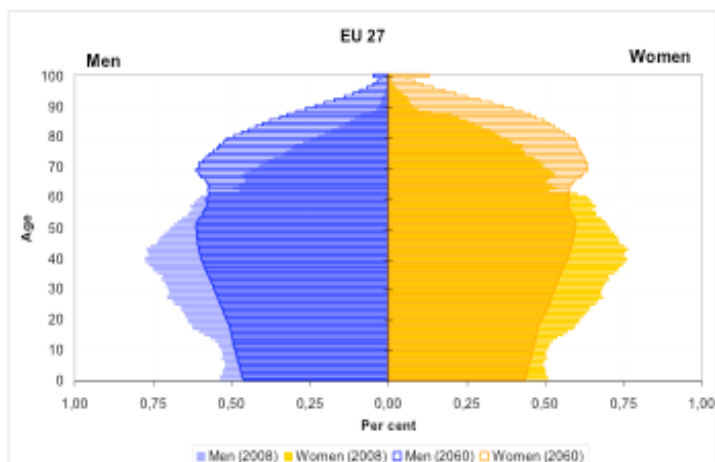
But the grounds for this – after all rather optimistic - evolution of the two main variables of demographic change lay deeper. A decrease in fertility rates can thus be explained through the development of women employment, contraception and birth control as well as through the existence of gaps in European family policies. For instance, the absence of nurseries or childcare centres to put children before school can prove to be a real challenge for double-career future parents wishing to continue their professional activities after the birth of their baby.

Lately, the economic crisis was also named among the causes of declining fertility rates, since it affected couples' confidence in the future and what they perceive they can offer to their children.

Yet, surprisingly, several EU countries are currently experiencing a sudden jump in fertility rates: in France and Belgium, the reason advocated for this unexpected trend is the existence of a good level of social protection preventing their citizens from being hit too hard by the crisis. In Britain, the dramatic rise in fertility is said to be linked to immigration, mainly from Pakistani and Polish migrants.²

2. Consequences – Demographic Change, a European Reality

Population structure in 2008 and 2060



Source: Eurostat, EUROPOP2008 convergence scenario.

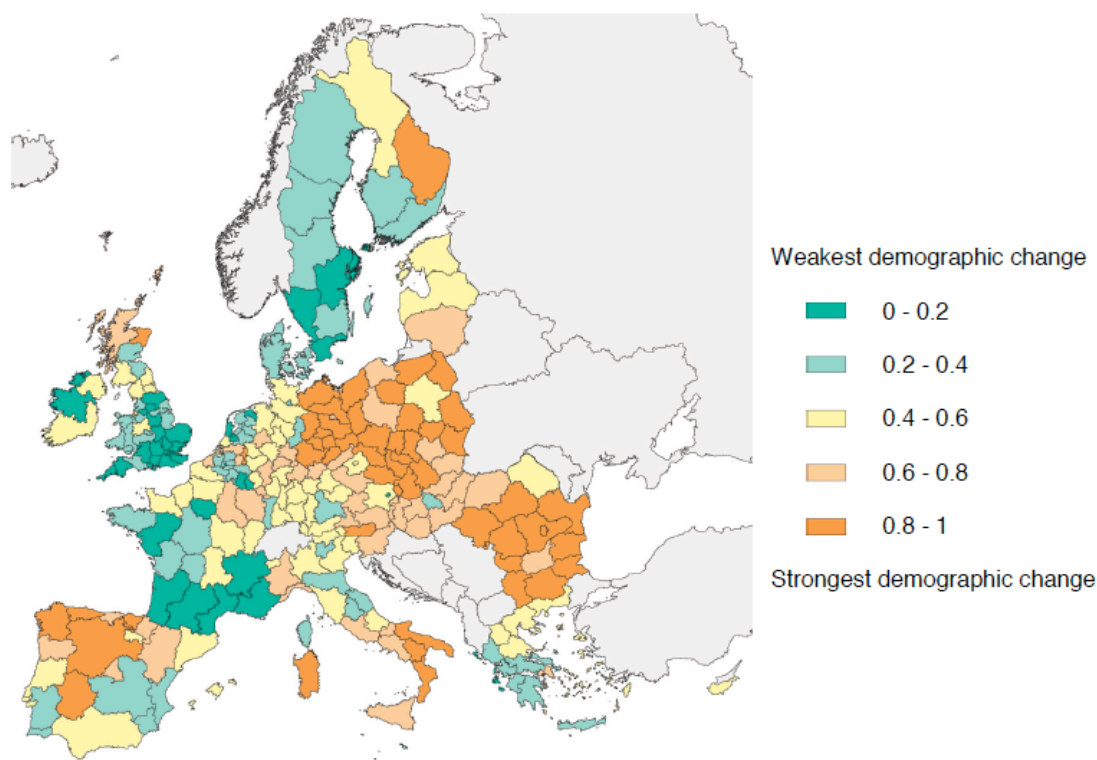
Demographic Change will deeply transform the structure of our societies. This phenomenon is certainly not new, however its pace is accelerating: in 163 out of 264 European regions, demographic change will be faster in the future (2004-2030) than it was in the past (1990-2004).

The effects of demographic change on the population are two-fold: ageing and shrinking of the population.

¹ Rostock Center for the Study of Demographic Change, "Mapping Demographic Change and Regional Demographic Location Risk in Europe", Series on Sustainability and CSR, Volume 2, 2008, p8
² Euractiv, "Is Europe in the midst of a baby boom?", 4 September 2009.

All regions are expected to experience ageing between 2004 and 2030, although to a different degree. While the EU-27 average ageing is projected to be 5 years, regional ageing will vary between 0.3 and 9.3 years. Variations also exist between regions of a same country. In many cases, those differences are even more pronounced than between countries. This can be explained by the regional heterogeneity in regional economic performance and the fact that some regions have a geographic proximity to other countries, making migration a more important variable. Certain regions will suffer from a combined effect of low fertility and high outwards migration.

As for **shrinking of the population**, it is expected to occur in **11 of the 27 countries of the European Union, and in 112 out of 264 EU regions**. And this population decline is projected to be very serious in some cases: more than one third of the European regions are expected to experience population decline in 2050 and the population decline for 20% of these regions will amount to more than 10%.



Index of Regional Demographic Change, 2004-2030³

Data Source: Eurostat and National Statistics Offices, Calculations: Rostock Center for the Study of Demographic Change, Administrative Boundaries: EuroGeographics.

Another interesting fact is that the total population and the working-age population are not affected in the same way. **While the population as a whole is affected by ageing, the working-age population (15-64 years) is clearly projected to shrink in the coming years**, with a fall of 20.8 million between 2005 and 2030. In 2050, there will be 2 people of working age for every person aged 65 or over, as opposed to 4 today. The share of working age population is expected to be particularly low in several regions, with around 40 regions experiencing a decline of more than 10% by 2020.

Nonetheless, and despite an important decrease in the population of certain regions, the population of the European Union is projected to grow by 2.5% between 2004 and 2030.

³ Rostock Center for the Study of Demographic Change, "Mapping Demographic Change and Regional Demographic Location Risk in Europe", Series on Sustainability and CSR, Volume 2, 2008, p14

3. Challenges – Foods for thought

This unprecedented transformation of European societies raises a number of challenges: to integrate the dimension of demographic change, some policies will need to evolve, or to be rethought. Some changes are very controversial, and demand strong political will.

The adaptability of social security systems is usually the first thing we think of when listing the challenges raised by demographic change. Indeed, due to the predicted unbalance between the share of working people and that of pensioners, the traditional funding of pensions does not seem adapted to the coming decades, as it would mean that the effort of working people would need to be very high to allow the senior generation to get pensions. This question of pension funding is often named as a potential source of intergenerational conflicts.

A second problem European countries will need to tackle is **the social exclusion of two age classes** from society, namely the older and the young generation.

For example, questions are raised in terms of senior activities: how can seniors contribute to society, what is the behaviour and the measures adopted by firms towards ageing? Is volunteering a concept that should be supported for the integration of these two age-classes? Is the added value of older professionals and their potential contribution to the social infrastructure recognised for what it's really worth?

For young people, demographic change also means the **development of new patterns of employment**. The new scope of the population implies increasing needs in elderly care, and therefore opportunities for job creation in this domain. The means of knowledge acquisition will need to evolve, with for instance the development of methods to transfer knowledge and experience transmission from one generation to another or the promotion of life-long learning tools. Moreover, the scarcity of qualified young labour makes it urgent to rethink the coherence between educational programmes and job market needs. However, education and training programmes should of course not be developed with only business needs in mind.

Concerns are also raised in terms of the possible impact on **Europe's dynamism and capacity to innovate**. Is an ageing society able to cope with the current pace of innovation? From the perspective of companies, the challenge lies in **business adaptability**: the integration of the demographic change variable in their strategic planning is a condition for firms to continue being competitive in a different context.

For instance, this implies taking into account the changing patterns of consumption. Senior citizens play an important role in stimulating the economy (through tourism, leisure activities), and firms need to give them a special attention when developing products: the current increase in age-specific products and the emphasis put on the silver economy shows most enterprises have understood the message.

Our societies must of course adapt to the new reality created by demographic change, but we can also take action to mitigate its impact.

As mentioned above, migration represents a much larger contribution to current population growth than the difference between births and deaths in the EU-27 Member States. Yet, in recent years, only 3 EU Member States have received around three-quarters of the EU's migratory surplus⁴. While facing a shrinking working-age population, opening the labour market to foreign workers is a delicate issue which needs to be considered.

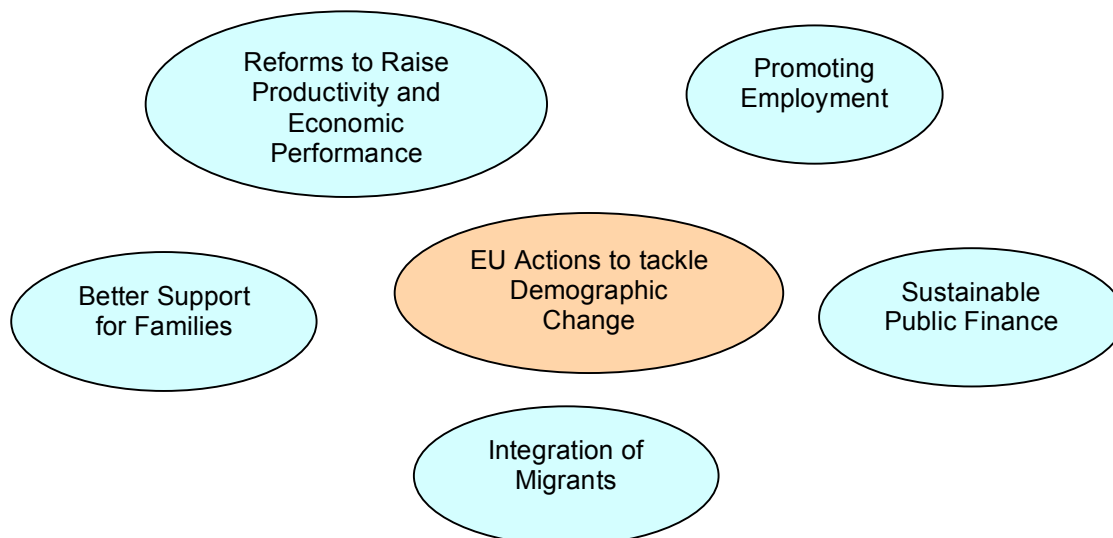
Reforms in the family policy of European member states could also contribute to improving the situation of young parents and hence encourage an increase in fertility rates. Moreover, as economic security is an additional determinant for the number of babies European citizens have, we can assume that restoring confidence in the economic future would perhaps have positive effects on the European birth rate.

⁴ European Commission, "Demography Report 2008: Meeting Social Needs in an Ageing Society", 2008.

4. Taking Action!

4.1. European Actions and Policies

- *Key areas of EU Commission policy related to demographic change:*



- *Policy background*

February 1996: Report from the Commission to the Council and European Parliament – “The demographic situation in the European Union”

May 1999: Commission Communication “ Towards a Europe for All Ages – Promoting prosperity and Intergenerational Solidarity”

- Charter of fundamental rights in the European Union (Chapter 3)
- **Directive 2000/43/EC** - “Implementing the principle of equal treatment between persons irrespective of racial or ethnic origin”
- **Directive 2000/78/EC** - “Establishing a general framework for equal treatment in employment and occupation”

March 2005: Green Paper of the Commission “Confronting demographic change: a new solidarity between the generations”

October 2006: Communication of the Commission “The demographic future of Europe – from challenge to opportunity”.

October 30th 2006: First European Demographic Forum, Organised by DG Employment, Social Affairs and Equal Opportunities

May 2007: Communication from the Commission “Promoting solidarity between the generations”

November 24th 2008: Second European Demographic Forum

2012 (proposal): European Year for Active Ageing and Intergenerational Solidarity – Proposal from the Commission – A consultation was launched in June 2009

- *EU Initiatives*

European Demography Report – biennial, supporting the European Demographic Forums:

Presents the main facts and figures that underpin the debate on Europe's demographic future and to discuss appropriate policy responses.

PROGRESS Programme:

Core mission: to support financially the implementation of the objectives of the European Union in employment, social affairs and equal opportunities, as set out in the Social Agenda.

Expert Group on demographic issues:

Made up of representatives of all Member States, as well as a small number of independent experts. The group's role is to advise the Commission on the monitoring of demographic change and the implementation of the policy guidelines set out in the Commission's 2006 Communication on demography. It will act as a platform for Member States to exchange experiences and good practice in areas like active ageing, family policy as well as care for the dependent elderly and migration.

Ambient Assisted Living Joint Programme:

The objective of the AAL Joint Programme is to enhance the quality of life of older people and strengthen the industrial base in Europe through the use of Information and Communication Technologies (ICT). The main activity under the AAL Joint Programme is the funding of R&D projects in the AAL. The AAL Joint Programme is initially a six-year funding programme (2008 – 2013), with a planned total budget of about 700 M€, of which approx. 50% is public funding and approx. 50% is private funding from participating private organisations.

4.2. AER Position and Experience

To help each region prepare for and respond to demographic change, AER supports regional innovation and the exchange of best practices:

- Institutions and partners should not focus solely on the problems resulting from demographic change. **We also have to emphasize the potential and opportunities that demographic change offers.**
 - As it is clear that the traditional 'school-work-retirement' pattern will take on more flexible forms as a result of demographic change, the **formulation of a modern life-course policy** should be a priority on the agenda of the EU.
 - **The European regions can make an important contribution** in terms of dealing with the challenges and problems of demographic change, by entering into a permanent and privileged dialogue with citizens, local authorities, the private sector, care providers and the welfare sector.
 - **Innovative strategies are required** for dealing with the consequences of demographic change, e.g. to achieve a balance between work and formal/informal care. They include for instance taking advantage of the social capital of senior citizens and of tools such as e-health and ICT.
 - We also encourage the continuation of **European funding programmes** oriented towards the opportunities resulting from demographic change, stimulating innovative projects, and focusing on young people as well as senior citizens.
- In November 2005, the General Assembly of the AER adopted its Response to the contents of the Green Paper "Confronting demographic change: a new solidarity between the regions". This position is available at:
<http://www.aer.eu/main-issues/social-affairs/demographic-changes.html#c9371>

- **AER Alive Network**

The main objective of the Alive network was to promote the development of knowledge-based policies within Public Health for the elderly, through gathering comparable data of established regional policies on elderly care. The network concluded its work in 2007 by publishing a "Review of regional policy for care of the elderly to meet demographic changes".

<http://www.aer.eu/main-issues/social-affairs/demographic-changes.html#c9369>

4.3. Getting Inspired: More Regional Initiatives

- **Demographie Spiegel für die Gemeinden (Baden-Württemberg, D)**

The *Demographic Mirror for the Local Authorities* is a regional initiative brought together by the local authorities and an Institute of Baden-Württemberg. With the help of the statistical institute, the regional authority established an Internet portal gathering demographic determinants on the people living in this region. It enables each local authority to access statistics on their inhabitants (e.g. age structures, families, work placements) in an easy and ready for use format.

http://www.stm.baden-wuerttemberg.de/de/Demographie-Spiegel_fuer_die_Gemeinden/185595.html

- **"Livorno: A Knowledge Province for Senior at work" (Livorno, I)**

Livorno is an Italian province and the Lead partner of this transnational project. This project is also supported by the "Videnscenter for integration", an organisation gathering local authorities and partners from Denmark dealing with integration of minorities.

This project, completed in November 2007, aimed at promoting best practices on methods and strategies that enable seniors at work to stay on the job, and help those out of work to get a job. Training courses were offered to the target group to improve their competencies. The project also promotes a better cooperation between the Labour Employment Office, labour unions and employers.

<http://www.senioratwork.it/en/progetto.asp>

- **PEOPLE (Andalucia, E)**

PEOPLE is led by the Junta of Andalucia and co-financed under the Interregional Cooperation programme INTERREG IVC.

PEOPLE aims at exploring the opportunities for new forms of employment and for improving well-being and cohesion in the frame of demographic and societal changes. It encourages each participating region to implement initiatives in the fields of e-Health, Silver economy, social entrepreneurship, social and e-inclusion as well as civil society empowerment are emphasized.

<http://www.peopleproject.eu/info.php>

- **Silver Economy (Nord-Rhein-Westfalen, D)**

The SEN@ER - Silver Economy Network of European Regions is a joint initiative of European regions initiated by the region of North Rhine-Westphalia in 2005.

It aims to develop policy memoranda and communications submitted to policy makers at regional, national and EU-level in order to define and support European-wide Silver Economy policy development. It organises thematic Special Interest Groups and experience exchange workshops on specific Silver Economy issues, like ageing well, culture and financial services as well as annual European conferences and good-practice competitions. The network meets regularly with the European institutions and provides information sheets and support on accessing EU funding programmes.

<http://www.silvereconomy-europe.org/>



- **Regional Demographic Change Index – (Rostock Center for the Study of Demographic Change, D)**

The RDC Index has been created to provide an overview of the demographic trends from a business perspective. It has been developed by the Rostock Center for the Study of Demographic Change in association with several German firms. The RDC Index captures two dimensions of regional demographic change: population ageing and population shrinking. It mirrors the extent and timepath of demographic change in a region, taking values between 0 and 1.

http://www.demographic-risk-map.eu/intro_demographic_change.aspx

5. Conclusion

Demographic change is a European regional reality. Our population structures are already shifting and our policies in fields such as employment, health and social affairs are already beginning to feel the strain. At the same time, we mustn't forget that even though demographic change raises a set of challenges in terms of the state's financial equilibrium or intergenerational cohabitation, new opportunities are also emerging.

Many European regions already have knowledge and experiences in social innovation to address the issue of demographic change. The Assembly of European Regions decided **to gather authors of regional good practice** in the framework of a conference on **“Regional Innovation for Demographic Change”**, taking place in 'S-Hertogenbosch (Noord-Brabant, NL) on 6th October 2009⁵. Participating regions will develop an AER Roadmap for Demographic Change that will set out the steps that need to be taken to innovate our social structures and shape tomorrow.

Participants are invited to come with their own experiences, expectations or opinions on the means to tackle this societal change.

⁵ For more information on this Conference, please visit our website: <http://www.aer.eu/events/health-social/2009/innovation-demographic-change.html>