

Meeting the challenge of ageing in good time: some successful policy responses

The challenge of ageing in the EU - some figures:

The issue of demographic ageing is not confined to older workers and pensioners. Europe's population structure is changing. Demographic ageing affects the whole of society and has repercussions for all generations. For example:

The number of **older workers** (aged 55 to 64) will increase by 14 million between 2005 and 2030

The number of **people aged over 80** will rise from 19 million today to 34 million in 2030.

The EU's **total working age population** (15-64 years) will fall by 20 million between 2005 and 2030.

Projections for EU's population trend 2005-2050

(in thousands)

	2005-2050	2005-2010	2010-2030	2030-2050
Total population	-8659 -1,9%	5563 1,2%	5312 1,1%	-19534 4,2%
Children (0-14)	-13811 -18,6%	-2304 -3,1%	-6080 -8,5%	-5427 -8,2%
Young people (15-24)	-14035 -24,3%	-2383 -4,1%	-6663 -12,0%	-4990 -10,2%
Young adults (25-39)	-24867 -25,0%	-3896 -3,9%	-14883 -15,6%	-6088 -7,5%
Adults (40-54)	-18666 -19,0%	4116 4,1%	-10029 -9,8%	-12754 -13,8%
Older workers (55-64)	4721 9,1%	4973 9,5%	8717 15,3%	-8969 -13,6%
Elderly people (65-79)	25688 44,5%	1947 3,4%	22281 37,3%	1460 1,8%
Frail elderly (80+)	32311 171,6%	3109 16,5%	11969 54,0%	17233 50,8%

Source : EUROSTAT, 2004

There are three different factors behind demographic ageing:

- a significant fall in fertility
- a significant increase in life expectancy
- the ageing baby-boomer generation

Europe's population is stagnating and is set to fall:

The total population of the EU will rise very slightly for the next 20 years and then start to fall. It will rise from:

- 458 million inhabitants in 2005 to 469.5 million in 2025 (+ 2 per cent)
- And then fall to 468.7 million in 2030

(In contrast, the population of the USA will rise by 25.6 per cent between 2000 and 2025).

The populations of some Member States are already falling:

- Hungary, Latvia, Lithuania, Estonia, Slovakia, Czech Republic
- Of the six most-populated EU Member States, only the UK and France will see their populations increase between 2005 and 2050 (with the UK population projected to increase by 8 per cent and the French population by 9.6 per cent).

In some countries, however, falling birth rates are being offset by immigration (DE, IT, SP).

What can Member States do to seize the opportunity of a slowdown in the effects of ageing?

Although the number of people of working age in the EU will fall in the medium term, the number of people in jobs is actually rising (thanks to a general increase in older workers and higher participation of women in work). This provides Member States with an opportunity and some time to adapt policies to the new reality of ageing. Below are some examples of successful practices which cover the 5 policy areas identified in today's Communication. These examples are working effectively in Member States and could become more widespread, helping countries to deal with the effects of ageing.

1. Demographic renewal

Background:

The EU25 average total fertility rate in 2004 was 1.5. The best scoring countries are IR 1.99, FR 1.89 SW 1.75.

What is the "Total Fertility Rate"?

This is the mean number of children that would be born alive to a woman during her lifetime if she were to pass through her childbearing years conforming to the fertility rates by age of a given year.

Examples of good practice:

France and Sweden: Generous family and reconciliation policies have given France and Sweden a "comfortable low" fertility rate. This rate is still below the replacement level of 2.1 but, together with a moderate level of migration, it is high enough to prevent population decline, albeit not ageing.

2. More good quality jobs for older workers

Background:

The Lisbon target of a 50% or higher employment rate for workers between 55 and 64 was reached in 2005 by CY, PT, DK, ESTONIA, IR, FIN, SW and UK. The best performers are SW (69.4), DK(59.5) and UK(56.9). Most member States are engaged in reforms of their pension systems and disincentives to work longer have been reduced and incentives strengthened, while links between contributions and benefits have been tightened.

Examples of good practice:

- **In Denmark**, The "Flexicurity" approach, based on minimal lay-off protection with generous benefits is currently generating many jobs, while the retirement age in Denmark is set to increase from 65 to 67.
- **In the Netherlands**, Legislation to ensure wage cost neutrality and social security rights of part-time and temporary workers has led to the creation of many new jobs of acceptable quality as well as a record low in unemployment, while incentives to work longer have been strengthened.
- **In Finland**, the obligation for companies to engage in active age management as an alternative to restructuring via lay-offs and/or other premature exits from the labour force has had positive effects. Besides, the pension reform implemented mainly in 2003-2005, increased incentives to work by providing a higher accrual of pension rights for older workers and overhauling early retirement arrangements.

3. Higher productivity and competitiveness

Background:

Investment in R&D is becoming increasingly important to secure future productivity growth and competitiveness. The average Gross domestic investment in R&D in the EU25 as % of GDP for 2004 was 1.86%. The best scoring countries are DE 2.58, DK 2.49 FI 3.5 and SW 3.7

Examples of good practice:

- **Germany** is a world leader in exports thanks to a long tradition of R&D based product development. Adapting to the future demands of increasing numbers of older people will create new opportunities in global markets. The regional network SEN@t, led by North Rhine Westphalia is working to explore and boost the demand and supply of new ageing related products and services and exploit the new 'Silver economy'.
- **The UK** has a high quality Open University system allowing for life long learning and second chance education.
- **Ireland** carried out large scale investment in a high quality education system which has helped to provide solid foundations for the current economic boom.

4. Sustainability of public finances

Background:

There has been substantial progress in reforming pension systems in recent years and the evolution of increased life expectancy has been further taken into account in pension systems. Moreover, the provision of supplementary pensions has been promoted in Member States and accompanying legislative frameworks have been developed and improved.

Some Member States have also tackled old age poverty by increasing the levels of guaranteed minimum pensions. Reforms have made progress on three key EU objectives: providing adequate retirement income, ensuring financial sustainability and adapting systems to changing labour market and societal conditions.

The level of Government Debt as a % of GDP is a useful indicator when examining the sustainability of services linked to the ageing challenge, such as pensions, healthcare, long-term care etc.

The average level of Government Debt as a % of GDP in the EU 25 for 2005 was 63.4 %. The best scoring countries were Estonia 6.2, LX 6.2, LA 11.9. The worst scoring were GR 107.5, IT 106.4 and BE 93.3.

Examples of good practice:

- **Austria**, the 2004 and 2005 reforms have been a major step towards a more sustainable pension scheme through a stronger link between contributions and benefits, as well as an increase of the contribution years needed for a full pension. Incentives to work longer were also increased and incentives to take up early pensions decreased through a so-called bonus/malus system. It also introduces a much more uniform pension system across the public and the private sector and introduces the indexation of pensions to prices as of 2006.
- **Finland**, as a response to future increases in life expectancy, a number of reforms are designed to stabilise pension systems through automatic adjustment mechanisms (as in SW, FI, PL or LA) or required reviews and adjustments (like in AT, IT or FR) taking into account changes in life expectancy. For instance, Finland introduced a "life-time coefficient" with the effect of adjusting future pensions to increases in life expectancy.

5. Migration and integration

Background:

The Communication supports the development of a common policy on legal immigration, based on labour market needs coupled with a strong partnership with countries experiencing emigration.

In terms of free movement within the EU 25, all restrictions are to be lifted by 2011. In the context of external immigration, the Commission plans to publish a Communication on the coordination of external immigration policies in 2009.

At present, immigration is already preventing population decline and contributing to economic growth in some Member States.

For example:

- **In Spain**, the recent influx of migrant workers in Spain has boosted pay-roll taxes which, in turn, have allowed their social security systems to stay out of deficit.
- **In Ireland and the UK**, large scale migration from the new MS to Ireland and UK following the enlargement of the EU in 2004, has contributed positively to reducing labour market bottle necks, as well as boosting economic growth.