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Workshop on
"How to encounter demographic change?
Comparison between the EU and Japan?"

AGEING, AND SHRINKING POPULATION: CHALLENGES AND OPPORTUNITIES FROM BUSINESSES PERSPECTIVES

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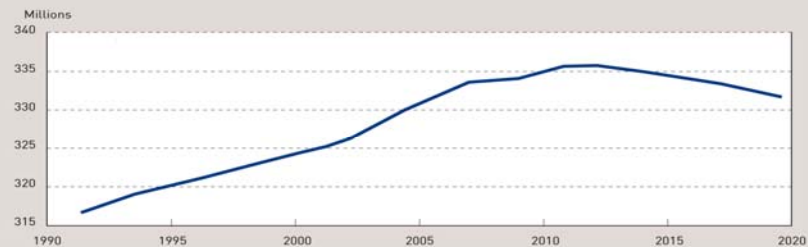
Europe and Asia: ageing and declining populations

- Within 20 years in Europe and Asia in several countries the largest population share will be **over 65**, and **average age** approaching **50**
- **29%** of Europe's population projected to be **65 and older** by **2050**



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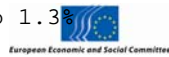
The EU's demographic challenge



■ EU working-age population

Source: Eurostat and BUSINESSEUROPE

- * Since 2010, decline of the working-age population: over 3 million workers less by 2020, 50 million less by 2060
- * In Europe between 2007 and 2060, demographic change is projected to lead to a fall in average potential economic growth rates from 2.4% to 1.3%



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Impacts of the ageing population

- Labour market
- Productivity
- Economic growth
- Social security and public finances
- Structure of consumption and production of goods and services, housing
- Work and family life
- Education
- Development of technology etc



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Challenges of demographic ageing:

- fostering intergenerational solidarity,
- ensuring adequate and sustainable pensions,
- dealing with pressure on public budgets,
- supporting more elderly people, with less people in employment
- reforming of healthcare systems in order to increase cost-effectiveness of healthcare services



How to compensate the drop in the working age population?

- To ensure that full potential of labour market is exploited:
 - To increase labour **productivity**,
 - To raise **employment rates** (older workers (55-64), young people, women, mothers with children, immigrants), including by **working longer**: extending working hours, discouraging early exit from the labour market, raising retirement age)
 - Invest in **education, skills and training** (including re-training) :
 - Equip Europeans with competences & skills needed at labour market
 - Partnership between education systems and companies
 - Innovation, entrepreneurship
 - Job opportunities for older people



Tackle demographic ageing: MAIN CHALLENGES:



- Ensuring long-term sustainability of public finances
- **Dealing with the reduction in the size of the labour force**
- Reforming pension and health care systems, to make them financially sustainable
- Taking into account *flexicurity* principles in implementing necessary structural reforms
- **Increase the supply of skilled workers**
- Reconciling work and private life in the context of demographic ageing

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Public finances

- Ensuring long-term sustainability of public finances→
- Social protection systems will have to compensate for increasing numbers of people in retirement and less people working
- Age related public expenditure is projected to increase on average in the EU by 4,75% of GDP between 2007 and 2060. The largest increase in spending (2,4%) will be on pensions, alongside smaller increase for health and long-term care
- Public finance deficits at 7% of GDP on average, and debt levels at nearly 80% of GDP

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Reduction in the size of labour force

- **Dealing with the reduction in the size of labour force→**
- EU average unemployment is 10%
- Unemployment of young people 20% (2010), in some countries as high as 40%
- Since 2008 to 2060 the old-age **dependency ratio**, (over 65s relative to the working age population), will double
- From 2010 the **working-age population will decrease**, 3 million less potential workers by 2020, and over 50 millions by 2060
- **Modernisation of social protection systems**, development further of **active labour market policies**, so that people are encouraged to return to the labour market
- Increasing efficiency of **education and training systems** to give access to **lifelong learning** opportunities to workers of all age groups – **training, reskilling** (updating of old skills)

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Reduction in the size of labour force

- **Dealing with the reduction in the size of labour force→**
 - **Employment rates** of older workers should be **increased** (discouraging & removing incentives for early exit from the labour market, providing incentives for people to stay longer on the labour market & for companies to employ and keep older workers)
 - Intergenerational approach is important
 - As the size of the working-age population declines, the **source of economic growth** will come mainly from **productivity**
 - Member states should foster *innovation, propomote entrepreneurship, encourage investments in human capital and lowering barriers on both product and labour markets.*
- Statistics**
- Unemployment of **young people 20%** (2010), in some countries **40%**
 - In 2008 the EU average employment rate for **older workers (55-64) 45,6%**. In some member states **70%**, and in some only **29%**.

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Sustainability of pension and health care systems

- Reforming pension and health care systems, to make them financially sustainable→

The model:

25 years at school,

40 at work and

20 on pension is no longer working

*In order to maintain the current ratio of labour force to general population by 2050 the **pensionable age** would have to increase by 12 years in Japan, 11 in Korea, 10 in Italy and Spain, 9 Germany and 6 years in France. In the UK and the USA a 3-year increase would be sufficient.*

TASKS:

- To raise the retirement age is necessary to solve the **budgetary** and **labour market consequences** of ageing
- **Occupational pensions** and **individual private pensions** for decreasing pressure of the state pension system and offer extra income in retirement
- Increase of efficiency of health care systems
- Longer working lives are necessary



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Flexicurity

- Taking into account flexicurity principles→
- Flexicurity should lead to modern and effective labour laws, comprehensive lifelong learning, effective active labour market policies and modern social security systems



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Supply of skilled workers

- **Increase the supply of skilled workers**→

Some statistics:

High-qualified third-country workers make up:

1,72% of total of the employed population in the EU, compared with

*9,9% in Australia,
7,3% in Canada,
3,2% in the US and
5,3% in Switzerland*

At the same time, around 400000 Europeans with scientific skills live and work in the United States

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- High **unemployment** (10%) co-exist with **unfilled vacancies - mismatch** of skills.
- Supply of **skilled workers** and **upgrading the skills** of the European population is needed,
 - Cooperation between educational institutions and companies
- Legal economic migration can help in alleviating immediate labour shortage in Europe. Europe should improve its record in attracting qualified migrants

Reconciling work and private life in the context of demographic ageing

- **Reconciling work and private life in the context of demographic ageing**→

Important element, since it has impact to birth rates:

- Europe's essential birth rate (2%) is only in acceding country – Iceland.
- Ireland, Norway, Finland, Sweden, France, UK, Denmark – 1,8&over
- Poland, Czech Rep, Slovakia, Lithuania, Slovenia, Hungary, Latvia (less than 1,3)

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- Work and private life balancing policies taking into account both companies and employees' needs
- Leaver arrangements, childcare facilities, flexible working arrangements (*teleworking*)

Opportunities in an Era of Demographic Change

Ageing society brings new opportunities in the field of :

- Recreation services & other services
- Medical field & pharmaceuticals
- Technological developments (robotics)
- Housing (smart houses)
- ICT solutions for older people
- E-healthcare system etc



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Upcoming EESC's activities related to demographic change

European Year of Active Ageing 2012

- European Year of Active ageing 2012 – the EESC will launch its opinion



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**THANK YOU FOR YOUR
ATTENTION!**

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