

Warsaw 2007 - Background papers

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EIN POLICY ROUNDTABLE ON

DEMOGRAPHIC CHANGE AND IMMIGRATION

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Background

The world's population is undergoing a structural change, with demographic experts predicting that it will rise to over nine billion people by 2050. Nations in Asia, Africa and South America will experience soaring growth in the decades ahead. By contrast, the industrialized countries of Western Europe and Japan are looking at falling birth rates. In demographic terms, the world can thus be divided into two parts: on the one hand the rising societies, and on the other the ageing societies. As a result of rising life expectancy and falling fertility rates, Europe's population is estimated to fall by over twenty per cent by the mid-century, while the number of Europeans in retirement will almost double over the same period. Whilst it is positive that people will live for longer, there will be significant political, economic and social challenges

Europeans are living longer. Life expectancy in Europe in 1900 was just 47; it reached 77 a century later. By 2050, if not earlier, it will rise to 81 for men and 86 for women - and in Japan it will be 92 years. If the financial burden is to be bearable for future generations, economic adjustments must go on. That means continuing to reduce special privileges for certain groups, concentrating on basic needs along with more personal responsibility for the individual. Whilst social welfare will not be abolished, it cannot ensure the same standard of living for transfer recipients as today.

The number of people in Europe over 65 will increase by 60 per cent by 2050, when more than 10 per cent of Europeans will be over 80. Although the so-called "silver economy" is likely to represent

over forty per cent of EU consumption by 2050, the policy consequences of this situation are serious: lower economic growth, a shrinking tax base, higher age related public spending. Research carried out by the European Central Bank (ECB) suggests that growth momentum in the EU will slow down substantially in the long term. Thus the real annual trend growth in the European Monetary Union (EMU) forecast for the period from 2031 to 2050 could drop to 1.2 per cent.

During the 2006 EIN summer university in Lyon, the policy roundtable reached a broad consensus: to sustain future costs of demographic change, a comprehensive set of measures should be adopted now. In terms of co-ordination, information and decision-making, the European Union will play a key role in fostering mutual learning, in communicating good and best practices and in making decisions where the vital needs of several or all EU member states are concerned simultaneously. Multi-faceted strategies are needed to raise the employment rate especially amongst older workers, women and the young - whilst simultaneously increasing low fertility rates.

The roundtable emphasised the need to lower the entry age into the labour force by making education and training more efficient and shorter; and to prolong working lives by promoting lifelong-learning and by improving related welfare state and labour market incentives. Further instruments could include childcare for all age groups so as to raise fertility rates and target-oriented incentives in pension systems. Overall, it is vital to improve the compatibility of family and working life through part-time and flexible working hours.

At a joint policy seminar with the CDA Scientific Institute in The Hague in May 2007, the working group discussed the increasing signs of a European ageing population, the impact on healthcare systems and the potential for immigration. Migratory flows were only seen as a partial solution. Given the uncertainty surrounding fertility levels, participants felt that policies need to be put in place to control the future costs of dependency - such as social welfare and healthcare.

Among issues for possible discussion at this year's Warsaw summer university are:

- ? Will the EU Anti-Age Discrimination Directive help to integrate older workers?
- ? How can the EU encourage the integration of immigrants and the 'second Generation'?
- ? Which specific family-related policies could help raise fertility levels most cost-effectively?
- ? Could the use of modern technologies encourage parents to focus on home-working?
- ? If society's tendency toward smaller families continues, how should the EU react?