The Demographic Challenge and the European Union: a Decade of Policies

Demographic changes are the result of three different components, namely life expectancy, fertility rate and migration. For the European Union as a whole, the trends in two of the three abovementioned elements are dramatically important.

Life expectancy continues to increase in Europe at an higher speed than the total fertility rate (TFR). According to EUROPOP2010 projections, life expectancy at birth for males is projected to increase by 7.9 years over the period 2010-2060, from 76.7 in 2010 to 84.6 in 2060. For females the same figure is projected to increase by 6.5 years, from 82.5 in 2008 to 89.1 in 2060. TFR is projected to rise from 1.59 in 2010 to 1.64 by 2030 and further to 1.71 by 2060 (EUROPOP 2010).

Regarding the annual net inflows of migrants, the projections indicate an increase until 2020 and thereafter a decline of 30% by 2060 (from 1,217,000 in 2020 to 878,000 people by 2060). The dynamics of the life expectancy, fertility rate and net migration described will imply major changes in the structure of the EU population in the coming decades. A major challenge is an increasing proportion of the “older population”.

More than 45% of the people in the EU27 in 2060 will be more than 50 years old, and one third more than 65 year old. At the same time the proportion of young people (0-14) will represent less than 15% of the total population while the working age population (15-64) will decline from the actual 67% to 56%.

This age structure of the population suggests that there will be roughly 2 people of working age (15-64) for every person aged 65 or more the European Union in 2060, which represents a decline of 50% in comparison to the actual situation of 4 people of working age for every older person aged 65 of more.

Now, more than ever, it is time to address this societal challenge and try to understand how policy interventions can help to transform it into an opportunity rather than a burden.

The European Union realised the importance and the challenge represented by an ageing population already more than a decade ago, during the Stockholm European Council meeting in March 2001 which focused on how to modernize the European model and attain the Union's strategic goal for the next decade (2010) to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.

The meeting addressed the demographic challenge of an ageing population and called upon the Council and the Commission to report jointly, in one year time (for the Spring European Council in 2002), on how to increase labour force participation and promote active ageing. In this occasion it
was also agreed to set an *EU target for increasing the average EU employment rate among older women and men (55-64) to 50 % by 2010.*

At the same time the Stockholm European Council recognized that the ageing society called for clear strategies for ensuring the adequacy of pension systems as well as of health care systems and care of the elderly, while at the same time maintaining sustainability of public finances and inter-generational solidarity.

Four years later, at the informal summit of Hampton Court, demographic ageing has been identified as one of the main challenges the EU would have to address in the coming decades. Still the same year in 2005, the European Commission published the Green Paper *"Faced with demographic change, a new solidarity between the generations"*, which empathized how, by 2030, the EU will lack 20.8 million (6.8 per cent) people of working age. A public consultation was opened on demography to gather contributions from interested stakeholders and policy makers on the issue.

In October 2006, as a follow up of the Green Paper and of the Hampton Court informal summit in October 2005, the European Commission issued a new Communication setting five core policy directions Member States should consider in order to respond to demographic change:

1. Promoting demographic renewal in Europe;
2. Promoting employment in Europe: more jobs and longer working lives of better quality;
3. A more productive and dynamic Europe;
4. Receiving and integrating migrants in Europe;
5. Sustainable public finances in Europe: guaranteeing adequate social security and equity between the generations.

Following up on the Communication, the first biannual European Demographic Forum was also hosted in 2006, which gathered together national experts in the field (organised again in November 2008 and in 2010). To stimulate the discussion, the European Commission presents, starting from 2006, every two years a biennial *European Demography Report* (the last has been published in

---

4 Idem.
April 2011 explaining the main facts and figures and presenting the potential policy responses.

In June 2007, the Commission, given the importance of the challenge and the need to address it in the best possible way, created an Expert Group on Demographic Issues responsible for advising the Commission on the monitoring of demographic change and on the implementation of the policy guidelines set out in the Commission Communication of 12 October 2006 on the demographic future of Europe.

Two years later, in April 2009, another Commission Communication (known as the Ageing Report) devoted attention to the ageing projections of the European society. The focus this time was much more oriented on the economic dimension of the challenge and, in particular, it presented the age-related expenditure projections in the context of the current economic crisis. Once again the Commission stressed the need to introduce structural reforms to address properly the demographic challenge and the trend toward an ageing society.

The Communication presented the latest long-term economic and budgetary projections and a first take on the Commission’s views on Europe’s ability to tackle the challenge of ageing in view of the new data and the current economic developments.

What emerges from the Ageing Report 2009 is that demographic trends would push up public pension expenditure very significantly in all Member States as well as healthcare expenditure (projected to grow by 1.5 percentage points of GDP in the EU by 2060).

The analysis was carried out by the Working Group on Ageing Populations and Sustainability (AWG) of the Economic and Policy Committee, which aims to contribute to improving the quantitative assessment of the long-term sustainability of public finances and economic consequences of ageing populations of the EU Member States, so as to assist policy formation.

In the last three year, the focus on ageing and its importance from a public policy perspective has been increasing constantly. In July 2010, the Commission launched another Green Paper on the subject, this time concentrated on the pension system reforms (Green Paper towards adequate, sustainable and equitable pension systems for an ageing Europe).

---


11 Idem, pg 2.

12 See: [http://europa.eu/epc/working_groups/ageing_en.htm](http://europa.eu/epc/working_groups/ageing_en.htm).

13 The Economic Policy Committee (EPC) was set up by a Council decision on 18 February 1974 (74/122/EEC). It contributes to the Council’s work of coordinating the economic policies of the Members States and of the Community and provides advice to the Commission and the Council. A revised statute was adopted by the Council on 18 June 2003 (2003/475/EC). See: [http://europa.eu/epc/about/index_en.htm](http://europa.eu/epc/about/index_en.htm).
sustainable and safe European pension systems\textsuperscript{14}). The consultation addressed issues such as:

- Ensuring adequate incomes in retirement and making sure pension systems are sustainable in the long term;
- Achieving the right balance between work and retirement and facilitating a longer active life;
- Removing obstacles for people who work in different EU countries and from the internal market for retirement products;
- Making pensions safer in the wake of the recent economic crisis, both now and in the longer term;
- Making sure pensions are more transparent so that people can take informed decisions about their own retirement income\textsuperscript{15}.

The same year, few months before the launch of the Green Paper on the reform of pension system (March 2010), the European Union had already announced its new strategy for the coming decade, Europe 2020\textsuperscript{16}, aimed to achieve a smart, sustainable and inclusive growth. It proposes five targets to be reached by 2020, the first one being to have 75\% of the population aged 20-64 employed. Given the share of population aged more than 50 years, it is evident that to reach the target a greater component of the “older” population needs either to (re)enter the labour market or to keep its job for longer.

A major characteristic of Europe 2020 strategy is the creation of seven flagship initiative aimed at catalyzing progress in a specific priority theme. The first flagship, the Innovation Union\textsuperscript{17}, encompasses also the launch of European Innovation Partnerships (EIP) designed to accelerate research, development and market deployment of innovations to tackle major societal challenges bringing together all relevant stakeholders at European, national and regional level.

The first EIP launched focuses on active and healthy ageing (European Innovation Partnership on Active and Healthy Ageing – EIP on AHA). It aims to increase the average healthy lifespan by two years by 2020 while assuring a triple win for the European Union:

1. enabling EU citizens to lead healthy, active and independent lives while ageing;

\textsuperscript{14} COM(2010)365 final, GREEN PAPER - Towards adequate, sustainable and safe European pension systems,
2. improving the sustainability and efficiency of social and health care systems;
3. boosting and improving the competitiveness of the markets for innovative products and services, responding to the ageing challenge at both EU and global level, thus creating new opportunities for businesses\(^\text{18}\).

The EIP on AHA considers ageing an opportunity rather than a burden, *valuing older people and their contribution to society, and seeking to empower them and their community through user-centred innovation and service delivery*\(^\text{19}\).

The EIP on AHA is now in its implementation phase. The Steering Group adopted on November 2011 a Strategic Implementation Plan (SIP) outlining a common vision and a set of operational priority actions to address the challenge of ageing through innovation. As a follow up of the SIP, the Commission published a Communication\(^\text{20}\) in February 2012 and it invited interested stakeholder to join the Partnership. In June those who send their commitment will be gathered in Brussels to define future actions in their respective fields.

Last but not least, on 23 September 2011, the European Union declared\(^\text{21}\) 2012 the European Year for Active Ageing and solidarity between Generations with the aim to *facilitate the creation of an active ageing culture in Europe based on a society for all ages*. More in details, the objectives of the European year are:

- to raise general awareness of the value of active ageing and its various dimensions;
- to stimulate debate, to exchange information and to develop mutual learning between Member States and stakeholders at all levels in order to promote active ageing policies;
- to offer a framework for commitment and concrete action to enable the Union, Member States and stakeholders at all levels to develop innovative solutions, policies and long-term strategies, and to pursue specific objectives related to active ageing and inter-generational solidarity;
- to promote activities which will help to combat age discrimination, to overcome age-related stereotypes and to remove barriers, particularly with regard to employability\(^\text{22}\).

---

\(^{18}\) For more information, see: [http://ec.europa.eu/research/innovation-union/index_en.cfm?section=active-healthy-ageing](http://ec.europa.eu/research/innovation-union/index_en.cfm?section=active-healthy-ageing).


\(^{22}\) Idem.
This short excursus gives an idea of the importance Ageing has been receiving at European level since 2001. Undoubtedly, the challenge is still there and the answer is far to be reached. However, a comprehensive and variegated approach is the only way forward if we want to offer a sustainable future to the next generations.

Michele Zagordo, PhD
Assistant Policy Officer
European Commission
DG for Health and Consumers