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**NOTE BY THE AUSTRIAN PRESIDENCY**

**Demographic Aspects of the Member States'  
National Action Plans 2005-2008**

**Introduction**

EU Member States face enormous challenges in the foreseeable future to cope with the consequences of changing demographic patterns, which will have an enormous impact on their national economies, including public finance, employment and economic growth potential.

Between now and 2030, a reduction of 21 million people of working age, or 7 % of the workforce, will cause Europe's potential growth to decline from 2 % today to 1.5 % in 2015 and to 1.25 % in 2040. There are just six years left before 2011, when a sharp decline in the active working population (aged 15-64) will coincide with a significant rise in the number of people over 65 years old. Over the next two decades, the number of younger people in the EU will fall by 20 %. By 2030, one third of the population will be over 60, one tenth over 80 years old. The welcome development regarding longevity is "aggravating" the challenge of financing the needs of the people in retirement. However, all regions of the world - with the exception of Africa - are aging, which could give Europe a "first mover advantage". Also, from the perspective of sustainability of the planet's limited natural resources (water, arable land etc.), the halt in the world's population growth is to be seen as positive.

The change in population size in aging societies like the ones in the Member States would be a minor problem compared with the abrupt shocks in the population age structure, as the latter is going to create substantial problems in the future financial sustainability of the pension, health and social security systems.

Former EU internal market commissioner, Frits Bolkestein, has recently questioned the survival of the Euro in the long term, as Member States' pensions systems are not prepared for the demographic change. Budget deficits would increase - regardless of the stability and growth pact - as a result of political pressure, with consequences on interest rates and inflation.

With regard to economic growth, the main threat of aging populations comes from having less labour input, lower innovation and presumably lower productivity. Lower growth will also mean lower resources for social programmes at the same time as needs are rising fast.

The task therefore lies in identifying and successfully implementing measures to increase the size of the active labour force. This could be achieved through higher birthrates and controlled immigration, whereas the latter would only mean a temporary answer to declining population numbers, as immigrants largely take over the life patterns of their host countries so that this population segment is ageing, too.

Rising fertility seems to be a more successful approach, as a simulation for Germany showed that a 10 % increase in fertility would generate a four times larger increase in the population than a 10 % increase in migration.

However, the connection between institutional arrangements, which allows for the reconciliation of family care and paid work (also taking account of gender equality) and fertility is significant. This includes the availability of maternity leave and part time work, but in the first run the provision of crèches matters. As the large gap between the number of desired children and the actual realised number of children shows, there is a big potential with regard to higher birth rates. Crucial for achieving them is, together with better reconciliation policies, the provision of affordable housing for young couples.

A number of EU policies have tried to anticipate and address demographic changes, including: European Employment Strategy, Education and Vocational Training Policy, EU cooperation for the modernisation of social protection, Gender mainstreaming policies, combating discrimination, a common approach to Immigration Policy, the Social Fund and the European Regional Development Fund.

The main actions for the Commission's work programme for 2006-2010 addressing demographic aspects include:

- a Communication (foreseen for the end of February 2006) on the Conciliation of family and professional life: this communication shall serve as the first phase of consultation of social partners under Article 138 of the EC-Treaty at all levels. On the base of the findings a second phase is foreseen to start at the end of 2006 with the aim to propose appropriate measures to be taken.
- the establishment of an "European Forum on population and demography" that will allow reflection on the different aspects of the integration of the demographic dimension with the participation of experts and representatives of civil society. The follow up in the framework of the "Initiative Walter" will deliver an analytic tool on the issue. A new "Task force on demography" within the European Commission will contribute to the identified initiatives.
- the publication of a report in 2007 about the measures taken by the Member States about the implementation of the guidelines of Directive 2000/78 concerning age discrimination.
- publication every two years of a "Report on the Population and Demography in Europe", which will describe the demographic tendencies in Europe in a global context on the occasion of a plenary session of the "Forum"

In March 2005 the Commission published the Green Paper "Confronting demographic change: a new solidarity between the generations" describing the demographic situation and outlook in Europe and the reasons for the gap in numbers of children desired by people and the actual birthrates and gives examples how demographic decline could be addressed by Member States. It calls for the resolute implementation of the Lisbon Agenda, especially of policies aiming to get people into jobs, with an emphasis on women, younger and older people, as well of such on innovation and productivity. It also mentions the fact that families often do not find an environment that is conducive to child-rearing.

The paper was the basis for a public consultation and the Commission invited submissions between 16 March and 1 September 2005. Most Member State governments and a wide range of stakeholders sent contributions. These showed a strong awareness of the need to address the demographic issue which to a large extent are considered in the National Action Programmes 2005-2008, as summarized below.

### **The Lisbon Strategy National Action Plans 2005-2008 and demography**

The EU Member States are responding to the demographic challenge with a set of measures, however their mix differs depending on the specific situations and strategies in each Member State.

The Commissioner for Employment, Social Affairs and Equal Opportunities, Wladimir Spidla in a recent speech (Vienna, 2 February 2006) at the conference "Demographic challenges - family needs partnership" referred to the EU Strategy for Growth and Employment (Lisbon Strategy) and said that reform steps were noticeable, but that they would have to speed to up significantly. He announced the presentation of a concrete working program by the Commission on tackling the EU's demographic aspects at the EU Spring summit next March. According to the Commissioner, the cornerstones of the programme, while considering the different national systems, will be based on:

- a new solidarity between the generations
- equality of men and women within the families and working places
- better conditions for couples to enable them to have more children

A Commission official recently gave a presentation on the Green Paper to the Permanent Representatives of national parliaments in Brussels and confirmed that policies under the Lisbon strategy have so far focussed on the inertia of demographics, i.e. on how to adjust to the aging workforce and not on how influence could be exerted on population dynamics. He said that national approaches regarding the implementation of incentives for founding a family will in future to a greater extent be dealt with in the framework of the "Open Method of Coordinaton" (OMC).

The European Parliament, in a text adopted in plenary in December 2005 on the Legislative and Working Programme for 2006 under the chapter "Social Policy", welcomed the follow-up to the 2005 Green Paper on demographic trends in the EU and expects the Commission's proposals for concrete actions to contribute to tackling Europe's demographic aging problem, also with reference to the statement of the Commission at the informal Summit in Hampton Court in October 2006.

The National Reform Programs to the Lisbon Strategy do not include a separate chapter on "Demographic aspects", nevertheless they are explicitly or implicitly referred to in several chapters on the "Guidelines" of the Lisbon Strategy.

Below are the main policies and measures the Member States take to address the demographic challenge, as derived from the National Action Plans for the years 2005-2008, whereas the different headers may partially overlap:

**Measures aimed to increase labour force:**

- employment initiatives and promotions (e.g. increase the employment of young people and women through training, integration subsidies, combined wage models)
- investment and tax measures for the creation of jobs
- support of prolongation of work (e.g. reconciliation and qualification policies for over 40 respectively 50 years old employees, part time for elder workers, wage measures, work places and company organisation considering the needs of the older employees, pension reforms)
- increase of pension age
- lifelong learning and "active ageing"
- increased flexibility of employment contracts
- adaption of the rules for reasonability with regard to the acceptance of jobs
- boost labour integration of people with incapacity and risk of social exclusion
- promote self employment
- increasing mobility of workers
- planned immigration (hiring of persons that match the labour market requirements of the respective MS)

**Measures to enable women (and men) to combine children and employment:**

- "Flexicurity" as an approach to achieve higher flexibility of the labour market underpinned by measures to strengthen political cohesion
- financial childcare benefit schemes
- additional supply of public or private places for the education and schooling of children from 0-3 and from 3-6 ("Barcelona targets" of the European Social Fund (ESF) which call for access to childcare for at least 33 % of children aged 0 to 3 and 90 % of children aged 3 to mandatory school age)
- diversification and flexibilisation of child care
- provision of employers for short-term childcare
- part time work for parents and teleworking
- life cycle oriented employment policies and life long learning

**Social policy and financial measures:**

- modernisation of the social security system in a framework of an ageing society to achieve fiscal sustainability
- reform of the pension systems
- equalising pension age of men and women
- social housing and "starters apartments"
- promotion of dialogue between social partners
- building up of a state fund aiming to cover additional expenses for an ageing population
- increased deductibility for private pension scheme contributions