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Opinion of the European Economic and Social Committee

The impact of demography on Social Europe

(own-initiative opinion)

(C/2024/6867)

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1. Conclusions and recommendations

1.1. The EESC views demographic trends as another transformative challenge for European society alongside the digital and green transformations.

1.2. The European Union has achieved longevity, a high level of education and prosperity, and a good level of health over the past decades in most, albeit not all, regions. However, every Member States is facing multiple demographic challenges, such as shrinking populations, low birth rates and a growing imbalance between age groups and regions; these need to be addressed.

1.3. Demographic developments impact the labour markets, pension and social protection systems and Europe's geopolitical position in the world.

1.4. An ageing society faces distinct challenges compared to a society with a more balanced age distribution. Upholding the right to age with dignity, along with a life-cycle approach is essential to addressing these challenges.

1.5. The EESC's proposals for achieving more sustainable societal development include: striving for higher birth rates, exploiting the full potential of the labour market, making work pay by having high-quality, well-paid and productive jobs, improving working conditions, reforming pension and care systems to ensure accessibility for everyone, enhancing legal migration pathways to attract in particular foreign talent supported by bold integration measures, working towards upward regional and social cohesion and analysing the factors driving people to leave the EU.

1.6. The EESC recommends that the European Commissioner for Demography be supported by an appropriate structure within the European Commission, and that a European agency for demography be set up to ensure research and statistics in this field, while at the same time ensuring collaboration with and sufficient financing for existing agencies like Cedefop and Eurofound. This would facilitate the integration of demographic consideration in all relevant policy areas and impact assessments.

2. **General comments**

2.1. The EU has achieved high longevity, a high level of education and prosperity, and a good level of health over the past decades, yet its Member States are facing multiple demographic challenges they need to address, including a stagnating or even shrinking population, low birth rates and growing imbalances between age groups and between regions, including as regards life expectancy and ageing in good health.

2.2. Demographic developments have a considerable impact on the labour market, pension and social protection systems, society, and also on Europe's 'weight' in the world. The current trend creates severe challenges for sustainable development. The goal should be a stable – and therefore sustainable – development of the population and of the labour force.

2.3. The population of the EU27 grew from 355 million in 1960 to 447 million in 2022. Since 1960, the world's population has almost tripled; consequently the EU27's share of the global population has fallen from 11,7 % to 5,6 %, and it will continue to fall – to 4 % by 2100 ([1]). In absolute terms, the EU's population has barely grown since 2010 and will stagnate from its current level until 2050 and then shrink to 419,5 million inhabitants by 2100 ([2]). In nine out of 27 countries, the population will already have contracted by 2030 ([3]). In contrast, the population of neighbouring Africa will triple by 2100.

2.4. Determining demographic factors are birth and death rates, immigration and emigration. A stable, growth-promoting factor is rising life expectancy. Apart from brief interruptions (such as during the pandemic), life expectancy in Europe rose steadily from 65 in 1950 to 79 in 2023, and it is expected to rise to 89 by 2100.

2.5. The low fertility rate, which has continued to fall in recent years, has a negative impact on population development. It has been below the replacement level of 2,1 since 1975 and stood at 1,46 children per woman in 2022, compared to 1,57 in 2016. Together with some East Asian countries, most EU Member States are among those with the lowest fertility rates in the world.

2.6. **Migration** statistics show a positive effect on population development. According to the UN, 2,3 million people migrated into the EU in 2021, 1,1 million left the EU and 1,4 million migrated within the EU ([4]).

2.7. **Shift in age groups**: The age structure within the EU27 population is changing as well. From 2002 to 2022, the proportion of the 65+ age group rose from 16 % to 21 %, and in Portugal and Italy it even rose to 24 % ([5]). The share of people younger than 20 fell from 23 % to 20 %. The proportion of people of prime working age (20-64) fell slightly, from 61 % to 59 %. The old-age-dependency ratio (number of people aged 65+ per 100 people aged 15-64) is changing rapidly: this ratio is projected to increase from 33,3:100 in 2023 to 45,5:100 in 2040, and to 59,7:100 in 2100 ([6]), which means that 59,7 retired people will depend on 100 people of employment age.

2.8. **National and regional differences**: Until now, the increase in the 65+ age group has mainly been due to rising life expectancy, but the trend is now accelerating due to the gradual retirement of the baby boomer cohorts, while at the same time much smaller cohorts are entering the labour market or are being born. Western, central and northern Europe experienced the baby boom up to the end of the 1960s, southern Europe until the 1970s and central eastern Europe up to the beginning of the 1990s. As a result, the baby boomers in western, central and northern Europe are already retiring, while this development is still to come in southern and central eastern Europe.

([1]) Africa's share of the world population has risen from 9 % in 1960 to 17 % and will rise to 38 % in 2100. UN World Population Prospects.
([2]) Eurostat.
([3]) European Commission, The Impact of demographic change – in a changing environment, 2023.
([4]) Migration and asylum in Europe – 2023 edition.
([5]) Demography of Europe 2023 edition.
([6]) Projected old-age dependency ratio.

2.9. Changes in population figures for the entire EU conceal considerable national differences: fertility varies considerably between the highest rate (France, 1,84) and the lowest (Malta, 1,22). Besides, countries in central eastern Europe in particular are experiencing massive net outward migration, while countries in western, central and northern Europe are experiencing massive net inward migration from both EU and non-EU countries. There is also considerable migration within Member States, especially from peripheral regions to central ones.

3. **Effects of demographic ageing**

3.1. The demographic trend is creating significant challenges and tasks. This has severe consequences for politics, the economy, society, and also for individuals.

3.2. To start with **global politics**: The EU's share of the world population is 5,6 % and declining, as is the 'weight' of the EU as a global political and economic player ([7]).

3.3. **Domestic politics** are affected by the ageing of the population and the electorate. However, most political party manifestos and current policies focus on all age groups. It is yet to be seen if this trend will continue or if, in future, there will be a shift to policies geared more towards older people. The EESC is convinced that only the political party programmes which take intergenerational solidarity ([8]) – and therefore population sustainability – into account will be successful in the long term.

3.4. **Economy and the labour market**: The potential of an economy and its growth depends on a number of key factors such as investment, innovation, technological progress, a skilled, economically active and productive workforce, and the number of hours worked. The potential labour force in the EU is already shrinking. Even now, labour shortage is one of the biggest brakes on growth according to businesses ([9]). Digitalisation and the use of AI might have the potential to enhance productivity, but, according to the OECD, productivity growth rates have been declining over the last two decades ([10]). Working time is therefore one aspect that should be considered. This has an impact on GDP, which may grow more slowly than in the past. Demographic change also has implications for national budgets, as public debt will have to be borne (and repaid) by fewer people; in addition to other measures, it will be necessary to strike a balance between fiscal stability and sufficient space for investment that supports sustainable growth.

3.5. **Society and culture**: In order to alleviate skills shortages, action is needed on multiple levels, including attracting workers from outside the EU. Good services, such as those providing appropriate language, cultural and community support, should be set up to facilitate social cohesion, as well as steps to guarantee equal treatment on wages and working conditions in order to ensure there is a level playing field. Integration is a two-way street and requires efforts from the receiving society as well as from migrants themselves. Diversity is an opportunity for society, although heterogeneity now is also a challenge for social cohesion. The 'unity in diversity' principle of the EU is being challenged.

3.6. **Citizens**: An ageing society has specific needs that are different from those of a young or middle-aged society. As a consequence of the long-term low birth rate, many – especially older – people lack a family network, or at the very least a geographically close network, and are looking for new ways of building communities to feel supported and to reduce the risk of loneliness. An approach which respects and promotes the right to age with dignity, combined with a life-cycle approach are key to addressing these challenges.

([7]) https://www.politico.eu/article/europe-on-the-wane-global-economics-demographics-gdp/ https://www.researchgate.net/figure/Share-of-European-Union-in-world-GDP-1980-2019-in_fig1_282001367.
([8]) Opinion of the European Economic and Social Committee — Promoting European intergenerational solidarity – towards an EU horizontal approach (OJ C, C/2024/6869, 28.11.2024, ELI: http://data.europa.eu/eli/C/2024/6869/oj).
([9]) European Growth Study 2023; Skill gap key investment bottleneck.
([10]) OECD Compendium of Productivity Indicators 2019 & 2024.

3.7. **Social support systems** (including pensions, care and health) are mainly financed by labour (contributions) and – depending on the national practice – are co-financed by taxes (on labour and to a lesser extent other taxable factors, e.g., on wealth). Therefore, they depend on high and stable employment levels (underpinned by a properly functioning public employment service) and high productivity. Social protection systems face a double challenge: on the one hand demography weakens the base, on the other hand the burden on that base – the number of pensions and people in need of care – is growing. In addition, both health and care systems in particular are suffering from a labour shortage.

4. Proposed measures

4.1. In its 'Toolbox for action', the European Commission already pointed to numerous European and national measures aimed at managing demographic change. The EESC welcomes the aims set out for the toolbox, as does the Committee of the Regions in its opinion 'Demographic change in Europe: a toolbox for action' ([11]).

4.2. **More children by supporting parents**: The low and still decreasing birth rate is at the root of the demographic challenge. Decisions on starting a family and on how many children to have are individual, personal ones, but they have a major impact on the development of the labour market, economy, society and social systems. In order to achieve sustainability, policies and family policy in particular should provide people with support for fulfilling their family aspirations. This includes a properly functioning labour market, with stable employment and decent wages, financial support, and above all affordable and accessible childcare facilities. Parenthood and in particular motherhood must not be associated with disadvantages in working life. The right to obtain a place in kindergarten as of a child's first birthday in Germany and the effective family policy in France are good examples of how to go about tackling this problem.

4.3. **Average actual working time** is gradually decreasing across most Member States, though there are considerable differences between countries ([12]). Voluntary part-time work is on the rise, while involuntary part-time work shows a decreasing trend but is still high in some Member States ([13]). Policies and businesses should encourage and support women in particular to increase their working hours. However, part-time workers often lack incentives to work more due to the loss of benefits and higher taxes. While increasing working hours can be beneficial, it should be voluntary.

4.4. **Exploiting the potential in the labour market**: The European Commission's action plan outlines measures to be implemented at both EU and Member State levels with the social partners. An inclusive labour market maximises society's potential by actively involving civil society organisations, and providing targeted support to vulnerable groups, such as caregivers, people with disabilities, the long-term unemployed, older unemployed people, women returning to work, NEETs, etc. Austria, for example, has been successful in integrating long-term and older unemployed people into the labour market by paying temporary subsidies to businesses. In other countries, however, subsidies to businesses have only resulted in temporary jobs for the long-term unemployed, tied to the duration of the subsidies rather than creating stable employment. Subsidies should therefore be tied to specific conditions.

4.5. **Make work pay by having high-quality, well-paid and productive jobs**: Work should be more financially attractive than staying outside the labour market. This means decent wages for quality jobs with regular social security contributions, and a substantial gap between on the one hand net wages ([14]) and on the other hand unemployment benefits as well as minimum income. The tax wedge in relation to labour income should be analysed according to the national situation, whilst ensuring decent living standards for all working people. To avoid poverty traps, taxation in relation to labour should be fair and reduced, in particular for the situation of lower income workers – as their wages often 'compete' with social benefits. Tax measures should also ensure that part-time work is a choice, in order to avoid people,

([11]) https://cor.europa.eu/en/our-work/opinions/cdr-1173-2024.

([12]) ***According to Eurostat, this was 36,2 hours per week in 2011 and 35.1 hours in 2023. https://ec.europa.eu/eurostat/databrowser/view/lfsa_ewhan2/default/table?lang=en.***

([13]) Eurostat Labour Force survey + Cedefop skills intelligence 'involuntary parti-time employment' based of Eurostat LFS.

([14]) Implementation of the Directive 2022/2041 on adequate minimum wages.

predominantly women, getting stuck in the 'part-time trap'. To guarantee adequate social support systems that allow people to live in dignity, any reform must also ensure a stable financing basis for social security systems. Workers who continue working after retirement, either full time or part time, should be financially encouraged to do so through the possibility of combining partial pension payments with employment, or through a continuous accrual of new pension rights.

4.6. Improving **working conditions** helps keep people working in a particular sector or attracts workers to that sector. However, this has only a limited effect on the overall labour supply, as such improvements only mean that people change sectors or jobs, not necessarily that new workers are attracted. Improving health and safety at the workplace and encouraging job transitions to preserve workers' health could, however, make work safer and more sustainable over the course of workers' lives and reduce early labour market dropout rates and keep workers at work for longer. The EESC stresses the importance of the proper implementation and enforcement of the European social acquis. Social partners have a key role to play and the European framework agreement between social partners on active ageing, as well as an intergenerational approach, provides a good framework for adapting workplaces to significantly improve the ability of workers of all ages to stay in the labour market.

4.7. **Pensions**: Against the background of an ageing and shrinking population there are various options for financing public pension systems: for example raising contributions ([15]), decreasing benefits and extending active working lives. The first is not sustainable, the second not desirable. It is positive that not only life expectancy, but also healthy life expectancy is increasing in most, albeit not all, regions. To make it possible to spend more healthy years in employment, the working environment should be adapted to the needs of older workers, and a life-long cycle approach regarding health and safety, implemented. Since, according to the EU Treaties, the Member States retain the competence to determine and design pension systems there are different paths in the EU. A number of Member States are tying the legal retirement age to changes in life expectancy. Others are taking measures to bring the actual average retirement age closer to the statutory one or maximising the unused potential of the labour market (for example NEETs, long-term unemployed) to fuel the sustainability of pension systems. However, pension reforms have so far only been introduced by nine Member States; a further six will follow by 2050.

4.8. Considering the specific national background, linking the retirement age to changes in life expectancy could support longer and more productive employment, at the same time helping to stabilise pension systems and thus contributing to intergenerational justice. However, any rise in the retirement age needs to be introduced in a long term perspective, stepwise, without undermining trust in social protection systems and would not be feasible in work that is physically and psychologically taxing. Preconditions for any strategy to extend active working life include more healthy life years, which itself requires prevention, including work organisation adapted to the needs of an ageing workforce, health promotion at the workplace, and also a proper individual lifestyle, all underpinned by a well-functioning health and social care system. It has to be accompanied by measures which support older people so that they can stay employable: their skills should be kept up to date and the workplace should be free from age discrimination.

4.9. Extending working lives beyond the statutory retirement age can bring the following advantages: people earn higher incomes and pensions, businesses retain experienced workers, and pressure on pension systems is removed. Policies incentivising the decision to work longer, while at the same time ensuring an effective active labour market policy to encourage the employment of young people could contribute to intergenerational solidarity.

([15]) To maintain the high level of social security and – in particular – pensions, according to the Ageing Report, individual contributions would have to increase considerably: 2024 Ageing Report.

4.10. **Care** ([16]): Longer life expectancy increases the number of people in need of care. Care must therefore be improved by developing formal care services that support the autonomy of those in need of care. All people in need of care must be supported in remaining independent and included in the community of their choice. Family carers must be supported, especially if they are still working. As most of the care duties still fall to women, it is necessary to support a more equal distribution of care tasks between men and women and to provide sufficient childcare facilities. The revised Barcelona targets should be regularly monitored in the European Semester. Care facilities for dependent people have been addressed by the European Care Strategy and the recommendation on access to high-quality long-term care. However, adequate public investment in care (infrastructure, workforce etc.) is essential if their objectives are to be achieved. The EESC has called for a European Care Guarantee, to ensure life-long access to affordable quality healthcare and care services for everyone living in the EU. (SOC/741).

4.11. **Migration and integration**: Immigration by qualified third country nationals is one measure to alleviate skills shortages and can create win-win situations for both the sending and the receiving countries, providing the right conditions are met. The EU Blue Card directive is an important step towards attracting foreign talent. However, Europe must do more in the ongoing global battle to secure talent. Qualified immigration and the matching of job offers to workers must become easier. The EU Talent Pool ([17]) will have a vital role to play here.

4.12. Integration measures should make it attractive for foreign talent to stay. Also, the reasons underlying emigration **from** the EU, especially to the USA, need to be analysed and addressed.

4.13. Refugees and other displaced people face many hurdles to integration and to labour market access. This may be due to: a lack of basic qualifications and language skills; difficulties in obtaining recognition of qualifications; an uncertain legal, and/or temporary immigration status; discrimination in accessing the labour market and services – for example accommodation; and insufficient efforts to integrate on the part of some migrants. All these factors may contribute to a lack of social integration.

4.14. The **free movement of workers** can match labour to job vacancies better throughout the EU and thus help reduce unemployment. However, the effect of this might be detrimental at national, regional and local level, for example causing a brain drain, especially from central eastern Europe and from peripheral regions, including islands. These areas require special attention and investment from the **structural and investment funds in order to support existing – and foster the establishment of new – enterprises, creating quality jobs and providing services,** so that labour can remain in the region. The possibility of working from home enhances peripheral and structurally weak regions as places to live and work. In order to avoid a brain drain within the EU, upward economic and social convergence is important.

([16]) EESC opinions on care.
EESC opinion on Caregivers (not published yet in the Official Journal).
The European Care Strategy (OJ C 140, 21.4.2023, p. 39).
The role of family members caring for people with disabilities and older persons (OJ C 75, 28.2.2023, p. 75).
Health Workforce and Care Strategy for Future of Europe (OJ C 486, 21.12.2022, p. 37).

([17]) Opinion of the European Economic and Social Committee – Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Skills and Talent Mobility (COM(2023) 715 final) – Proposal for a regulation of the European Parliament and of the Council establishing an EU talent pool (COM(2023) 716 final - 2023/0404 (COD)) – Proposal for a Council recommendation Europe on the Move – learning mobility opportunities for everyone (COM(2023) 719 final) – Commission recommendation on the recognition of qualifications of third-country nationals (C(2023) 7700 final) (OJ C, C/2024/4067, 12.7.2024, ELI: http://data.europa.eu/eli/C/2024/4067/oj).

4.15. Against this background, **demography should be mainstreamed** in all relevant policy proposals and impact assessments. To this end, more research and statistics are necessary and knowledge about demography at EU level should be disseminated. To achieve this, the EESC proposes that a **European Agency for Demography** be set up to ensure research and statistics in this field, while at the same time ensuring collaboration with and sufficient financing for existing agencies like Cedefop and Eurofound. The EESC likewise recommends that the European Commissioner for Demography be supported by an appropriate structure within the European Commission.

Brussels, 18 September 2024.

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