



SOC/628

Demographic challenges in the EU in light of economic and development inequalities

OPINION

European Economic and Social Committee

Demographic challenges in the EU in light of economic and development inequalities

(Exploratory opinion at the request of the Croatian Presidency)

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Co-rapporteur: **Adam ROGALEWSKI**

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1. **Conclusions and recommendations**

1.1 This opinion was prepared before the outbreak of the COVID-19 pandemic. The EESC recognises, however, that the COVID19 crisis will have important implications for the future EU policies addressing demographic challenges and growing inequalities between Member States. To that extent, the Committee urges the EU to prepare relevant policies with ambitious funding to protect citizens from the detrimental effects of the pandemic and most importantly the economic crisis which will follow, in order to mitigate the negative social impacts. Such policies should be prepared urgently and in consultation with the social partners and organised civil society.

1.2 The EU's present demographic situation requires a holistic approach that embraces social and economic policies, active labour market and cohesion policies, policies supporting families and especially the possibility of reconciling private and family life with working life, special measures for ageing workers, active and healthy ageing policies, sustainable and integrative immigration policies and measures and policies to prevent braindrain.

1.3 Another baby boom is unlikely, and so it is paramount that labour market participation be improved in order to face the consequences of Europe's demographic situation. The level of unemployment, under-employment and the inactivity rate are too high in too many Member States especially for young people whose unemployment rate is about twice the average rate of unemployment in every Member State. The EU needs to make combating unemployment a priority.

1.4 Demographic dynamism also comes down to confidence in the future; this is why the EU needs a strong economy and a strong social policy. Otherwise, European women and men, in particular young people, will not have confidence in the future, and the resulting social and economic uncertainty will discourage them from having children. This is why the implementation of the European Pillar of Social Rights is a very important factor in improving the EU's demographic situation. The EESC therefore sees positively the Commission's intention to develop an action plan for its implementation based on a broad consultation process.

1.5 Having children must not be an obstacle to pursuing a professional career or a reason for impoverishment or the loss of purchasing power especially for large families. It is important to maintain or implement stable and proactive family policy and human-centred labour market policies, including measures promoting a balance between personal and family life with working life (parental leaves, childcare and other caring responsibilities, outwork, flexible work) and financial and educational support. Particular attention must be given to single parent and larger families which are at higher risk of poverty . Stable and diversified family policies adapted to the cultural environment have proven their worth with regard to raising the fertility rate.

1.6 Precarious working conditions and the lack of stable labour market perspectives as well as difficulties in renting or acquiring proper housing facilities, especially in metropolitan areas and big cities, is a reality for many young people. This makes it difficult for them to plan their future

and become independent and found a family. This should be addressed more, both in EU and national policy.

1.7 Internal mobility is a fundamental freedom of the EU that strengthens European competitiveness and provides opportunity to its citizens. As regards intra-EU mobility and the brain and labour drain related to internal migration, the social and economic upward convergence of Member States is the best answer but this needs time. The European Regional Development Fund, the Cohesion Fund and the European Social Fund must be specially oriented to help EU Member States with weaker economic performance to develop projects improving their social and economic development if they are to remain or become attractive to their own population. Measures encouraging people to return to their country of origin can be envisaged with a view to mutual enrichment.

1.8 The economic and social environment is an important factor of attractiveness. The EESC believes that investment in efficient public services along with family-oriented investments should be a priority because they are laying the groundwork for the future. More public investment within Member States can be facilitated by reference to a "golden rule" for investment with a social objective, in order to allow for more flexibility in budget rules.

1.9 Immigration alone might not be the solution to Europe's demographic challenge but it can help address it. In the short term immigration might have a positive influence on population and labour force growth provided that it is accompanied by fair and sustainable integration policies to help newcomers become established and avoid integration difficulties.

2. State of play

2.1 Population size is influenced by fertility, mortality and migration. Although the situation differs in each country, we are seeing a general convergence in the EU with decreasing fertility and mortality rates. Despite some divergences between countries, the fertility rate in the Member States is often significantly and lastingly below the threshold for generational replacement. Even given the global trend of decreasing mortality and fertility rates (demographic transition), Europe is unusual in this regard.

2.2 From 1950 to 1989, the annual increase in the number of people living in Europe was always more than 2 million. Since 1990, growth has remained below 1.5 million a year. At the same time, the rest of the world recorded average demographic growth clearly higher than Europe's. In 1950, for example, Europe accounted for 21.7% of the world's population and stood at less than 10% in 2017. Its demographic weight has never been lower¹.

2.3 With regard to the birth rate, between 1952 and 1961 there were more than 12 million births each year in Europe. This figure fell to 7.3 million in 2000. There has been a slight increase due to migration, bringing relatively young populations to Europe and improving the birth rate in a

¹ Gérard-François Dumont "Vue de ses frontières, une Europe vieillissante mais attractive pour les migrants" ("Seen from its borders, Europe is ageing but attractive to migrants"), *Diploweb, La revue géopolitique*, 3/11/2019.

minority of EU countries. The number of births currently fluctuates between 7 and 8 million a year.

2.4 This needs to be seen against the mortality rate. Mortality moves both up and down: upwards due to the survival to advanced ages of many generations; downwards due to improved sanitary and medical conditions and healthier lifestyles, extending life expectancy in Europe (78 years for men, 83 years for women in EU-28). Overall, the number of deaths in Europe has been in the 8 to 8.5 million range annually since 1992.

2.5 Since 1994 Europe has seen depopulation every year: a negative natural balance resulting from a number of deaths greater than that of births. This depopulation affects Germany, Bulgaria, Croatia, Spain, Estonia, Finland, Greece, Hungary, Italy, Latvia, Lithuania, Portugal, Romania and Slovenia.

2.6 In spite of migration, made up of people younger than the native population, 21st century Europe is experiencing an ageing population. The proportion of people aged 65 and more in the total population rose from 12.5% in 1989 to 18.8% in 2019. The EESC already stressed that the activity rate of the working-age population is more important than the elderly dependency ratio i.e. the ratio between working-age people and those over 65. Consequently there is a need to unleash the working capacity of the unemployed and under-employed. Better labour market integration of immigrants and access to training for unemployed and people in precarious work is essential to manage the demographic challenge linked to longevity.

2.7 Some Member States have to cope with high intra-European mobility towards Member States with higher standards of living, exacerbating difficulties linked to the ageing of their populations since it is mainly the younger age groups which are leaving. They are experiencing a labour force drain concerning all skill levels and most importantly a braindrain which is worrying for the countries concerned; they have invested in education and training systems which then benefit other countries that can offer better working and social conditions. In 2018, 36% of EU mobile workers have high level of education, 40% a medium level and 23% a lower education level. Yet only 20% were employed in high skill occupations, 60% in occupations with medium skill requirements and 20% in low skill occupations².

2.8 Furthermore, the movement of workers towards economically stronger Member States speeds up ageing and population decline in eastern Member States. If this movement continues at the same rate, the population of people over 65 in eastern Europe will be greater than that of western European countries³.

The movement of workers from eastern European countries to wealthier Member States is principally caused by the difference in wages, social protection and social standards which

² <https://www.etui.org/Publications2/Working-Papers/Why-central-and-eastern-Europe-needs-a-pay-rise>.

³ *Demographic Scenarios for the EU*, 2019, <https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/demographic-scenarios-eu>.

remain much lower than in the old Member States. While wage gaps between eastern and western Europe were narrowing until the crisis, the upward wage convergence of eastern Europe came to a halt in the wake of the crisis⁴. In some eastern Member States, high emigration has resulted in labour shortages.

2.10 At the same time, migration from southern to western Europe increased as a result of the economic crisis⁵ and its consequences. In this case, poor labour market prospects including high unemployment resulted in stronger migration from southern to western Europe of all workers regardless of their qualifications.

2.11 There are also non strictly economic factors such as legal, cultural and social conditions that contribute to migration. For instance some persons leave their country to more developed welfare states providing better social protection and health care. Some people may also suffer discrimination on the grounds of religion, ethnic origin or sexual orientation and as a result migrate to Member States where the society and legal systems are more welcoming and protective. As a whole it is difficult to measure the magnitude of these mobilities and their impact on demographic issues.

3. General comments

3.1 The EESC is calling for a holistic approach to address demographic challenges. This approach involves not only the fertility rate itself, but also the question of work-life balance, employment, equality between men and women, stable family policies, regional and cohesion policies, quality of public infrastructures and services.

3.2 Discussing demography means talking about children, mothers and fathers and not simply numbers and statistics. They are people with their life plans, whatever the type of family. European societies must provide support and protection to the most vulnerable, in this area the child, whose rights and interests must prevail.

3.3 The EESC has adopted a number of opinions on demography. In some of them, it has pointed out that countries which have solid family policies, which are moreover diverse in their provisions and reflect the cultures of the Member States concerned, are in a better demographic situation than those which have none or weak ones⁶. In others, the Committee underlined the importance of solid labour market policies based on high labour market participation and high-quality employment as an effective way of addressing demographic challenges⁷.

The EESC believes that there are already policies in place which could be used to address demographic challenges, particularly in the light of economic and development inequalities. The

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4 <https://www.etui.org/Publications2/Working-Papers/Why-central-and-eastern-Europe-needs-a-pay-rise>.

5 2018 Annual Report on Intra- EU Labour Mobility Final Report 2018

6 [OJ C 218, 23.7.2011, p. 7](#) and [OJ C 161, 13.07.2007, p. 66](#).

7 [OJ C 318, 29.10.2011, p. 1](#) and [OJ C 14, 15.1.2020, p. 60](#).

European Pillar of Social Rights is an important instrument for achieving upward social and economic convergence in the EU, which will also help to address demographic challenges.

The EESC believes that an environment that provides people with economic and social stability and decent living and working standards, in which the social partners' role is important, is key to ensuring positive demographic trends in the EU. This includes more investment in social infrastructure, family policies, high-quality public services and active labour market policies.

3.5

Examination of policies that are demographically effective reveals that they combine different measures that are stable over time. This is important because a parental and family project is, by definition a long term one. In relation to family policies, particular attention should be given to families at risk of poverty such as single parents and large families. It is important to remember that the second cause of poverty after unemployment lies in family breakdown and the risk of poverty grows with the number of dependent children in a household. The EESC has called for a decent minimum income in the EU⁸.

3.6

The EESC stresses the crucial role of public services in social policies and support for families. High-quality, accessible and affordable care and assistance (for children, people with disabilities and the elderly) are key to tackling demographic challenges and supporting population growth. Underinvestment in public services have caused a shortage of personnel and lack of appropriate infrastructure. Particular attention should be paid to childcare services and education as well as policies focusing on older generations. One of the areas where underinvestment is most evident is long-term and health care for ageing people⁹.

3.7

The EESC calls for more investment in public services and social policies in order to meet the demographic challenges. The EESC reiterates its view that more public investment within Member States can be facilitated by reference to a "golden rule" for investments with social objectives, in order to allow for more flexibility in budget rules. Existing and future EU funds, particularly the Investment Plan for Europe, should focus more and increase spending on social investment, family support and promoting equality as this will help address demographic challenges.

3.8

The EESC emphasises the amount and importance of the unpaid work mainly performed by women who, through family solidarity, bear most of the cost of care and aid, support families and compensate for the lack of public infrastructure. This real work is rarely recognised as such, although unpaid care and domestic work are respectively estimated at 10 and 39% of gross domestic product in the world¹⁰. It is important, and fair, to recognise and support the work of unpaid caregivers, usually family members, who have chosen not to work to provide care and assistance to sick, disabled and other dependent family members by, among others, providing sufficient investment in care infrastructure. Member States should be encouraged to recognise the economic, social and moral value of this work by giving them an appropriate status and financial support as well as safeguarding their social security entitlements.

3.9

⁸ [OJ C 190, 5.6.2019, p. 1.](#)

⁹ [OJ C 71, 24.2.2016, p. 46.](#)

¹⁰ https://www.un.org/ga/search/view_doc.asp?symbol=E/CN.6/2017/3

3.10 Special attention should be given to the rural population which is ageing even faster than the population as a whole. A defining trend in rural life all over Europe is declining population, as young people tend to move to big towns and cities for education and work. Safeguarding living standards, including decent labour market perspectives, as well as investing in infrastructure, public services and education would be one of the key measures to fight depopulation of rural areas and small and medium-sized provincial towns.

The EESC underlines the important role played by civil society organisations and social partners in discussing and developing policies on demographic challenges.

4. **The importance of quality employment, proactive labour market policies and policies that support a balance between work and private and family life.**

3.11

4.1 The EESC considers that proactive labour market policies which contribute to the creation of stable employment and the well-being of workers are important and effective measures for tackling demographic challenges. Indeed most of the European population's income comes from work, and without job creation, dynamic labour market perspectives, security in the labour market and quality employment it is difficult to establish a family and to provide it with decent living conditions. Through collective bargaining, the social partners can make an important contribution to improving wages working and social conditions.

4.2 The EESC takes note of the report on *Demographic scenarios for the EU*¹¹, which states that the most feasible and effective remedy to negative consequences of population ageing is neither focusing on higher fertility rates nor more migration, but rather increasing labour force participation. In the medium and long term, a more balanced demography is necessary to ensure the balance of our social spending and the dynamism of our economy.

4.3 Measures to combat in-work poverty are of the utmost importance in providing decent living conditions for families and providing children and parents with a decent life. The EESC notes the Commission President's intention to "ensure that every worker in our Union has a fair minimum wage"¹². With this in mind, the EESC will prepare an exploratory opinion on Decent minimum wages across Europe.

4.4 Quality jobs, which are factors for economic stability, access to training in order to improve the skills and competences of workers and the possibilities of matching secure and flexible working conditions are one way to support demographic growth. Particular attention should be given to part-time or flexible work arrangements in order to improve work-life and private and family life balance. One measure allowing for a better work-life balance and protecting family and private lives at a time of accelerated digitalisation is the right to disconnect, considered by the EESC as good practice¹³.

11 *Demographic Scenarios for the EU*, 2019.

12 [OJ C 62, 15.2.2019, p. 142](#)

13 [OJ C 14, 15.1.2020, p. 52](#)

4.5 In previous opinions¹⁴, the EESC called for proactive gender equality policies in order to eliminate the pay gap between men and women and to promote measures facilitating a work-life balance. Studies show it is beneficial for families, as well as for the European economy and competitiveness, for men to be involved in care-related tasks. Boosting women's labour market participation would make it possible to develop their potential at a time when the EU workforce is declining and its population ageing.

4.6 Special attention should be paid to young workers who are or may become parents. The average EU youth unemployment rate remains higher than that of the working population in general and can range from 5 to 40% in some countries¹⁵. Young people are also particularly affected by precarious working conditions¹⁶. Moreover, the lack of job creation, dynamic labour market perspectives, security in the labour market as well as difficulties in renting or to acquiring housing facilities makes it difficult for them to plan their future, and to become independent, settle down and form a family. Access to quality employment for young people should be developed: this would give them the security they need to start a family.

4.7 At the other end of the generation chain, there is a need for policies to support older workers in the labour market so that they can work until the legal retirement age in force in their country¹⁷. This could be achieved by improving employment opportunities and working conditions to create work that better accommodates the needs of older people. Special attention should be given to combating age discrimination in the labour market.

4.8 Particular attention should also be paid to occupational health and safety given that ageing leads to an increased risk of developing health issues. Therefore, it is crucial to organise work and to design workplaces in such a way that these illnesses can be prevented and more employees are able to work until the regular retirement age¹⁸.

5. **Relevance of family policies to achieving dynamic demography**

5.1 Member States which follow active family policies have higher birth rates than those which do not have or have weak family policies. The aim is to guarantee that having children, who ensure the future of Europe, does not have a penalising effect on the standard of living or career prospects. To achieve this, it is necessary to mix fiscal measures, social legislation, direct financial aid and efficient and affordable public services, including childcare systems. When implemented, these policies are effective¹⁹. But to remain so, they must be sustainable and constitute a stable legislative base.

14 [OJ C 129, 11.4.2018, p. 44](#) and [OJ C 110, 22.3.2019, p. 26](#).

15 Speech by Ms von der Leyen.

16 [OJ C 14, 15.1.2020, p. 60](#).

17 [OJ C 62, 15.2.2019, p. 142](#).

18 [https://osha.europa.eu/sites/default/files/publications/documents/Work-related MSDs prevalence costs and demographics in the EU report.pdf](https://osha.europa.eu/sites/default/files/publications/documents/Work-related_MSDs_prevalence_costs_and_demographics_in_the_EU_report.pdf)

19 [OJ C 14, 15.1.2020, p. 60](#).

5.2 These family policies are however part of a broader framework which guarantees their effectiveness: jobs, economic and social dynamics, a family-friendly culture, adapted housing policy, an efficient education system, and environmental policies. Lastly, family life and working life are among the main concerns of European men and women, so they must both be at the heart of the concerns of European society.

5.3 Demography is the domain of the long term and require coordinated European action. The EU should develop common guidelines based on intergenerational solidarity and gender equality, taking into account national cultures and social policy differences. The present situation of the European Union requires also measures aimed at raising the birth rate. As it has been said that "to govern is to foresee", it is crucial to act today.

6. **Migration including intra-EU mobility**

6.1 Regarding the role of immigration in addressing demographic challenges, the EESC reiterates its view that *immigration has a positive influence on population and labour force growth. If natural population growth becomes negative, immigration can help keep the total population and labour force constant. Admittedly, immigration is not the ultimate solution for tackling the consequences of demographic ageing in Europe. Nevertheless, it could also be a remedy to shortages of labour and skills that are unrelated to demographic processes*²⁰.

6.2 Care should also be taken not to foster the systematic migration of the highly qualified and highly skilled, further exacerbating the skills gap with developing countries which would harm their economic and social development. It is also important to implement active reception and integration policies in order to avoid difficulties in establishing themselves in a new country and a new culture.

The free movement of EU citizens is a fundamental freedom of the Union. However high levels of intra-EU migration can pose particular challenges for the Member States of origin, such as accelerating ageing or loss of work force and competences, and for the receiving one.

6.3 The question is whether this EU mobility is irreversible or whether it is only temporary and returns to the country of origin will be the rule. In fact a large part of the persons leaving their own country return home in two years. It is a form of circular mobility. Such movements are mutually enriching for the countries concerned. For this to be more the case, there would have to be upward economic and social convergence between east and west and south to west.

6.4 Narrowing the existing gap is the best way to slow down this labour leakage.

²⁰ [OJ C 110, 22.3.2019, p. 1.](#)

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