

ANALYSIS OF DEMOGRAPHIC PROBLEMS IN THE EUROPEAN UNION: AGEING, MIGRATION AND INTEGRATION

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Abstract: The combination of ageing populations and a contracting domestic labour force is set to have drastic consequences for Europe. Left unchecked, it will translate into unsustainable pressure on pension, health and welfare systems, and into negative outcomes for economic growth and taxation. If Europe is serious about moving towards a knowledge society, efforts to enhance economic efficiency and upgrade the skills of the existing population must be complemented with active measures to address this demographic challenge. Not least, it must include a concerted effort to make the EU an attractive destination for immigrants. Without migration, the EU will not be able to meet future labour and skills shortages. It will also see a reduction in cultural diversity and experimentation, prerequisites for creativity and innovation.

JEL classification: I14, I18, J11, J18.

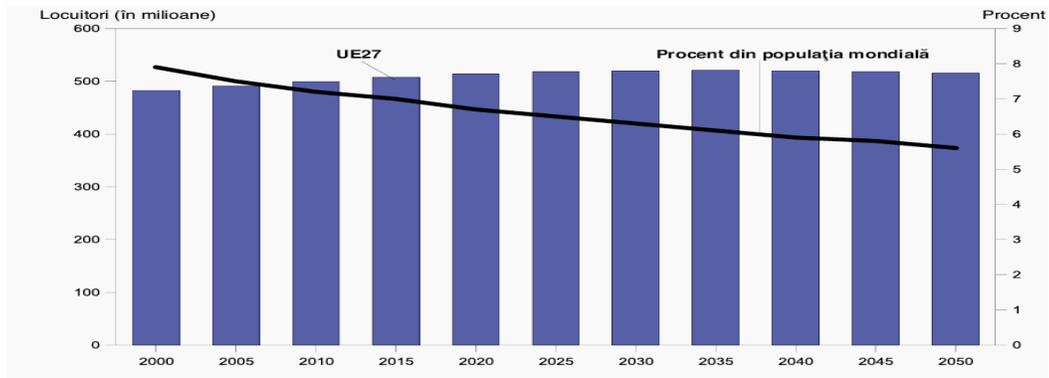
Key words: ageing populations, migration, integration, labour policy, migration policies.

1. EUROPE'S DEMOGRAPHIC TRENDS ARE BECOMING ENTRENCHED

Europe combines the demographic extremes of very high life expectancy and very low fertility. In most EU Member States, life expectancy - currently 75 years for men and 82 for women on average – is set to increase by an additional 15 to 20 years in the course of this century. With women giving birth to 1.5 children on average, and more and more women foregoing children altogether, Europe's population is ageing and its nativeborn labour force declining. Bearing in mind Europe's current average retirement age (62 years for men and just over 60 for women), in the absence of compensatory policies, in the next 40 years Europe's support ratio will deteriorate sharply, leaving four contributing workers to support every three retired people. Urgent action is needed to counterbalance these negative trends.

To begin with, family-friendly policies aimed at stabilising or increasing fertility levels should be put in place. Additionally, the impact of reduced domestic labour forces, including the related issues of financing healthcare and pension schemes could be partly offset by increased productivity. Steady growth in productivity would allow for a revised allocation of resources that could help fill the increasing gap between pension receivers and contributors. But with European demographic patterns becoming entrenched, the impact of these measures will not be sufficient. In the end, the European Union's demographic challenge will only be addressed through two sets

of complementary actions: boosting labour market participation rates; and



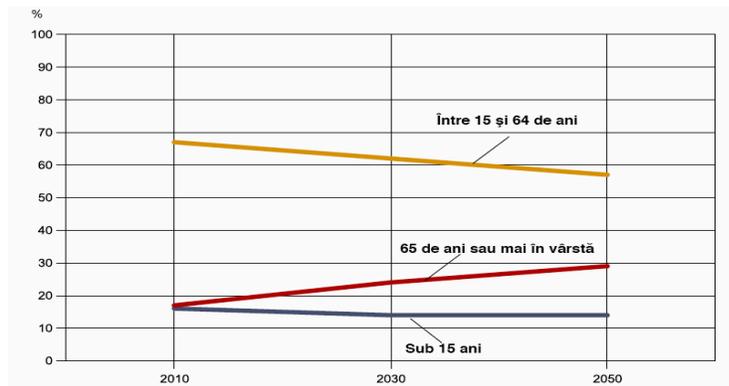
implementing a balanced, fair and proactive immigration policy.

Source: Eurostat - Demographic projection, UN Population Prospects (revision 2008)

Chart no. 1: Evolution of the european population between 2000 and 2050 and the percentage of the world population

2. EXPANDING LABOUR MARKET PARTICIPATION: A SINE QUA NON

Devising and implementing effective work-life balance strategies is the first step to increase labour force participation. The objective must be to provide the conditions in which people, in particular women with young children, and older workers, can remain in the workforce.



Source: Eurostat (convergence scenario)

Chart no. 2: Population by age group in the EU27 in 2010, 2030 and 2050

Despite a higher life expectancy, women are retiring early and their overall employment rates are lower than those of men – 58.3 per cent as against 72.5 per cent. Responding to this will require an increased focus on equal opportunities and non-discrimination, as well as child care programmes and school systems supporting working parents. The second step will involve removing the legal, administrative and cultural barriers to promote greater intra-EU labour mobility. Key instruments in this regard include the full portability of welfare and pension rights, improved language

training, full recognition of academic degrees as well as professional skills throughout the EU and the development at all political levels of a truly nondiscriminatory environment.

Last but not least a major shift is required in our approach to retirement. Current early retirement practices should be discouraged. Retirement should become an option for individuals rather than an obligation. Working life should be prolonged through an increase in the actual as well as the statutory pension age. Adult education and training programmes, salary schemes, working conditions and pension systems should be adapted to create a labour market for 50-70 year-olds by making recruitment and employment of older workers more attractive.

3. IMMIGRATION POLICIES: TOWARDS A PRO-ACTIVE APPROACH

Even if internal measures aimed at boosting labour market participation could be fully realised, they will not be sufficient to compensate fully for the consequences of demographic change on future labour supply. The reality is that by 2050, in the unlikely absence of immigration, and at constant labour force participation, the EU labour force would decline by around 68 million workers. Since not all immigrants become economically active, a net gain of some 100 million people would eventually be needed to fill the gap. Realistically such a large net intake over the next 40 years is neither likely nor necessarily desirable. Nevertheless, migrant labour will be part of the solution to Europe's future labour and skills shortages and the EU will need to develop a pro-active approach to immigration.

In general there is a need in Europe for a shift in attitudes. Too often, immigration is perceived as a burden to be shouldered rather than an opportunity to be seized. Europe has much to learn in this regard from Australia, Canada and the United States, with which it is in direct competition for talented and skilled immigrants. Drawing on the experience of these countries, the EU needs to develop a common immigration policy with the aim of attracting the most qualified, talented and motivated immigrants while taking measures to prevent the loss of human capital in sending countries. A common immigration policy for the EU should set out a specific medium- to long-term strategy for targeting skilled immigrants. Clear information promoting the advantages of setting up in Europe should be readily accessible. There is also a need for an agreed approach around common criteria for the acceptance of immigrants (a points-based or assessment system), while taking account of particular needs in Member States. Yet Europe will only become an attractive destination for skilled immigrants if the latter feel accepted, have full access to formal labour markets and the possibility to set up their own businesses. Wide-ranging integration initiatives are needed at EU and Member State levels, but particularly at the local level, which is often best-placed to identify and meet the needs of immigrant and nonimmigrant populations. Once established legally in the EU, immigrants should enjoy the same social rights as EU nationals. The potential within existing immigrant populations to boost labour force participation should be tapped through investment in language, vocational training and general education, combined with determined anti-discrimination strategies. All forms of discrimination against immigrant workers and their families should be removed.

4. PEOPLE ON THE MOVE: EXERCISING CONTROL AND RESPONSIBILITY

As it applies to a space largely without internal frontiers, the proper functioning of a common European immigration policy needs a credible system of managing the

EU's external borders, including a co-ordinated system of issuing visas to third-country nationals – also addressed further below in the context of the EU's external and internal security. As tens of millions of third-country nationals lawfully cross the EU's external borders every year, it is also essential to enhance control and verification mechanisms inside the EU. This would ensure that the burden of migration control is not unilaterally shifted towards the EU's external borders and the countries securing them. There is also a need for a common approach to irregular immigrants. The EU needs to iron out inconsistencies between Member State policies and behaviour towards persons without legal access to the labour market. This should include harmonising the rights of irregular immigrants across the EU to avoid specific “call effects” in one Member State that may affect another. Addressing irregular migration should also include combating the culture of employing irregular immigrants, in particular in the building and agriculture sectors as well as in private households, still evident in several Member States.

Maintaining credible external and internal controls should not, however, undermine the EU's determination to remain a place of safety for refugees, in line with its core values. European asylum policies need to ensure that political refugees enjoy the right to seek asylum and have their claims processed fairly within the EU²⁷. Efforts to stem illegal immigration and people trafficking must also include measures to protect vulnerable individuals and communities from exploitation through unacceptable labour practices or other forms of abuse, including human trafficking. This calls for a permanent dialogue between countries of origin and the EU which is consistent in its application and which complements the EU's development policy. Furthermore, the EU needs to acknowledge the linkages between migration and development and formulate policy responses that take full advantage of the synergies which exist between them. A successful recruitment policy will inevitably lead to a brain drain which could undermine the development process in sending countries. The EU should do its utmost to avoid this, helping them to build up the human capital needed for their development. Bilateral development agreements should include efforts to promote orderly immigration through mobility partnerships as well as recruitment and readmission agreements. The elaboration of such policies should take account of the potential benefits for development of return migration and two-way mobility between sending and receiving countries. Permanent residence status in the EU, for instance by way of a “blue card”, could encourage the circular migration of those who want to return to their countries of origin for an extended period of time. Finally, the EU should invest in the higher education systems of sending countries in order to build up skills which can later be shared. In a nutshell, the aim should be training, not draining.

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