Europe at the Crossroads: Demographic Developments in the European Union  
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Nico van Nimwegen

The Demography Monitor 2006 reviews the demographic situation and related socio-economic developments in the 25 Member States of the European Union. To the extent possible, the Candidate Countries and Turkey are also included in the analysis. Special emphasis is given to the policy implications of demographic and socio-economic trends.

Population ageing is by far the most dominant demographic challenge that is confronting the European Union. From the major regions of the world, the process of population ageing is most advanced in Europe. The social and economic implications of population ageing are manifold and its impact on the social situation in the EU can hardly be underestimated. Also the challenges that population ageing poses to policy are wide-ranging. The report particularly focuses on three broad and partly related dimensions of the social situation in Europe: education, employment and social protection. It discusses critical policy-relevant issues such as trends in the school-age population, educational enrolment and achievement, trends in the potential workforce and actual labour force participation, and social protection issues such as (early) retirement and pensions.

These issues are also vital in the light of the second major demographic challenge that the European Union is facing which is imminent population decline. As is the case with respect to population ageing, Europe is also a frontrunner among the major world regions with respect to population decline.

∗ This Observatory was established by the European Commission and includes a Demography Network led by the Netherlands Interdisciplinary Demographic Institute (NIDI) and further consisting of the Centre for European Policy Studies (CEPS), the German Institute for Economic Research (DIW, Germany) and the Institute for Advanced Studies (IHS, Austria). An abridged version of this executive summary has also been published at: http://ec.europa.eu/employment_social/social_situation/sso_en.htm without the figures and tables.
Population ageing and population decline are the two sides of the same demographic coin. Populations which witness slow and declining, sometimes negative population growth, rapidly grow older. The demographic root causes of population ageing are sustained low fertility and increasing longevity. Low fertility, in the absence of major and sustained high migration surpluses, also yields population decline.

Together, population ageing and population decline will shape the social situation in the European Union in the coming decades. The report analyses the main drivers of these demographic processes and some of their impacts on the social situation.

→ European population growth comes to a halt due to natural population decline; migration is the main engine of population growth

In the years 2004-2005 the population of the European Union grew by slightly over 4 million from 457 million to the current 462 million inhabitants. This modest rate of annual population growth of about 5 per 1000 (0.5%) is the lowest among the major world regions and is for instance significantly lower than the growth rates in the United States (1.8%), China (1.2%) and India (2.9%), or of the world population as a whole (2.5%). With its current 462 million inhabitants, the European Union ranks third after the world’s most populous country China (1.3 billion inhabitants) and India (1.1 billion) and before the United States (301 million).

Population growth rates vary across the Union and are highest in the old Member States (5.7 per 1000) and lowest in the new Member States (minus 0.3 per 1000 cf. Figures 1-3). Looking at the two components of population growth, natural increase and the migration balance, in the European Union as a whole, the impact of natural increase (births minus deaths) on the growth rate has significantly decreased over the past decades. International migration (the balance of immigration and emigration) has become the main engine of overall European population growth. The relatively speaking high immigration into the European Union (EU-25) over the past few years is mainly caused by large inflows of migrants into Italy and Spain.

The patterns of population growth vary across the Union (cf. Figures 4-5). The old Member States (EU-15) on average still record natural population growth (9 per 1000) and a positive migration balance (4.5 per 1000), but here too there is variation. Germany (since 1972) and Italy (1993), for instance, record natural
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population decline, while Austria and Greece are on the brink of natural decline. As for migration, the Netherlands is the only country with a negative migration balance (more emigration than immigration), while the other countries show immigration surpluses.

In the new Member States (NMS-10) overall population growth is negative (minus 0.3 per 1000). Here, natural population decline is more advanced (minus 1.3 per 1000) than in the old Member States, which decline is not offset by the slightly positive migration balance. Also among these countries the trends vary, with Cyprus and Malta recording high population growth rates. In the Baltic states and Poland overall population decline is highest, while the Czech Republic, Hungary and Slovenia record natural decline which is still offset by net migration.

As for the Candidate Countries, both Bulgaria, Croatia and Romania show a similar pattern as the Baltic states with overall population decline. Turkey is an exception, with substantial population growth (12.8 per 1000), triggered by high natural growth. The overall pattern of population size is given in figures 6-7.

Looking at the future, the European Union will experience natural population decline from 2010 onwards, while from 2025 onwards, overall population decline will set in. It follows that between 2010 and 2025 international migration will outnumber natural decline. Among the major world regions, the European Union is the only one where total population is projected to decline: by the year 2050 the population of the European Union will have declined to 449 million from its peak population of 470 million of 2025. Indeed, the European Union seems to be on the cross roads of an ongoing process where population growth gradually turns into population decline, while the process of population ageing continues and gains momentum.

→ Sustained low fertility remains a root cause of population ageing and population decline in the European Union…

The average number of children per woman, as measured by the Total Fertility Rate (TFR), currently is 1.50 in the European Union (Figure 8). This is well below the so-called replacement level of 2.1 children, signalling future population decline. In eleven Member States the TFR is 1.30 or lower. The low fertility level of the European Union contrasts with other major world regions. The fertility level of the United States (2.04) for instance, equals replacement, while China (1.70) is clearly below that level and Japan (1.33) even lower than
the European Union. The highest fertility levels are recorded for Africa (4.97), while the world average is 2.65.

Fertility levels also vary across the European Union (Figure 9). Currently the lowest fertility rates are recorded in Southern Europe, Central Eastern Europe and the two German-speaking countries. The highest fertility levels are observed in Northern Europe. Generally speaking, fertility levels in the old Member States recently tend to increase, while this is not the case in the new Member States. Since the 1980s, the average TFR in the European Union has declined by 0.4 children per woman. During the same period, the mean age of childbearing has risen by 3 years to 28 years.

→ Postponement of births plays an important part in European fertility ……

While fertility rates of women aged younger than 30 have declined since the 1970s, fertility rates of women aged 30 or older have risen since the 1980s. This indicates that part of the overall decline in fertility can be attributed to postponement. Despite this similar pattern across Europe, there are remarkable differences between countries both in the level and in the rate of change of fertility. Three general stages can be discerned in the postponement process. In the first stage the average age at childbearing increases due to a decline of fertility at young ages. This decrease continues in the second stage, but in this stage fertility at older ages starts to increase and recovery of fertility sets in, while the age at childbirth continues to rise. In the third stage, the fertility decline at young ages comes to an end, while the rise in fertility at older ages continues but gradually slows down. Thus the so-called “tempo effect” (women having more births at an advanced age), results in a partly recovery of overall fertility.

With the exception of the Central and Eastern European countries, the postponement process in most Member States seems to be near the end of the second stage or the beginning of the third stage. As a consequence, the decline in the overall fertility rate has slowed down in most countries and fertility slightly increased in some. Although in some countries the increase in fertility at older ages recently has slowed down too, suggesting that the third (recovery) phase is nearing its end, in most Member States a significant increase in fertility at ages 30 and above still continues. The combined effects of these trends suggest that the overall fertility level in most Member States may increase in the coming years.
and the impact of policies on fertility is difficult to assess and seems limited in scope
From a policy perspective it seems relevant to take the wide variety of fertility patterns and trends across the European Union into account. Even though all Member States have implemented “family-friendly” policies, there are major differences between countries in policies affecting the choice to become a parent and/or to have an additional child. It is difficult to assess the impact of these policies on fertility, as it is difficult to disentangle their impact from other determinants of fertility, but if any, the “window of opportunities” for family friendly policies may be as small as 0.1 to 0.2 children per woman. As there is no straightforward answer to the question whether policies can be effective in influencing the timing and level of fertility, “single shot solutions” are not available. Nevertheless, policies spurring economic growth and economic security and improving the availability of suitable housing are likely to have a positive impact on the level of fertility, while policies aimed at the reconciliation of work and family may have a positive influence on both (female) labour force participation and fertility. In general it seems plausible that policies which aim to accommodate ongoing trends (like the recovery of fertility), may be more effective than policies which aim to reverse these trends. In this sense, policies aimed to stop further postponement of fertility in countries where fertility at ages younger than 30 is still declining may be considered. It would be more difficult to achieve an increase in fertility rates at ages younger than 30, as this would require a reversal of a trend that has been occurring for several decades now. But again, the window of opportunities for policies to impact fertility seems limited. With respect to late fertility, it must be noted that the so-called “mismatch paradigm” seems to be at play: the demands of the female biological clock (which prefers to get pregnant at a younger age) do not match the socially constructed cultural preference of many women to start families later in life. An increasing mismatch of the body and its environment comes at a price. With respect to late fertility this price includes the reduction of the biological capacity to procreate (lower fecundity, increased infertility) and other health impacts, both for the mother and the child. From a policy perspective, the mismatch provides scope for health information and education policies of a preventive nature as well as medical interventions of a curative nature.

Increasing longevity is the other major driver of population ageing. Mortality differences continue but the gender gap is narrowing.…
In all Member States, life expectancy has increased during the last decades (Figure 10). Since 1980, the average annual increase in longevity, measured as
the life expectancy at birth, was slightly under 0.2 years. The average life expectancy at birth in the European Union currently is about 78 years (79 years in the old Member States and 74 years in the new Member States cf. Figures 11-12). Today Japan records the highest average life expectancy (82 years) in the world. In all European countries, life expectancy is higher for women than for men, but the gender gap gradually becomes smaller. In the European Union, life expectancy at birth for men ranges from a low of 66 years in the Baltic countries to a high of 78 years in Sweden. Female life expectancy at birth ranges from 76 years in Latvia to almost 84 years in France and Spain (Figures 13-14). Also the slowly closing gender gap in longevity widely differs in the European Union. This gap currently ranges from 4 years in Malta to over 10 years in the Baltic countries. The origins of the gender gap have changed over time: in the 1960s the gender gap widened due to the unfavourable development of male mortality. In the 1980s the gender gap started to decrease in North Western Europe and in the 1990s it also became smaller in Southern European countries and France. A slowing down of the growth of female life expectancy and a stronger increase of male longevity are the causes of the narrowing gender divide.

In the first half of the 20th century the increase in life expectancy was mainly caused by the decline in mortality from communicable diseases at younger ages. The second half of that century saw a shift of mortality to older ages: degenerative and man-made diseases have become the main causes of death.

A longer life does not necessarily imply a healthier life. Some of the “added years” may be spent in good health and some in bad health. As most unhealthy years are spent at older ages, healthy life expectancy may be calculated as a fraction of life expectancy at age 60. The ranking of Member States according to healthy life expectancy at this age differs from that of total life expectancy. For men Sweden ranks highest: 16.5 years of the total life expectancy at age 60 is spent in good health. France is leading for women: at the age of 60 French women may expect to live another 25.7 years, of which 19.1 years will be spent in good health. In general European women enjoy both more healthy and unhealthy life years than men.

→ Life expectancy increases, but are we approaching the limits to the growth in longevity?
Even though a considerable increase in life expectancy has occurred over a long period of time, there have been periods with less favourable developments as well, resulting in variation in the pace of increasing longevity over time, across
genders and across countries. The principle of “diminishing returns” seems to be at play, as Member States where life expectancy was high in the 1960s generally experienced smaller gains in longevity than countries with lower life expectancy. In almost all Member States, the average annual increase in longevity has been lower in recent years than in previous decades. Although this does not necessarily imply that the limits to the growth in longevity are approached, a further linear increase in longevity should not be taken for granted, also since the underlying patterns of causes of death are changing.

One important determinant of the increase in longevity in the past decade has been the decrease in mortality from cardiovascular diseases in late middle-age. As a consequence, death has increasingly been delayed to more advanced ages and further substantial increases in longevity can only be achieved through a strong reduction in mortality at advanced ages. And as mortality at older ages cannot usually be attributed to one single disease but rather to frailty leading to so-called “co-morbidity”, medical advances in the treatment of one disease may only lead to limited gains in longevity. Nevertheless ongoing medical advances and improvements of living conditions will yield further gains in longevity, but unhealthy life-styles (smoking, diet, alcohol, lack of physical exercise) may have a restraining impact, calling for policies promoting healthy life styles. An ongoing increase in life expectancy seems plausible, at least for some time to come, but there is no consensus among experts about the ultimate levels, nor about the pathways towards these levels.

→ International migration is the major cause of European population growth but difficult to manage
In the second half of the 20th century most Member States experienced major changes in international migration patterns with a shift from emigration to immigration and this trend has continued. Currently international migration has become the major driver of European population growth, but its future course is hard to predict as international migration remains the most volatile demographic process. Worldwide, international migration trends are difficult to analyze, due to a paucity of reliable data and a plethora of varying definitions, and the same goes for European comparative analysis. Currently the total number of international migrants worldwide is estimated at 191 million, some 15-20 % of which are undocumented migrants. The number of undocumented migrants in Europe as a whole is estimated at some 7-8 million.
Looking at the European migration flows, the overall migration balance for the European Union is positive (1.8 million), resulting from about 4.1 million immigrants into the EU and some 2.3 million emigrants. From all immigrants in the European Union, 3 out of every four come from outside the Union and consequently 1 out of 4 immigrants arrive from other Member States. In the year 2004 the large majority of immigrants (2.6 million) settled in the old Member States while the new Member States attracted 0.4 million immigrants. About half of the emigrants from the European Union leave for destinations outside the Union, and if they stay in Europe, the old Member States attract most.

As immigration flows have increased, but also because sometimes irregular or unconventional channels (like asylum seeking) are being used by international migrants, migration policies are becoming a higher priority among Member States, also because of population ageing. Migration management is developing into a balancing act between openness and control and in search of a proper mix of selected and non-selected migrants. Population ageing, including the ageing of the (potential) work force, as well as imminent population and labour force decline, will continue to function as a major pull factor for international migration. Continuing high levels of population growth outside the European Union will remain an important demographic push factor, together with economic imbalances and political unrest. Although international (labour) migration may serve a function in solving labour market shortages, it may not reverse the ongoing trends of population ageing and population decline since this would involve unprecedented and continued mass migration at unsustainable levels.

→ Population ageing is less advanced in the old Member States, gains momentum but the demographic pressure in the European Union still is stable...

Triggered by sustained low fertility and increasing longevity, population ageing will remain a dominant trend in the coming decades. Currently Europe, and in particular the European Union, ranks first among the world regions with respect to population ageing. While the average (median) age of the world population is 28 years, it is 39 years in Europe as compared to 43 in Japan, 36 in the United States, 32 in China and 24 in India. Notwithstanding, the overall dependency ratio, which is an approximation of the share of economically inactive, dependent persons (the age group 0-14 and the 65-plus population) relative to the potentially active population of 15-64, is 47 in Europe and the lowest among all world regions. Dependency ratios for North
America (49 dependents per 100 potentially active population) and Asia (52) are slightly higher than in Europe. The highest dependency ratio is recorded in Africa at 81, but it should be noted that the overwhelming majority of African dependents are young, while they are old in Europe. Japan (51) has a higher dependency ratio than Europe, while China (41) has a lower.

It should be taken into account that the demographic dependency ratio is a rather rough indicator. As for the younger age group (0-14 years) economic dependency in developed regions like Europe, does not end at this age where most children are still in school (see the section on education). The dependency ratio thus underestimates what has been labelled as the “green pressure”, i.e. the share of the economically inactive younger population. At the other end of the age range, substantial numbers of Europeans withdraw from the labour force before the age of 65 (see the section on retirement). Thus the dependency ratio overestimates the share of economically active and as a consequence underestimates what has been labelled as the “grey pressure”, i.e. the share of people who no longer are economically active.

Taking this into consideration, the grey pressure varies among the Member States: the old-age dependency ratios range from a low of 16 in Slovakia to a high of 29 in Italy. The European average for this indicator is 25 older dependents per 100 potentially active persons (26 in the old Member States vs 20 in the new Member States) and is projected to rise to 35 by the year 2025 (36 in the old Member States and 32 in the new Member States).

Taken together, the green and the grey pressure constitute the overall demographic pressure. In Europe this pressure will remain more or less stable at 49 until the year 2010 before increasing to its maximum level of 58 by the year 2025 and an expected 78 by the year 2050.

Although the current level and relative stability of the demographic pressure indicator in the immediate future may suggest otherwise, the process of population ageing is gaining momentum as is witnessed by the changing shares of the respective age groups in the overall age distribution and in the development of the working age population.

→ The potential European work force is ageing and will start to shrink…

The patterns and pathways of population ageing vary across the European Union, which is also evidenced by the trends in the size of the respective age groups. These trends indicate that the size and age structure of the work force are changing. The ageing of the work force thus reflects overall population
ageing; also population decline manifests itself in the shrinking of the population of working age. Currently the age-group 25-39 is by far the largest in the new Member States (about 17 million), while this age-group is already decreasing in the old Member States. In EU-15 the age-group 40-54 now is the largest (83 million). Similar patterns are observed for the other age groups. The outcome of these trends in individual age groups, is reflected in the overall population of working age (15-64).

Currently the potential European (EU) work force amounts to 309 million (257 million in the old Member States and 52 million in the new Member States). As compared to 1980, the size of the potential work force has increased by 33 million and is projected to reach its maximum size of 311 million by the year 2011 and then start to decline to 296 million by the year 2025.

The ageing of the European work force is also indicated by the increasing share of older workers (55-64 years) in the total potential work force. By the year 2025 this share ranges from a low of 21.6% in Poland to a high of 30.9% in Germany, meaning that in 2025 between one in five and one in three workers will be an older worker. Until 2025 the share of older workers will particularly increase in Austria, Germany, Greece, Italy, Slovenia and Spain, again indicating that population ageing is more advanced in the old Member States. The “target” populations of policies aimed at the extension of working life are thus rapidly growing, yielding scope for action.

→ …and also the actual labour force is ageing and declining....

Of course not all people of working age are active on the labour market. Counted as part of the actual labour force are both the employed and the unemployed who are searching for a job. It follows that, although the (potential) European work force as such is set to shrink, there is ample scope in the Member States to further activate the labour potential embedded in the work force and to optimize the use of human capital by increasing the labour force.

This is particularly important since the actual labour force (ages 15-64) may decrease in the coming decades by over 36 million from the current 214 million to 178 million in the year 2050, if current activity rates would remain constant. This projected decline of 17% of the European labour force sharply contrasts with the continuing growth of the labour force in for instance the United States, where the current labour force (16+) of 147 million is projected to increase to 192 million by the year 2050. The decline in the actual labour force will be
stronger (-27%) in the new Member States than in the old Member States (-15%).

Again assuming constant participation rates, changes in the age composition of the labour force would result in a future decline of the overall labour force participation or activity rate in the European Union from the current 70% to 68.5% by the year 2050. Thus the long-term trend of increasing labour force participation may come to an end.

In 2004, some 71% of the population of working age (15-64) was active on the labour market (employed or unemployed) in the old Member States and some 68% in the new Member States. Since 2001 the overall activity rate in the enlarged EU did increase by about 1 percentage point. Within the European Union, the activity rates range from a low of 58% in Malta, to a high of over 80% in Denmark. The sharpest increases in labour force participation were recorded for Greece and Spain (+4%), while declining rates were observed in Poland, the Czech Republic and Finland (around -1%). Also in the Candidate Countries a decline in activity rates was observed, markedly strong in Croatia and Romania (minus 4-5%). The overall activity level in the Candidate Countries is around 15% lower than in the European Union.

→ Projected declines in labour force participation rates should be reversed to meet Lisbon and Stockholm targets....

As was already mentioned, the outlook of decreasing future activity levels contrasts with the so-called Lisbon and Stockholm targets which call for an overall participation level of 70%, a level of some 60% for women, and of older workers of 50%, to be realized by the year 2010. Higher labour force activity rates are thus necessary and labour potential should be further activated to meet these targets. Current trends indicate that there seems to be scope to achieve this, especially in the later phases of the life course, that is to say for older workers in general and older female workers in particular.

→ ...but the trends for older workers are already reversing especially among older female workers...

As for older workers (55+) the long term trend of decreasing labour force participation is reversing. Ongoing reforms in the European pension systems, where incentives for early retirement have been cut and the statutory age of retirement is gradually being raised, are bound to have had an impact on this reversal, although it still is rather early to draw conclusions on the causal
mechanisms. Also recent economic growth leading to increasing demand for labour will have had an impact on this trend which for all matters and purposes is a very promising one from the perspective of the policy objective of lengthening working life.

By the year 2050, the share of older workers (55+) in the labour force will have increased by 4.3% points to 16.5%. Although the share of older workers, currently 26 million, will increase over the whole period until 2050, the number of older workers will amount to a maximum of 32.5 million in the year 2020, and afterwards decline to 29.3 million by the year 2050.

Between 2001 and 2004 the activity rate for older workers increased by some 4 percentage points to a level of 44.5% in European Union as a whole (46% in the old Member States), but in 2004 a slight slowing down of this growth was observed. Contrary to the general trend however, declining labour force participation rates of older workers were observed in Malta, Portugal, Poland and Austria. Marked increases were observed in Latvia (+ 10%), Hungary, Slovenia, the Netherlands and Luxembourg (+6-7%). It is worth noting that for men the labour force participation among the oldest-old workers (ages 60-64) increased more than for the 55-60 age group. Both in the old as well as in the new Member States, the rise in activity rates of older workers was stronger for women than for men.

→ …but the gender gap in labour force participation still prevails

Although a major part of the recent increases in overall European activity rates can be attributed to women, the gender gap on the labour market closes only slowly. In the old Member States this gap amounts to some 16% lower participation of women as compared to men (currently 79% for men vs 63% for women). Set against the overall declining labour force participation in the new Member States, the gender gap is smaller (13%) in these countries (72% for men vs 59% for women). The largest gender gaps on the labour market are observed in the southern parts of Europe: Malta (a gap of 44%), Greece, Italy and Spain (some 25%), but also in Luxembourg (20%). Also in the Candidate Countries and Turkey there are significant disparities in the activity rates of men and women with female labour force participation reaching half the level of men.

→ The labour career of young people starts later due to longer education

In 2004 the share of younger workers (15-24) in the European labour force averaged some 12%, with slightly lower shares in the new Member States.
Across the European Union this share ranges from a low of 7% in Luxembourg to a high of 21% in Malta.
The long standing decline in the labour activity rates of the young thus continues, although the level in the old Member States is now more or less stable indicating here that a saturation level was approached. Less than half (45%) of the age group of 15-24 is active on the labour market in the European Union, totalling some 25 million young workers. In 18 Member States, youth participation rates declined, while in the remaining 7 Member States (including Austria, Belgium, France Greece and Spain) the participation rates slightly increased. Also in the Candidate Countries participation rates of the young decreased. It is evident that later entry into the labour force, as indicated by the lower shares of young workers, is primarily caused by the increase in fulltime education.

→ The disparities in education between Member States are very wide...
Despite large disparities there are also similarities in the typical educational life course of an EU citizen. At the age of 4 about 80% of European children are already involved in some form of pre-primary education. The European level is below the one achieved in Japan, but higher than in for instance the United States (60%). Pre-school participation ranges from a low of less than 40% in Poland to around 100% in countries like Belgium, Italy, France and Spain. Between the ages of 6 and 7 in practice all children have entered primary education and between the ages of 7 and 15 the vast majority of children attend primary education. After the age of 15 educational enrolment shows a pronounced decline. Between the ages of 15 and 20 about half of a generation will have left the educational system with completed high secondary education, and a further 30% leaves between the ages of 20 and 24. At the age of 24 school enrolment in the European Union ranges from a high of 45% in Finland to a low of some 12% in Slovakia.

At the age of 24 or beyond, some 15% of a generation will have completed a full cycle of education, with completed tertiary education. Between the ages of 15 and, say 30, there is hardly anything like a typical life course. In reality the life course during this period involves multiple transitions from education to active life but also from active life to part-time education. Early school leaving is a major concern in most Member States. Studies indicate that socio-economical background plays an important part in early school leaving, especially in Southern European countries, but also other factors intervene. School performance, with a high correlation between school drop-out and low levels of
proficiency, is among these factors, as is foreign/ethnic origin (also related to socio-economic background). Studies indicate that school leaving tends to be about two times higher among non-nationals (30%) than among nationals (15%) of a country.

→ … also with respect to educational attainment of the adult population where the gap with the United States is considerable

As tertiary education is normally finished at the age of 25, the share of persons in the age group 25-34 with this level of educational attainment is a basic indicator of the overall performance of the educational system during adolescence. From a comparative perspective, Canada and Japan stand out as star performers, with about 50% of this age group having completed tertiary education in 2003. These countries are followed closely by Korea, Norway, the United States, Finland and Sweden with around 40%, while among the OECD countries Turkey ranks lowest with some 10% of this age group having completed tertiary education. Italy (13%) and Germany (22%) rank lower than the United Kingdom (31%) and France (37%).

On average about 18% of the 25-34 age group in the old Member States and some 13% in the new Member States has completed tertiary education.

Although the educational attainment of the adult population in the European Union has increased substantially during the last decades, there still is a level difference between the European Union and the United States in favour of the latter. This difference is also evident in the older age groups. In the generation aged 45-54, for instance, about 30% completed tertiary education in the United States, as compared to 13% in the old Member States and 12% in the new Member States, while for the 55-64 age group, this was about 25% for the United States against some 10% in the European Union. Thus a considerable gap in educational attainment between Europe and the United States remains, also for the younger generations that entered the labour market in the 1990s and early 2000s.

Post-educational learning (life-long learning) in a given year concerns only about 10% of the labour force. It is particularly low for those with the lowest level of education, somewhat higher for those with medium and highest for those with the highest level of education. The system of life-long learning thus in general seems to benefit those with already high levels of education to keep abreast of technological and scientific developments. It does not seem to significantly help to reduce educational disparities in the society at large, nor
does it seem to contribute in any noticeable way to raise the level of education of those of the generations (45-64) which at present find it difficult to keep up with the speed of technological change and innovation in the knowledge society.

Demographic developments over the coming decades will exert only marginal influence on the overall level of educational attainment in the European Union. The average level of educational attainment will be influenced by two opposite forces. On the one hand it will be boosted by the fact that the older age groups (with a relatively low level of educational attainment) will progressively be replaced by the following generations with a higher level. However, as the succeeding generations are numerically smaller, they will consequently weigh less in the average for the European Union or for a given Member State.

→ Education and the Lisbon agenda
The Lisbon agenda does not specify targets for tertiary education and, thus, for overall educational attainment of the population. However, it does envisage an increase in the share of a generation completing higher secondary education and may thus be assumed to implicitly envisage a considerable increase also in the number of students completing tertiary education in proportion to the total size of a generation. However, these targets are not translated into operational policies in the Member States and are consequently not taken into account in the projections concerning the budgetary costs of demographic developments prepared by the Ageing Working Group of the Economic Policy Committee (AWG). The latter projections, based on the assumption of unchanged policies, do not envisage any closing of the gap between the United States and the European Union as far as educational attainment of the adult population is concerned.

Thus, the Lisbon objectives in the field of educational attainment are in clear contradiction with the AWG projections, with the latter pointing in fact to a small decline in the level of expenditure on education between 2003 and 2050. It is difficult to see how the AWG could have proceeded otherwise as those projections take account only of demographic projections and present policies. However, the contradiction between the two exercises underline the need for further studies of policy scenarios taking account not only of demographics and present policies but also of alternative policy scenarios based on alternative assumptions on enrolment.

→ The extension of working life: realistic target or myth?
The European Union faces major challenges in relation to population and work force ageing brought about by low fertility levels and longer life expectancy, but also by extended education, reduced working life spans and less working hours. High old age dependency ratios result in high tax and contribution burdens for the working population to provide for social expenditure related to population ageing (pensions, health and long term care). In this context, increasing the labour force participation of the elderly is viewed as one of the solutions to cope with the impacts of this development. Imminent population and work force decline may aggravate the impacts of ageing and spur the need for higher labour force participation and lengthening the working life span.

Most Member States have recognized the need to raise the employment rates of older workers. Pension reforms continue with the effort to lengthen working life and a host of initiatives aim at reviewing incentives which discourage early retirement, create more flexible pathways to retirement and increase retirement age. Yet, older workers have already formed expectations about their retirement age, working life span, pension pathways and expected pension wealth. With decreasing male and mostly increasing female active work life spans (the current male average work life span in all Member States and Candidate Countries is 38 years and that of women 30 years) and the target to delay the overall exit age and prolong working life and active ageing, workers’ expectations and needs become important factors in policy making. These attitudes as well as (actual or perceived) health status, actual working conditions and job opportunities, personal obligations and preferences, but also the general economic and labour market situation and the pension system, influence individual retirement and exit behaviour.

A comparative analysis of data for the year 2004 and 18 Member States indicates that the average exit age of men mostly depends on the older male worker’s employment rate, his (expected) net pension wealth and on the legal retirement age. Female exit ages seem to be mainly influenced by the legal retirement age and the older women’s employment rates. The legal retirement age is less important for men than for women, which may be caused by the fact that men mostly have long and uninterrupted work careers, yielding higher pensions before the legal retirement age is reached, which allows the use of early retirement windows. These early retirement opportunities are less favourable for women as female work careers tend to be shorter and more interrupted (through family obligations), resulting in lower pensions.
A comparative survey on retirement attitudes conducted between 1999 and 2003 in 14 Member States found a general willingness on the part of Europeans to work longer in the future, but provided no assurance that there is also an individual willingness to act accordingly. Although preferred policy measures include “making it possible to work during retirement”, respondents in all countries preferred to retire before the age of 60, while virtually no one wants to work after the age of 65. Other preferences which were stated to safeguard pensions, were higher social insurance contributions and the abolition of early retirement. A reduction in pension amounts found no support.

A comparative study of the current job situation of older workers and retirement in 10 European countries unveils large differences between countries obviously due to institutional differences and social norms. Overall employment of older workers (60-64) was highest in the Nordic countries (Sweden 56%) and Switzerland, while the latter country had the highest employment in the 65-69 age group as well. In the Mediterranean countries as well as the Netherlands medium levels of older employment (20-30%) were observed, while in continental countries such as France and Austria, relatively low levels of employment among the 60-64 prevail. Pension eligibility is the main reason for retirement in all countries. In most countries (especially Austria, France and Italy) large numbers of healthy persons are retired, suggesting scope for longer labour force participation. Lengthening the working lifespan may however impact on the informal care provided in the social and family networks which creates an economic value of sizeable magnitude. Countries with higher exit ages (like Sweden, Spain and Denmark) tend to show increasing levels of part-time work in older age groups, while countries with lower exit ages (like Austria, France and Greece) report decreases in part-time work among older workers. This suggests that part-time work, as a means of gradual and flexible retirement, prolongs working life. In the 60-64 age group, part-time employment (defined as less than 30 hours per week) is particularly high for women in the Netherlands (72%), Switzerland (50%) and Germany (41%).

Perceived job security and job satisfaction as well as working conditions reflect older workers’ quality of work and are thus important determinants of individual retirement decisions. Expected changes in pensions and retirement ages, as well as standard of living, also influence exit decisions, by either prolonging the work span (building a better pension to compensate for expected income losses) or by reducing the work span (quitting as soon as possible to avoid expected future reductions in entitlements).
Viewed from a macro perspective there seems to be sufficient scope for policies aimed at increasing labour force participation, also of the elderly, as well as for policies aimed to lengthen the work span. But in view of the overall reluctant or negative public attitude towards later retirement, especially among future retirees, a strengthening of the incentives and possibilities to work longer still needs to be considered as the main thrust for policy intervention. Making “working longer” a more attractive option for all concerned, may help turn the prevailing policy “myth” into a more realistic “target”.
Figure 1. Components of population growth in the EU-25, per 1 000 population

Figure 2. Components of population growth in the EU-15, per 1 000 population
Figure 3. Components of population growth in the NMS-10, per 1 000 population

Source: Eurostat
Figure 4. Average annual population change per EU-25 country, 1990-1999, per 1,000 population.
Figure 5. Average annual population change per EU-25 country, 2000-2005, per 1,000 population

Source: Eurostat
Figure 6. Total population in EU-25 countries, 1 January 1990 (thousands)

- Germany, 79,113
- United Kingdom, 57,157
- France, 56,577
- Italy, 56,694
- Poland, 38,038
- Spain, 38,826
- Netherlands, 14,893
- Sweden, 8,527
- Hungary, 10,375
- Czech Republic, 10,362
- Portugal, 9,996
- Greece, 10,121
- Austria, 7,645
- Other, 30,138
- EU:25: 438,410
Figure 7. Total population in EU-25 countries, 1 January 2006 (thousands)

Source: Eurostat
Figure 8. Total fertility rate in the EU

Figure 9. Average total fertility rate per EU-25 country

Source: Eurostat
Figure 10. Life expectancy at birth in the EU-25

Figure 11. Life expectancy at birth in the EU-15
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Figure 12. Life expectancy at birth in the NMS-10

Source: Eurostat

Figure 13. Average life expectancy at birth per EU-25 country, 1990-1999
Figure 14. Average life expectancy at birth per EU-25 country, 2000-2004

Source: Eurostat