Demographic Trends, Socio-Economic Impacts and Policy Implications in the European Union

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Consortium Board:
Nico van Nimwegen (Netherlands Interdisciplinary Demographic Institute – NIDI, The Hague)
Gijs Beets (Netherlands Interdisciplinary Demographic Institute – NIDI, The Hague)
Jørgen Mortensen (Centre for European Policy Studies – CEPS, Brussels, Belgium)
Anna Ruzik (Center for Social and Economic Research – CASE, Warsaw, Poland)
Ulrich Schuh (Institute for Advanced Studies – HIS, Vienna, Austria)
Erika Schulz (German Institute for Economic Research – DIW, Berlin)

1 The views expressed in this document are those of the authors and do not necessarily represent those of the European Commission.
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List of authors

Pau Baizán, Universitat Pompeu Fabra (UPF), Barcelona, Spain  
Gijs Beets, Netherlands Interdisciplinary Demographic Institute (NIDI), The Hague, Netherlands  
Lynda Clarke, London School for Hygiene and Tropical Medicine (LSHTM), London, United Kingdom  
Ingrid Esveldt, Netherlands Interdisciplinary Demographic Institute (NIDI), The Hague, Netherlands  
Tineke Fokkema, Netherlands Interdisciplinary Demographic Institute (NIDI), The Hague, Netherlands  
Michaela Gstrein, Institute for Advanced Studies (IHS), Vienna, Austria  
Irena Kotowska, Warsaw School of Economics (SGH), Warsaw, Poland  
Liliana Mateeva, Institute for Advanced Studies (IHS), Vienna, Austria  
Jørgen Mortensen, Centre for European Policy Studies (CEPS), Brussels, Belgium  
Nico van Nimwegen, Netherlands Interdisciplinary Demographic Institute (NIDI), The Hague, Netherlands  
Rossella Palomba, Institute of Research on Population and Social Policies (IRPPS), Roma, Italy  
Anna Ruzik, Center for Social and Economic Research (CASE), Warsaw, Poland  
Ulrich Schuh, German Institute for Economic Research (DIW), Berlin, Germany  
Laurent Soulat, Centre Economie Sorbonne-University Paris 1; and ESCEM-Business School of Tours-Poitiers, France  
Nada Stropnik, Institute for Economic Research, Ljubljana, Slovenia
Part 1

Population trends and implications
1. Europe at the Cross Roads: Demographic Developments in the European Union
   Executive Summary 2006, European Observatory on the Social Situation, Demography

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.

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). 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. 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 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.

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. 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. 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. 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). 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. 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 workforce 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”.

Gijs Beets

2.1. Highlights

- **Population size and growth**: while Europe (including the Russia Federation) reached its maximum population in 2003 (729 million inhabitants) and lost 0.1% of its population since, the European Union (EU-25) gained 0.5% in that period and currently has 462 million inhabitants. All other world regions observed population increases, Africa most spectacularly. The 15 old Member States (EU-15), with currently 387 million inhabitants, are characterised by natural increase (more births than deaths) and net migration (more immigration than emigration). The 10 new Member States (NMS-10) with 74 million inhabitants are already confronted with population decline, mainly because of natural decline, as net migration turned positive again in 2004.

- **Fertility**: the total fertility rate (TFR) most likely just passed its lowest level as it is currently (at 1.50 children per woman) in EU-25 slightly higher than before. A further rise is expected. Trends and levels vary widely across the world. Europe (1.40, in 2000-2005) and Northern America (1.99) have below replacement fertility. Rates in Africa (4.97) are declining like in Asia (2.47), Latin America and the Caribbean (2.55) and Oceania (2.32). Also below replacement are the rates in China (1.70), Japan (1.33) and the United States (2.04) but not so in India (3.07). Also the Chinese and Japanese rates are expected to start rising. Variation across the European Union continues. Whereas the TFR is increasing in EU-15 (1.55) it is still decreasing in NMS-10 (1.25).

- **Mortality**: life expectancy is gradually rising in the Union (currently 79 years in EU-15, and 74 years in NMS-10, in 2004), like in other world regions. Northern America ranks highest (77 years, in 2000-2005), Europe and Oceania follow (74) before Latin America and the Caribbean (71), Asia (67) and Africa (49). Japan (82) has the highest life expectancy; the United States (77) and China (72) have higher figures than India (63). Life
expectancy is expected to rise everywhere, even where aids is widespread (Africa). High life expectancy corresponds with low infant mortality. Over time the EU-25 trend shows a very stable yearly increase and so does the EU-15 trend. NMS-10 is at a lower level than EU-15 and fluctuates a bit more. EU-15 female life expectancy is currently 3½ years higher than in NMS-10, but for males this difference is almost 6½ years.

- **Population ageing**: population ageing continues, and Europe is the oldest continent. While the median age is 28 years at the world level, it is 39 in Europe, 36 in Northern America, 32 in Oceania, 27 in Asia, 26 in Latin America and the Caribbean, and only 19 in Africa. Currently China’s median age is 30 years, in India it is 24, in Japan 43 and in the United States 36. It is 40 in EU-15 and 37 in NMS-10. The median age will increase throughout the world.

- **Dependency ratio**: The European dependency ratio with 47 ‘dependent’ persons is the lowest of all world regions. Northern America has 49, Asia 52, Oceania 54, Latin America and the Caribbean 56, and Africa has 81. However most African dependents are young, while they are old in Europe. The current Chinese dependency ratio is 41, i.e. lower than in Europe. In India it is 60, in Japan 51, and in the United States it is 49. EU-15 has 50 and NMS-10 has 43.

- **International migration**: world wide, in 2005, an estimated 191 million migrants were recorded, up from 1976 million in 2000, i.e. 3.0% of the global population. Women accounted for 49.6% of the global number of migrants. Roughly 30 to 40 million persons (15-20% of the world’s immigrant stock) are undocumented migrants. Europe has about 7 to 8 million undocumented migrants and the United States over 10 million. In 2005, there were 6.6 million internally displaced persons and the global number of refugees was estimated at 8.4 million.

This overview describes the most recent demographic trends in the Member States of the European Union and its Candidate Countries and Turkey, based on the latest available information. Special sections are devoted to the wish for children and actual family size, to union formation and households, to the potential labour force, and to international migration.
2.2. Population size and growth, fertility and mortality

Population size and growth

While most of the other regions continue to have population increase, Europe (including the Russian Federation) reached a top in its population size in 2003 (at 728.6 million inhabitants) and lost half a million inhabitants since, i.e. a loss of 0.1% in 2004-2005. In the same period the world gained 2.5% (Africa 4.4%; Asia 2.3%, Latin America and the Caribbean 2.9%; Northern America 1.9%; Oceania 2.7%; the more developed world 0.5%; the less developed countries 2.8%; and the least developed countries 4.7%; China 1.2%; India 2.9%; Japan 0.2%; United States 1.8%) (United Nations website, 2006). China continues to be the most populous country (1,324 million inhabitants in 2006), followed by India (1,120). The European Union ranks third (with 462 million) before the United States that just passed the 300 million mark (301) (Table 2.1).

The EU-25 population has increased in 2004 and 2005 by about 0.5% (4.3 million persons), from 457.2 million to 461.5 million. In 2004 the increase was 2.3 million (0.5%), as against 2.0 million (0.4%) in 2005. This growth is the result of a slight increase in the number of births (from 4.80 million in 2004 to 4.82 million in 2005), an increase in the number of deaths (from 4.35 million to 4.49 million) and a decrease in net migration (from 1.85 million to 1.69 million). The data indicate that international migration currently has a much larger impact on population growth than natural increase (see Tables 2.2 to 2.5 and Figures 2.1 to 2.3). Specifically Italy and Spain registered an exceptionally large absolute inflow of migrants in 2004 and 2005, which accounts for the major part of the relative high EU-immigration over the past few years (Eurostat, 2005 and 2006).

The 15 old Member States, with currently 387 million inhabitants, are characterised by natural increase (more births than deaths) and net migration (more immigration than emigration). However this varies across EU-15. Natural population decline is rare: currently only Germany and Italy experience this, while Austria and Greece are close. Also net emigration is rare (since 2004 only in the Netherlands). Relatively high natural increase and net immigration is observed in Ireland, France and Luxembourg. In Denmark, Finland, France and Luxembourg natural increase exceeds net immigration (which is also the case in the Netherlands, with currently net emigration).

Because EU-15 comprises (with 387 million inhabitants), about 84% of the total current EU population, it does not come as a surprise that the EU-25 and EU-15 population trends have much in common. Yet the ten new Member States with currently 74 million inhabitants are already confronted with population decline, mainly because of natural decline, as net migration turned positive again in
2004. However like in EU-15 there exists wide variation across NMS-10. On the one hand Cyprus and Malta witness relatively high natural increase and high net immigration and the Slovak Republic still has some natural increase and most recently also small net immigration again, while the Czech Republic, Hungary and Slovenia already witness natural decline but still have net immigration. On the other hand Estonia, Latvia, Lithuania and Poland observe both natural decline and net emigration (while the negative rates are much more prominent in the Baltics than in Poland).

Also the Candidate Countries (CC-4; Bulgaria, Croatia, Romania and Turkey) have two faces: 1) Bulgaria, Croatia and Romania are confronted with natural decline while Bulgaria and Romania also have net emigration; these countries show similar trends as the Baltics, and 2) Turkey with still substantial natural increase much more resembles Cyprus and Malta.

The baseline population projections of Eurostat (EUROPOP 2004) show that almost all Member States will be confronted with population decline in the coming decades. Only Cyprus, Ireland, Luxembourg, Malta, Sweden and Turkey will not face population decline before 2050. However when we look at natural population decline, also Cyprus, Ireland, Malta and Sweden will be confronted with this phenomenon (shortly) before 2050. Since the projection assumptions are that net immigration will continue and that countries with currently net emigration will also change into immigration countries again in the near future, Tables 2.3 and 2.4 show (projected) years in which the growth rates are expected to change from positive to negative. EU-25 will experience natural population decline from 2010 onwards and total population decline from 2025 onwards. This means that between 2010 and 2025 net immigration will outnumber natural decline. Germany, Greece, Spain, Italy, Portugal, and NMS-10 (except Cyprus and Malta) will face population decline relatively early. Bulgaria, Croatia and Romania already have negative rates, although Croatia most recently observed net immigration.

As compared to international migration, fertility and mortality trends tend to be more stable which allows for more reliable projections. Migration rates are more difficult to project as they depend on very volatile national and international socio-economic, political and cultural developments and policies. Especially economic and political insecurity are major push factors of international migration.

Although fertility and mortality trends tend to be less volatile, a change in timing may have profound effects on the total rates in successive years and so on absolute numbers. As a rule, changes in the tempo of fertility have a more direct
impact on population ageing than changes in the tempo of mortality. Especially
the new Member States are concerned about future demographic trends as they
face massive population decline: NMS-10 is expected to have a 12% smaller
population size by 2050 as compared to 2006: the Czech Republic -13%,
Estonia -16%, Latvia -18%, Lithuania -15%, Hungary -12%, Poland -12%,
Slovenia -5%, Slovak Republic -12%. Cyprus however will have a 26% larger
population, and Malta a 25% larger population. Even larger population losses
are projected for Bulgaria (-34%), Croatia (-17%) and Romania (-21%). Also
Germany (-9%) and Italy (-10%) face substantial losses of population (-9%),
while Spain faces a relatively small loss (-2%). On the other hand France (+8%),
Luxembourg (+40%), Sweden (+13%) and the United Kingdom (+7%) are
facing ongoing substantial increases in population.

Fertility and mortality
The most recent fertility and mortality rates do not show unexpected trends.
However, it is interesting to note that the total fertility rate (TFR) most likely has
passed its lowest point as it is currently slightly increasing in EU-25. A further
rise is expected.

Trends and levels vary widely across the world. Next to Europe (1.40 children
per woman, in 2000-2005) only Northern America currently has also below
replacement fertility (1.99). However the European rate is rising while all other
regions still witness decreases. Africa still has the highest fertility rate (4.97),
while Asia (2.47), Latin America and the Caribbean (2.55) and Oceania (2.32)
are slightly below the world average (2.65). The fertility rates in China (1.70),
Japan (1.33) and the United States (2.04) are also below replacement, unlike
India (3.07). The rates for China and Japan are expected to start rising (see also
Table 2.1).

Variation across the European Union continues. Whereas the TFR is increasing
in EU-15 it is still decreasing in NMS-10 (Figure 2.4). However, the main
EUROPOP2004 assumption is that also in NMS-10 the rate is currently at its
lowest level. The first signs of a rise are already visible (Czech and Slovak
Republics and Estonia, Bulgaria, Croatia and Romania) (Table 2.6). This may
be related to the fact that here the age of the mother at first childbirth started to
increase earlier and is now already relatively high compared to several of the
other central and eastern NMS-10, indicating that these Member States now
enter the third stage\(^2\) of the postponement process with prospects for even

\(^2\)“In the first stage of the postponement process the average age at childbearing rises due
to a decrease of fertility rates at young ages. In the second stage fertility at young ages
continues to decline, whereas fertility at older ages starts to rise, i.e. the recuperation
further rises (De Beer, 2006a). It may be expected that also for example Hungary is on the threshold of rising fertility. Social factors related to the timing of fertility, including policy measures that address the compatibility of work and family commitments, may of course play a role.

In EU-15, with the exception of Portugal, the TFR is already rising for a few years or recently started to do so. Also this trend may be related to the age of the mother at first birth since Portugal still has the lowest age in EU-15. It should however be noted that the timing of fertility, and notably the onset of the third phase of the postponement process, does not preclude a possible trend towards people having more children in their life time: the ultimate level of fertility (see section 2.3 on Wish for children and actual family size).

Table 2.6 also includes the assumed (period) TFR for the year 2050 (Baseline scenario). Only France, Ireland and Turkey are expected to have lower rates, and nowhere the rate exceeds the so-called replacement level of 2.1 children per woman. France, Croatia and Turkey are expected to have the highest rates (1.85; since Croatia and Turkey were not included in EUROPOP2004 their rates are taken from the UN 2004 population prospects). Italy and Spain are expected to have the lowest (1.40) fertility level. Relative large increases are foreseen in NMS-10 (from 1.25 to 1.58) while EU-15 is projected to witness an increase in fertility from 1.55 to 1.61. As a consequence, the overall variation between countries in 2050 will be much smaller than currently.

Life expectancy is gradually rising in the European Union, like in other world regions (United Nations website, 2006). Northern America ranks highest (77 years both sexes taken together, in 2000-2005), Europe and Oceania follow (74) before Latin America and the Caribbean (71), Asia (67) and Africa (49). Among the individual countries, Japan (82) has the highest level; the United States (77) and China (72) have higher levels than India (63). Life expectancy is expected to rise worldwide, even where aids is widespread (Africa). High life expectancy corresponds with low infant mortality.

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Over time the EU-25 trend shows a very stable yearly increase and so does the EU-15 trend. NMS-10 is at a lower level than EU-15 and fluctuates a bit more. Female trends are slightly more stable than male trends (Tables 2.7 and 2.8;
Figures 2.5 and 2.6). EU-15 female life expectancy is currently 3½ years higher than in NMS-10, but for males this difference is almost 6½ years. Recently only increases in life expectancy are observed but variation across the Union is still large. For males the lowest life expectancy is recorded in Latvia (65.5 years), the highest in Sweden (78.4) which is 13 years apart. For women the range is currently between a low of 76.9 years in Estonia (but Bulgaria, Romania and Turkey are lower) and a high of 83.8 in France and Spain, a difference of 7 years.

Life expectancy is assumed to rise further. The debate on the possible future course of life expectancy is continuing (De Beer, 2006b). Based on national assumptions EUROPOP2004 considers for several Member States only small increases, for others larger. Both for men and women the variation in the assumptions across the Union diminishes. For men large increases are expected in Estonia, Hungary, Latvia, Lithuania, Poland, and in Bulgaria and Romania (8 to 9 years) which would bring the NMS-10 life expectancy at 78.7 years by the year 2050, some 3½ years lower than EU-15. Small increases for men are expected in Cyprus, Greece, the Netherlands, Spain and Sweden (3 to 4 years). For women the largest increase is expected in Turkey; a rise between 6 and 7 years is assumed to occur in Belgium, Estonia, Hungary, Ireland, Italy, Portugal, and in Bulgaria and Romania. The NMS-10 life expectancy is projected to be 84.1 years by 2050, almost 2½ years lower than EU-15. Relatively small increases for women are expected in Cyprus, Denmark, Greece, the Netherlands, and Sweden (less than 4 years). All countries, including Turkey, expect a 2050 life expectancy of at least 80 years; for men this is the case for 17 of the 25 Member States. Due to these expectations the gender difference in life expectancy will decline from over 6 years today to around 5 years around 2050, specifically because of better male perspectives in NMS-10.

2.3. Wish for children and actual family size

Postponement of childbearing results in a baby bust for a certain period of time (a low period TFR) and may lead to a rising (period) TFR afterwards when the third stage of the postponement process (recuperation) has started (De Beer, 2006a). But this does not necessarily mean that the lifetime number of children which people intended to have has changed. However it is also not excluded that people may change their wish for children over the life time. To support accurate projections of the reproductive behaviour of coming generations, use is often made of the research tradition based on the assumption that actual fertility is influenced by fertility preferences (Lutz et al., 2005).
Research shows that people make their ideas about having children more explicit when a suitable partner is present to share parenthood (or with whom a decision is made to abstain from having children) (Beets et al., 1999). Mostly, decisions are made when the couple is already living together (either in cohabitation or marriage). This results in a lifetime number of children, i.e. the number of children a woman delivers during the reproductive period (the so-called cohort TFR). Data show that the earlier a start is made with childbearing, the larger the likelihood is that the couple will have a higher number of children because of a longer exposure to the fecund life span. With increasing age a couple may face fecundity problems (infertility) and the likelihood increases that they may have a smaller number of children. Also other factors may be at play for not realising the anticipated number of children, the most prominent being couple instability. Comparative European research shows that family size ideals generally are much higher than the ultimately realised numbers of children (Van Peer, 2002; Toulemon and Testa, 2005). Unexpected couple instability, increased educational and occupational opportunities, changed gender relations, greater individual autonomy, economic insecurity, and subfecundity are among the factors that explain why women do not realize their original ideals. Only very few women have more children than they earlier indicated to have, mainly because of the birth of twins, a change of partner, or unintended pregnancies. Research also shows that the wish for children (both the number and the preferred timing of their births) is a rather vague notion for persons interviewed (Toulemon and Testa, 2005), however the stronger the intention to have or not to have children the greater is the likelihood of realizing this intention. But large shares of interviewees are more or less undecided and do not give clear answers. A French survey showed that 41% of respondents who firmly intended to have a child in the next five years did not achieve this goal. Toulemon and Testa thus conclude that fertility intentions are rather poor predictors of future behaviour. As numerous other factors come into play, many people have a ‘wait-and-see’ attitude, which leaves the future open. Intentions do have an impact on actual fertility but its effect is limited as fertility also depends on many other factors. Unemployment for example causes people to postpone their intentions, and higher educated people are relatively successful in realising their fertility intentions. Asked to look ahead just five years, the high level of undecided responses indicates that the idea of having a child is present in the respondents’ mind but does not predict the future.

Goldstein et al. (2003) reviewed the relative stability of ideal family sizes in developed countries and show indications of a decline in fertility intentions in
some European countries. They assume that a decline in ideal family sizes might occur after some years of stability, particularly in countries with recently very low fertility rates. “Once the number of children (siblings, friends, children seen in other families, media) experienced during the process of socialization falls below a certain level, the own ideal family size would become lower, which in due course may result in further declining actual family size and still lower ideals in the subsequent generation” (Lutz et al. 2005, p. 18). Young women in the German-speaking countries reported in 2001 an average ideal family size of 1.7 children, which was lower than before. The relatively early drop in period fertility in Austria and Germany may be an explanation: sub-replacement family size ideals are stated by women born during the baby bust of the 1970s and being socialized in small families. Testa and Grilli (2006) provide empirical evidence that if the realised number of children to parents is lower, then the children have higher probabilities to prefer smaller families themselves. This relationship is stronger in areas with below-replacement fertility levels, especially when fertility falls below 1.5. Is this leading to a demographic downward spiral, or as Lutz calls it “the low fertility trap”? A special Life Cycle section in Science (Vol. 312, 30 June 2006, pp. 1894-1897) reports on what is called “the baby deficit”. It is argued that population researchers are engaged in a lively debate over what developed countries can do to increase family size. Some believe very low fertility rates are here to stay. On countries that offer a baby bonus to overcome low fertility Gauthier reports that “while the additional financial support is bound to be welcomed by parents, the overall effect on fertility is likely to be small.” She concludes that the window of opportunities for family policies might actually be as little as 0.1 to 0.2 children per woman. Others, like McDonald, argue that even modest boosts in the birth rate can make a difference. Bongaarts explains that personal choice has come to play a much bigger role in reproductive decisions: “in earlier days people tended to do what society expected of them.” And Trussell is also pessimistic on the possibilities for significant policy effects on fertility: “Policies that would work would be so expensive that they will never be implemented.”

2.4. Union formation and households

“Fewer and fewer Europeans are marrying and more and more are living together without being married” and “Europeans are also separating and divorcing more frequently, often to form a second or even a third union.” (Prioux, 2006). Beyond these common trends, substantial variation across Member States exists: “non-marital cohabitation and union dissolution are
widespread in the north, while marriage continues to predominate in southern Europe and in some eastern European countries.” The age at first union began to increase with the cohorts born in the late 1950s, sometimes very sharply like in Italy where now more than 50% of all women have not (yet) lived with a partner before the age of 25. In Sweden this is 20%; in eastern Europe this used to be much lower but it is increasing now. Longer educational enrolment, unemployment among young adults, greater independence, a rigid housing market, and later exits from the parental home are among the reasons behind these trends.

Less and less frequent ‘first union’ coincides with direct marriage. In Scandinavia (and Estonia) only a small percentage of couples marries directly. Once again the Mediterranean countries stand out with still limited diffusion of non-marital cohabitation. Also in Poland traditional marriages remain to be popular.

In Scandinavia, non-marital cohabitation less often leads to marriage within a given number of years, while these rates are still more or less stable in for example Austria and Germany. Later partnering, more frequent cohabitation and fewer marriages after cohabitation are the “three components of the nuptiality decline in Europe” (Prioux, 2006). Moreover unions are becoming more unstable, both non-marital unions and marriages; in general marriages are more stable than non-marital unions (Liefbroer and Dourleijn, 2006). Large variation across Europe remains: divorce is very common in the north, but still rare in the south and illegal in Ireland. But practice may be different than official registrations indicate: Prioux reports that although divorce rates in Italy are still low, a high rate of court-ordered separations is observed.

As a consequence of these developments the numbers of people forming more than one union over their life time is increasing (Billari et al., 2006).

Despite common trends in nuptiality, considerable variation still exists in the type and length of unions. Certainly a Nordic and a Mediterranean model can be distinguished, but in between a wide range of conjugal behaviour is observed. France for example is moving to the Nordic model, but the German speaking countries remain more attached to marriage, specifically when there are children.

European household trends indicate diversification: more and smaller households. Especially the strong increase in one-person households is striking: this trend has been observed for several decades and is expected to continue (Eurostat, 2003). Around 1960 EU-15 had about 16% one-person households (Greece was lowest with 10%, Sweden was highest with 20%). Currently the
EU-15 level is 28% (ranging from 15 in Portugal to 40 in Sweden), and by 2025 percentages are expected to range between 23 in Portugal and 44 in Sweden (37 in EU-15). The average household size will further decline from currently 2.4 in EU-15 to 2.2 by the year 2025. Relatively large households are still characteristic for Greece, Ireland, Italy, Portugal and Spain. Relatively small households are observed in Denmark, Finland, Germany and Sweden.

About half of the EU-15 population lives with a partner. Most of these partners are married, but cohabitation is increasing. By 2025 the highest share of couples in the total population is expected in Greece, the smallest in Ireland. Increases in life expectancy, which make that couples can stay together longer in old age than before, as well as variation in fertility rates are the most prominent explanation for diversity across Europe (young populations have a lower share of couples in the population).

Proportions of the population (mainly children) living in the parental home are highest in southern Member States and Ireland, and lowest in Scandinavia and Germany. Towards 2025 the EU-15 percentage will have declined from around 30 today to 25. Young men are more likely to live with their parents than young women.

In EU-15 single-parent households account for about 3% of all private households; 90% of lone parents are women (Eurostat, 2004). Rates are highest in Sweden (7%) and the United Kingdom (5%), and low in Italy, Luxembourg and Spain (1%). In Sweden 26% of the lone parents is male.

Other household types (including living in institutions) are rare. However, in some Member States such as Portugal and Spain, very old people (specifically women) live with their children while in other countries homes for older persons are a more common accommodation.

What effect does low fertility have on family structures? Keilman (2003) modelled several scenarios with variation in cohort TFR and childlessness. He concludes that higher childlessness and lower overall fertility reduce average family sizes and shares of families with children. And among families with children the share of large families will diminish. The effect of low fertility on the number of single-mother families is limited. Keilman also reflects on possible social implications: low fertility would reduce poverty because of reductions in family expenses due to fewer children per family and increases in labour supply and family income due to more couples without children.
2.5. Population ageing and the potential work force

Population ageing continues worldwide and Europe remains the oldest continent. While the median age is 28 years at the world level, it is 39 in Europe, 36 in Northern America, 32 in Oceania, 28 in Asia, 26 in Latin America and the Caribbean, and only 19 in Africa. Currently China’s median age is 32 years, in India this is 24, in Japan 43 and in the United States 36 (United Nations website, 2006). The median age is 40 in EU-15 and 37 in NMS-10 (see also Table 2.1). With 47 ‘dependents’ (aged 0-14 together with 65 years and over per 100 persons aged 15-64 years) the European dependency ratio is the lowest of all continents. This overall demographic pressure is 49 in Northern America, 52 in Asia, 54 in Oceania, 56 in Latin America and the Caribbean and 81 in Africa. It should be noted that most African dependents are young, while they are old in Europe. The current Chinese dependency ratio is 41, i.e. lower than in Europe. In India it is 60, in Japan 51, and in the United States it is 49. The dependency ratio is 50 in EU-15 and 43 in NMS-10.

The ongoing population ageing process has repercussions for the potential work force which is the population of working age. For EU-15 and NMS-10 the future absolute numbers of people in the various age groups are presented in Figures 2.7-2.10. In EU-15 the work force age group 40-54 is the largest of all groups; it will increase from currently 83 million to almost 90 million persons in 2013, and then gradually decline to around 69 million by 2050. The younger age group 25-39 already started to decrease in size, from currently around 82 million on a path towards just over 63 million by 2050. The size of the age group 55-64, currently 45 million, is increasing and will top at nearly 60 million around 2025. After 2035 the ‘non-work force’ age group 65-79 will by far be the largest of all with about 75 million persons. Also the group 80+ is increasing considerably from currently 17 million persons to over 40 million in the 2040s.

In the new Member States the situation is rather different. Although comparable curves roughly are located on the same position in the graph, the trends and levels vary substantially from EU-15. Currently and in the recent future the age group 25-39 is by far the largest (16-17 million persons), but in the 2020s the age group 40-54 will take over. This difference between Member States implies that policies addressed at the ageing of the labour force which would be suitable for EU-15 may not suit NMS-10, also because the potential labour force is much younger in NMS-10. In the new Member States, the process of population ageing, including the ageing of the population of working age, lags behind the situation in the old Member States.
Each Member State has its own ageing profile. Table 2.9 shows that in general the age groups 25-39 and 40-54 will decline between now and 2025. Age group 25-39 will lose 15% on average, but it will still be more than 25% in the Czech Republic, Greece, Italy, Portugal, Spain, as well as in Bulgaria and Romania. On the contrary, in Cyprus, Luxembourg, Malta and Sweden this age group will increase. A small (-3%) loss is foreseen in the EU-25 age group 40-54 years. However in EU-15 this loss will be larger (-5%) while NMS-10 will see an increase (+2%). The loss is largest in Germany (-20%); the largest gain is in Ireland (+37%; although Turkey is higher with +56%). The oldest work force age group (55-64 years) will increase with 26%, specifically in EU-15. The highest increases are expected in Austria (+41%), Cyprus (+43%), Germany (+41%), Ireland (+45%), Luxembourg (+55%), Spain (+49%), and Turkey (+109%), while losses are expected in the Czech Republic, Finland, Hungary, and Bulgaria.

This all boils down to an index of the oldest share of the work force (55-64 years, compared to the work force, here defines as the population aged 25-64) which varies by 2025 across the European Union from a low of 21.6% in Poland (although Turkey is with 18.8% much lower) to a high of 30.9% in Germany. From 2006 to 2025 this share of older workers increases particularly significant in Austria, Germany, Greece, Italy, Slovenia and Spain (bold figures in Table 2.9 and Figures 2.11-2.12).

Vaupel and Loichinger report in a special Life Cycle section in Science (Vol. 312, 30 June 2006, pp. 1911-1913) on Redistributing work in ageing Europe. As Europe ages, the proportion of people who work will decline unless older individuals remain in the labour force. Vaupel and Loichinger present adjusted dependency ratios (the “Rostock indicators”):

- In 2005 there were in Germany five people who were not working for remuneration at least 1 hour per week per four people who were working. Keeping age-sex specific labour force participation constant, the Rostock indicator would be nearly three non-workers for every two workers by 2025. Other European countries show a similar picture but in the US the trend would be in the opposite direction.
- Based on the number of hours worked per week per capita, currently some 44% of the Germans work at all. This share will decline which also is the case in other European countries. They conclude that “If productivity gains are large enough, Europeans may enjoy a somewhat higher standard of living
20 years from now even though they are working less. The distribution of work, however, will be even more unequal than today.”

According to Vaupel and Loichinger people in their 50s and early 60s may increase work as people tend to have longer healthy life spans. And productivity of older workers may improve through better work environments (many older workers may prefer part-time work) and lifelong learning. The authors argue that even further redistribution of working time over the life cycle could be worked out to prevent that we continue to “concentrate work in those ages of life when we can have children and when children need the time and energy of parents”. Also “we concentrate the leisure of our lives in the years when we can no longer have children and when any children we did have no longer need the care they once required.” Moreover “we retire enjoying decades of leisure, largely paid for by levies of younger adults who are also talking care of children.”

2.6. **International migration**

World wide there were, in 2005, an estimated 191 million migrants, up from 176 million in 2000, i.e. 3.0% of the global population (United Nations, 2005; see also at http://www.iom.int/jahia/page254.html). Women accounted for 49.6% of the global number of migrants. Roughly 30 to 40 million persons (15-20% of the world’s immigrant stock) are unauthorised migrants. Europe has some 7 to 8 million undocumented migrants and the United States over 10 million. In 2005, there were 6.6 million internally displaced persons and the global number of refugees was estimated at 8.4 million.

Although it is difficult to provide accurate overviews of international migration flows, because of data definitions that vary from country to country, the OECD (2006) recently reported on long-term entries (i.e. excluding categories of migrants, in particular students, with residence permits that are not at all or only renewable on a limited basis). Some of the OECD (2006) outcomes are that among countries for which harmonised data are available, the level of long-term entries as a percentage of the total population is highest in Switzerland, New Zealand, Australia and Canada, and low in Finland and Japan. In Portugal and Italy large numbers of irregular migrants explain the low levels, while in the United States, with high levels of unauthorised immigration, the number of legal entries as percentage of the total population is modest compared to other OECD countries. Almost all OECD countries have temporary worker programmes, increasingly so over the past decade. Migration to neighbouring countries and to countries with which there are historical links tends to predominate. Recent
flows from Russia, Ukraine, China and Latin America (especially to Spain) gained importance. Family migration (family formation and reunification) is more important than work related migration, also in Portugal, Denmark, Switzerland and the United Kingdom, where worker entries became more important than in the past. Asylum requests continued to decline, especially in Australia, Denmark, the Netherlands and the United Kingdom. In 2005, France had the highest number of asylum requests. In relative numbers, asylum requests topped in Austria, Sweden, Luxembourg, Belgium, Switzerland, and Norway. International student flows increased, in particular in New Zealand, Japan, Australia, France and Germany.

Immigrants represent a growing share of the labour force but there is large variation across countries (from less than 1.5% of the working population in Japan to 12% in Germany and 25% in Switzerland and Australia). However, integration into the labour market continues to be difficult as normally foreigners have higher unemployment rates than the native born. In particular women and foreign-born younger and older workers are vulnerable. This implies that specific measures are called for to facilitate access to employment for these groups.

OECD (2006) reports further that with the increase in migration and in developing labour shortages, migration has jumped up the policy agendas. Reasons are that immigration flows have grown rapidly and by times are using irregular or unconventional channels (asylum seeking, tourism overstaying), and that populations are ageing. Managing migration has become a difficult balancing act. Recent arrivals in many countries are not as favourable, also not for their offspring, as in the past, and governments hope to attract required skills for satisfying domestic needs. It is also a balance between openness and control, and searching for the right mix of selected and non-selected migrants. Selection proves not always to be straightforward. In some countries selection is carried out on the basis of language proficiency, work experience, education and/or age, in others employers do the selection so that workers have jobs upon arrival. Also decisions on quota are not obvious, as targets may not always be clear as these might reflect demographic objectives, past experiences, and/or political judgments about what the labour market and public opinion can absorb. The OECD suggests that temporary migration is one way to solve some labour needs.

Migration policies are focusing on labour recruitment and the fight against irregular migration, as well as on the integration of immigrants. Several countries have taken new measures aimed at facilitating the recruitment of highly qualified immigrants (OECD, 2005).
In Table 2.10 some recent data on migration flows and stocks for OECD countries are presented.

Eurostat is still ‘cleaning’ migration flow data in order to better cope with variation in definitions. Therefore no detailed recent data are available to accurately describe European migration flows. In Table 2.11 and 2.12 some estimates are presented of the total flows within and between EU-25, EU-15, NMS-10 and with the outside world. EU-25 (and EU-15) show a net immigration of 1.8 million persons in 2004 (4.1 million immigrants and 2.3 million emigrants). About three quarters of the immigrants arrive from outside the European Union. Migration flows from EU-15 to NMS-10 and from NMS-10 to EU-15 are more or less equal. This is also the case for flows between NMS-10 and the world outside EU. This implies that the immigration from outside the European Union, is mainly directed to the old Member States.

References


Figure 2.1. Total population increase (per 1000)

Figure 2.2. Natural population increase (per 1000)
Figure 2.5. Life expectancy, men

Figure 2.6. Life expectancy, women
Figure 2.7. Number of persons by age group (millions), EU-15 (Source: Eurostat)

Figure 2.8. Number of persons by age group (millions), NMS-10 (Source: Eurostat)
Figure 2.9. Number of persons potentially active on the labour market (millions), EU-15

Source: Eurostat.

Figure 2.10. Number of persons potentially active on the labour market (millions), NMS-10

Source: Eurostat.
Figure 2.11. Dependency ratio (green: 0-24 / 25-64; grey: 65+ / 25-64; total dependency; elderly workers: 55-64 / 25-64), EU-15

Source: Eurostat.

Figure 2.12. Dependency ratio (green: 0-24 / 25-64; grey: 65+ / 25-64; total dependency; elderly workers: 55-64 / 25-64), NMS-10

Source: Eurostat.
### Table 2.1. Selected demographic indicators for the world population and its regions

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Table 2.2. Population size (thousands) (source: Eurostat)
(decreases compared to previous column in yellow)

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* Preliminary.
** According to EUROPOP2004, Baseline.
*** UN data.
Table 2.3. Population growth rates (per 1,000) (source: Eurostat)
(negative figures in yellow)

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* According to EUROPOP2004, Baseline.
** Has occasionally been negative also before.
Table 2.4. Natural growth rates (per 1,000) (source: Eurostat)
(negative figures in yellow)

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* According to EUROPOP2004, Baseline.
** Has occasionally been negative also before.
Table 2.5. Net migration rates (per 1,000) (source: Eurostat)
(negative figures in yellow)

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* Preliminary or most recent.
** According to EUROPOP2004, Baseline.
*** UN data.
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** According to EUROPOP2004, Baseline.
*** UN data.
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* Preliminary or most recent.
** According to EUROPOP2004, Baseline.
*** UN data.
Table 2.9. Index numbers of the number of persons per age group in 2025 compared to 2006
(2006 = 1) (source: Eurostat*) (decreases in yellow)

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* According to EUROPOP2004, Baseline.
** UN data.
*** In the potential labour force: % 55-64 years / 25-64 years (figures in bold indicate increases since 2006 that are larger than the EU-25 average.)
Demographic developments in the European Union

Table 2.10. Some indicators on long-term international migration (source: OECD, 2006)

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<th>Outflow per 1000 population, 2004 Foreigners</th>
<th>2004 top inflow nationality</th>
<th>% work related foreign inflow</th>
<th>Asylum seekers per 1000 population, 2005</th>
<th>Stock of foreign-born population, 2004 (%)</th>
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* Latest available year.
** Not foreign-born but with foreign nationality.
*** Excluding administrative corrections.
Table 2.11. 2004 European Union migration flows (millions)
(source: NIDI raw estimates on Eurostat data)

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<th>From</th>
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<th>EU-15</th>
<th>NMS-10</th>
<th>Non-EU</th>
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Table 2.12. 2004 European Union net migration (millions)
(source: NIDI raw estimates on Eurostat data)

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3. Ageing and labour force participation

Erika Schulz

3.1. Highlights

Current trends in labour force participation are characterized by:

- still declining labour force participation of young people caused by increasing shares of people in full time education,
- a reversal of the long term trend of decreasing labour force participation of older people mostly due to recent reforms in pension systems that have postponed the statutory retirement age and cut incentives for early retirement,
- ongoing increases in labour force participation of middle aged women in the old Member States caused by changes in employment behaviour and increasing shares of women with higher educational attainment, and
- increasing shares of active people aged 55+ in the total labour force.

Behavioural and demographic trends influenced the total activity rate in the EU. To show the impact of demographic change on the size and structure of the factual labour force the population forecast of EUROSTAT (baseline scenario) was combined with actual participation rates. The main results —with the underlying assumptions of constant age-, sex- and country-specific activity rates— for the EU25 are:

- The labour force (15+) will decrease by over 36 million people until 2050.
- The changes in population composition will lead to a decline of the overall activity rate (15-64) from around 70% to 68.5%.
- The mean age of the labour force in the enlarged EU will increase from 40 years in 2004 to 41.3 years in 2020 and 2050.
- The share of elderly active people (55+) will increase by 4.3 percentage-points up to 16.5% in 2050.
To meet the Lisbon and Stockholm targets—an increase of employment rates of the total labour force up to 70%, for women to more than 60% and for older men and women aged 55-64 to 50% by 2010—further increases in activity rates are necessary, not only in employment, but also in activity rates. Currently the highest gaps exist in female and older people’s activity rates. To achieve the targets intensified efforts are necessary to change participation behaviour and to afford additional working places.

All EU countries are facing ageing populations. In the last five years the median age of the population in the expanded EU increased by 1½ years, towards 39.8 years. Population ageing is caused by low fertility and increasing life expectancy, while net immigration increases the population size, but influences the age structure of the population only to a more or less marginal degree. Population ageing also affects the age structure of the labour force (both employed and unemployed people) and the overall activity rates.

This is due to two effects. First, the population composition effect, which leads to a higher share of elderly active people. Second, the behavioural effect: in recent years the participation rates in the younger ages continued to decline, while the activity rates in the older ages increased; the growing labour force participation of middle aged women had an additional influence. Both effects together influence the ageing of the labour force and the development of the overall activity rates in the past and that will very likely continue in the future. This chapter describes these developments in recent years as well as the impact of the expected demographic change until 2050 on the factual labour force.

### 3.2. Actual trends in labour force participation

*Overall activity rates continue to rise*

The longstanding trend of increasing overall labour force participation in the old Member States (EU15) continued over the last years. In 2004 around 71% of the population aged 15-64 were active on the labour market (employed or unemployed), 1.5%-points more than three years ago (ILO 2006).\(^3\) An

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\(^3\) The overall activity (or participation) rate is the labour force (employed and unemployed) aged 15 to 64 as a share of the total population of the same age group.

\(^4\) In Chapter 4.2 and 4.3 the ILO Yearly Data were used. They have the advantage to provide the population and the active people subdivided by 5-year-age-groups and sex.
increasing trend can also be observed in the enlarged EU25, but to a lower degree due to declining participation in the NMS10. Since 2001 the overall activity rate in the EU25 increased by around one percentage-point up to around 70% in 2004. The preliminary data for 2005 show that the overall activity rates continued to rise (EUROSTAT, 2006a).

Within the EU25 the labour force participation rates (15-64) for the individual Member States ranged from a low of just 58% in Malta to a high of over 80% in Denmark in 2004 (Figure 3.1). Compared to 2001 the strongest increases in participation rates occurred in Greece (4.5%-points) and Spain (4.1) followed by Slovenia (2.4) and Latvia (2.0) (Figure 3.2). Activity rates declined noticeably in Poland (-1.4%-points), Czech Republic (-1.0) and Finland (-0.9). Contrary to the development in the EU25 a decrease in the overall activity could be observed in the Candidate Countries (CC). The activity rates declined in the CC3 (Bulgaria, Romania, Turkey) by 1.2%-points and in the CC4 (CC3 and Croatia) by 0.9%-points between 2001 and 2004. The decline in participation was substantial in particular in Croatia (-5.5%-points) and Romania (-4.3%-points). The activity rates of the CC3 and CC4 were around 15%-points below the activity rates in the enlarged EU in 2004.

**Gender gaps in activity rates remain substantial**

The overall rise in activity rates was mainly caused by two effects: increasing labour force participation of women and increasing activity of older people. At the EU25 level, the activity rates for women (15-64) increased in the last three years by two percentage points up to 62.2%. In the old Member States the increase between 2001 and 2004, with 2.5%-points, was slightly higher. The latter reflects the gender trend over recent years in which male activity rates have remained more or less static (around 78.5% in the EU15) while those for women continued to rise. As a result the gender gap shrunk and amounted to around 16%-points in 2004 (EU15). In the NMS10 both the activity rates of men as well as women slightly declined between 2001 and 2004 which led to a more or less constant gender gap in activity rates of around 13%-points in favour of men. Nevertheless, the gender gap in labour force participation remains substantial in most of the old Member States, but also in some of the new Member States. The difference between the activity rates of men and women was highest in Malta (44%-points), but Greece (25%-points), Italy and

This differentiation is necessary when calculating the mean ages of active people and to analyse developments of labour force participation in single age-groups. The disadvantage is, that for 2005 only for some countries data and (marginal) differences in activity rates compared to the EUROSTAT data exist.
Spain (24%-points) as well as Cyprus and Luxemburg (20%-points) showed also significant disparities.
The high gender gap in Turkey with 49%-points in 2004 dominates the difference in activity rates between men and women in the Candidate Countries (CC3 and CC4). Here, female participation reached on average only half of the factual male participation.

Still significant increases in the labour force participation of older people
Between 2001 and 2004 the activity rates of people aged 55-64 increased by 3.8 %-points up to 44.5% for the EU25 and by 3.9%-points up to 46% for the old Member States (Figure 3.3). Compared to the rapid rise in participation in 2002 and 2003 a slight slowdown in growth rates appears in 2004. The rise in activity rates was higher for women than for men in the old Member States as well as in the NMS10 and therefore in the EU as a whole. Contrary to the general trends some countries showed declining participation of older people in the last three years: Malta, Portugal, Poland and Austria. Otherwise strong increases in old age activity rates were realized in Latvia (+10.4%-points), Hungary (+7.2), Slovenia (+7.1) as well as in the Netherlands (+7.1) and Luxembourg (+6.1). It is notable that the factual labour force participation of older men showed a stronger increase in the age-group 60-64 than in the age-group 55-59 in the EU25 as well as for the EU15, while for women the development was opposite.

Among the four Candidate Countries, Bulgaria and Croatia showed an increasing trend in older people’s participation, whereas Romania (-10.8%-points) and Turkey recorded declining older people’s activity rates. In 2004, labour force participation of older people in CC3 and CC4 was around 9%-points lower than in the enlarged EU.

Decline in labour force participation of younger people continue
The longstanding trend of declining labour force participation of younger people continued over the most recent years in the EU25. In 2004, the activity rate of people aged 15-24 averaged 45% for the EU25, around one percentage point less than 2001. The downward trend was less marked than in the 1990s. In the old Member States as a whole the youth participation remained stable between 2001 and 2004 as a result of a decline in participation of younger men by 0.4%-points and an increase in the participation of younger women by 0.5%-points (Figure 3.4).
Labour force participation rates of young people vary widely across the Member States, from a low of just 25.7% in Luxembourg to a high of around 71.7% in
Denmark (2004). For almost all Member States the youth activity rates are well below the average activity rates which is caused by the high proportion of young people in full-time education. A decline in youth activity between 2001 and 2004 was observed in 18 EU countries, with the highest reduction in Luxembourg (-9%-points) and Hungary (-8.4) and the lowest in Denmark (-0.2). In seven EU countries the youth participation rates increased (Austria, Belgium, France, Greece, Spain, Latvia, and Slovenia).

All Candidate Countries showed a decline in youth activity rates. In 2004, their rates averaged at 38% for the CC3 and CC4, 7%-points lower than in the EU25.

Ageing of the labour force continues

Three indicators can be used to show the ageing of the labour force: the share of young people in the labour force, the share of older people in the labour force, and the mean age of the labour force. In 2004, the share of young people (15-24) in the total labour force (15+) averaged 11.6% in the EU25 and 11.8% in the old Member States. In the NMS10 the share was with 10.8%, lower than in the EU15. Compared to 2001 a decrease in the share of young people in the labour force by -0.6%-points in the enlarged EU and –0.4%-points in the EU15 was observed. The share of active young people ranged from around 7% in Luxembourg to 21% in Malta in 2004. In the Candidate Countries it was around 17%.

The share of older active people (55+) in the labour force averaged 12.2% in the EU25 and 12.6% in the old Member States in 2004. Contrary to the decreasing trend of the proportion of young people, the share of older active people increased between 2001 and 2004 by 1.2%-points in the EU25 as well as in the EU15. The share of older active people ranged from 6.4% in Slovakia (due to a low share of older active women in the labour force) to 20.3% in Sweden in 2004. The share of older people averaged 10.3% in the CC4, influenced by the low share of older workers in Turkey (8.9%). Contrary to the general trend, two Candidate Countries (Romania and Turkey) showed decreasing shares of the elderly in recent years.

As a result of the decreasing share of young people in the labour force and the increasing share of older active people, the mean age of the labour force increased in the last years by 0.4 years both in the EU25 and in the EU15. In 2004, the mean age averaged 40.1 years (EU25 and EU15) and ranged from 37.4 years in Malta to 42.2 years in Sweden (Figure 3.5). The high share of young people in Turkey also influenced the mean age in the Candidate Countries as a whole. In the Candidate Countries (excluding Turkey) the mean age averaged 40.3 years, in the CC4 (including Turkey) 37.8 years.
Impact of the changing population composition on activity rates

As was stated above, the ageing of the labour force is the result of two effects: changes in population composition and changes in participation behaviour. A study of the European Commission showed the contribution of these two effects on the changes of the overall participation rate in the EU 25 using a shift share analysis (European Commission, 2006a). The population composition effect can be shown if the participation rates in t0 will be held constant and is combined with the population in t0 as well as t1. The behaviour effect is a combination of constant population with changes in participation rates between t0 and t1.

Between 2000 and 2004 the overall participation rate increased by 0.93 percentage points in the EU25 (Table 3.1). The changes in population composition (changes in gender proportion and between the share of age-groups in total population) alone —without any changes in participation behaviour— would lead to a decline in the overall activity rates, as a result of an increase in the share of older people with lower participation rates. Changes in participation behaviour of women in prime working ages (25-54 years) and of older people (55-64 years) contributed positively to the overall increase in the factual participation rates. The influence was strongest for the participation of older people (77% of the total change), but also for women in prime working ages (73%), whereas the changes in youth participation (15-24 years) had a contrary effect (-25%). Between 2000 and 2004 the influence of population changes on the overall changes in activity rates was lower than the influence of changes in labour force participation.

3.3. Impact of demographic changes on the labour force until 2050

The impact of population changes on the development of the labour force and the overall activity rate can be shown by combining population forecasts for the individual Member State with constant participation rates subdivided by age-groups and sex. The baseline scenario from EUROSTAT were used as population forecast for all Member States as well as for Bulgaria and Romania. The population forecasts for Turkey and Croatia were taken from the UN World Population Prospects, 2004 Revision. The factual labour force participation rates in the five-year age-groups for men and women stem from ILO Yearly Data 2004.
Shrinking active population

In 2050, 178 million people will be active in the labour market in the enlarged EU, i.e. around 36 million less than 2004 (Figure 3.6). The decline in the labour force will be stronger in the NMS10 with on average 27% than in the old Member States with on average 15%. The decline in the factual labour force is to be observed across the majority of Member States; only six (Ireland, Luxembourg, Sweden, UK, Cyprus and Malta) will see increasing labour forces. The strongest decline will be observed in Slovenia (-33%) and the Czech Republic (-31%). Another 10 Member States will realize changes between —20% and— 30%. Among the Candidate Countries only Turkey will show an increasing labour force (+47%), while the other will realize decreases between 30% (Croatia) and 48% (Bulgaria).

The reduction in the labour force will be stronger for women than for men in the EU25 as well as in almost all individual Member States. The decline averaged 19% for women and 15% for men in the EU25. But also in the six Member States which will show increasing labour forces, the increase in the female labour force will be lower than the increase in the male labour force. As a result the share of women in the total labour force will decline by one percentage point. In 2050 the female labour force will amount around 43.4 % of the total labour force (EU25).

Increasing shares of older active people, but moderate increases in the mean age

The expected demographic change will lead to ageing of the labour force. The share of older active people (55-64) in the total labour force (15-64) will increase by 4.3%-points up to 16.5% in the EU25 by 2050 (Figure 3.7). The share of older active people will increase in all individual Member States. The rise will range from 0.8%-points in Denmark to 9.4%-points in Cyprus. The increase will be higher for men (+4.9%-points) than for women (3.5%-points) in the EU25 and in all individual Member States with the exception of France. The differences in the development of the labour force among the individual Member States are the result of two effects: differences in the dynamic of the ageing process and differences in the current activity rates of older people.

To the same results came Carone (2005), who calculated the development of the labour force in two ways: with constant participation rates of the year 2003 and with —especially in the older ages— higher participation rates in the future. Assuming constant participation rates he calculated a decline in the labour force of around 36 million people and with higher participation rates a decline of 32 million people until 2050.
As in the enlarged EU, the share of older active people will rise also in the Candidate Countries by around 9.5%-points on average. In three of four Candidate Countries the increase in the share of elderly people will be higher for men than for women. The exception is Turkey with an increase in the share of older active men by 10%-points and of older active women by 12.3%-points. While the share of older active people will show a significant increase in the future, the changes in the mean age of the active population will fail moderate. The mean age will rise from 40.1 years to 41.3 years up until 2020 and afterwards it will be more or less constant in the EU25. In the old Member States an increase in the mean age from 40.1 to 41.4 years in 2020 is expected, followed by a slight decrease to 41.2 years. The mean age will increase in all Member States with the exception of Denmark, where it will remain almost constant. In 2050 the mean age will range from 38 years in Malta to 43.6 years in Estonia.

In the Candidate Countries the mean age will rise by 3.7 years to 41.6 years in 2050. Labour force ageing will be strongest in Turkey with an increase of 4.8 years.

Declining overall activity rates
The changes in population composition with a higher share of elderly people will lead to a decrease in the overall activity rates (15-64), although the age-specific activity rates have been held constant. In 2050, overall activity will average at 68.5% in the EU25, i.e. 1.4%-points less than 2004 (Figure 3.8). In 2004, the NMS10 overall activity rate was lower than in the EU15. Due to stronger decreases in overall activity in the new Member States the gap between the new and old Member States in activity rates will become wider. In 2050 the overall activity rate in NMS10 will be 63.3% compared to 69.4% in the EU15. In the CC4 and CC3 the activity rates will decline by 3.1%-points to around 52% by 2050. The gap in activity rates between the EU25 and the CC4 will increase from 14.4%-points in 2004 to 16.5%-points in 2050.

To resume, the calculation with underlying constant participation rates will lead to a significant decline in the labour force. The ageing of the labour force will continue until around 2020. After 2020 the share of older active people will be more or less constant. The overall activity rate will decline up until 2050. Even if the participation rates will rise, the declining trend will be nearly the same (Carone, 2005). In view of the expected development it will be time to go ahead and to take measures to counteract the decline in labour force.
3.4. Activity rates and Lisbon and Stockholm targets

To compensate for the predicted decline of the working age population, further increases in employment rates, in particular for women and older workers, need to be encouraged, together with greater investments in human capital (European Commission, 2005b). The Lisbon employment targets are to raise the overall employment rates to 70% by 2010 and to increase the employment rates of women to more than 60% by that year. In addition to the Lisbon targets, the 2001 Stockholm European Council set intermediate targets for employment rates in the EU in 2005 of 67% overall and 57% for women. It also set a new target of raising the average EU employment rates for older men and women (aged 55-64) to 50% by 2010 (European Commission, 2005a).

The new employment guidelines, adopted by the European Council in July 2005 running from 2005 to 2008, continue to reflect the overall EU goal of achieving full employment, embedded in the overall focus on growth and jobs. The European Council confirms the conclusions of the Employment Taskforce that action must focus on four priorities: 1) attracting more people to enter and remain in the labour market, 2) improving adaptability of workers and enterprises, 3) increasing investments in human capital through better education and skills, and 4) ensuring effective implementation of reforms through better governance (Council of European Union, 2005).

Despite the progress in employment rates over the recent years, the overall, female and older people’s employment rates in 2004 remain 7, 4 and 9%-points below the respective Lisbon and Stockholm targets for 2010 and below the intermediate employment targets for 2005 (European Commission, 2005a). In 2005 the employment rates remain around 6, 4 and 8%-points below the Lisbon targets for 2010 (EUROSTAT, 2006b). The gaps in the current overall employment rates and the Lisbon target for 2010 widely ranges between the individual Member States. Only four already met the 70% target (Denmark, Netherlands, Sweden and UK), nine the employment target for women and seven the employment target for older people.

In several Member States not only the employment rates are below the Lisbon employment targets, but also the activity rates. In 2005, the overall activity rate was below the Lisbon employment target for 2010 in 13 out of 29 countries: Slovakia, Lithuania, Greece, Belgium, Luxembourg, Poland, Croatia, Italy, Romania, Bulgaria, Hungary, Malta and Turkey. The activity rates, i.e. the shares of employed and unemployed people in the population in the same age-group, are always higher than the employment rates. This is due to the fact, that full employment does not correspond with zero unemployment, but with
unemployment which is compatible with the ‘natural rate of unemployment’ (structural unemployment, search unemployment, unemployment caused by rigidity of labour market conditions). Therefore, to meet the Lisbon employment targets all individual Member States have to realise activity rates that are higher than the Lisbon employment targets.

The Non-Accelerating Inflation rate of Unemployment (NAIRU) is often used to measure ‘natural unemployment’ (if unemployment falls below the NAIRU, the inflation rate is likely to rise quickly (accelerate)). The Commission (DG ECFIN) estimates the NAIRU breaking down the observed unemployment rate into a trend and cyclical components. The trend component is taken as the NAIRU (structural unemployment). In 2004, the NAIRU averaged around 7.3% in the old Member States and around 14% in the NMS10. The NAIRU ranged widely across the individual Member States from a low around 4% in Austria, Luxembourg, the Netherlands, Portugal and Sweden to a high of more than 18% in Poland (European Commission, 2005a). Whereas structural unemployment increased between 1970 and 1994 (European Commission, 2002), the NAIRU declined between 1995 and 2004 in the old Member States by around 2%-points and increased in the NMS10 between 1997 and 2004 by around 5.5 %-points.

The differences in the amount of the NAIRU between the individual Member States and the developments in recent years make it difficult to fix one single value of the NAIRU as an average for the EU25. Anyhow, to get an idea of an activity rate compatible with the Lisbon employment target, a NAIRU of 7% is supposed for all Member States together. This is equivalent to the assumption of the structural unemployment rate for the EU15 in 2010 as set by the European Commission (European Commission, 2006d). A 7% unemployment rate (the unemployed as share of the active population) corresponds to a share of the unemployed in the total population of the same age-group of around 5%. In our example, the activity rate compatible with the Lisbon overall employment target amounts to around 75% by 2010. Only four countries achieved the deduced Lisbon participation target in 2005: Denmark, Sweden, the Netherlands and the UK. In 16 out of 29 countries the gap between the current activity rates and the ‘Lisbon participation target’ are greater than 5%-points (Figure 3.9).

If the Lisbon participation targets for women and for older people are calculated in the same way as the Lisbon target for the overall activity rates, then 11 out of 29 countries meet the Lisbon participation targets for women (Sweden, Denmark, Finland, the Netherlands, UK, Portugal, Germany, Estonia, Slovenia.

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6 For the theoretical background see for example Franz (2003) and Ball and Mankiw (2002).
Austria and Latvia) while five countries (Sweden, Denmark, Estonia, UK and Finland) meet the Lisbon participation targets for older people in 2005 (Figures 4.10 and 4.11).

To resume, several Member States show significant gaps between the current activity rates and the ‘deduced Lisbon participation targets’ for 2010. To increase female and older people’s activity rates, great efforts are necessary to change labour force participation behaviour and to afford additional working places for females and older people. Increasing labour force participation and the mobilisation of labour resources means both a reduction in the flows in inactivity and an increase in the outflows (from inactivity into activity). The main reasons of inactivity are education and training for young persons, family responsibilities and also illness and disabilities for the middle age groups, and (early) retirement for the older age groups. Only around 5% of inactive people do not look for a job because they believe that jobs are not available (European Commission, 2005a). The relatively low activity rates in several Member States indicate that considerable scope for raising activity remains, especially for women, young and older people. Breaking down barriers to labour market entry or re-entry, assisting effective job search, creating attractive working arrangements, ensuring that work pays, and promoting lifelong learning are essential to achieving greater labour market participation (European Commission, 2005a, p. 240). Boeri (2002) stated that it will be necessary to achieve the Lisbon target by expanding part-time and temporary jobs, as well as more low-wage / low productivity jobs. In many EU countries also labour market reforms and changes in bargaining institutions or unions’ strategies are required, allowing for more flexible working-time arrangements and more wage dispersion.

The Council of the European Union worked out some details for policy responses by the Member States (among other things):

- promoting flexibility combined with security in the labour market, although risks of segmentation are still present,
- promoting childcare and other care services to increase female participation,
- strengthening active labour market policies, although the efforts seem insufficient with rising unemployment, especially for young people,
- developing active ageing strategies,
- improving the level, effectiveness and sharing of investments in human capital, including early school-leaving and increasing participation in training of the low-skilled,
- tackling undeclared work, and
• anticipating and managing economic restructuring (Council of the European Union, 2005).

Are the goals set out in Lisbon attainable? To this question Boeri (2002) replies: “Very much will depend on the pace and comprehensiveness of ongoing reforms of European labour markets and social policy institutions. The European institutional landscape will have to change further and quite radically to accommodate such higher employment rates… European needs more pro-work social policies…. It also needs more decentralised collective bargaining…. It is also important to adopt more realistic migration restrictions.”

To promote labour market participation a personalised approach is essential, because the economically inactive population is a very diverse group with different demographic characteristics, different reasons for inactivity, different skill levels and work experience (European Commission, 2005a). If the level and quality of skills can be improved, assistance to work can be offered for those who are disabled, and adequate and affordable care facilities for children, the elderly and the disabled can be provided, early retirement can be reduced, and flexible working arrangements can be expanded. If so, there will be a good chance to achieve also the ‘Lisbon participation targets’.

References


European Commission (2005c), The economic costs of non-Lisbon. DG ECFIN, occasional papers No. 16.
Franz, Wolfgang (2003), Will the (German) NAIRU please stand up? ZEW discussion paper No. 03-35.
Figure 3.1. Activity rates (15-64) by sex in 2004

Figure 3.2. Changes in activity rates (15-64) between 2001 and 2004 by sex
Ageing and factual labour force participation

Figure 3.3. Changes in older people’s (55-64) activity rates between 2001 and 2004 by sex

Figure 3.4. Changes in youth labour force participation (15-24) between 2001 and 2004 by sex
Figure 3.5. Mean age of labour force (15+) in 2004

![Mean age of labour force in 2004](image)

Figure 3.6. Active population (15+) in the EU25 2001 to 2050

![Active population in the EU25 2001-2050](image)
Ageing and factual labour force participation

Figure 3.7. Changes in the share of older active people (55+) and changes in mean age between 2004 and 2050

- Turkey
- Romania
- Cyprus
- Portugal
- Lithuania
- Poland
- Greece
- Croatia
- Ireland
- Latvia
- Estonia
- Spain
- Bulgaria
- Czech Republic
- Hungary
- EU25
- UK
- Germany
- Italy
- Sweden
- Austria
- Malta
- Belgium
- Netherlands
- Luxembourg
- Finland
- France
- Denmark

Figure 3.8. Changes in overall activity rates (15-64) between 2004 and 2050 by sex

- Estonia
- Latvia
- Lithuania
- Portugal
- Sweden
- UK
- Germany
- Ireland
- Denmark
- EU15
- Finland
- EU25
- Turkey
- Czech Republic
- Romania
- Hungary
- Bulgaria
- Cyprus
- Netherlands
- France
- Croatia
- Italy
- Malta
- Austria
- Slovenia
- Belgium
- Spain
- Greece
- Luxembourg
- CC3
- CC4
- Poland
- Slovakia

In %-points/ in Years

Men
Women
Total
Figure 3.9. Gaps between the Lisbon employment target for the overall employment rate in 2010 and the current employment rate and current activity rate in 2005

Figure 3.10. Gaps between the Lisbon employment target for female employment rate in 2010 and the current female employment and activity rates in 2005
Figure 3.11. Gaps between the Stockholm employment target for older peoples’ employment rate in 2010 and the current older peoples’ employment and activity rates in 2005

Source: EUROSTAT and calculation by DIW.
Table 3.1. Contribution of population composition and changes in labour force participation to changes in overall activity rate in the EU25

<table>
<thead>
<tr>
<th>Participation rate in 2004</th>
<th>69.50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in 2000-2004 in %-points</td>
<td>0.93</td>
</tr>
</tbody>
</table>

due to shifts in participation rates of:

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Male Change</th>
<th>Female Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young (15-24)</td>
<td>-0.23</td>
<td>-0.11</td>
</tr>
<tr>
<td>Prima age (25-54)</td>
<td>0.57</td>
<td>0.67</td>
</tr>
<tr>
<td>Older (55-64)</td>
<td>0.72</td>
<td>0.31</td>
</tr>
<tr>
<td>MALE:</td>
<td>0.1</td>
<td>0.95</td>
</tr>
<tr>
<td>Young (15-24)</td>
<td>-0.11</td>
<td>-0.13</td>
</tr>
<tr>
<td>Prima age (25-54)</td>
<td>-0.11</td>
<td>0.67</td>
</tr>
<tr>
<td>Older (55-64)</td>
<td>0.31</td>
<td>0.4</td>
</tr>
<tr>
<td>FEMALE:</td>
<td>0.95</td>
<td>0.67</td>
</tr>
</tbody>
</table>

due to demographic effect:

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Male Change</th>
<th>Female Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total:</td>
<td>-0.16</td>
<td>-0.26</td>
</tr>
<tr>
<td>Young (15-24)</td>
<td>-0.16</td>
<td>-0.26</td>
</tr>
<tr>
<td>Prima age (25-54)</td>
<td>-0.16</td>
<td>-0.26</td>
</tr>
<tr>
<td>Older (55-64)</td>
<td>0.26</td>
<td>0.26</td>
</tr>
</tbody>
</table>

due to interaction effect:

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Male Total</th>
<th>Female Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>0.03</td>
<td>3%</td>
</tr>
</tbody>
</table>

4. Educational attainment and the life course

Jørgen Mortensen

4.1. Highlights

- Whereas the disparities between EU Member States are very wide, a typical educational life course of an EU25 citizen may be characterized by the following main transitions:
  1. Age 4: entry into pre-primary education (80%)
  2. Age 6-7: entry into primary education (100%)
  3. Age 15: exit from primary and low-secondary education (100%)
  4. Age 24 or more: exit from tertiary education (15%)

- Between the ages of 15 and 20 years, 50% of a generation will have left the system of education with completed high secondary education. And only 15% of a generation will have completed a full cycle of education, with a complete tertiary education. Furthermore, in several countries a large number of persons leave the system of education before having completed tertiary formation. On the other hand, in certain countries a large proportion of students leave tertiary education at ages higher than 24. Between the age 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.

- Demographic developments over the coming decades will exert only marginal influence on the overall level of educational attainment in the EU. The average level of educational attainment will be influenced by two opposite forces. On the positive side it will be boosted by the fact that the higher age classes with a relatively low level of educational attainment will progressively be replaced by the following generations with a higher level. However, the following generations are numerically smaller and will consequently weigh less in the average for the EU or for a given Member State.

- Post-educational learning (life-long learning) in a 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 can thus be considered to help those with already high levels of education to keep abreast of technological and scientific developments but it will not significantly help to reduce disparities with respect to the level of education in the society at large, nor will it contribute in any noticeable way to enhance 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.

- The projections prepared by the Ageing Working Group (AWG) of the Economic Policy Committee—based on the assumption of unchanged policies—do not imply any closing of the gap between the United States and EU25 as far as educational attainment of the adult population is concerned.

- 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 Lisbon objectives in the field of educational attainment are therefore 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.

4.2. A bird’s eye view of educational attainment of the young population

As underlined by Directorate-General for Education and Culture in the progress report on the degree of attainment of the Lisbon objectives in the field of education and training (SEC (2006) 639, 16 May 2006) “the foundations for the
participation in education and training, and therefore for successful personal
development and professional life, are already set in early childhood.
Participation in pre-primary education is crucial for those children who are at
risk of being excluded due to various factors (for example low economic and
educational status of their parents or special needs)". The share of 4 year old
youngsters already involved in pre-primary education is, indeed, broadly
considered to constitute the first basic indicator for the path from early
childhood towards achieving the level of knowledge required for inclusion into
the contemporary and future knowledge society.

In this respect the EU is rather well placed in comparison with other countries.
As seen from Figure 4.1, for EU25 as a whole, about 80% of children aged 4
years are already involved in some degree of pre-primary education (defined as
ISCED level 0 in the Eurostat data). The EU average is below the level achieved
in Japan but in fact higher than the 60% in the United States. In this respect,
however, disparities among the EU Member States remain rather large. Thus, as
shown in Figure 4.2 the share of 4 year olds in pre-primary education ranges
from less than 40% in Poland (the figure for Ireland is not fully comparable with
those of the other Member States) to around one hundred per cent in Belgium,
Italy, France and Spain.

However, between the ages of 4 and 6 in practice all children who can be
expected to follow standard or specialised education have entered the system
also in countries which, at present, record low achievements on this criteria.
This is illustrated in Figure 4.2 which in the upper part of the columns shows the
difference between the share of four-year old and of six-year olds in the system
of education. Whereas the two sets of figures are not fully comparable
—showing the two populations at the same point in time— the differences
between the two age classes provide a vivid illustration of the ‘catching-up’ in
the countries where children at present enter relatively late in the system.\footnote{In some cases the data must involve some double-counting or lack full homogeneity
between the number of children in the age class and those in the system of education.
This lack of homogeneity may explain the fact that for a few countries the total of the
two data sets may exceed one 100. Another explanation may be that in some countries
the share of 4-year old children in pre-primary schools is rising rather fast.}

Between the ages of 7 and 15 the vast majority of children attend primary
education in specialised institutions or (in case of mental or physical handicaps)
are in formal or informal care arrangements. In 2003, school enrolment at the
age of 15 thus ranged from more than one hundred per cent in UK, Ireland and
Belgium —no doubt due to the fact that in those countries a large number of
non-national citizens attend schools—to some 89% in Portugal. Even in the latter country, thus, close to 90% of children at the age of 15 attend education. For some Member States, such as, notably, Luxembourg, a noticeable number of children already at age 15 attend schools outside the country and the comparative data shown below in Figure 4.3 consequently only provide an order of magnitude of the levels.

After the age of 15 the rate of enrolment in the system of education for the EU as a whole shows a pronounced decline. In fact, on average for EU25 between the ages of 15 and 20 about 50% of a generation will have left the system of education and a further 30% disappear between the ages of 20 and 24 (Figure 4.4). However, as suggested by the coefficient of variation of country data also shown in the figure, the disparity within the EU shows an increase from almost zero at the age of 15 to as much as 38% of the average by the age of 24 (the curve for school enrolment in the figure is calculated with as weights the total number of children in the country). Furthermore, the average is calculated excluding Cyprus, Luxembourg and Malta where substantial parts of the generations are in fact studying abroad and thus do not figure in the statistics on school enrolment in their own country but rather in the host country.

The disparities within the EU with respect to the age of departure from the system of education are further illustrated in Figure 4.5. While, as already indicated, in all EU Member States close to one hundred per cent of the 15 year olds are still at school—with Portugal as the laggard with only 90% still in school—the rate of enrolment in the system of education at the age of 24 ranged from more than 45% in Finland and 40% in Denmark and Sweden to some 12% in the Slovak Republic. Among the old Member States, France and Ireland perform relatively poorly with less than 20% of the 24 year olds still in education. However, in the latter country a large number of students attend universities in the UK or United States and are therefore not included in these statistics.

A study prepared on early school leavers for the European Commission in 2005 has identified a number of factors that might influence the levels of early school leaving in individual countries. Social origin is an important factor affecting young people’s probability of continuing in education or dropping out of school early. Pupils tend to leave education without completing upper secondary

8 Quoted in Commission Staff Working Document, Progress Towards The Lisbon Objectives In Education And Training, SEC(2006) 639
education when their parents also have low levels of education (ISCED 1-2). The most striking difference between individual countries is in the percentages of early school leavers among youth with parents with very low levels of education (ISCED 1-2), especially in Southern Europe (80% in Spain, 68% in Italy and 66% in Greece and comparatively low (below 30%) in Slovakia, Finland, Hungary, Sweden and Austria. However, also the 3-11% of families in which at least one of the parents obtained university education is confronted with early school leaving. The same is valid for certain families with upper secondary education as highest educational attainment (2-21% of families). Thus, although socio-economic background plays an important role, the phenomenon is much more complex and other variables intervene. For instance, pupils’ school experiences are also a significant predictor of early school leaving. This was again confirmed by the 2003 PISA survey which shows that there is a high correlation between early school leavers and students performing at the lowest levels of proficiency (level 1 and lower).

Foreign/ethnic background is a third factor influencing early school leaving, mainly due to the correlation with the social background. According to data from the Labour Force Survey (LFS) early school leaving is more than two times higher among non-nationals than among nationals (30.1% in contrast to 14.9%). Nearly half of non-national pupils leave school at an early age in Spain and 40% and more in Greece, Cyprus and Portugal.

4.3. Educational attainment of the adult population

Although a number of individual exceptions confirm the general rule, tertiary education is normally finished at the age of 25 and the share of persons in the age group 25-34 is a basic indicator of the performance of the system of education during the first 24 years of evolution of that generation. In this respect two OECD countries, Canada and Japan, stand out as star-performers: about 50% of persons in the age group 25-34 in 2003 had accomplished tertiary education. The two star performers are followed closely by Korea, Norway, United States, Finland and Sweden where around 40% of the persons in the 25-34 age group

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9 The OECD coordinated Programme for International Student Assessment (PISA) is an internationally standardised assessment that was jointly developed by participating countries and administered to 15-year-olds in schools. The survey was implemented in 43 countries in the first assessment in 2000, in 41 countries in the second assessment in 2003 and at least 58 countries will participate in the third assessment in 2006. Tests are typically administered to between 4,500 and 10,000 students in each country.
had completed tertiary education. In Turkey, in contrast, only 10% of that generation had reached this level while the rest of OECD countries recorded levels within a wide range. In this perspective the comparatively low level of educational attainment of this generation recorded in Italy (12.5%) and Germany (21.7%) appears as being substantially lower than the 31 and 37% in the United Kingdom and France, respectively (Figure 4.6)\textsuperscript{10}.

However, in addition to the large disparities between countries with respect to the educational attainment of the age group 25-34, the gradient over the main age groups shows huge differences, as some countries have, over a few generations, achieved a major increase in the share of a generation having completed higher education.

Thus Korea has over just 30 years, through accomplishments of huge efforts in the field of education, managed to increase the level of educational attainment in the age group 25-34 from one of the lowest to one of the highest among the OECD countries. This achievement is illustrated in Figure 4.6: In this country less than 10% of those aged 55-64 have accomplished tertiary education against 40% of those aged 25-34 years, representing an improvement of 30 percentage points. Also Japan has managed to raise the level of educational attainment by more than 30 percentage points, albeit from a higher level than Korea.

In the United States, in contrast, the level of educational attainment of the age group 55-64 is the highest among the OECD countries but the difference between this group and the age group 25-34 is only 6 percentage points. As far as the age group 25-34 years is concerned, the United States consequently is now bypassed by Canada and Japan and stands at the same level as Sweden, Finland, Norway and Korea, followed closely by Belgium, France, Ireland and Spain.

The cross-country comparability of data is however somewhat blurred due to the fact that in some countries a high number of persons achieve the highest level of tertiary education only after the age of 24. This abnormally depresses the share of persons with tertiary education in the age group 15-24 as illustrated in Figure 4.7 for Germany.

\textsuperscript{10} In view of the substantial efforts deployed by the OECD to ensure comparability, the differences do not appear to be attributable to differences in statistical methodology.
4.4. A demographic perspective on educational attainment

Although the educational attainment of the adult population in the EU has increased substantially during the last thirty years, there is still a level difference between the US and the average of EU25. As shown in Figure 4.8, in the US the generation in the age group 55-64 in 2002 (OECD data) about 25% had completed tertiary education as against about 10% in both the old and the new EU Member States.

In the US in the generation aged 45-54 about 30% completed tertiary education or more than twice the level (13%) in EU15 and some 12% in NMS10.

Even in the generation that was 25-34 years old in 2002 only about 18% and 13% respectively in EU15 and NMS10 had completed tertiary education. Thus a considerable gap remains between the US and the EU with respect to the educational attainment of the generation having entered the labour market in, say, the 1990s and the early 2000s. The high level of educational attainment in the United States does not come ‘free of costs’: the level of expenditure on educational institutions in this country is, with more than 7% of GDP, 1-2 percentage points higher than in most other OECD countries. This difference is attributable to a much higher level of expenditure on tertiary education in the US. Furthermore a large share of this total is accounted for by private spending.

The recent projections of the budgetary costs of ageing prepared by the Ageing Working Group of the Economic Policy Committee (EPC), which are essentially based on current policies and structures, do not envisage in the baseline projections any further increase in the educational attainment for the EU as a whole and assume little or no convergence in this respect among the Member States. In fact, as shown in Figure 4.9, the AWG projects the average school enrolment rates in the age group 15-24 to fall slightly between 2003 and 2050, mainly due to the assumption of a higher level of labour market participation. Furthermore, the disparity is projected to decline only marginally, suggesting that the variation across EU Member States is assumed to remain. For example for the age class 24 the spread between Finland (the highest) and the Slovak Republic (the lowest) is projected to decline from 34.4 in 2003 to 28.7 in 2050, mainly because of a projected decline of 4 percentage points in Finland (from 46.2 in 2003 to 42.3 in 2050) due to changes within this age group, while the enrolment rate in this age class for the Slovak Republic is projected to rise from 11.8 in 2003 to 13.6 in 2050.

Thus, as can be deducted, for the age group 25-34 the AWG projections do not envisage any further closing of the prevailing gap between the level of more
than 30% in the US and the EU average. Despite the projected slight decline in the enrolment rates for the 15-24 year olds the average EU level of educational attainment would be positively influenced during the coming decades as the age groups, which in 2003 (Figure 4.8) have a lower level of educational attainment, are gradually replaced by those with a higher level, the EU average will rise ‘mechanically’ due to this demographic transition. This effect will, however, be countered due to the decline in the size of the generations born in the last two decades (with unchanged attainment rates). Consequently, unless during the next few decades the share of a generation attaining completed tertiary education shows a considerable increase, the average level of education attainment of the EU Member States is unlikely to move closer to that already now experienced in the countries with the best performance: Canada, United States, Sweden, Finland, Norway, Japan and Korea.

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 can thus in general be considered as helping those with already high levels of education to keep abreast of technological and scientific developments but it will not significantly help to reduce existing disparities with respect to level of education in the society at large.

4.5. The Lisbon agenda in the field of education

Following the Conclusions of the Heads of State and Governments in the 2000 Lisbon Summit and their endorsement of the common objectives for education and training in Europe as discussed in 2002 in Barcelona, a radically new process of co-operation was launched in this area, with the overall objective of making education and training systems in Europe a world quality reference by 2010.

Ministers of education agreed on three major goals to be achieved by 2010:

- to improve the quality and effectiveness of EU education and training systems
- to ensure that these systems are accessible to all
- to open up education and training to the wider world.
To achieve these ambitious goals, they agreed on thirteen specific objectives covering the various types and levels of education and training (formal, non-formal and informal) aimed at making a reality of lifelong learning. According to a recent progress report prepared by the Directorate-General for Education and Culture\textsuperscript{11} reaching the European benchmarks in the field of education would imply that by 2010:

- 2 million fewer young people would have left school early
- 2 million more would have graduated from upper secondary education
- 200,000 fewer 15 years olds would be low performers in reading literacy
- 4 million more adults would participate in lifelong learning
- all students leaving school would be able to communicate in two foreign languages.

The Lisbon agenda is not interpreted as providing a specific target for the overall educational attainment as far as tertiary education is concerned. However, there can be no doubt that a higher number of graduations from upper secondary education on certain conditions concerning availability of supply could also lead to a higher rate of enrolment in tertiary education. Nevertheless, it is also evident that the AWG projections concerning expenditure on education, as they are and must be based on current policies, do not reflect the need for a considerable expansion of the capacity of higher education to accommodate substantial increases in the share of future generations seeking tertiary education, notably in the high priority areas identified in the Lisbon agenda, maths and sciences.

4.6. More on the AWG projections

The potential conflict or contradiction between the Lisbon agenda and the ‘no-policy-change’ projections of the AWG are clearly identified in the latter report. As stressed, no underlying trend neither in enrolment rates nor in expenditure per student relative to GDP per worker is included. Unlike some of the other elements of the age-related expenditure exercise, the projections thus illustrate only the effect of demographic developments on education expenditure, and do not comprise any estimation of non-demographic drivers other than labour market developments. Regarding enrolment, this in some cases does not reflect

national expectations of increasing enrolment rates as a result of implemented or planned legislation or other policies.

However, factors other than demographic developments have been important to the historical developments of education expenditure and the projected savings are conditional on these factors not continuing to point in an upward direction. As stressed in the AWG report, this is far from certain neither for costs per student nor for enrolment rates. First, emphasis on the quality of education and difficulties in adjusting downwards the number of teachers as the number of students falls, could point in the direction of increased costs per student. Second, some Member States have either planned or implemented policies to move students through the education system more rapidly. However, stated policy priorities, e.g. related to the Lisbon agenda, mostly emphasize the importance of increasing enrolment rates. Increased income levels may also lead to more people being able and willing to spend a larger part of their life on education. Together with some information available on actual enrolment in 2004, this indicates that average actual enrolment rates in the future may more likely be higher than this exercise projects than lower. Finally, education is largely an investment in human capital, though also partly a consumption good. Enrolment increases would therefore in addition often be beneficial also from a public finance point of view, once effects on productivity and labour market participation are taken into account.

Thus, as strongly underlined in the Report from the AWG, the projections should in no way be taken to imply that large and easy savings can be expected for public finances due to developments in the educational sector.
Figure 4.1. School enrolment of children by age, EU25 and US

![Enrolment rates, EU25 and US](image)

Source: Eurostat.

Figure 4.2. Entry into the system of education

![Share of age classes attending pre-primary and primary education](image)

2004 (Source Eurostat)
Figure 4.3. School enrolment at 15 years

School enrolment at age 15, EU countries (% of age class)
Source: DG ECFIN

Figure 4.4. School enrolment by age in the EU

School enrolment: average and disparity, 2003
Source: DG ECFIN: AWG projections
Figure 4.5. School enrolment at age 15 and age 24, EU countries 2003

Education enrolment at two critical ages EU
Source: DG ECFIN AWG projections

Figure 4.6. Educational attainment of two generations
Per cent of age class with at least tertiary education

Age class 55-64 | Difference 55-64 to 25-34
Figure 4.7. Educational attainment for different age groups, Germany

Educational attainment, age groups, Germany, ISCED levels

Figure 4.8. Catching-up with the United States?

Educational attainment 2002, % of cohort with tertiary education
Source: OECD, EU averages are unweighted
The EU average (not given in the AWG projections) is calculated as a weighted average with the number of children in 2003 as weights. The same weights are used for the 2050 average.
5. Prospects for the extension of working life in the European Union

Michaela Gstrein, Liliana Mateeva, Anna Ruzik and Ulrich Schuh

5.1. Highlights

- With decreasing male (38 years, falling) and mainly increasing female (30 years, rising) total active work life spans and a target to delay the overall exit age by five years and raise older workers employment rates above 50% by 2010, workers’ expectations and needs have become decisive factors in current EU pension and labour market policy.

- While the average exit age of men mostly depends on the older male worker’s employment rate and (expected) net pension wealth, female exit ages seem to be mainly influenced by legal retirement age and the older women’s employment rates.

- Although desired policy measures include ‘making it possible to work during retirement’, respondents in all surveyed countries prefer to retire before the age of 60 and virtually no one wants to work after the age of 65. Preferred measures to safeguard pensions were ‘pay higher social insurance’ and ‘abolition of early retirement’ as well as ‘increases in the retirement age’; reductions in pension amounts found no support.

- A cross-country and gender analysis of the current job situation of older workers unveils a strong heterogeneity between countries, which is obviously due to institutional differences, preference for leisure and social norms. In some countries, a large number of healthy individuals are already retired; health status and retirement due to ill health do not always match. Countries with higher exit ages show increasing levels of part time work in older age groups — which might indicate that part time work as means of flexible retirement prolongs working life.

- Perceived job security and satisfaction as well as working conditions reflect older workers’ ‘quality of work’ and are thus important influential factors for individual retirement decisions. Expected changes in pensions and retirement ages, as well as standards of living, also influence exit decisions while ‘working while retired’ can be linked to poverty risk or pension wealth but also to job opportunities.
5.2. Introduction

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 extended education, reduced working life spans and less working hours. While labour supply is expected to still continue to rise in the immediate future, the trend will most probably reverse in the long run. Consequently, the working population in terms of total population will diminish. 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. Since labour force participation is an important mediating factor (Börsch-Supan et al., 2005) between demographics and the social expenditure burden, increasing the labour force participation of the elderly is viewed as one of the solutions to cope with the impacts of this development.

Most EU Member States have recognized the need to raise the employment rates of older workers. Pension reforms continue with the effort to lengthen working life. Wide-ranging initiatives aim at reviewing incentives discouraging early retirement, creating more flexible pathways to retirement and increasing 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 EU 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 decisive factors in policy making. These attitudes as well as their health status, actual working conditions and job opportunities, personal obligations and preferences, the general economic and labour market situation and the pension framework strongly influence their individual retirement and final labour market exit decisions.

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13 See Börsch-Supan et al. (2005), Introduction, p. 12.

5.3. Analyzing retirement behaviour in the European Union

Economic research has explored incentives embedded in pension and social security systems that determine retirement decisions. What are the critical factors to adapt to activate unused capacities of workers, to increase labour supply and prolong working life?

Within the framework of the pension system and the general labour market situation, retirement and exit decisions are also strongly influenced by the older workers’ expectations, employment situation, pension wealth, legal retirement age, health status as well as individual needs and preferences. A graphical summary of potential factors influencing the prolongation of working life is summarized in Box 5.1.

Factors influencing exit age

A cross-country analysis of EUROSTAT data for the year 2004 and eighteen EU Member States (with available data on exit age by gender, for details see Annex 1 in separate file) showed that the final retirement from the labour market (as measured by the average exit age) of women and man were not influenced by the same factors.

While the average exit age of men mostly depends on the older male worker’s employment rate, (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 has a weaker influence on male than on female retirement decisions. This might be explained by mostly uninterrupted male work careers resulting in high pension contribution periods even before retirement age is reached and the use of early retirement windows. Female work careers, on the other hand, tend to be more interrupted or started at a later age (older cohorts stayed at home with children and male breadwinners). Therefore, the necessary contribution periods are reached later and the female exit age is strongly correlated to the (often lower than male) legal retirement age. The correlation with employment rates proves that labour market activity of older workers is a critical factor for the prolongation of working life.

Note: Significance of the factors can be achieved only when net pension wealth and either legal retirement age or employment rate (55-64 yrs.) are used to explain the average exit age from the labour force of men in 2004 (Annex 3). Moreover, the influence of legal retirement age on average exit age from the labour force is insignificant in 2003 and 2002, but significant in 2001 for men, while it is significant within the period (2001-2004) for women.
Although tested, no significant or only very low correlations could be established for other potentially influential factors such as the unemployment rate of older workers (negative but insignificant), expenditures on old age pensions (insignificant), the risk of poverty for people 65+ years (positive but low\(^\text{16}\)), and net pension wealth for women (insignificant). For further details see Annex 3.

Acceptance of retirement and employment related policy measures

The DIALOG project Population Policy Acceptance Study (PPAS) conducted between 1999 and 2003 in 14 European countries\(^\text{17}\) shows “a fundamental willingness on the part of Europeans to work longer in the future, but provides no assurance that there is an individual willingness to act according to this insight” (BIB, 2005).

Desired possible policy measures for elderly people (for details see Annex 2) included “making it possible to work during retirement” — a request particularly mentioned in Estonia (57.4%) and Romania (38.4%) but also perceived as important in Lithuania, Germany and Belgium.

Respondents in all survey countries still prefer to retire before the age of 60 and virtually no one wants to work beyond the age of 65. Preferred retirement age is lower in the former socialist countries, with the lowest median ages in Slovenia (52.3 years) and Poland (53.5). The highest preferred retirement ages were found in Finland, the Netherlands and Germany (between 59.0 and 59.4 years). Only a few respondents wanted to work after the age of 65 — the highest levels being found in the countries with the highest preferred retirement ages (the Netherlands: 5.0%, and Finland: 2.8%).

Expected retirement ages were higher than preferred retirement ages in all surveyed countries, with the highest values in Germany (64.3 years), Finland (62.1) and the Netherlands (61.6). The other countries ranged just under (or at) 60 years. The greatest gap between preferred and expected retirement age was found in Lithuania (7.2 years difference), the smallest in the Netherlands.

Asked about preferred measures to safeguard pensions, respondents in Finland, Poland, Slovenia and Romania were willing to pay higher social insurance and monthly tax contributions (details see Annex 2) while the abolition of early retirement programs was favoured in Belgium, the Czech Republic, Estonia, Lithuania and Germany. The Netherlands showed nearly equal values for both

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\(^{16}\) The influence of this factor could not be established accurately due to a lack of data.

\(^{17}\) Austria, Belgium, Cyprus, the Czech Republic, Estonia, Finland, Germany, Hungary, Italy, Lithuania, the Netherlands, Poland, Romania and Slovenia took part in the DIALOG but the questionnaires slightly differed per country.
measures, with a slight preference for raising monthly contributions. Some countries (Finland, Romania and Estonia) showed a preference for an increase in the retirement age to safeguard pensions. Reductions in pension amounts and compulsory financial support from children to aged parents had only very low acceptance levels.

Job situation and reasons for retirement
A cross-country and gender analysis of the current job situation of older workers in several European countries based on SHARE 2004 data unveils a strong heterogeneity between countries. This is clearly due to institutional differences and social norms (Börsch-Supan et al., 2005, p. 240).

A classification into retired, employed/self-employed, unemployed, permanently sick or disabled, homemaker and other (details in Annex 3) shows that the Nordic countries (Sweden, Denmark) show high levels of employment into older ages with nearly non-existent numbers of homemakers. High employment into old age also prevails in Switzerland, but with a higher share of homemakers and the highest employment rates for the 65-69 year age group. Total employment of workers aged 60-64 years was highest in Sweden (56%), Switzerland (45.6%) and Denmark (33.9%), in the 65-69 years age group in Switzerland (12.1%).

Mediterranean countries (Spain, Greece, Italy) as well as the Netherlands have large portions of (mostly female) homemakers and medium levels of employment (between 20 and 30%) and retirement rates in early old age. Italy shows much lower employment but high retired rates (64.1%). In the age group of 65-69 years, employment rates go down but remain quite high for Greek

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18 Austria, Denmark, France, Germany, Greece, Italy, the Netherlands, Spain, Sweden and Switzerland.
19 SHARE, Survey of Health, Ageing and Retirement in Europe, 50+ in Europe, survey data (release 1) and reports. "This paper uses data from the early release 1 of SHARE 2004. This release is preliminary and may contain errors that will be corrected in later releases. The SHARE data collection has been primarily funded by the European Commission through the 5th framework programme (project QLK6-CT-2001-00360 in the thematic programme Quality of Life). Additional funding came from the US National Institute on Aging (U01 AG09740-13S2, P01 AG005842, P01 AG08291, P30 AG12815, Y1-AI-4553-01 and OGHA 04-064). Data collection in Austria (through the Austrian Science Fund, FWF), Belgium (through the Belgian Science Policy Office) and Switzerland (through BBW/OFES/UFES) was nationally funded. The SHARE data set is introduced in Börsch-Supan et al. (2005); methodological details are contained in Börsch-Supan and Jürges (2005).", in: http://www.share-project.org/index.php?page=Accessthedata&menu=5&sub=

20 Classification current job situation as in SHARE; country-split based on welfare regimes (Esping-Andersen, 1990), see also Ferrera (1996).
males and in Italy. The Netherlands show outstandingly high levels of permanently sick or disabled persons in the 60-64 year age group which fall abruptly in the 65-69 year age group where retirement is already very high. Continental countries such as Austria and France show relatively low employment levels in the 60-64 year age group (5.9 and 12.5%), with a medium portion of female homemakers (18.4 and 19.8%) and relatively high levels of retired persons (80.8% and 68.0%). Retirement vanishes in older age groups and most people are retired (or homemakers). Germany is similar, with higher levels of employment (60-64 years: 23.3%), less retired, more unemployed and also a large portion of homemakers. Older age groups in all three countries are pretty similar.

Within the reasons for retirement (details see Annex 4) eligibility for public pension ranked particularly high in Greece (67.5%), Austria (64.1%), Italy (60.8%) and Switzerland (60.0%). Together with eligibility for private occupational schemes — highest values in Denmark (13.1%) and Italy (12.5%) — pension eligibility was the main reason for retirement. Private pensions (with the exception of men in France) played virtually no role. Early retirement options were used in the Netherlands (where nearly 40% of all male workers chose this option), Germany, France and Sweden.21 Being made redundant as reason for retirement was not mentioned very often, with the exception of Danish (20%) and Spanish male (9%) respondents. “Ill health of relatives and friends” and “retire at the same time as spouse/partner” had no great importance either, but “spend more time with family” was often named by female respondents (10 to 15% in Italy, France, Denmark, the Netherlands and Germany). Denmark had the largest number of respondents that retired to enjoy life (13.4%). Health reasons for retirement (“own ill health”) were particularly high in Sweden (27.6%) and Denmark (26.7%), but also for Austrian and German men and Spanish women. The highest value was measured for women in Sweden (30.4% — nearly a third).

21 Interestingly, Austrian response to this question was low although social security statistics indicate otherwise (OECD, 2005, p. 79)
Health status and retirement decision

How do health status and retirement relate? A comparison of healthy individuals and their current job situation (Börsch-Supan et al., 2005, p. 239) reveals that in some countries (Austria, France and Italy) large numbers of healthy individuals are already retired while they still could be active on the labour market. These huge “unused” labour capacities are normally part of family and social networks that provide necessary services (looking after grandchildren, old age care), thereby creating an economic value of sizable magnitude (compare Börsch-Supan et al., 2005, p. 23).

How do “health status” and “own ill health as a reason for retirement relate”? A cross tabulation of health and health as a reason for retirement (see Annex 5) shows a similar distribution for “selected retirement reason own ill health” with a remarkable number of retirees in fair and good health conditions. This indicates that there is obviously not always a connection between (generally reported) health and retirement for health reasons.

Full time and part time employment of older workers

Persons aged 55-64 – if working – are more often part-timers than the younger age groups (Annex 6). Generally, the EU-15 countries have higher part time employment than the NMS-10, which is especially visible for women. The distribution of working individuals on part and full time employment differs markedly across age groups, gender and countries. Part time employment is generally higher for working older women than for older men, with the exception of Greece, Italy and Sweden. Full time employment is usually higher for older male workers (details in Annex 7a and 7b).

In the 60-64 years age group part time work (defined as less than 30 hours per week) is high for women in the Netherlands (72.2%), women in Switzerland (49.9%), in Poland (47.5%), and women in Germany (40.5%). The highest full time employment for men was found in France where all working males in this age group are full time workers. It is also very high for German, Danish, Swedish, Austrian and Swiss men. Greece shows similar shares for part time and full time work for women and men.

In the 65-69 age group, as compared to the lower age group, some countries show reductions in full time employment (such as Germany, Spain, Sweden, Switzerland, Hungary and Poland) while others show increases (i.e., those that continue to work are in full time). Reductions in the share of full time work (and therefore increased part time work) were found for women in Austria, Germany, Hungary, Latvia, Poland and Switzerland as well as for men in Denmark, Germany, Greece, Hungary, Italy, Latvia, Poland and Sweden. Yet, all workers
in France aged 65-69 work full time, as do female workers of that age group in Italy and Greece. However, some of the differences can be also the cohort effects.

Usually, countries with high exit ages (Sweden, Spain, Denmark) show increases in part time work from age groups 60-64 to 65-69 years. In Austria, France and Greece —where exit ages are relatively low— we find decreases in part time work. Although not completely consistent, these findings suggest that part time work as form of gradual retirement could be an important feature in extending working life.

Job and working conditions of older workers

The following indicators measure the satisfaction of older workers with their job and are thus important influential factors on individual retirement decisions (details in Annex 8). Job security is perceived to be relatively poor in the Netherlands for age groups 60-64 and for ages 65-69 in Sweden, Italy and Greece. General job satisfaction is high throughout all countries (with slightly lower levels in Greece and France) and earnings are seen as adequate by two thirds of the respondents. Spain, France and Germany have split opinions on earnings.

While many Italian workers aged 60-64 years and Greek workers aged 65-69 years find their jobs physically demanding, French respondents and older workers from the Netherlands did not think so. Time pressure due to heavy workload was strong for 60-64 year old Germans and for older Greek workers. French (60-64) and older Danish and Swiss workers were not pressurized by their workloads.

While workers in Spain and Austria perceived little freedom to decide how to do their work, most others make their own work decisions. Support in difficult situations was high in most countries, with the exception of Italy where older workers lacked support. Opportunities to develop skills were high in Sweden and Switzerland, the Netherlands and Denmark and most of the older European workers received recognition for their work. Yet, prospects for job advancement for older workers were mostly poor.

Expectations of older workers in Europe

Expected changes in pensions and retirement ages, as well as in standards of living, also influence exit decisions, by either prolonging older workers’ work life (more contribution months to compensate for expected pension losses) or reducing it (quitting as soon as possible to avoid expected negative impacts of future reductions — for details see Annex 9).
While most of the older workers think that *reductions in pension payments* or *increases in retirement age* before their own retirement are quite unlikely, older workers in Austria, Sweden and the Netherlands expect such reductions and longer work lives.

Opinions on the development of the *standard of living* are a little confusing. While a majority of older workers does not expect much amelioration within five years, (another) majority does not expect much worsening within the same time horizon. A third of the older workers expect worsening of living standards in Austria, France, Germany and the Netherlands while a fifth of the older workers in Denmark, Greece, Spain and Sweden thinks that their situation will improve.

*Work opportunities after retirement*

The status *working while retired* reflects opportunities in different pension systems as well as economic necessities, social norms and job opportunities for older workers. While there is only a low but positive correlation between *working while retired* and job opportunities for older workers, the correlation is positive and stronger for pension wealth and poverty risk.

The share of older workers in retirement that still do paid work (or were only temporarily away from such work) was found high in Greece (13.7% of all people in this country) and Switzerland (10.3%). Whereas motivation in Greece seems to come from a high old age poverty rate and a relatively high level of job opportunities for older workers, Swiss workers seem to face relatively low pension wealth (details see Annex 10).

The lowest levels of retired but active workers for all workers over 50 years were found in France, where job opportunities after retirement were perceived as very high and pension wealth was the third lowest within the surveyed countries. This either reflects the generally low employment rates of older workers or the strong French preference for early labour market exits.

### 5.4. Examples of recent policy reforms: From early retirement to flexible retirement

In recent years some Member States introduced flexible retirement ages or a legal basis for deferred retirement combined, respectively, with incentives for a later retirement. Since the retirement decision is not solely influenced by the legal retirement age but also by possibilities for retiring before the standard age, these reforms are often combined with a tightening of early pension regulations. With the 2005 reform *Finland* introduced flexible retirement ages between the
ages of 62 and 68. Previously the legal retirement age to reach a standard pension was 65. At the same time continued work has been rewarded through notably accelerated accrual rates for additional years of work. Though still possible to a certain extent early retirement was discouraged through financial disincentives. At the same time the conditions for early retirement were tightened: Certain types of pre-retirement pensions —such as an unemployment pension which allowed early retirement at the age of 60 years— have been abolished, disincentives to later retirement were reduced and the age limit for part time pension was increased from 56 to 58 years.

With the 2004 reform the Austrian government introduced flexible retirement ages with the so-called “corridor-pension”. This allows retirement between the ages of 62 and 65 with a monetary deduction for each year of retirement before the standard age of 65 and an equivalent actuarial addition for each year of retirement beyond the standard age up to 68 years. The statutory early retirement age had already been raised by 1.5 years from 60 to 60.5 years for men and from 55 to 56.5 for women with the 2000 pension reforms. In 2003 certain types of early pensions —such as the early retirement due to long insurance affiliation— were abolished. The relevant regulations will be phased-out until 2017.

As of 1 July 2004 Denmark introduced rules on deferred pensions (affecting the first pillar of the Danish pension system). Persons who have reached the public pension age of 65 (previously 67) and who participate actively in the labour market may choose to defer their public old-age pension and so increase their current public old-age pension by a supplement for deferred pensions. This was implemented in order to make retirement ages more flexible. In Denmark the standard retirement age can be avoided by opting for the so-called VERP (Voluntary Early Retirement Pension), a scheme introduced in 1979 to disburden the labour market and to create more job opportunities for younger unemployed. A 1999 reform increased the required period of membership of the unemployment benefit scheme to 25 years, introduced an explicit contribution to the VERP scheme, and made VERP less favourable for people with large supplementary pensions.

In order to discourage early retirement most Member States tightened or abolished relevant regulations. With the 2004 reform in Germany (Sustainability Act) age limits regarding early pensions (because of unemployment or part-time working) were increased and abolished respectively (dependent on age-groups). At the same time certain measures were implemented in order to reduce benefits for early retirement. Furthermore there are incentives towards deferred retirement. Retirement before the statutory standard age-limit (at 65) leads to percentage reductions from the amount of pension emerging from the usual
pensions formula, while shifting retirement beyond the statutory standard age-limit is rewarded with a percentage pension bonus.

Flexible retirement is not only conditioned by flexible retirement ages and/or incentives for later retirement. In addition older workers need opportunities to work under age-related conditions. Work time reduction can be essential in order to encourage older workers to stay in the labour market. Such flexible working arrangements exist for example in Sweden, where flexible retirement ages and possibilities to continue working while taking a partial pension (25%, 50% or 75% of the full pension amount) facilitate a gradual reduction of working hours. Many Member-States —such as Germany, Finland and France— provide part-time work below their statutory retirement ages. In Germany one can work part-time while drawing one-third, one-half or two-thirds of the pension. The extent of allowed wage earning activities while drawing a part-time pension is defined. Finally, maintenance of employability, human capital and skills, as well as the capacity of work are important levers in order to increase the labour market participation of the elderly. Most Member States focus on lifelong-learning strategies in order to maintain the skills of the whole working population and especially to promote the employability of elderly workers.

References


DIALOG, 5th framework project of RTD, www.bib-demographie.de/ppa/Main.htm


SHARE, Survey of Health, Ageing and Retirement in Europe, 50+ in Europe, survey data (release 1) and reports, in: www.share-project.org

Annexes: See separate file.
Box 5.1. Potential factors influencing the prolongation of working life

**Factors influencing early retirement / the prolongation of work life span**

- Stockholm target: 50% participation 55-64 yrs.
- Barcelona target: plus 5 years (until 2010)

- population ageing & sustainability of social systems
- general economic development
- human capital
- years of schooling
- years of labour force participation / contribution
- social security system:
  - limit access to disability
  - raise retirement age
  - early retirement provisions
  - unemployment benefits
  - actual retirement patterns
- retirement age: statutory & actual
- worker’s expectations and attitudes on retirement:
  - expected replacement rate (all pension incomes)
  - expected retirement age
  - life expectancy
- health
- possibility of reduced working hours and part time
- employment opportunities close to / after retirement
- general labour market situation:
  - employment rate
  - unemployment rate
  - labour surplus/shortage/migration
- actual pension policy:
  - increase participation rates
  - flexible retirement / prolong work life
- attitude toward older workers (firms & governments):
  - wage setting practice
  - age discrimination
  - working conditions
  - (re)training
  - job mobility
  - job security

**RETIREMENT DECISION**

- 60 - 65 (age) male / 50 - 65 female 38 yrs. (Imp) 30 yrs. (falling) (rising)

**source:** IHS; data mentioned for EU15 + NMS

age = range of actual retirement age
Imp = years of labour market participation (and trend)
Part 2

Population related policy issues
1. Trends in population policy perceptions: Governments

Gijs Beets

1.1. Highlights

- Recently (2003 to 2005) only Belgium, Denmark, Romania and Sweden did NOT make any change in their perceptions on population issues and policies. All other Member States (plus AC and CC) made one or more changes in their perceptions.
- Currently EU-15 Member States in general view the rate of population growth as ‘satisfactory’ and NMS-10 as ‘too low’; EU-15 has a policy of ‘no intervention’, while NMS-10 develops or has a policy to raise the population growth rate.
- Population ageing faces major concern.
- The fertility level was seen as satisfactory but increasingly as ‘too low’. Therefore there is a shift from ‘no intervention’ to a raising strategy.
- Also the mortality level faces increasing concerns.
- The level of immigration is in general satisfactory; in 2003 more countries were concerned about the high level.
- The level of emigration is also satisfactory and ‘no intervention’ is the general policy.

1.2. UN surveys on policy perceptions

This Chapter focuses on the official governmental perceptions with respect to specific population issues, based on UN reports. In 2005 the UN Population Division released a new report providing overviews of population policies and dynamics for each of the United Nations Member and non-member States for which data are available at mid-decade for the 1970s, 1980s, 1990s and for 2005 (United Nations, 2005). In the following section also the results of the 2003 survey is included in order to see possible recent changes in perceptions. The initiative to monitor population policies originated at the World Population Plan of Action adopted at the 1974 UN World Population Conference in Bucharest. It means that perceptions from before the 1970s do not exist.
The core information included in the monitoring of population policies encompasses government perceptions of population size and growth, population age structure, and of the demographic components of fertility, mortality and migration which affect them. For each of these variables, governments are invited to indicate whether levels or trends are viewed as significant policy issues, and whether prevailing levels or rates of change are seen as too high, too low or acceptable/satisfactory in relation to other social and economic conditions.

Moreover government can indicate whether they developed specific policies with respect to influence each of the variables: is the policy of the Government to raise, lower or maintain the current level of the variable?

1.3. Results

HIV / aids stands out as the number one most significant population issue in the world: 88% of the governments in the developing world and 79% of the developed countries considered this infection as the most pressing population and development issue. However, contrasted to the developing world where high mortality of infants and children as well as maternal mortality stands out as the next most significant population issue, even before high population growth rates, high fertility and low life expectancy, the developed countries including those in Europe are mainly concerned –next– about low fertility, population ageing, and migration. See Box 1.1 for an overview of the most significant population issues.

Both the developing and the developed world are also concerned about the working age population. However, in the developed countries the main issue is the large influx of young people into the labour market due to high fertility, whereas the developed world is mainly concerned about shortages on the labour market due to low fertility and population ageing.

Over the past decades European governments have been rather satisfied with the rate of population growth, however, most recently there is a shift to the view that the rate is ‘too low’, more so in NMS-10 than in EU-15 (Table 1.1). Also the two Accessing Countries –both Bulgaria and Romania had negative natural growth rates as well as net emigration in 2004-2005– see the rate of population growth as ‘too low’, as well as one (Croatia) of the three Candidate Countries. In EU-15 Austria, Greece and Italy labelled, in 2005, the population growth rates as ‘too low’. Both for Austria and Italy this is a change in the perception, coming from ‘satisfactory’ in 2003, while Portugal and Spain changed from ‘too low’ in 2003 to ‘satisfactory’ in 2005. In NMS-10 Malta expressed the view
‘satisfactory’ already for decades, while Slovakia joined in 2005 for the first time.

It does not come as a surprise then that most of the countries do not develop policies ‘to intervene’ in the population growth rates. Member States that are satisfied with the population growth rate in general say ‘no intervention’, while Member States that label the growth rate as ‘too low’ develop or have policies in order to raise the rate. Austria, Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Italy, Lithuania, Romania, and Slovenia say both ‘too low’ and ‘raise’.

Population ageing is of ‘major concern’ to most European governments (75%).

Focussing on the European Union: only Finland (in 2003), Latvia (in 2005), Luxemburg (in 2003 and 2005), Malta (in 2005), Spain (in 2005) and Turkey (in 2003 and 2005) indicated to be concerned in a ‘minor’ way. In Europe no single country used the label ‘no concern’.

In general European countries were, in 1976, satisfied with the fertility level (76%) and applied policies of ‘no intervention’ (52%). However by 2005, the majority (65%) perceives the fertility level as ‘too low’ and 51% develops or has policies to raise the level. EU-15 more clearly follows this general pattern. All single NMS-10 countries see the level as ‘too low’ (including Cyprus and Malta) and aim at raising the level (except Malta and Poland). Belgium, Denmark, Macedonia, the Netherlands, Sweden and the United Kingdom answered in the survey ‘satisfactory’ and ‘no intervention’, while Germany, Malta, and Poland answered ‘too low’ and ‘no intervention’.

The mortality level is acceptable to most European governments, although more recently a few shifted to ‘unacceptable’. Within the Union (+ AC + CC) Bulgaria (in 1996 throughout 2005), Estonia (in 2005), Finland (in 2005), Hungary (in 1996 throughout 2005), Latvia (in 1996 throughout 2005), Macedonia (in 1996 throughout 2005), the Netherlands (in 2005), Poland (in 1996 throughout 2005), Romania (in 1996 throughout 2005), Slovakia (in 1996 and 2003), Slovenia (in 2005), Turkey (in 1976 throughout 2005 with the exception of 2003), and the United Kingdom (in 1976 throughout 2005) recently mentioned to see the mortality level as ‘unacceptable’.

The level of immigration is in general seen as ‘satisfactory’. By 2003 quite a few Member States perceived the level as ‘too high’ but several changed their view. The Czech Republic answered in 2005 that the immigration level was ‘too low’

22 However, that probably was the former German government, as the Merkel administration is developing a policy of intervention.
(and they wanted to raise the level); Cyprus, Denmark, France, Italy, the Netherlands and Turkey saw the level as ‘too high’ and wanted it ‘to lower’. Portugal and Spain changed from ‘too high’ and ‘lower’ in 2003 to ‘satisfactory’ and ‘maintain’ in 2005, while the United Kingdom changed from ‘too low’ and ‘raise’ to ‘satisfactory’ and ‘maintain’.

Also the level of emigration is generally seen as ‘satisfactory’. Croatia, Macedonia, Romania, and Spain expressed in 2005 concerns about the ‘too high’ level and aim at a strategy to lower the streams.

References

Box 1.1. Major population concerns of governments in 2005, issues of significance to at least half of the governments, by level of development

<table>
<thead>
<tr>
<th>Region</th>
<th>% of governments reporting its significance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>World</strong></td>
<td></td>
</tr>
<tr>
<td>• HIV / aids</td>
<td>86</td>
</tr>
<tr>
<td>• Infant and child mortality</td>
<td>72</td>
</tr>
<tr>
<td>• Maternal mortality</td>
<td>69</td>
</tr>
<tr>
<td>• Size of working-age population</td>
<td>66</td>
</tr>
<tr>
<td>• Adolescent fertility</td>
<td>59</td>
</tr>
<tr>
<td>• Low life expectancy</td>
<td>57</td>
</tr>
<tr>
<td>• Population ageing</td>
<td>52</td>
</tr>
<tr>
<td>• Patterns of spatial distribution</td>
<td>50</td>
</tr>
<tr>
<td><strong>More developed regions</strong></td>
<td></td>
</tr>
<tr>
<td>• HIV / aids</td>
<td>79</td>
</tr>
<tr>
<td>• Population ageing</td>
<td>76</td>
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<td>• High rates of population growth</td>
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Table 1.1. European Governments, EU-15, NMS-10, AC-2 (Bulgaria and Romania) and CC-3 (Croatia, ‘Macedonia’ and Turkey) (percentages; in yellow percentages of 50 or over; in between brackets number of countries):

1. Views on the rate of population growth, 1976-2005

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2. Policies on the rate of population growth, 1976-2005

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6. Views on the acceptability of the mortality level, 1976-2005

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2. Which policy measures might be effective for raising fertility? Evidence from the DIALOG project*

Ingrid Esveldt and Tineke Fokkema, NIDI

2.1. Introduction

Nearly all over Europe the Total Fertility Rate is well below the so-called replacement level (2.1 children per woman) and in the past decade fertility dropped to very low levels (below 1.3) in most Central Eastern and Southern European countries. As a consequence the ageing of the European population is reinforced and population decline will occur in due time. These demographic developments have significant social and economic impacts. A smaller and older workforce not only poses challenges to economic growth but may also lead to shortages of care providers and may jeopardize the affordability of pension systems and health care services.

Increasingly, national governments and the EU become aware of the impacts of long-lasting low fertility and search for solutions to counteract unwanted effects. Several options have been brought forward in the past such as policies to increase fertility levels, to increase immigration of the working-age population, and/or to reform social policy in general, like raising the retirement age or encouraging more women to enter the workforce (Grant et al., 2004). This contribution will address the question to what extent family policies may have an impact on fertility.

As was shown in the previous chapter, according to a recent survey among governments, most European governments consider their fertility level as too low, but not all of them promote pronatalist policies to raise the fertility level in their countries. In 2001\textsuperscript{23}, 12 out of the 29 responding European governments reported to have policies aimed at raising the birth rate (United Nations, 2001), most of them former socialist countries.

* This contribution is based on Esveldt & Fokkema (2005).

\textsuperscript{23} The year nearest to the survey year of most countries participating in the Population and Policy Acceptance Survey, on which this chapter is based (see next footnote).
The most important reason for this attitude is probably that governments are reluctant to intervene in the personal life of people and in their decisions on the number and timing of children. Moreover, there is scepticism on the effectiveness of policies when it comes to influencing fertility behaviour. From the literature it has become clear that family policies may have a positive effect on fertility levels (see for example Gauthier, 2001; Gauthier & Hatzius, 1997 and Grant et al., 2004). Except unambiguous evidence of the impact of some family policy packages in the past (like the restriction of abortion in October 1966 in Romania and the introduction of a wide variety of financial incentives in 1976 in former East Germany), scientific results are often undecided, contradictory with other studies, or disputable because they are based on too simple models that do not justify complex societal situations (Gauthier, 2001). While some policy measures appear to be effective in some countries, similar policies introduced in other countries or in other years did not affect fertility substantially. Several studies also showed that the impact was mainly on the timing of fertility rather than on the ultimate family size, which raises the question whether people actually want to increase their family size. The increase of childlessness seems to indicate that the value of parenthood and having children has lost significance. Also it is often argued that younger generations wish to have fewer children because they increasingly attach more value to achieving other goals in life, like a professional career, hobbies and friends.

But are Europeans nowadays less child-oriented? What are the major goals in life and to what extent do people perceive these goals to compete with having children or larger families? Which factors determine the wish for a(nother) child? Are Europeans satisfied with current policies such as on child allowance and parental leave schemes? And if governments would take action to raise fertility, which family policy measures do Europeans prefer and to what extent do they think that these measures will lead to a change in their own fertility behaviour?

Using data from the recently concluded DIALOG project, this contribution aims to address these issues, focussing on values in life and motivation for

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24 The DIALOG project, financed by the EU, addresses policy-relevant issues using the Population Policy Acceptance Survey (PPAS), an international data base containing data of national surveys conducted between 2000 and 2003 in 14 countries: Austria, Belgium (Flanders), Cyprus, the Czech Republic, Estonia, Finland, Germany, Hungary, Italy, Lithuania, the Netherlands, Poland, Romania and Slovenia. PPAS is unique in several respects. First, by covering a large number of European countries it is possible to examine similarities
Which policy measures might be effective for raising fertility? 

parenthood, on planned fertility, on preferences for family policy measures and on effects of family policies on fertility outcomes.

2.2. Values in life

Europeans attach much more importance to values related to relationships (“living with your partner in harmony” and “providing security to people close to you”) than to values related to personal and social success and respect (“being appreciated and respected outside the family”, “striving for self-fulfilment”), equality between men and women, and having enough time for themselves, their hobbies and friends. Two other values which appear to be very important for the majority of Europeans are “having enough income/money” (especially in the Czech Republic, the former East Germany, Lithuania, Hungary, Poland and Slovenia) and “being satisfied with your job” (especially in the former West Germany, Estonia, Cyprus and Finland).

Despite the high degree of similarity, some inter-country variation exists in the ranking of goals in life. To some extent this variation refers to country-specific circumstances. Housing shortage, for instance, is a major problem in Hungary and Poland and it is therefore not surprising that the PPAs data show that good housing ranks high in these countries.

In addition to regional differences, noticeable variation between socio-demographic groups is observed. Individualism (measured by ‘post-materialistic’ goals like “striving for self-fulfilment”, “having enough time for yourself and your own interests” and “having enough time for friends”), for instance, is especially adhered to by the younger generations (20-29), by those who do not live with a partner and by childless people. Values related to relationships (like the equally post-materialistic goal “living with your partner in harmony” as well as the materialistic goal of “providing security to people close

and dissimilarities across countries. Second, PPAs includes countries of both Central Eastern and Western Europe, experiencing very different fertility patterns in the past. As fertility was part of the core questionnaire in all the participating countries, PPAs covers a wide range of child-related topics. Although a number of topics are also included in other international surveys (like the value of children, intentions to have children, reasons for not wanting another child, preferred family size, and preferences for family policy measures), other topics are new (like the ideal number of children in order to achieve specific goals of life, and the perceived impact of hypothetical family policy measures on the respondent’s own fertility behaviour).
to you”), on the other hand, are significantly more valued by women, by parents and by people who live with a partner.

Parenthood is often supposed to be an obstacle to achieve other goals in life. This could be the reason why people increasingly decide to have no or only a few children. PPAs results, however, indicate that most Europeans consider that the number of children is irrelevant for the realisation of other goals in life. In addition (excluding those who do not see a link with family size), only a minority of Europeans think that having children is incompatible with fulfilling other goals in life.

Values that turn out to be most competitive with having children are the materialistic value “having enough income/money” (this is especially the case in Estonia, Italy, Lithuania and Poland) and the post-materialistic value “having enough time for yourself and your own interests” (especially in the Czech Republic, Lithuania, Hungary and Poland). However, it should be noted that only a relatively small proportion of the people state that the value “time for oneself” is very important to them personally.

Again excluding those who state that they see no link between the number of children and the realisation of other goals in life, most Europeans state that the preferred number of children which is compatible with important values in life is two. This does not only hold for those who already have children. Although the ideal number of children in order to fulfil other life goals is clearly lower among childless people who do not wish to have children than among child-oriented people, no significant variation exists between currently childless people with a wish for children and parents.

Since the ideal number of children (in order to fulfil other life goals) clusters around the general ‘norm’ of two children, the realisation of other goals in life does not seem to be in conflict with the observed national period total fertility rates (PTFR). Compared to the completed total fertility rate of birth cohort 1965 (CTFR65), all goals in life show negative differences (that is to say the ideal number of children is lower than the observed fertility rate) in those countries with a relatively high fertility rate (the Czech Republic, Cyprus, Hungary and Poland). Positive differences, on the other hand, are especially observed in countries with a relatively low completed fertility rate (like Italy and, to a lesser degree, Slovenia).
2.3. Motivation for parenthood

Children are still highly valued by Europeans. They are especially regarded and valued as a source of private, parental, and family enjoyment (for example “I always enjoy having children near to me”, “the closest relationship you can have with anyone is with your own child”, “I believe you can be perfectly satisfied with life once you have proved to be a good mother or father”). Children are not so much considered to be an essential element in personal happiness (“I do not believe you can be really happy if you do not have children”) or an obligation towards society (“I believe it’s your duty towards society to have children”).

People in the Central and Eastern European countries (CEE) value children higher than those living in Western Europe. This is of interest, as the CEE countries observed the lowest fertility rates (PTFR) at the time of the PPA surveys. CEE inhabitants seem to attach much more importance to the value of children in relation to their own identity (“I like having children because they really need you”) and because of domestic happiness (“the only place where you can feel happy is at home with your children”). They furthermore are more often convinced that parenthood is a moral duty and that one can not be really happy without children.

The value of children seems to be more related to the transition to parenthood, either realised or expected, rather than to family size. Childless people value children less than parents, especially when they do not have a wish for children, and only small differences are found between parents according to the number of children. In addition, higher values of children are observed among younger age groups and childless single people (perhaps because of idealising family life?), mothers, inactive people, lower-educated people, and those for whom religion is important in life.

2.4. Fertility intentions

Although most people highly value children, intentions to have a(nother) child are not very high. Poles and Lithuanians are least inclined to have (more) children (32% indicate to have plans for (further) extending the family) while Cypriots seem to be most child-oriented (70%). About one in five Europeans doubts about having (more) children (18% among childless people, 20% among parents).
The level of intended fertility is of course low for those parents who already have reached their preferred family size. Fertility intentions of childless people generally are higher, varying from 46% of them having the intention to get children in the former West Germany to 91% in Cyprus.

Intentions of childless people rapidly decline with increasing age. For those aged 20-29, the percentages vary from less than 60 in the former West Germany and Poland to over 90 in Cyprus and Hungary. Intentions among respondents in their thirties drop to 27% in Poland, and 31% in the former West Germany and the Czech Republic. Cyprus again is highest (88%). The rather steep decline shows that childless people mainly consist of two different groups: those who are young and intend to start a family in the near future, and older people who either cannot have children or (more often) do not wish to have children.

Besides younger (still) childless people, also women, those with a partner, a full-time job, or a higher educational level are more inclined to have children in the future. Also lifestyle plays a role: lower fertility intentions are observed among those who indicate that having enough time for oneself is important, as well as living in a nice house, or among those who indicate that it is very important that both partners earn their own income. While those who highly value striving for self-fulfilment, providing security to people close to themselves, or living in harmony with their partner are more likely to want another child.

Intentions of parents vary from 16% (in the former East Germany) to 55% (in Cyprus). Especially parents with one child have additional intentions (23 to 81%). Intentions drop quickly with higher family size, in all countries.

Intentions of parents also decline with increasing age. In addition, fathers, and parents with a youngest child below 6 years of age, those who live with their partner, have a high educational level (compared to those with a medium level), or think that religion is important, are more inclined to have another child. Values in life that have a positive impact on parental intentions are “living with your partner in harmony” and “striving for self-fulfilment”. Parents who attach importance to being appreciated and respected outside the family, less often say they want an additional child.
2.5. Reasons for not wanting another child

Most parents already have all the children they want, and that is for them the most important reason for not wanting any more children. In those countries where parents are least inclined to have additional children (less than 20% in the former East and West Germany, Poland, Belgium (Flanders), Romania, and Lithuania), all (except Belgium (Flanders)) report that they do not want any more children because they are worried about the future as well as because they fear that another child would cost too much. This combination of future worries and costs of children suggests that a problematic personal financial situation and poor prospects together form an important factor that discourages parents to have more children.

Among childless people, being single is the main reason for having no intentions to have children. This implies that once they have found the right partner they may change their intentions. The percentages mentioning this reason vary from 16 (Lithuania) to 56 (Hungary), with 21 in Poland and the former West Germany, and 33 in the former East Germany. Furthermore, childless people are, like parents, concerned about the future of their children, but they are more worried about their standard of living and their professional activities than about the costs of children. Moreover, they have concerns about not being able to enjoy life as much when children have arrived.

2.6. Expected number of children

Based on the respondents’ statements, the ultimately expected average number of children ranges from 1.39 in the former West Germany and 1.41 in the former East Germany to 2.34 in Cyprus. Estonia (2.05) and Hungary (2.01) come close to the replacement level.

There is, however, a difference in the ultimately expected number of children between parents and childless people. If parents are successful in realising the

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25 The ultimately expected number of children is the current number of children plus the additional intended number of children (mentioned by the respondent) at the time of the survey. Current pregnancies are counted as a child. For respondents who say they do not know yet whether they want a(nother) child, the current number of children is used to compute the mean number of children (intended number of children is 0 then). Consequently, as people who have doubts may change their mind in the future, the ultimately expected number of children given here is the lower limit.
number of children they plan to have, then the average completed number of children would be around or above replacement level in all the participating countries, except in the former East Germany (1.81). The expected number of children among parents in the other countries varies from 2.01 in the former West Germany to 2.86 in Cyprus.

Young (20-29) childless people have low expectations, well below the final number that parents plan to have and so below the replacement level (except in Estonia). Especially in Poland the expected number is very low (1.18). One should keep in mind however that these figures represent a lower limit as the group who says not to know yet whether they will have children, may decide to have children in the future. Many of them are (still) single, and may change their mind when they have a partner.

2.7. Childlessness versus large families

In general, having a family is more popular in the CEE countries than in Western Europe. Childlessness clearly is much less preferred in most CEE countries (6-13%) than in Western Europe (20-32%). This is a major difference between the eastern and western parts of Europe, with the exception of Poland and the former East Germany, where like in the west more than one in five people wish to remain childless. Other exceptions are the low shares of people preferring not to have children in the Southern European countries Cyprus (3%) and Italy (11%).

Relatively high shares wanting a large family (three or more children) are observed in Cyprus, but also in Finland, Poland, Hungary and the Netherlands. This share is particularly low in Germany, which (jointly with childlessness) explains why family sizes are relatively low there.

In most countries the two-child ‘ideal family’ is popular among a large majority. Among (still) childless people this is less frequent, but still the norm; also intentions to have a large family are lower among the (still) childless.

2.8. Preferences for family policy measures

In general, Europeans are not very satisfied with the current schemes of child allowance. While in most DIALOG-countries the amount of child allowance does not vary with the family income and/or rank/number of children (the higher the
Which policy measures might be effective for raising fertility?

rank of the child or the larger the family, the higher the benefit), the majority of respondents prefers a means-tested scheme with a benefit level independent of family size. In addition, a large share of CEE citizens in general and the less educated in particular are not satisfied with the amount of child allowance they receive, which they evaluate as too low.

A large majority of Europeans, however, is satisfied with the current duration of parental leave. This holds for all the DIALOG-countries. The highest shares of people evaluating parental leave as too short are observed in countries where relatively brief leaves –between 5 and 8.5 months– exist (such as the Netherlands, Slovenia and Finland).

Improving existing family policy measures or introducing new measures would be welcomed by an overwhelming majority. In a few countries specific policy measures do not receive much support, such as child care facilities for school-going children (Estonia), an allowance at the birth of each child and better housing for families with children (the Netherlands), and a substantial decrease in the costs of education (Finland).

The three most supported (potential) family policy measures are improved parental leave arrangements for working women, lower income tax for people with dependent children and more and better opportunities for parents with young children to work part-time.

Clear East-West differences exist in preferences for specific family policy measures. While financial incentives for people with children receive strong support in the Eastern countries, measures to make work and family life more compatible and the extension of child-care facilities are more often preferred in the Western countries.

Younger people are more often in favour of financial incentives and this also holds for people with a lower to medium level of education, for parents in general and specifically for those with three or more children, and for people without paid employment. Leave and work arrangements and child-care facilities, on the other hand, receive more support from childless people, from women and single parents and, in case of child-care facilities, from parents with only one or two children.

When people are asked to rank the proposed policy measures, the highest priority is given to financial measures (especially a lower income tax for people
Part 2 – Chapter 2

with dependent children, a substantial rise in child allowance and an income-dependent allowance for families with children, both in the Eastern and Western parts of Europe. Only childless people in the former West Germany, the Netherlands, Austria and Finland give a higher priority to compatibility measures and child-care facilities.

2.9. Perceived policy effect on fertility behaviour

During the interview the respondents were confronted with four statements asking about the expected impact on their reproductive intentions and behaviour from the introduction of new or improved family policy measures preferred by them (It would be easier for me to have the number of children I intend to have; It would enable me to have my next child sooner; I would reconsider the possibility of having a(nother) child, and I would probably decide to have a(nother) child).

The data show that new or improved family policy measures may have a potential effect on fertility behaviour, especially where it concerns fertility changes which have the least far-reaching consequences for people’s personal life (“easier to have intended number”). Among people intending to have (more) children, 47 (Italy) to 85% (Estonia) agree with the statement that introduction of preferred new or improved measures would make it easier for them to realise their desired family size. When people express that measures preferred by them would have an impact on the timing of their child, the percentages vary from 9 (Italy) to 65 (Slovenia and Estonia). Among people who do not want a(nother) child or who have doubts, between 11 (Italy) to 44% (Estonia) would reconsider their earlier decision after the implementation of their preferred policies, and 2 (Italy) to 35% (Estonia) indicate that they would most likely decide to have a(nother) child.

In general, CEE citizens perceive stronger potential impacts of new policy measures than other Europeans. The main exceptions are Hungary when it concerns family size and the timing of children, and Romania for family size. Inhabitants of Italy, Austria and the Netherlands perceive lesser possible effects on fertility.

The differences between parents and childless people are rather small or even non-existent. The only exception is observed with regard to the perceived effects on the timing of children. In all countries (except Slovenia, the (former) East and
2.10. The potential impact of policies

An interesting finding is that among parents, those with one child are more likely to reconsider or change their behaviour based on new or improved policy measures, especially in Lithuania, Poland, and the former East Germany. In most countries, no significant difference exists between families with two or three (or more) children. Thus, there seems to be scope for policy measures targeted at single-child families.

Another observation is that financial measures seem to be most in need in a majority of countries, followed by improved parental leave arrangements. If the focus is limited to the priority mentioned first by respondents, the Romanian and Slovenian respondents prefer improving parental leave schemes and the Polish to lower income taxes for families with dependent children. In Finland the highest priority is an allowance for people who wish to care for their children full-time, and in the Netherlands a substantial increase in child allowances ranks first. In Germany the different attitudes in the eastern and western part of the country needs to be taken into account. In the Eastern part higher child allowances are most preferred while in the Western part a mixture of allowances for care-taking parents and lower income taxes ranks first.

A combination of different measures is also most preferred in the Czech Republic, Lithuania, Hungary and Austria. Both in the Czech Republic and Lithuania respondents have a preference for lower income taxes and better parental leave. The Austrians also opt for improved parental leave, but in combination with allowances for care-taking parents. In Hungary a combination of better housing for families with children and a substantial rise in child allowances ranks highest among the individual preferences.

It should be stressed that the policy measures mentioned above are ranked according to the perceived impact on fertility as indicated by the respondents; it goes without saying that the actual impact may be different from these individual perceptions. Nevertheless these outcomes may serve a useful role in the ongoing policy debate, also as they are illuminating the existing diversity in preferences across countries and segments of the respective populations.
2.11. **Potential impact of policy measures on the overall fertility level**

As mentioned before, 2 to 35 per 100 persons could be influenced by policy measures which they themselves identify as high priority, and could then have a(nother) child. The corresponding overall effect on total fertility would then range from 0.01 (Italy) to 0.27 (Lithuania) children, i.e. a rise of 1 to 27 children per 100 women. When interpreting these results one should keep in mind that attitudes and intentions do not give an exact estimate of (future) fertility levels. However, indicating that one might decide to have a(nother) child if preferred conditions would be met is revealing per se.

2.12. **Conclusion**

What lessons can we learn from the PPAs findings? The results indicate that there seems to be some potential scope for policy to change fertility behaviour, either by reversing further postponement behaviour (timing) or by increasing the number of children (size). Although the data have their limitations and the outcomes should be treated with caution, the possible ‘window of opportunities’ is as follows:

1. Europeans still highly value children;
2. Many Europeans do not perceive parenthood as an obstacle to achieve other goals in life, at least not when they have only one or two children;
3. There is a gap between desired and realised fertility;
4. A considerable number of people have doubts whether or not to have (more) children;
5. Among those without child intentions, a substantial share mentions other reasons (such as high costs of children, worries about the future of their children) than demographic (such as already having realised the desired number of children, having no steady partner) and health reasons;
6. Preferences with regard to the type of child allowance schemes deviate from current practice, i.e. a majority considers the level of child benefits as too low;
7. A considerable share of people state that their fertility behaviour might be influenced after the introduction of preferred new or improved policy measures. For example they might have an intended child sooner, reconsider an earlier decision not to have a(nother) child, or decide to have an(other) child.
Which policy measures might be effective for raising fertility?

Also, governments might consider to direct family policies on the younger (still) childless age groups and, to a lesser extent, on one-child families. Child intentions are relatively high among these groups. Furthermore, voluntarily childless people are more often found in older age groups. The main reason why young childless people may not (yet) wish to have children is because of the lack of a steady partner. Older childless people more often indicate that they do not want to have children at all.

The highest shares of people who indicate that they may change their fertility behaviour are found among childless people and parents with one child; parents with two or more children hardly show indications to change their mind. It may, however, be difficult to persuade childless people through policy measures. The decision to become a parent has far-reaching consequences (such as irreversible changes in life style and consequences for other life domains, lifelong responsibility for others) more so than a decision to have an additional child.

The data also indicate that no single family policy intervention could reverse low fertility in Europe. What may work in one country may not work in another, because of a different social and economic context and variation in family policies in the past. The same holds for different population groups within a country. It should also be noted that other than family policy interventions, such as policies to stimulate economic security, labour market policies and housing policies, may also lower the threshold for (prospective) parents to have another child. The latter seems especially to be relevant for the CEE countries.

References


3. Italy

Rossella Palomba

3.1. Highlights

- Italy’s average economic growth over the last year has been the slowest in the European Union. Estimates put the underlying budget deficit for last year, ignoring one-off measures, at 4.5% of GDP, highly above the 3% ceiling set by the euro zone stability and growth pact. The public debt stands at over 107% of GDP and is estimated at 108% in 2007. The effects of the economic decline are becoming visible now in the demographic trends.
- The family remains strong and divorce rates are relatively low. But the fact that 40% of Italians aged 30-34 are still living with their parents affects the tempo of fertility, postpones family formation and limits young couples’ reproductive behaviour because Italians start having children later than other European ones hardly without any possibility of recovering the delay.
- The country has one of the lowest fertility rates in western Europe, at an average of 1.34 children per woman, and the population is expected to shrink in the near future passing from current 56 millions to 50.4 in 2050. The increase in the fertility rate which passed from 1.27 in 2002 to current 1.34 is mainly due to migrants’ fertility.
- Population is ageing rapidly. Even though other European countries have the same trends, in Italy they have a stronger impact. In fact, what makes them worse is Italians’ low rate of labour force participation especially of women and young people. The employment rate of young people aged 20-29 years is 53.3%, and only 50.2% among those who hold a university degree. Women’s labour force participation rates are still low compared to the rest of Europe. For all Italian women, the employment rate was 34.1% in 2005.
- Last year, the centre-right Government re-introduced a ‘baby bonus’ to try to encourage families to have more children. The bonus amounts to 1,000 euros for each child and it is not means-tested. Also adopted children are entitled to the bonus. The cash bonus is meant only for Italian babies; migrants’ children are excluded.
- A referendum on easing the country’s sweeping restrictions on fertility treatment has failed to reach the 50% turnout figure necessary for it to be valid. Turnout is thought to have been affected by both a call for abstention
made by the Catholic Church —backed by the Pope— as well as general voter apathy.

- In January 2006 the Italian Senate gave the definitive approval to a new law that strengthens the access and custody rights of divorced fathers. The legislation makes joint custody of children the norm when parents split up.
- The political programme of the new centre-left Government foresees the possibility and the opportunity that unmarried homosexual and heterosexual couples be entitled to the same rights and responsibilities given to married couples.
- Nothing relevant has changed with respect to the pension system and elderly care. In fact, in October 2005, the Italian Government failed to enact the legislative bill implementing law 243/2004 on the reform of Italy’s second pension pillar, the end-of-service allowance.
- The government’s recent reforms in the field of welfare continue to be based on the notion of a welfare model entirely centred on the family and married couples. The scaling down of public services is not counter-balanced by progressively increasing private welfare deliveries. The danger is that, as the state withdraws, excessive responsibility will be placed on the family.

3.2. Italy in brief

Italy’s average economic growth over the last year has been the slowest in the European Union. Early 2005 Italy briefly tipped into recession; for 2005 as a whole, its economy is likely to be the only one in the EU to shrink. If there would be growth it is expected to be the same as in the previous year at best. Estimates put the underlying budget deficit for last year, ignoring one-off measures, at 4.5% of GDP (instead of 3.8% foreseen by the previous government) (Banca d’Italia, 2006), highly above the 3% ceiling set by the Euro-zone stability and growth pact. The public debt stands at over 107% of GDP and is estimated at 108% in 2007 (ISAE, 2005).

The effects of the economic decline are starting to show. Increasing numbers of Italians are confronted with stagnating or even falling living standards and many families struggle to make ends meet. The negative economic development is causing broader problems too. Family poverty remains high (in 2004, 11.7% of the population was poor) (ISTAT, 2005). Together with the UK, Italy is the country with the highest rate of child and youth poverty.
Educational standards have slipped: the country ranks poorly in the OECD’s PISA cross-national comparisons, and no Italian university now makes it into the world’s top 90. Spending on research and development is low by international standards: official statistics show that R&D spending dropped from 1.07% of GDP in 2000 to 1.04% in 2002 (Silvani et al., 2004). As a positive sign, we note that Italian girls now have higher average levels of educational attainment than boys do (now 56% of all new university graduates are women), which suggests that they probably expect to be actively employed most of their lives. In Italy completed higher education is often indispensable for seeking employment.

The Italian social fabric is coming under strain. The family remains strong and divorce rates are relatively low. But the fact that 40% of Italians aged 30-34 are living with their parents is not just a sign of family harmony. Many young Italians stay at home because they cannot find work or because they do not earn enough to afford a place of their own. This behaviour affects the fertility tempo: family formation is postponed and young couples’ reproductive behaviour is limited. Italian couples start having children later than elsewhere in Europe.

Italy’s demographic trends continue to be a source of debate and worries. The country has one of the lowest fertility rates in Europe (an average of 1.34 children per woman), and the population is expected to shrink in the near future passing from currently 56 million inhabitants to 50.4 by 2050. The increase in the total fertility rate which passed from 1.27 in 2002 to currently 1.34 is mainly due to migrants’ fertility (ISTAT, 2006).

Italians are living ever longer, so population is ageing rapidly. The economic consequences —will there be enough workers to maintain the increasing number of pensioners— are driving towards political interventions in the field of population ageing. Population projections on Italian demographic evolution in the period 2000 to 2050, processed by the National Statistical Institute, stress an increase of elderly people (persons aged 65 and more) of 73.3% and a reduction of working age people (15-64) of 27.4%. Consequently, the elderly dependency ratio (elderly people per working age population) increases about 37 percentage points, passing from 26.6% in 2000 to 63.5% in 2050 (Gesano, 2005). Even though other European countries have similar trends, they have a stronger impact in Italy. In fact, what makes them worse is Italians’ low rate of participation in work especially of women and young people. Only 57% of those in the 15-64 age range are in employment, the smallest proportion in western Europe. Although the overall Italian unemployment rate is not too bad by
western European standards (7.7%), it is disturbingly high among the young and in the south. The employment rate of young people aged 20-29 years is 53.3%, declining to only 50.2% among those who hold a university degree as compared to the EU average of 75.3%. In the south of Italy only 37% of those who are 20-29 years old is employed as compared to 68 in the north (ISTAT, 2006). Recent measures on improving unemployment compensation might be precursors to a fundamental overhaul of Italy’s protection system, offering better and properly conditional unemployment support accompanied by a relaxation of employment protection legislation.

Women’s labour force participation rates are still low compared to the rest of Europe. For all Italian women, the employment rate was 34.1% in 2005, well below the European Union average (ISTAT, 2006). Though women’s employment rates in Italy are low overall, there is a higher proportion of those working full-time, compared to other countries. Part-time work (10 per cent of total employment) (Bratti et al., 2005) is not as common or available to women as it is in other EU Member States so Italian women do not have the opportunity to resolve work-family conflicts in that way (Bettio and Plantenga, 2004). The Government’s full commitment to family issues was reflected, inter alia, in a National Action Plan on social inclusion, which aimed at prevention of social marginalization and exclusion of the elderly, children and people with disabilities. The so-called “Biagi Law” to reform the labour market by envisaging new forms of flexibility, particularly part-time work, was among the measures aimed at a better reconciliation of work and family life and the promotion of equal opportunities for women, particularly in the workplace (see the section on Italy in the 2005 Report). A fund has been established in 2003 to support companies in creating childcare services on the work spot. No data are available yet on the number of companies using that fund.

3.3. Recent policies in the field of fertility

Today the Italian total fertility rate is 1.34 children per woman, resulting in a natural decrease in the population. In the “White paper on welfare” (2003) the centre-right Government describes this ‘demographic gulf’ as indicative of an ‘alarming situation’. The analysis concentrates on two specific aspects of the situation in Italy: the demographic development and the role of the family. Two priority goals are singled out in this regard: to increase the birth rate and to improve family policies. Major measures taken are the reintroduction of a cash benefit per each newborn child (the so called “baby bonus”) and making
expenses for the care of children under six years of age deductible. The recently elected centre-left Government has shown its intention to focus on the family by launching a special Minister; therefore we can expect measures and interventions to support families in the coming years. The main policy measures recently undertaken are the following:

- **Baby bonus**: in 2005, the centre-right Government re-introduced a “baby bonus” to try to encourage families to have more children. The bonus amounts to 1,000 euros for each child and is not means-tested. Also adopted children are entitled to the bonus. It is too early to say whether this new bonus is likely to have any effect on the birth rate but many think money through the benefits system would be more effective. The cash bonus is meant for Italian babies only; immigrants’ children are excluded. The finance ministry reclaims money paid by mistake to non-Italian families.

- **Tax deductibility**: costs of baby-sitters and crèches are deductible up to a maximum of 632 euros per year.

- **Referendum on assisted reproduction**: An Italian referendum on easing the country’s sweeping restrictions on fertility treatment failed to reach the 50% turnout figure necessary for validity. Interior ministry figures showed that only about 24% Italians voted in the two-day referendum. Turnout is thought to have been affected by both a call for abstention made by the Catholic Church —backed by the Pope— as well as by a general voter apathy. The law bans sperm and egg donation, as well as screening embryos for diseases. The legislation also forbids embryo research. Artificial insemination is limited to heterosexuals of childbearing age who are married or can prove they are in a stable relationship. Critics say the restrictions reduce the chances of conception and the possibility of overcoming infertility. Very recently the new Italian Minister for Research has opened up again the possibility of using and researching stem-cells.

### 3.4. Recent policies in the field of family formation and dissolution

According to the Italian Constitution, the family based on marriage is the basis of the society. Divorce was only introduced in Italy in the 1970s, after a referendum that literally divided the country into two. Italy’s divorce rate is very low, below 15 per 100 marriages. Divorce is a long process in Italy. In fact, Italian legislation, with exceptions for the most extreme cases, requires couples to be legally separated for at least three years before being eligible for divorce. Separated couples do not often pursue the legally divorced status,
especially not since divorce financially disadvantages women more heavily than separation (Ronfani, 2001). De facto separations are about twice the official divorce rate. It is not by chance that there is no debate in Italy on the condition of lone parents comparable to elsewhere in Europe, neither is there ever much discussion in the various political bodies on their place in the welfare system. Nonetheless, we must not limit ourselves to thinking that the Italian system of social welfare fails to “see” the condition of lone-parent families. To this day social welfare in Italy remains in the hands of the municipalities, not only for its implementation but they are also entitled to an enormous autonomy regarding amounts to be spent and continuity of payments. Locally acknowledged entitlements can hardly be conceived of as leading to dependency. This weakens the possibilities of interventions from the national level and leads to discrepancies among groups of divorcees. Moreover, lone mothers with dependent children have always had higher employment rates in Italy than mothers in couples and they still do, even if we consider lone mothers of children under 12 (Trifiletti et al., 2001).

The most relevant national family policy recently implemented was related to child custody after divorce and the recognition of the role of fathers.

- **Changes in child custody after separation/divorce.** In January 2006 the Italian Senate gave the definitive approval to a new law that strengthens the access and custody rights of divorced fathers. The legislation makes joint custody of children the norm when parents split up. Single-parent custody—which usually goes to the mother—will now only be granted in a minority of cases. After separation or divorce both parents will have equal rights and responsibilities with respect to their children and the children will have the inalienable right to maintain solid relations with both the mum and the dad. The new legislation will revolutionize the application of family law in Italy. In 2004 judges gave the mother sole custody of children in 84% of cases, while fathers only had custody in 6.5% while joint custody was granted in 8.8%. The law, which had bipartisan support in parliament, guarantees both estranged parents the right to regular contact with their offspring and demands that they both maintain their children financially on a day-to-day basis and take all important decisions on children’s health and education together. If parents fail to agree or if there is any dispute, they are obliged under this legislation to turn to court. If one parent fails to respect the custody agreement the judge can make them pay damages to the child or to the other parent, change the agreement itself and/or impose a fine of between 75 and 5,000 euros. Although technically the children remain in the custody of both parents, judges will still have to decide on the details of their living arrangements.
• Legal recognition of unmarried cohabitation and same-sex relationships. The political programme of the new centre-left Government foresees the possibility and the opportunity that unmarried heterosexual and homosexual couples be entitled to the same rights and responsibilities as married couples. There is strong opposition on the part of the Church and Roman Catholic parties and associations.

3.5. Pensions and elderly care

Nothing relevant has recently changed with respect to the pension system and elderly care. In fact, in October 2005, the Italian Government failed to enact the long-awaited legislative bill implementing law 243/2004 on the reform of Italy’s second pension pillar, the end-of-service allowance. One of the main points for debate, which caused a split in the parliamentary majority and prevented the approval of the bill, concerns the levelling off of all forms of pension funds, thereby cancelling the advantage provided for collectively agreed funds. We expect the debate to start again under the present centre-left Government.

3.6. Commentary

The government’s recent reforms in the field of welfare continue to be based on the notion of a welfare model entirely centred on the family and married couples, to the exclusion for example of de facto couples. Scaling down the public services is not counter-balanced by a progressive increase in private welfare facilities. The danger exists that, as the state withdraws, excessive responsibility will be placed on the family, which will receive greater economic support but will also be burdened with greater care commitments.

2005 has been characterised by a very sharp political debate due to the political elections which took place in April that year. The focus of the discussion was on welfare policies to be implemented/reformed in the next five years. The two major political coalitions hold very different political perspectives on the various issues which may be of interest for their potential impact on Italian demographics. Having Mr. Prodi’s centre-left coalition won the elections, we expect changes in policy orientation in the coming years.
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4. Poland

Irena E. Kotowska

4.1. Highlights

4.2. Family related policies

Low, even lowest-low, fertility and its effects are increasingly present in today’s public debates in Poland, however, more focus is given to population decline than population ageing and labour force decline. Unfortunately, determinants of the fertility and family dynamics, broadly studied and discussed by researchers, as well as suggestions for policy measures are not adequately recognised in the policy responses.

A November 2003 law, being in force since May 2004, supports low income families with children. Amendments to that law, implemented in late 2004, 2005 and 2006 did not change the main concept of family support: a basic family allowance is supplemented by financial additions, granted under special circumstances related to child care and rearing. The income criterion for the basic family allowance remained unchanged for households with non-agricultural incomes contrary to incomes for farmers’ households. Amendments made in 2005 remarkably reduced the access to financial

The household income per person should not exceed 504 PLN for families without disabled children (around 125 euro), and 583 PLN (144 euro) for families with disabled children up to 25 years (the exchange rate is 4.04 PLN for 1 euro). That criterion refers to households with its main income from non-agriculture sources. The calculation of farmers’ incomes is based on the basic rate per 1 ha which declined from 252 PLN (62 euro) to 194 PLN (48 euro) for the period September 2005-August 2006 and to 135.50 PLN (33.5 euro) from September 2006 onwards, i.e. more farmers’ families are entitled to a basic family allowance and its financial additions. The recent amendments on the income threshold for a family allowance and the amount of allowances and financial supplements were implemented on 18 July 2006.
supplements for lone parents (mothers)\textsuperscript{27} and introduced additional financial support for families with three and more children. Recent changes in family policy, mainly introduced by the new government, in place since October 2005, increase financial support to the family: allowances and some supplements will increase as of 1 September 2006. Details of the amendments are given in the Appendix.

According to my opinion formulated in the 2005 Monitor report, the arrangements for financial support defined by the November 2003 reform and being in force since May 2004, would result in reduced financial assistance for families in general, but they would have some positive effects for low income families, especially for those with three and more children. And despite lowering the income threshold for farmers’ households, which extends access to financial support, statistics given below seem to confirm that evaluation.

In 2004 the monthly average number of children who received the family allowances was 5.547 million i.e. 6.7\% lower than in 2003\textsuperscript{28}. The 2005 figure was 5.193 million i.e. a decline of 6.4\% compared to 2004. The average family allowance amounted to 46.5 PLN in 2004 and 45.8 PLN in 2005. The average monthly level of supplements for the period May-December 2004 equalled to 316.461 million PLN and declined to 269.082 million PLN (by 15\%) in 2005. The reduced support to lone mothers is reflected by a decline in the monthly average number of financial supplements from 966.9 thousand in 2004 to 714.9 thousand in 2005 (by 26.1\%) while the average amount paid was 176.3 PLN (around 44 euro) and 179.9 PLN, respectively.

The analysis based on the 2003 and 2004 household budget surveys shows that despite the decline in the number of children getting family allowances and the reduced levels of financial supplements the financial support received by families in 2004 was similarly effective in reducing poverty like in 2003, in terms of poverty incidence and extent. The poverty incidence declined from 13.6\% for families with children without the defined family support to 12.4\% for families including that support in 2003 while the figures for 2004 were

\textsuperscript{27} According to the 2002 Population Census lone mothers account for 89\% of one-parent families.

\textsuperscript{28} All figures come from the Ministry of Labour and Social Policy report on the financial support for families in the period 1 May 2004 – 31 March 2006 (April 2006; www.mps.gov.pl).
15.4% and 14.0, respectively (Styrc and Ruzik, 2006). The poverty extent declined from 36.2% of the poverty line for families with children without the defined family support to 35.3% for families including that support in 2003 and from 40.1% to 38.8% in 2004. Similar analyses based on the 2005 household budget survey are in process. Data coming from the ‘Social Diagnosis’ of 2005 in general document improvements in household welfare in 2005 and declining poverty risks for families with three and more children as well as for one-parent families (Czapinski and Panek, 2006).

One may expect that changes implemented in September 2006 result in more effectively protect low income families to turn into poverty despite the general low level of basic allowances and additions granted. Since the income threshold will remain unchanged for the majority of households (those with non-agriculture incomes) any increase in financial support to these families will be relevant for their welfare.

Another dimension of the 2003 family assistance reform relates to institutions involved in the payment procedure. The aim is that as of September 2006 the family benefit system will function at the local level i.e. family allowances and related additions will be paid by local governments from resources granted by the state. In the transitory period i.e. between May 2004 and August 2006 various institutions were involved in providing different types of benefits (employers, social insurance agencies, local governments, etc.). This important organisational change and its many amendments to the basic 2003 law make the system difficult to manage and monitor. Moreover, many people are not at all aware of the changing rules.

In many studies and opinion polls the increasing direct costs of children are given as one of the main reasons to reduce the numbers of children entitled to assistance. Due to strict targeting of the family assistance system the majority of families do not feel to be reasonably assisted by the state. To change their situation not necessarily direct financial transfers should be considered. Other measures reducing not only direct but also indirect costs of children can be

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29 The financial support includes: family allowance, alimony, parental benefits, other payments to families comparable in 2003 and 2004 (Styrc and Ruzik, 2006).

30 The Social Diagnosis is a special survey-based study developed in 2000 by an independent group of experts to monitor social and economic changes in Poland. The survey was carried out in 2000, 2003, and 2005. A next round is planned for 2007.

31 See for instance Fratczak, 2003; Kotowska et al., 2003; Kotowska, 2005.
considered, like development of institutional, high quality child care for pre-
school children offered at reasonable costs, better provisions of in-school
services (un-paid or low-paid) as well as family friendly tax systems.

Child care in Poland is still underdeveloped: only 2% of children aged 0-2
attend crèches, and 39% of children aged 3 up to the compulsory school age
attend nursery schools. These figures belong to the lowest compared to other EU
Member States (Matysiak, 2005b). In addition, no childcare subsidies are
offered to families. The basic payment for one child ranges from about 200 PLN
(around 50 euro) in public facilities to 700 PLN (175 euro) in private ones. The
estimated cost of childcare to a minimum income earner ranges from 23% to
82% and for a person with an average monthly income from 8.5% to 30%.
Childcare is therefore less affordable to single and/or minimum income families
and/or for families with more than one child requiring childcare (Plantenga and
Remery, 2005). Moreover, there are huge regional discrepancies in provisions of
childcare facilities.

Data from the survey “Reconciling work and family”, carried out on the Labour
Force Survey in the second quarter of 2005, confirm the poor provision of
institutional care – only around 20% of mothers in employment make use of
public care centres, nearly 40% of mothers with partners rely on care offered by
relatives while 54% of lone mothers are supported by relatives (see Table 3, 4
and Figure 1). These data also show the relatively moderate use of parental leave
by women and the marginal use by men — around 50% of women and 2.5% of
men entitled to parental leave make use of it. Financial and work related reasons
are indicated as important for not taking up parental leave (see Table 5 in the
Appendix).

If one also takes into account the rather inflexible work arrangements (Tables 1
and 2) and the limited provision of part-time work one realizes that strong
incompatibilities between work and parenthood exist in Poland. Accordingly,
the family policies can be labelled as an ‘imposed home care’ model (Kontula
and Metinnen, 2005) —employed parents have mostly to rely on their own
involvement and support of relatives to child care. A new measure suggested by
the government enforces this model—— the proposal to prolong maternity leave
by two weeks was recently submitted to the Parliament to be discussed in autumn.\(^{32}\)

Both the family policy model and gender role perceptions as well as labour market rigidities result in incompatibilities between work and parenthood. Women’s employment is hardly reduced when they simultaneously have caring commitments for small children, especially in urban regions (Table 6). Unemployment rates for women with small children and for those with no children aged 0-12 as well as for those with their youngest child between 6 and 12 years hardly vary (see for instance Kotowska and Abramowska, 2003; Kocot-Górecka, 2004; Kotowska et al., 2005; Matysiak 2005a, 2005b). Mothers with small children either stay in employment or withdraw from the labour market.

There is no direct family related tax system, however, several measures could be considered as indirectly family friendly: The potential for joint returns by the spouses, a potential for single parents to use rules similar to married couples, tax relief with respect to various benefits and financial assistance. There are indications of some family support changes in the tax system to be introduced in the years 2007-2009. A recent proposal for the state budget suggests an income tax reduction for families with three and more children. But criticism was already raised on its limited coverage — tax relief should be proposed for all families with children.

As stated in the 2005 Monitor report, family related behaviour in Poland is strongly affected by the labour market situation. Since 2003 improvements in employment are observed. These are reflected in improved household welfare and changed opinions on economic and social prospects, documented by the ‘Social Diagnosis’ of 2005 (Czapiński, Panek, 2006). The rising number of births that started in 2004 (characterized by fertility rates among women aged 25-34 that increase since 2000) seem to indicate a recuperation effect.\(^{33}\)

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\(^{32}\) Currently, maternity leave is 16 weeks for the first child and 18 weeks for subsequent children. For multiple births the leave is prolonged to 26 weeks.

\(^{33}\) In 2004 the number of births increased for the first time since 1983. During the transition time the overall number of births declined from 564,400 in 1989 to 351,072 in 2003 while the TFR dropped from 2.07 to 1.22. In 2004 the number of births was 356,930 and the TFR equalled to 1.23. In 2005 births rose to 364,383 and the TFR to 1.24. In 2006 the upward trend is expected to continue.
In my opinion, measures aimed at a real reduction of direct and indirect costs of children could enforce incentives to decide on having children which are currently related to labour market improvements and income prospects. Various survey-based studies confirm that family life and children are highly valued by Poles\textsuperscript{34}. Additionally, Poland ranges among countries with low voluntary childlessness (Billari, 2005; Sobotka and Testa, forthcoming). Data from the 2005 survey “Reconciling work, family, and education” confirmed the low intentions towards childlessness. What distinguishes Poland among the 14 countries studied in the international project “DIALOG” is the high level of uncertainty on fertility intentions among childless people – 33% of women and 40% of men aged 20-40 years, surveyed in 2001, have doubts (Esveldt and Fokkema, 2005). And again the 2005 reconciliation survey data showed high levels of uncertainty among childless respondents – one third of childless respondents aged 18-39 were undecided. However, Poland shows the lowest intended fertility of childless people among the DIALOG countries. The mean number of children expected by (still) childless respondents aged 20-40 is very low (1.05) and comparable with low values found for Germany (Esveldt and Fokkema, 2005). One of the possible interpretations for the discrepancies between values attached to children and family life and procreative intentions and behaviour is that beside the uncertainty they also are affected by restrictions people are faced with. Due to the state withdrawal from family support resources available to individuals and families are increasingly restricted to cope with responsibilities. Referring to the resources-restrictions-behaviour approach (Hoffman-Nowotny and Fux, 2001) one can suppose that measures supporting individuals and families in building their resources and reducing restrictions related to family and childbearing decisions would impact on fertility decisions, particularly among those who are undecided.

\textsuperscript{34} See for instance, Frątczak (2003) using the 2001 retrospective survey on family related attitudes and behaviour of young and medium age females and males in Poland; Kotowska et al. (2003) refer to the national Population Policy Acceptance Survey (PPAS) of 2001; Kajcińska (2005) uses the data of the third wave of the European Values Study; Esveldt and Fokkema (2005) use the international PPAS data, similarly to Sobotka and Testa (forthcoming).
4.3. Selected issues related to ageing

Pension reforms

Experts see the continuing reformation of the social security system as an indication of policy priority number one. However, since October 2005 the new government did not undertake any serious activity in this field. The draft of the pension strategy, prepared in 2005 by the Ministry of Social Policy of the previous government following recommendations by the European Commission for modernisation of the pension system (National Pension Strategy, 2005), was not discussed until now.

Important issues to be undertaken, mentioned also in the draft document, are regulations on ‘bridging’ old-age pensions. These pensions are supposed to be offered to persons who have been working under special conditions and cannot use early retirement schemes since the old rules expire by late 2006 (according to the 1999 pension reform). The effective age at retirement is in Poland relatively low: in 2005 it was about 56 years for women (the standard age is 60) and 59 years for men (the standard age is 65). However, during the years 2001-2005 a slight increase was observed most likely to gradually diminish possibilities for early retirement. Further increases in the effective age of retirement may be expected.

The issue of ‘bridging’ pensions i.e. an alternative solution to stop work before the standard age for selected groups of the labour force has been in hot public debate in 2005. The new Ministry of Labour and Social Policy announced to submit relevant proposals by late 2006.

Another important issue is the legal age at retirement for women. Analyses and simulations clearly show that an increase of that age is needed to diminish differences in the future old-age pensions. This is rather unfortunate to women, as they are confronted with existing gender differences in work careers, wages and the age at retirement (National Pension Strategy, 2005; Hagejmer, 2005). In 2004 it was proposed to increase gradually the women’s age at retirement to reach the men’s. Negative social reactions resulted in giving up that proposal. And despite common expert opinions, in July 2006 it was officially announced that no change in the standard retirement age of women would be considered as
it was not socially supported. Any change in the retirement age should be socially accepted. Any change in the retirement age should be socially accepted. Any change in the retirement age should be socially accepted.

_Care for the elderly_

Elderly care policies are not well developed in Poland. Most of the financial responsibility for public care and services has been delegated to the local level. However, scarce resources have a marked effect. Currently, there is a considerable shortage in the provision of elderly care and services exists in terms of supporting them to continue independent living, supporting families to take care for their elderly relatives, or to institutional care.

Family members are the most important elderly care providers. However, there is no explicit policy supporting family members. They can make use of care and services provided at home by professionals from local assistance centres and various organisations. They can also use daily care arrangements offered by municipal care centres and other organisations. There also is the possibility to arrange care on a commercial basis. However, there is no evidence on how much care is provided by informal care givers.

Data from the 2005 survey “Reconciling work and family” show that around 15% of women aged 45-54 years and nearly 20% of women aged 55-64 are providing elderly care. The percentage among males aged 45-64 years oscillates around 10% (see Figure 2). These data not only reflect strong family networks and feelings of responsibility for the older family members but also the underdevelopment of institutional care. According to the Population Census the percentage of elderly living in institutions increases within age but it does not exceed 6% (see Figure 3).

Living arrangements of Poland’s population differ from those observed in the EU. Still a remarkable part of the elderly population is living together with the family of their children. According to the 2002 Population Census, 24% of women and 17% of men aged 65 years and more either lived as non-family related members in one-family households or were part of multi-family households. In one-person households, 35% of women and 14% of men lived (Figure 4). Dependent older persons were more frequently members of

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35 See http://www.mps.gov.pl/index.php?gid=5&news_id=477. Such reasoning means in fact that experts’ opinions are ignored and difficult decisions are avoided by the government since these are unpopular.
households of their children than persons without disabilities and less frequently lived in single households. They also more often lived in institutions (especially dependent women) (Abramowska, 2005).

The demand for both family assistance in elderly caring as well as institutional care is expected to rise. Poles feel responsible for their elderly relatives but also are of the opinion that the state should share that responsibility by developing supportive measures (for instance, care leaves for the family members, improving institutional support) (Kotowska et al., 2003). The experts in a Delphi study in Poland, carried out within the DALOG project, also indicate that care leaves, developing in-house services and local support for the elderly are measures that need to be implemented in order to improve both family and institutional care services for older people (Kotowska, Matysiak and Domaradzka, 2004).

The ongoing population changes (changes in family formation and migration) will diminish resources of care provided by family networks. Therefore, despite the friendly attitude towards elderly care provision by family members, developing institutional care and services for the elderly is urgently needed.

4.4. Conclusions and future prospects

The government declares to be interested in family related issues. However, up-to-date decisions are not in the mainstream of measures suggested by experts who argue for family policies to be coherent and stable in time, with a special focus on reconciliation measures and gender issues. And more emphasis should be given to employers and local governments to implement relevant measures. Also, more public debate is needed to inform the society and policy makers about expert views. Since the government easily refers to public approval/disapproval while presenting proposals/giving up some solutions, the rising social awareness is an additional pushing factor for proper decision making.

Changes in the age-specific fertility patterns, reflected in the increasing mean age of the mother at first birth, make the issue of ‘involuntary infertility’ increasingly relevant. That problem will be discussed in a report on reproductive health in Poland which is being prepared by the group of experts, and will be finished by the end of 2006.
Recently, increasing attention is given to migration outflows. Adequate estimates of levels and composition are needed to evaluate possible impacts on population change and labour market developments.

Unfortunately, the proposed revision of the national development strategy does not follow remarks formulated during debates on previous versions which highlighted, inter alia, the relevance of demographic challenges, their interrelations with the labour market, and needs to respond. Therefore, ongoing efforts are needed to include population related suggestions in that strategy which should be continuously under social consultation.

Experts see reforms of the social security system as one of the major policy priorities. However, it is difficult to predict yet any other steps than regulating 'bridge' pensions.

References

Abramowska A., 2005, Projections of the dependent elderly population by age, sex, and living arrangements in Poland, the poster for the IUSSP Conference, Tours, July 2005.


Styrc M., A. Ruzik, Benefits related to the family income for the caring for children period and their role to counteract poverty, Institute of Labour and Social Affairs, Warsaw 2006, mimeo.
Appendix

Amendments to the Family benefits law of November 2003

1. Since the law of November 2003 put an end to the Alimony Fund, a response was needed already in 2004 to support mothers who lost their alimony and were not entitled to financial support for lone parents (mostly due to the income criterion). For the period May-December 2004 families with an income up to 612 PLN (151 euro) per person were entitled to receive the supplement for being lone parent at the level of 70% of the alimony paid from the Alimony Fund before 1 May, 2004, however not more than 300 (74 euro) PLN per child.

2. The rules for financial support to one-parent families (in practice, to lone mothers) became stricter while the supplements hardly were accessible\textsuperscript{36}. Reasons for these changes are arguments on the favourable treatment of one-parent families in comparison to two-parents families formulated also in the public discussions. In the period of 1 May, 2004 till 31 August, 2005, access to financial support for children in one-parent families was rather broad: upon entitlement to the basic family allowance a supplement was paid irrespective of alimony granted to mothers. Also children of widowed parents and even children currently being in a two-parent family but with granted alimony from their biological parents received that supplement. The monthly amount was 170 PLN (42 euro) for each child and 250 PLN (62 euro) for each disabled child (but not more than for two children). And a number of other supplements for children of lone parents was not restricted. From 1 September 2005 onwards an amendment was made which reduced access to financial support for one-parent families. The supplement is only paid if a father (mother) has died or is unknown. The level of the supplement remained unchanged, however, it was possible to receive payments up to two children at most. Additionally, for one-parent families with very low incomes (less than 50% of the income criterion) special supplements were granted (not more than 100 PLN i.e. 25 euro). For those mothers with granted alimony which were not paid by fathers advanced alimony payments from the state budget were introduced.

\textsuperscript{36} According to the 2002 Population Census lone mothers account for 89% of one-parent families.
Moreover, financial supplements granted to unemployed lone mothers who lost entitlement to unemployment benefits came to an end in September 2005.

Since 1 September 2006 new rules on financial support for one-parent families grants access to basic family allowances and other supplements upon a court decision on alimony to be paid by the second parent. If there are difficulties with alimony payments, it is possible to apply for advanced alimony payments to either the local government or local centers for social help. However, a precondition is that the level of per capita household income does not exceed 583 PLN (144 euro). The level of the advanced alimony payment depends on the number of children and the presence of disabled children – if not more than 2 children; the amount is 170 PLN (42 euro) for each child and 250 PLN (62 euro) for a disabled child, if three children and more, the amount is 120 PLN (30 euro) for each child and 170 PLN (42 euro) for each disabled child. If the household income does not exceed 50% of the income criterion, i.e. 291.50 PLN (72 euro), the amount of the advanced payment is increased to 300 PLN (74 euro) for each child and 380 PLN (94 euro) for each disabled child in families with not more than two children entitled to the support (up to 18 years of age or up to 24 years when in education), respectively 250 PLN (62 euro) and 300 PLN (74 euro) in families with more than two children entitled to the support.

3. In April 2005 a new supplement to the basic family allowance was introduced to support families with three and more children. In fact, poverty risks are increasing with the number of children. Families entitled to family allowances will receive an additional amount of 50 PLN for third and subsequent children.

4. Since January 2006 a grant for a newborn baby (1000 PLN i.e. about 248 euro) was introduced, irrespective of the family income. The main reason behind that decision was to diminish costs for children and encourage couples to have children. Moreover, the existing income tested birth grant (for those families which are entitled to the basic family allowance) was increased from 500 PLN (124 euro) to 1000 PLN also since 1 January 2006.37

37 Local governments can implement their own additional birth grants, financed from their resources. Entitlement criteria and the amount of payment is upon their own decisions.
5. The basic family allowance, which was dependent on the number of children, is dependent on the age of the child as of 1 September 2006 and its level will be increased: to a monthly amount of 48 PLN (12 euro) for a child up to 5 years, 64 PLN (16 euro) for a child aged 6-18 and 68 (17 euro) for a child aged 19-24 38, families with three or more children will receive 80 PLN (20 euro) additionally for third and subsequent children (if the income criterion holds).

6. Financial supplements to family allowances, to be increased as of 1 September 2006 are: allowances for parents of disabled children, educational supplements for disabled children attending schools outside the place of residence, and lump sums paid once a year at the beginning of the teaching year (the increase of the monthly amount by 10 PLN on average).

Combining work and family — selected results from the Eurostat module on reconciliation of work and family (Labour Force Survey, Poland, second quarter 2005)

The survey on the reconciliation of work and family was carried out in Poland in the second quarter of 2005. Selected results of the survey presented below come from the publication: I.E. Kotowska and A. Baranowska (2006), Work and family duties in 2005 (in Polish), Warsaw: Central Statistical Office.

38 Previously the basic monthly allowance was 43 PLN for the first and the second child, 53 PLN for the third child and 66 PLN for fourth and subsequent children.
Figure 4.1. The percentage of persons involved in care for children up to 14 (not own children)


Figure 4.2. The percentage of persons involved in care for the elderly (60 years and more)

Figure 4.3. Living arrangements of persons aged 60 years and more by sex and age. Population Census 2002

Source: Abramowska A., 2005, Projections of the dependent elderly population by age, sex, and living arrangements in Poland, the poster for the IUSSP Conference, Tours, July 2005.
Figure 4.4. Persons aged 65 years and more by household position, Population Census 2003

**Women, 2002**

- **SING**: 35%
- **MAR0**: 23%
- **MAR+**: 6%
- **H1PA**: 12%
- **NFRA**: 14%
- **OTHER**: 10%
- **CHILD**: 0%

**Men, 2002**

- **SING**: 14%
- **MAR0**: 50%
- **MAR+**: 16%
- **H1PA**: 3%
- **NFRA**: 5%
- **OTHER**: 12%
Table 4.1. The use of different work-family reconciliation measures by age of the employed (covering: employees and employers working on their own account)

<table>
<thead>
<tr>
<th>Age</th>
<th>Flexible working time</th>
<th>Breaks during working days</th>
<th>Work at home</th>
<th>A free day outside holidays</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-29</td>
<td>46.2</td>
<td>42.0</td>
<td>87.2</td>
<td>60.6</td>
</tr>
<tr>
<td>30-44</td>
<td>42.1</td>
<td>34.4</td>
<td>83.4</td>
<td>56.8</td>
</tr>
<tr>
<td>45-64</td>
<td>37.5</td>
<td>29.7</td>
<td>80.7</td>
<td>52.5</td>
</tr>
<tr>
<td>Total</td>
<td>41.3</td>
<td>34.3</td>
<td>83.2</td>
<td>56.0</td>
</tr>
</tbody>
</table>

Table 4.2. The use of different work-family reconciliation measures by age and sex of the employed

<table>
<thead>
<tr>
<th>Age</th>
<th>Flexible working time</th>
<th>Breaks during working days</th>
<th>Work at home</th>
<th>A free day outside holidays</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Males</td>
<td>Females</td>
<td>Males</td>
<td>Females</td>
</tr>
<tr>
<td>20-24</td>
<td>45.9</td>
<td>51.2</td>
<td>43.0</td>
<td>49.0</td>
</tr>
<tr>
<td>25-29</td>
<td>46.4</td>
<td>49.2</td>
<td>43.5</td>
<td>41.4</td>
</tr>
<tr>
<td>30-34</td>
<td>45.0</td>
<td>40.9</td>
<td>38.8</td>
<td>32.6</td>
</tr>
<tr>
<td>35-44</td>
<td>43.4</td>
<td>42.5</td>
<td>37.0</td>
<td>31.9</td>
</tr>
<tr>
<td>45-54</td>
<td>41.4</td>
<td>39.3</td>
<td>35.1</td>
<td>28.9</td>
</tr>
<tr>
<td>55-64</td>
<td>32.6</td>
<td>29.1</td>
<td>26.3</td>
<td>20.9</td>
</tr>
<tr>
<td>Total</td>
<td>42.5</td>
<td>41.8</td>
<td>36.9</td>
<td>32.7</td>
</tr>
</tbody>
</table>

Table 4.3. Employed parents of children aged up to 14 by care arrangements*

<table>
<thead>
<tr>
<th>Care arrangements</th>
<th>Total</th>
<th>Fathers</th>
<th>Mothers</th>
<th>Lone parents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public care centers</td>
<td>16.4</td>
<td>13.7</td>
<td>19.6</td>
<td>20.7</td>
</tr>
<tr>
<td>Private care centers</td>
<td>0.6</td>
<td>0.5</td>
<td>0.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Paid carers</td>
<td>1.8</td>
<td>1.5</td>
<td>2.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Partner</td>
<td>34.2</td>
<td>47.7</td>
<td>19.4</td>
<td>-</td>
</tr>
<tr>
<td>Relatives, living in the same household</td>
<td>17.8</td>
<td>12.9</td>
<td>22.0</td>
<td>40.1</td>
</tr>
<tr>
<td>Relatives, living in another household</td>
<td>14.2</td>
<td>11.6</td>
<td>17.8</td>
<td>14.0</td>
</tr>
<tr>
<td>Friends</td>
<td>0.5</td>
<td>0.4</td>
<td>0.7</td>
<td>1.2</td>
</tr>
<tr>
<td>No use of any care</td>
<td>14.6</td>
<td>11.6</td>
<td>17.8</td>
<td>22.3</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

* Percentages of parents who make use of specific care arrangements.
### Table 4.4. Employed parents of children aged up to 14 by care arrangements and age *

<table>
<thead>
<tr>
<th>Care arrangements</th>
<th>20-29</th>
<th>30-39</th>
<th>40-49</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public care centers</td>
<td>13.7</td>
<td>18.5</td>
<td>14.9</td>
<td>16.4</td>
</tr>
<tr>
<td>Private care centers</td>
<td>0.9</td>
<td>0.7</td>
<td>0.2</td>
<td>0.6</td>
</tr>
<tr>
<td>Paid carers</td>
<td>1.2</td>
<td>2.7</td>
<td>0.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Partner</td>
<td>37.4</td>
<td>32.4</td>
<td>35.1</td>
<td>34.2</td>
</tr>
<tr>
<td>Relatives, living in the same household</td>
<td>27.5</td>
<td>17.0</td>
<td>15.4</td>
<td>17.8</td>
</tr>
<tr>
<td>Relatives, living in another household</td>
<td>16.7</td>
<td>17.6</td>
<td>8.6</td>
<td>14.2</td>
</tr>
<tr>
<td>Friends</td>
<td>0.7</td>
<td>0.4</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td>No use of any care</td>
<td>1.8</td>
<td>10.7</td>
<td>24.5</td>
<td>14.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

* Percentages of parents who make use of specific care arrangements.

### Table 4.5. Reasons for not taking up parental leave

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Total</th>
<th>Females</th>
<th>Males</th>
</tr>
</thead>
<tbody>
<tr>
<td>No or too low allowance*</td>
<td>22.1</td>
<td>29.6</td>
<td>14.3</td>
</tr>
<tr>
<td>No flexibility to choose the leave period</td>
<td>2.3</td>
<td>2.1</td>
<td>2.3</td>
</tr>
<tr>
<td>Negative effects for social insurance</td>
<td>1.3</td>
<td>1.2</td>
<td>1.6</td>
</tr>
<tr>
<td>Negative effects for work career</td>
<td>16.9</td>
<td>19.8</td>
<td>14.3</td>
</tr>
<tr>
<td>Preference for work due to other reasons</td>
<td>16.7</td>
<td>17.3</td>
<td>16.0</td>
</tr>
<tr>
<td>Other reasons</td>
<td>40.7</td>
<td>30.0</td>
<td>51.5</td>
</tr>
</tbody>
</table>

* 400 PLN per month (around 110 euro up to two years).

### Table 4.6. Labour market participation of persons aged 20-49 by family situation

<table>
<thead>
<tr>
<th>Presence and age of the youngest child</th>
<th>Urban Employment rates</th>
<th>Rural Employment rates</th>
<th>Total Employment rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Males</td>
<td>Females</td>
<td>Males</td>
</tr>
<tr>
<td>no children aged 0-12</td>
<td>58.8</td>
<td>59.7</td>
<td>65</td>
</tr>
<tr>
<td>Youngest child 0-5</td>
<td>86.0</td>
<td>47.1</td>
<td>86.2</td>
</tr>
<tr>
<td>Youngest child 6-12</td>
<td>83.1</td>
<td>66.6</td>
<td>86.7</td>
</tr>
<tr>
<td></td>
<td>Unemployment rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>no children aged 0-12</td>
<td>24.2</td>
<td>19.6</td>
<td>21.3</td>
</tr>
<tr>
<td>Youngest child 0-5</td>
<td>11.7</td>
<td>22.3</td>
<td>11.3</td>
</tr>
<tr>
<td>Youngest child 6-12</td>
<td>12.6</td>
<td>20.8</td>
<td>9.5</td>
</tr>
</tbody>
</table>

Source: own calculations on the LFS data, second quarter of 2005
5. Slovenia

Nada Stropnik

5.1. Highlights

Following up on the section on Slovenia and the Balkan in the previous Demography Monitor report (Stropnik, 2005) this contribution deals with recent revisions in family policy measures regarding child care and parental leave, with measures that are aimed at raising the low fertility level in Slovenia, with measures for providing assisted reproductive technology (ART), and with the future demand for care, both for children and for older persons. Finally policies and practices related to retirement and policies that may have an impact on (healthy) life expectancy are dealt with.

5.2. Family policies: child care and parental leave

In Slovenia the Act on Parenthood Protection and Family Benefits (Zakon o starševskem; adopted in December 2001) was revised in May 2006:

- In January 2007, two categories of persons will be added to those covered by the parenthood protection insurance (i.e. entitled to parental leave and wage compensation): 1) farmers, their household members and other persons who have farming as their only or main activity (profession), if covered by mandatory pension and invalidity insurance, and 2) unemployed persons included in public works.
- Maternity leave must start 28 days prior to the foreseen delivery date, without the former possibility to start it 42 days before delivery date.
- Fifteen days of fully compensated paternity leave must be taken till the child is six months old, and not only during maternity leave (till the child is 11 weeks old) as before. On the other hand, seventy five days of paternity leave, for which the father only receives social security contributions based on the minimum wage, can no longer be taken till the child is 8 years but only till 3 years. The former change is expected to enable more fathers to take paid paternity leave while the latter is aimed at stimulating fathers to devote more time to their very small children.
In case of unused parental leave, it is no longer possible to obtain the non-received amount of wage compensation (up to five monthly amounts) for payments of childcare services or housing rent or for solving accommodation issues.

One of the parents if self-employed, working at least 20 hours per week, and taking care of a child below the age of three years or a seriously handicapped child below the age of eighteen years, is entitled to have social security contribution paid from the state budget for bridging the difference between the full-time and part-time income. The contributions are based on the minimum wage. By May 2006, this was only a right for employees. In January 2007, this right will be extended up until the youngest child reaches 6 years of age if the parent is taking care of two children.

A parent leaving the labour market in order to take care of four or more children is entitled to have social security contributions based on the minimum wage paid from the state budget up until the youngest child reaches the age of ten years.

The large-family supplement was slightly increased for families with three children, and a higher benefit level was set for families with four or more children.

5.3. Policies which affect the tempo of fertility

A primary issue in Slovenia is the low quantum of fertility, though being closely linked to the tempo of fertility. Due to that, available provisions (child allowance and the large-family supplement) as well as those envisaged for 2007 (payment of social security contributions from the state budget as described above) are aimed at stimulating people to have a higher number of children. There are, however, two parental leave provisions that stimulate shorter intervals between births:

- Parental leave is extended by 30 days if—at the birth of a child— parents already care for at least two children below the age of eight years, by 60 days if they care for three children, and by 90 days in case of four or more children below the age of eight years.
- If—at the birth of a child— there are at least two other children in the family below the age of eight years, the parents may take full-time parental leave simultaneously.
The working document called the “Strategy for Fertility Increase in the Republic of Slovenia” envisages a measure called “a premium for having children earlier”. In fact, two incentives (premiums) for shorter intervals between births are foreseen:

- a direct one: a 25% supplement to the parental leave wage compensation for parents who have their next child within 2.5 years from the previous child; and
- an indirect one: a 25% supplement to the parental leave wage compensation for mothers younger than 24 years, and a 20% increase for mothers younger than 26 years (MoLFSA, 2006a).

5.4. Policies and practices regarding involuntary infertility

In Slovenia, treatment of involuntary infertility is regulated by the Infertility Treatment and Procedures of Assisted Reproduction Act (Zakon o zdravljenju, 2000). Three medical centres are authorised to treat infertile persons. The first successful treatment was performed in 1984 in the Ljubljana Gynaecological Clinic, and more than 3,000 in the following twenty years (at the same clinic) (Tomaževič et al., 2004).

In 1994, the implementation of the part of the ex-Yugoslav act (accepted in 1977) allowing the use of anonymously donated semen was stopped in Slovenia on behalf of the Expanded Professional Board of Gynaecologists. This was due to the fact that the act did not regulate in-vitro fertilisation (Zupančič, 2004), and because of concerns regarding the quality and safety of the donated cells (Peternel, 1999). Donation of egg cells was not at all foreseen by that act.

The Infertility Treatment and Procedures of Assisted Reproduction Act was accepted only in July 2000, after a long professional debate. It is based on the constitutional right to freely decide on the number and spacing of children, and the duty of the state to guarantee the possibilities and create conditions for fulfilling this right.

It is not allowed:

- to pay to the donors,
- to have both the male and female donor for a single treatment,
- to intentionally use gametes or embryos of dead persons,
• to inseminate the woman intending to give the child away (a substitute mother),
• to use the donated embryo.

The most controversial issue proved to be the fact that assisted reproductive technology (ART) is offered only to couples, i.e. women and men who are married or living in a non-marital union. Single women must not be artificially inseminated (which was —rarely, however— the case till 1994; there were eight such cases in eighteen years — Reš, 2001) since —not having a permanent partner— they cannot prove to be infertile. Ethic/moral questions were raised in that respect, namely that it is not moral to use scarce funds for fertilising healthy single women, that ART is not meant for curing psychological and social problems of deviant physically healthy women who hate men (imagine what may happen if such a woman gives birth to a male child!), for helping homosexual women to have a child, etc. (see quotations from the Parliamentary debate in Hrženjak, 2001). In a way, the act presumes that heterosexual couples are a kind of “healthy” environments for bringing up a child, for its proper psycho-social development and for creation of its identity —though children are successfully raised in a variety of living arrangements, and being born to a couple does not mean being raised by both parents (and vice versa). Ule (2001) argued that the authors of the act mixed up biological and social parenthood; and in real life the latter is becoming more prominent. She pointed to the fact that some children experienced an awkward childhood spent with their biological parents. Cerar (2001, p. 12) claimed that the basic woman’s human right to reproduce was violated. Štefančič (2001, p. 45) called such an act repressive, extreme and patriarchal. According to Hrženjak (2001), the act puts the family above the individual, medical and legal sciences over other relevant sciences, two-parent (“normal”) families over single-parent families and women living with the man over single women. Klampfer (2001) systematically discussed and rejected as unconvincing the main arguments put forward by the opponents of the idea to include women without partners, who have not been (conclusively) proved infertile in the course of regular heterosexual intercourse, among those entitled to ART. One of his conclusions is that being born to a single mother is in the best interest of the child (which was seriously questioned by Zupančič, 2004) since the alternative is not being born at all.

In October 2000, liberal political parties regained majority in Parliament, which led to adoption of amendments to the act in April 2001, allowing artificial insemination of single women. However, it never came into force. The
opponents immediately started the procedure for a referendum arguing that the proposed amendments were harmful in many respects (for instance, they also allowed the co-current use of female and male gametes) (Tomaževič, 2001; Zajec, Pinter and Prime, 2001). A small share of those entitled to vote took part in the referendum, but the majority voted against the amendments. In the period 1994-2001, it was not possible to use any donated material for artificial insemination in Slovenia. Due to that, a number of infertile couples, particularly those older than 35 years, went abroad for a treatment (mostly in Zagreb, Croatia). Another two-thirds were recommended to wait for treatment in Slovenia (Šeško, 2002). For some, this meant that they never had a child.

It is estimated that 13% of the Slovenian couples are infertile (Bevc et al., 2002, p. 251). About a thousand of new couples ask for ART in every year (Meden-Vrtovec, 2002, p. 8), and about 3,000 treatments are performed annually in all three medical centres. In 2002, 3.2% of live-born children were conceived in-vitro (Vlaisavljević, 2006, p. 35), and nowadays some 3.5% (Društvo za neplodnost Živa, 2005); without ART, the negative natural increase would have been much more pronounced.

A major problem is ART financing. The National Health Insurance Institute pays for 2,000 treatments per year; there are quotas for individual medical centres. The demand, however, is much higher, resulting in long waiting periods (up to one year) and private payment. The problem for infertile couples is that ART successes drastically decreases with age; and they are entitled to free treatments only till the age of 43 years. The problem for providers is the fact that the National Health Insurance Institute started to cover the cost of only a treatment, and not the cost of the necessary accompanying drugs (the rough cost ratio is 50:50), while the doctors are obliged to provide drugs. This leads to lower ART numbers than formally approved, and to irrational—from the clinic’s point of view, however, economical— behaviour where less expensive methods are applied; however, in the long run also being less successful, and particularly considering the child/cost ratio they are more expensive (Vlaisavljević, 2006). Another serious issue for both patients and providers is the chronic shortage of donors, particularly the female ones (due to the kind of medical procedure they have to undergo).

The associations of infertile couples, supported by the three medical centres, are trying to achieve an increase in the number of treatments per couple covered by health insurance from four to six in order to increase the chance for couples to
have a child (Društvo za neplodnost Živa, 2005 and 2006). In fact, after each successful pregnancy, the couple is entitled to four more trials (Meden-Vrtovec, 2002, p. 10). Most of the infertile couples are not able to pay for additional treatments themselves. In the working document on the strategy for fertility increase (MoLFSA, 2006a) a greater number of free or subsidised trials of in-vitro fertilisation are listed as one of the most important measures to be implemented in this respect.

The associations of infertile couples are also trying to arrange for paid treatments abroad because the number of medical doctors performing in-vitro fertilisation in Slovenia is not sufficient. The National Health Insurance Institute refunds the costs up to 85% of the amount in Slovenia. Unacceptably long waiting times could be shortened by organising one-day clinics or one stop clinics (Vlaisavljević, 2006).

No ART treatments were performed in Zagreb, Croatia, over the past few years. There also is no semen bank or official act regulating ART. This is probably related to the great influence of the Catholic Church that opposes artificial fertilisation for being “unnatural”. Also in Slovenia, the Catholic Church was quite active in public ART discussions, particularly on the use of donated gametes (it is the right of the child to be conceived and born in a marriage and to know its parents — Valenčič, 2000) and on possibilities for single women to be assisted in becoming pregnant.

### 5.5. Assessment of the future demand for care: children

The demand for pre-school day care for children has almost been met in Slovenia in the last decade. There now is a dense network of day-care centres, and the number of children born decreased since the 1980s. Pre-school programmes are of high quality and subsidised (average subsidy being about 71% of the costs). In recent years, however, the city of Ljubljana tends to close day-care centres or at least decrease the number of places not needed by people living in the city, as local communities relatively close to Ljubljana have no interest to increase their own supply but rather rely on facilities in the capital city where their tax payers daily commute and take their children. Due to the domicile principle, these local communities pay the public subsidy for “their” pre-school children attending day-care in Ljubljana, but at the same time they escape from investing in accommodation.
In school year 2004/2005, 61.4% of pre-school children participated in childcare programmes in day-care centres (94.1% of them in programmes lasting 6-9 hours per day): 26.5% of the 1 year old children, 48.0% of those who were 2 years, 66.8% of those of 3 years, 75.9% of those of 4 years, and 83.8% of those of 5 years (SORS, 2005a). The draft National Programme for Children and Youth in the Republic of Slovenia 2006-2016 sets as goal to include even more children, particularly those aged 3-6 years (MoLFSA, 2006b). This may be achieved by offering diverse programmes in terms of duration (half-day and shorter) and timing (afternoon and evening), adapting to specific needs of children and parents.

5.6. Assessment of the future demand for care: older persons

The demand for elderly care has still been unmet in Slovenia. In 2004, there were 17,473 applicants for admission to specialised accommodation for older persons, but only about a quarter was admitted (SORS, 2005b). By late 2004, 13,098 people in care lived in such homes, most of them over 80 years of age (54.0%). The main reason for admission was old age (66.0%), but 82.5% of those people were also sick. The second most frequent reason for admission (20.5%) was a major mental and physical illness.

Currently, there are no policy measures directly supporting family members providing long-term elderly care in Slovenia. People receiving care are entitled to long-term care benefits. These are regulated by the Pension and Invalidity Insurance Act and the Social Assistance and Services Act. There is no clear divide between social and health care. Available services and benefits are not integrated in one single system, which makes access to them unequal and more difficult, reduces their quality, and encourages the extension of expensive hospitalisations and institutionalised care schemes (IMAD, 2004, p. 27).

In the near future a Long-term Care Insurance Act, covering health, social and other services for the elderly, disabled persons and other persons in need of long-term care, as well as allowances related to these services, is envisaged in Slovenia. The project started in 1999 (Zajec, 1999, p. 2) as a result of concern raised by population projections forecasting significant population ageing. At that time, there were some 3,000 elderly applicants for places in old-people’s homes, which was more than the planned increase. Only older persons in institutions benefited from quality long-term care while those living on their own were neglected by the state.
By introducing a long-term care insurance, proposed in 2004, the benefits would become part of a single comprehensive system. The plan is to introduce a new compulsory insurance and reallocate certain costs from the pension and health insurance systems. The insurance would cover devices and benefits in kind up to a certain standard, but would not cover the costs of accommodation and meals (also not in elderly homes).

The development of a comprehensive system of long-term care, including health care and social care services, is also envisaged by the Resolution on the National Social Assistance Programme 2006 - 2010 (Resolucija, 2006). It defines the goals to be achieved by 2010, which are also included in the draft National Strategy of Care for the Quality Ageing of the Population and for a Caring Coexistence of Generations in Slovenia (MoLFSA, 2006c). These goals are: inclusion of at least 5% of the elderly in elderly homes, extension of networks of care in other families (at least 0.3% of the elderly) and in a network of care homes (coverage of at least 5% of the elderly, enabling them to continue living on their own), inclusion of at least 0.3% of the elderly in day care, coverage of 3% of the elderly by home care services, relocation of at least 0.5% of the elderly into apartments with care provided, and extension of a network of care providers on demand. Accompanying programmes include training of and help to families with elderly members.

According to the 2000 PPA2 survey, once they have aged and are no longer able to manage on their own, almost two thirds of the Slovenian people aged 15-64 years would prefer to continue their life where they live—with help from their children and family, or from professionals— or to live independently in a specialised accommodation that meets their needs. Only 12% would like to share a house with their children, relatives or friends. Finally, 19% of the respondents would opt for an old people’s home while 4% would like to live in a room of a boarding house (Stropnik, 2003).

In the framework of another project it was estimated that in Slovenia in 2004 19% of those aged 65 years and more were dependent (European Commission, 2006, Table 5-9). About 20% of them received long-term care in an institution and about 18% received formal care at home; hence some 62% of those considered dependent received no formal care financed from public sources; instead they relied on informal or no care.
Under the “constant disability scenario”, the dependent population is projected to increase by 47% in the period 2004-2050 (European Commission, 2006, Table 5-12). Higher increases are projected for the population in institutions (70%) as compared to the population receiving formal care at home (46%). In 2050, the dependent population receiving formal care in institutions is projected to be by one-third larger than the population receiving care at home.

Under the “pure ageing scenario”, however, the dependent population is projected to increase by 134% (European Commission, 2006, Table 5-11). This is larger than the projected increase in the old-age dependency ratio, and reflects the fact that it is the oldest-old (aged 80 years and above) who will have the most dynamic population growth. The probability of receiving care is assumed to remain constant, but since the share of the population aged 65 years and over will increase, the number of people receiving long-term care is projected to increase, too. The Slovenian population receiving formal care in institutions is expected to rise by 155%, and the population receiving formal care at home by 131%. The population receiving informal or no care would increase by 128%, and about 61% of the dependent population in Slovenia is projected to rely on informal or no care (which is almost the same as in 2004).

On the basis of the “constant disability scenario”, public spending on long-term care is projected to increase by 1 percentage point of GDP: from 0.9% of GDP in 2004 to 1.9% of GDP in 2005, while on the basis of the “pure ageing scenario” it is projected to increase by 1.5 percentage points of GDP: from 0.9% of GDP in 2004 to 2.4% of GDP in 2005 (European Commission, 2006, Tables 5-15 and 5-13, respectively). An increase in formal care would result in public spending on long-term care accounting for 3.6% of GDP (European Commission, 2006, Table 5-17). However, under the expectation that half of the projected gains in life expectancy would be spent in good health and free of disability, spending would only be 2.2% of GDP in 2050 (European Commission, 2006, Table 5-18).

These projections are very similar to those done in Slovenia (Sambt, 2005). According to the baseline population projection, in the period 2004-2050 the share of elderly (aged 65 years and over) in the total population of Slovenia will increase from 15.0% to 31.4% while the share of the very old (aged 80 years and over) will increase from 2.9% to 10.7%. Further projections reveal that public expenditure on long-term care will increase from 0.84% of GDP in 2004 to 1.77% in 2050 (Table 5.1). Private expenditure amounting to at least 0.27% of
GDP should be added to that in 2050, as compared to 0.11% in 2004. An increase in the total funds required for long-term care will accelerate after 2020, but will slow down after 2050 due to smaller generations born after 1980.

The Croatian system of social welfare builds on within-family care: the community takes over the care role only after all other sources available to the individual and his or her family have already been exhausted (Vidovic, 2002).

5.7. Policies and practices related to early and flexible retirement

In Slovenia, the 1999 Pension and Disability Insurance Act (Zakon o pokojninskem), implemented in 2000, introduced disincentives for retirement before the legal retirement age (63 years for men and 61 years for women) if the person does not have a full pension qualifying period. These are permanent penalties (i.e. negative accrual rates) amounting to at least 0.1% of the pension base, per month, for persons below the age of 63 years, up to 0.3% for persons aged 58 years. In addition, the accrual rate is 1.5% lower for each year missing to the full pension qualifying period.

According to the 1999 PDIA, early retirement without penalties is possible only under certain conditions: 1) for persons aged 58 with a full pension qualifying period (40 years for men and 38 years for women), 2) persons who are unemployed, or disabled, etc., and are fulfilling minimum conditions for old-age retirement, 3) women who have raised children and are between 56 and 58 years (depending on the number of children), and having a full pension qualifying period, and 4) women aged at least 55 years who were insured before the age of 18 years, with a full pension qualifying period.

The expected and observed consequence of the 1992 and 1999 pension reforms is a gradual increase in the effective age at retirement. In the period 2000-2005 it increased by 2 years and 3 months for both men and women: to 60 years 5 months for men and 57 years 1 month for women (IPDI, 2006).

In neighbouring Croatia, the 1998 Pension Insurance Act (Zakon o mirovinskom; implemented in 1999) increased the age for early retirement to 60 years (with a pension qualifying period of 35 years) for men and 55 years (with a pension qualifying period of 30 years) for women (before 1999 it was 55 and 50 years, respectively). In the transition period 1999-2007, the age limit has been increased by 6 months per year. Since mid December 2002, pensions have
been lowered by 0.34% for every month of early retirement (Odluka, 2002); before, it was 0.3%. The reduction is permanent (Bagarić and Marušić, 2004). The data of the Croatian Pension Insurance Institute show that the number of early retirees has decreased by 22% in the period 1999-2005.

According to the 1999 PDIA, flexible retirement is possible in Slovenia for persons fulfilling conditions for old-age pension. Such persons working half-time or less may raise a partial pension, which is half of the person’s old-age pension.

Generally, in Croatia, flexible retirement is not possible. If the retired person reactivates him/herself as an employee, in self-employment or as a farmer, the payment of the pension is temporarily stopped. The only exemption are disabled pensioners with more than 50% (but not general) functional disability, who may work any number of hours and continue to receive their disability pension – amounting, however, to 0.3333 of the general disability pension if their functional disability is caused by illness, or to 0.5 if their functional disability is due to an injury at work or a professional disease. This should be compared to 0.667 of the general disability pension which they would receive if they had not been active.

5.8. Policies that may have an impact on (healthy) life expectancy

Finally a few issues on policy measures that may have an impact on (healthy) life expectancy in Slovenia. They pertain to preventive measures aimed at protecting life, health and working ability of the population, such as:

- Public promotion of healthy ways of living (more physical exercise, healthy nutrition, non-smoking) in order to decrease mortality due to diseases of the circulatory system, neoplasms, respiratory diseases, and diseases of the digestive system
- Preventive health care programmes for the elderly in local communities
- Systematic preventive medical check-ups: for people with high risks of catching an illness, preventive medical check-ups of employees (Regulation on Preventive Medical Check-ups of Employees – Pravilnik, 2002)
- Safety at work regulations
- Measures aimed at increasing safety in traffic, particularly on roads, since too many people die in traffic accidents in Slovenia.
Most of these policy measures are also included in the draft National Strategy of Care for the Quality Ageing of the Population and for a Caring Coexistence of Generations in Slovenia (MoLFSA, 2006).

References


Zakon o starševskem varstvu in družinskih prejemkih (ZSDP). *Uradni list Republike Slovenije* no. 97/2001 with amendments, and no. 110/2003 (consolidated version); and the amendment (ZSDP-B), no. 47/2006.


### Table 5.1. Projected expenditure on long-term care; Slovenia, 2004-2050 (% of GDP)

<table>
<thead>
<tr>
<th>Source of funds</th>
<th>2004</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
<th>2050</th>
</tr>
</thead>
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<tr>
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<td>0.84</td>
<td>0.92</td>
<td>1.03</td>
<td>1.22</td>
<td>1.51</td>
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<td>0.12</td>
<td>0.14</td>
<td>0.18</td>
<td>0.23</td>
<td>0.27</td>
</tr>
<tr>
<td>Total</td>
<td>0.95</td>
<td>1.04</td>
<td>1.17</td>
<td>1.39</td>
<td>1.74</td>
<td>2.04</td>
</tr>
</tbody>
</table>

Source: Sambt, 2005, Table 5.
6. Spain and Portugal

Pau Baizán

6.1. Highlights

The Iberian countries reached very low levels of fertility fifteen years ago, and since then the period total fertility rates have fluctuated around 1.45 children per woman in Portugal and 1.25 in Spain. These developments have involved a reduction in the proportion of second births and higher birth orders, but only modest increases in childlessness. Postponement appears to have had a significant impact on the decline of fertility and in maintaining the low fertility levels. The decline in fertility has been more pronounced and persistent in the Iberian countries than in most other West European countries, and therefore its consequences and the associated societal adaptations are also likely to be more profound.

The second part of the text focuses on policies affecting fertility in Portugal and in Spain. Policy responses to low fertility that focus on adjustments of existing institutions to the new situation (e.g. Social Security reform), will only receive little attention here (see Demography Monitor 2005). The governments of Portugal and Spain do not have explicit policies to increase fertility. Yet, several of the existing policies in the areas of family, gender, labour market, or housing, may be considered to act in the sense of sustaining a low and late pattern of fertility, according to widely accepted theories of fertility. In that respect the protracted pattern of transition to adulthood and the acute problems to reconcile labour force participation and childrearing are of particular relevance.

6.2. Very low and late fertility

The decline in fertility took place in Portugal and Spain about a decade later than in most West European countries. However, the pace of decline was very fast, and both countries reached below replacement levels of fertility two decades ago. In the last fifteen years the fertility levels have fluctuated around 1.45 children per woman in Portugal and around 1.25 in Spain (Table 6.1). Several demographic analyses have shown that permanent childlessness is not the main cause of the very low levels of fertility attained in Spain and Portugal (Carrilho and Patrício, 2004; González and Jurado-Guerrero, forthcoming). Existing
surveys show that most women desire to have at least one child, suggesting that parenthood remains highly valued by individuals (Cunha, 2004; Delgado, 2006). In fact, only modest increases in permanent childlessness have been recorded in Spain, while in Portugal there is no clear trend in that direction. For instance, if we compare the 1955 and 1965 birth cohorts, childlessness attained respectively 7.5 and 5.0% in Portugal and 10.7 and 14.0% in Spain (Table 6.2). Nevertheless, the fertility levels attained during the 1990s may imply some increases in childlessness in both countries; thus, Ortega and Kohler (2001) have calculated that in Spain it could reach up to 16-18%. A reduction of the fertility intensity of birth orders 3+ and the increasing proportion of women ultimately having only one child have been the driving forces behind the fertility decline. For instance, in the 1955 birth cohort 26% of Portuguese women had one child only and in the 1965 birth cohort this proportion was up to 34; in Spain the respective figures were 22 and 28 (Table 6.2).

At the same time first births have been delayed to an increasingly late age. The age at first birth started to rise rapidly from a minimum level attained around 1980, with annual increases in the period mean ages exceeding 0.2 per year. Taking into account the high initial mean ages (24 in Portugal and 25 in Spain), this postponement has lead to some of the highest mean ages at first birth in Europe (26.8 and 29.2, respectively in 2002). Furthermore, the postponement of first births has resulted in an increasing later age at higher birth orders and, most importantly, in a reduction of the total fertility rate. The extent to which delayed births are recuperated at later ages is heavily discussed in the literature (e.g. Lesthaeghe, 2001; Frejka and Calot, 2001; Kohler et al., 2002). It is important to point out that this connection between late and low fertility, at the individual level as well as the aggregate level, appears to be much stronger in Southern European countries than in other settings. For instance, Kohler et al. (2002) indicate that for Spain this postponement effect implies a reduction of completed fertility of 5.1% for each one-year delay in the onset of motherhood.

In that respect, it is also debated among scholars to what extent period total fertility rates are a poor estimate of the current levels of fertility, due to the fact that they are affected by tempo distortions. In particular, a delay in childbearing implies an underestimation of the quantum of fertility in observed period data, coupled with a fertility ageing effect that reduces higher parity births because the respective exposure is shifted to older ages when the probability of having another child is lower. Several measures have been proposed to account for such distortions, and the most readily estimate is the adjusted TFR proposed by
Bongaarts and Feeney (1998). In the late 1990s, this adjustment leads to substantially higher TFRs than the observed for Portugal (1.73) and Spain (1.46) (Sobotka, 2004). A typical interpretation of the adjusted TFR is that it is a period indicator which gives an “accurate estimate of the total fertility rate that would be observed in the absence of changes in the timing of childbearing,” provided that its underlying assumptions are valid (Bongaarts, 2002, p. 434). Subject to several methodological cautions, this indicator provides an estimate of the potential recovery in period fertility, related to the eventual halt in the delay of childbearing.

Indeed, a reduction in the pace of postponement of first birth has already been observed in Spain, while in Portugal, given the lower age at first birth, there is a higher potential for further postponement. In the last few years, the Spanish TFR has recovered from its minimum level attained in 1998 (1.15) to 1.32 in 2004. This recovery has been associated with a decline in the pace of fertility postponement during the late 1990s (Fernández-Cordón, 2000). Additionally, this small increase of the TFR has also been associated with an increase in immigration. Existing estimates for Spain show that non-nationals have a somewhat higher fertility (2.2 children per women in 2000); nevertheless, their low share in the total population (currently 8%) results in an overall contribution that accounts for less than a 3% increase in the total fertility rate (Izquierdo-Escribano and López de Leira, 2003). A further change that may partially account for the current TFRs of Portugal and Spain is the fast growing proportion of children born outside marriage, mostly among cohabiting couples. In 2003 the corresponding proportions for Portugal and Spain were 26.9 and 21.8. This development is weakening the hitherto strong links between marriage and the onset of childbearing, traditionally very strong in Spain (but much less in Portugal, that historically displays a higher share of births outside marriage), and could indicate less normative constraints on childbearing.

### 6.3. Policies affecting the context of very low fertility

Public policies make an important contribution in shaping the socio-economic conditions in which individual (or household) decision making takes place, by providing incentives or disincentives to specific behaviour and influencing behavioural norms. The Iberian countries have been classified as pertaining to the “conservative-familistic” Southern European model of welfare states, although social policies in each country have followed distinct pathways embedded in their own history and society (Flaquer, 2000; Wall, 2004).
Spain and Portugal share with other Southern European countries a protracted pattern of transition to adulthood, in which decisions such as leaving the parental home, union formation and parenthood are postponed to relatively high ages during young adulthood (Baizán et al., 2002; Billari, 2004). This pattern has been related to the increasing economic uncertainty faced by young adults, in connection with high levels of unemployment, job instability, and low incomes. Uncertainty provides incentives to delay decisions that imply long term commitments, such as the decision to form a family, and simultaneously provides incentives to invest in human capital in order to improve economic prospects (Kohler et al., 2006). In that respect, the sharp increase in secondary school and university enrolment is a well documented trend (OECD, 2006). For instance, in 2003 the net enrolment rates in educational institutions at age 20 was 44.3 per cent in Portugal and 50.7 per cent in Spain (at age 23 the rates were 28.1 and 28.4 respectively). Furthermore, while educational expansion has been supported by both state policies and an increasing demand, still more than a third of each cohort of young adults leaves the educational system with only a lower secondary level of education. These young adults face a particularly disadvantaged position in increasingly flexible and competitive labour markets of both countries.

Policy responses to increased pressures for economic restructuring and more competitive labour markets have led to a selective flexibilisation of labour markets, and in particular to the growth of temporary contracts. In Spain, following the 1984 labour market reform, the proportion of temporary contracts rapidly attained more than a third of the employees in the late 1980s, and since then these levels have not declined significantly in spite of several subsequent labour market reforms that tried to limit their use. In Portugal, the increase of temporary contracts took place in the late 1990s; thus in 1997 11.7 per cent of men and 12.9 per cent of women employees worked via such a type of contract, while in 2004 the proportions reached respectively 18.7 and 21.1 per cent (OECD, 2005). These reforms have resulted in a process of dualisation of the labour market, in which the middle aged men tend to be the insiders, and the young, and increasingly the women, disproportionately rank among the unemployed and those with precarious labour relationships. Several studies have analysed the effects of the deterioration of the labour market position of young adults on family formation. For instance, Aassve et al. (2002) concluded that youth unemployment delays leaving the parental home and union formation in both Portugal and Spain. Anh and Mira (2001) and Baizán (2001) showed a strong negative effect of male unemployment on first birth timing. The impact
of the job situation on fertility has also been documented for females, reaching analogous conclusions with respect to insecurity in the labour market; this impact is even stronger when both members of a couple are in unstable labour force situations (Ariza et al., 2002; Baizán, 2006).

An additional determinant of family formation postponement has been the developments in the housing market (Martínez-Granado and Ruiz-Castillo, 2002; Martins and Villanueva, 2003). The policies put in place in both countries (e.g. concerning taxation, subsidies, etc.) have given preference to own property rather than renting, resulting in a more difficult access of the rental sector and a contraction of its share in the housing market.

According to Kohler (2001), the factors that render deferral of first birth an economically advantageous behaviour could even be multiplied by social interaction effects. These factors consist of social learning about the optimal age of childbearing, and social feedback effects mediated through the marriage market and through the competition in the labour market.

In order to understand the impact of these developments on fertility, it is crucial to consider the parallel change in gender roles and cultural models of the family. Currently, labour force participation for women is not only accepted, but highly valued by a wide majority of the Portuguese and the Spanish societies (André, 1996; Alberdi et al., 2000). Women do not longer stop their participation in the labour market when they marry or have the first child, but increasingly try to consolidate their labour market position before the onset of motherhood. Some differences are relevant between the two countries, since in Portugal the massive entry of women on the labour force took place already in the 1970s, while in Spain it started a decade later. Currently, labour force participation rates among women in the peak childbearing and childrearing years (between ages 25 and 39) attain over 80% in Portugal and over 70% in Spain. If overall participation rates of women are still relatively low in Spain this is mainly so because the increase in labour force participation has taken place according to a generational pattern. This divide is especially sharp between the women born in the 1950s (and before) on the one hand, and women born in the 1960s and later on the other hand (Garrido, 1992). Furthermore, it is also important to pay attention to the conditions under which the entry on the labour market has been made. First, as mentioned above, labour force insecurity has not only concentrated generally on young individuals, but its incidence is much higher among women. Moreover, an inflexible labour market and high unemployment means increased
difficulties to return to the labour market in case of an interruption associated to maternity. Secondly, the labour markets of Portugal and Spain offer limited opportunities for part-time jobs, since female employees with this type of contracts accounted only for 14.0% in Portugal and 17.2 per cent in Spain. And third, average weekly working hours are among the longest in the European Union: 41.3 for men and 37.4 for women in Portugal and 41.9 and 36.7 hours respectively in Spain (Eurostat, 2003). Thus, labour market developments have not only contributed to erode the economic resources at disposal of young adults, but also hardly responded to the need of conciliation between the worker role and parenthood.

Furthermore, family roles in Portugal and Spain have been slow in adapting to the new role of women. The Iberian countries have highly asymmetric divisions of labour within households, which become even more asymmetric after the birth of the first child (Perista 2002; Carrasco, 2003). According to McDonald (2000), fertility falls to very low levels in countries in which the movement to gender equity has been focused upon individual-oriented social institutions (education, employment) while family-related institutions, especially the family itself and work conditions, have continued to be characterized by gender inequity.

The combination of female (and male) labour force participation and childrearing is hindered by an insufficient availability of day care. Childcare coverage for the under-three age group is about 16.3% in Spain in 2005-2006, of which 42.8% in the public sector. However there is a significant variation between regions: the highest proportions are estimated for the Basque Country (42.8% of childcare coverage) and Catalonia, with 31.0%, and the lowest proportions are to be found in Extremadura and Andalucía, with only 2.1 and 2.8% respectively (Ministerio de Educación, 2006). In Portugal, the coverage rate was estimated to be 16% at the end of the 1990s, with again strong variation across regions. For instance, Evora (23%) and Portoalegre (30%) had the highest coverage, while Lisbon and Porto reached 16 and 8% respectively. 80% of children were in the non-profit private sector, subsidised by the state (Wall, 2002 and 2004). In both countries, the government has stated the commitment to

39 Self-employment also has a relatively high incidence: around a quarter of all women employed in Portugal and 15% in Spain (OECD, 2005). Nevertheless, the role of self-employment with respect to reconciliation with childrearing has not been established in the literature.
reach coverage above 30% by 2010 of day care or pre-school for children less than 3 years of age.

The organisation of childcare for working parents rests on a variety of arrangements, that include formal and informal paid options along with the help of relatives and friends. Recent surveys reveal important inequalities according to social class in the access to day care services and in the importance of informal care (Wall, 2002; Fernández-Cordón and Tobio-Soler, 2004). The availability of relatives and friends to help with domestic and caring activities, however, does not exist for all families, and becomes increasingly more difficult as more women from young generations progressively enter the labour market (González and Vidal, 2006).

The protection of women workers and parental leave arrangements is an active area of policy making. For instance, currently the Spanish government is preparing a new law on “Equality Between Women and Men”, that expands the rights granted by a previous law of 1999 (Government of Spain, 2006). This new law foresees a leave of 8 days reserved for the father (discussions are taken place to expand that period); an increase in the age of the child (from 6 to 8 years) in which a reduction in working hours is allowed to take care of the child; and some reduction in social security contributions for enterprises hiring workers that substitute women on leave. In Portugal, a law of 2003 established the right to have five days of obligatory paternity leave following the birth of a child; there has also been an increase in protection against dismissal from 98 to 120 days after giving birth; and parental permits to care for sick children have been extended. One should keep in mind, however, that access to these rights are, in practice, very unevenly distributed among women: it is very restricted or unavailable among the unemployed, women holding a temporary contract, the self-employed, or for women outside the labour force; while its access is generally more easily available to women in the public sector. This highlights the close relationship existing between labour market stability in the one hand, and reconciliation of family life and participation, in the other.

In comparison with other Western European countries, Portugal and Spain also have low levels of state support for families with children in terms of tax allowances or direct transfers (see Demography Monitor 2005).

These authors stress the key role of grandmothers (mother’s side) in helping to achieve role compatibility.
Finally, we may consider what these difficulties for compatibility between paid work and childrearing imply in terms of deferral of fertility and especially on the extent of recuperation of fertility at higher ages. The postponement of fertility is associated to increased opportunity costs as role compatibility is very difficult for women having accumulated a higher human capital. This situation contributes to explain the differences between countries such as the Netherlands or Norway on the one hand, and the Iberian countries on the other, in the extent and the speed of which women have children beyond first birth.

6.4. Conclusions

Policy developments in Portugal and Spain have paid relatively little attention to the fertility evolution and its long-term implications, and have concentrated more on pressing issues such as economic growth and restructuring. However, there is a growing agreement among scholars that the existing institutional setting is implicitly related to the very low levels of fertility attained in both countries (as in other South European countries). In particular, institutional settings have been slow in adapting to the worker role of women, and labour market restructuring has had an adverse effect on family formation. Social policy has tended to focus more on adjustment to the new demographic reality than on aiming at an effective prevention of low fertility levels.

The current demographic situation is characterised by a high “population momentum”, i.e. by a high reproduction potential due to the large proportion of individuals in childbearing ages, as a result of the comparatively high levels of fertility prevailing during the 1970s and the late 1960s. However, up to now the birth cohorts born in these decades have been the main actors of the very low and late fertility levels attained. Although there is still some uncertainty about the final reproduction levels that will be attained by these “baby boom” birth cohorts, prospects for a reversal in their reproduction patterns are limited. As the relatively smaller cohorts born in the 1980s and especially the 1990s arrive to childbearing peak ages, the potential for an increased impact of very low fertility in the age pyramid will be higher. Therefore, the implementation of more family and gender friendly policies that could prevent continuation of very low fertility levels may become a more pressing issue in the policy agenda in the years to come.
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OECD (2005), Employment Outlook, Paris: OECD.

**Table 6.1. Period fertility indicators**

<table>
<thead>
<tr>
<th>Year</th>
<th>Portugal</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total fertility rate*</td>
<td>1.57</td>
<td>1.47</td>
</tr>
<tr>
<td>Mean age of mother at first birth*</td>
<td>24.9</td>
<td>26.8</td>
</tr>
<tr>
<td>Adjusted TFR**</td>
<td>1.73</td>
<td>1.46</td>
</tr>
</tbody>
</table>


**Table 6.2. Birth-cohort fertility indicators**

<table>
<thead>
<tr>
<th>Birth-cohort</th>
<th>Portugal</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1955</td>
<td>1965</td>
</tr>
<tr>
<td>Total fertility rate</td>
<td>1.97</td>
<td>1.82</td>
</tr>
<tr>
<td>Mean age of mother at first birth</td>
<td>23.9</td>
<td>25.2</td>
</tr>
<tr>
<td>Proportion childless</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Proportion with 1 child</td>
<td>26</td>
<td>34</td>
</tr>
<tr>
<td>Proportion with 2 children</td>
<td>44</td>
<td>45</td>
</tr>
<tr>
<td>Proportion with 3+ children</td>
<td>22</td>
<td>17</td>
</tr>
</tbody>
</table>

This document gives a short overview of the main recent demographic trends and policy developments in the areas of population ageing, childcare, the tempo of fertility, and involuntary infertility, in the United Kingdom.

7.2. Ageing and policies regarding retirement and the elderly

The final report of the Pensions Commission (alias ‘The Turner Report’ after its Chairman, Lord Turner) was published in April 2006. In a series of three reports the Commission, headed by Lord Turner, looked at the UK pensions system and made recommendations for reform. The Commission concluded that unless the state pension was overhauled and private savings boosted, millions of Britons were headed for a meagre old age. Lord Turner welcomed the government’s proposals, saying it planned to implement 95% of his recommendations. The proposed changes will have little impact on anyone currently over the age of 47. The key aspects of the proposals, the biggest shake-up of pensions for years are:

- The state pension age for men and women will increase to 66 in 2024, to 67 in 2034 and 68 in 2044. Each rise will be phased in over two years
- During the next parliament, the state pension will be made more generous, and future increases will be tied to earnings rather than prices
- The number of years it takes for people to qualify for a full basic state pension will be cut to 30
- From 2012, people will be automatically enrolled into a new, low-cost national savings scheme, albeit with the chance to opt out if it is not suitable for them.
The Department of Work and Pensions (2005) documents outlined the planned Government strategy over the next 10 to 15 years to address the ageing population. There are three areas cited as priorities for action which include achieving higher employment rates overall and greater flexibility for the over 50s, enabling older people to enjoy an active role in society with adequate income and housing and to allow older people to maintain independence, even if experiencing health problems.

7.3. Care of children

The Government have a 10 year strategy for childcare, detailed in ‘Choice for parents, the best start for children’ (2004), and the Childcare Bill (2005) set out provisions for access to high quality care for children and procedures for the regulation and inspection of childcare in England. The provisions include the establishment of a register for childcare for children aged 5 and over, the ‘Ofsted Childcare Register’ (OCR). Providers who care for children aged 5 to 7 will have to be registered on the OCR; those who care for children aged 8 and over will be able to apply voluntarily to be registered. In addition, providers who do not have to be registered compulsorily – for example, nannies and activity-based providers – will also be able to apply to join the register voluntarily.

The Department for Education and Skills (DfES) (2006) has also launched a consultation this year (August 2006) on draft guidance and regulations for local authorities to support them in carrying out their duty to assess the sufficiency of childcare. This invites comments on regulations and guidance covering Section 11 of the Childcare Act 2006 ‘Duty to Assess Childcare Provision’, which will come into force in April 2007. Local authorities will be required to undertake a detailed assessment of the supply of and demand for childcare to identify where parents childcare needs are not being met.

7.4. The tempo of fertility

The provisional 41 2005 fertility rates for England and Wales give an average number of 1.8 children per woman (ONS, 2006), an increase of 1% over the 2004 figure of 1.78 (Graph 1). This is the fourth year witnessing an increase in the TFR, from the record low of 1.63 in 2001, with the rates in 2000 and 2002

41 Rates for 2005 are provisional as they were calculated using the 2004-based population projections for 2005.
being at similar low levels. It is the highest fertility rate for 13 years as the last time the TFR was at this level was in 1992. It is too early to say whether this is the start of a sustained rise. During the 1960s ‘baby boom’ the TFR peaked in 1964 at 2.95 children per woman. The number of live births has been increasing since the low of 2001 and has reached the levels last seen in 1997 (Graph 2).

As well as overall falling fertility rates in general in the UK, there have been changes in the pattern of child-bearing by age and the tempo of fertility, i.e. ages at first and subsequent births. The pattern of fertility over the last 30 years have been characterised by a rising mean age at first birth and higher levels of childlessness.

The period fertility measures show that the age-specific fertility rate for women aged 30-34 in England and Wales overtook that of women aged 25-29, for the first time, in 2004. In 2005 this age group continued to have the highest fertility rate at 100.9 births per thousand women. The provisional standardised average (mean) age of women giving birth (irrespective of birth order) increased to 29.0 years, up from 28.9 in 2004. The unstandardised\(^{42}\) average (mean) age of women giving birth increased to 29.5 years up from 29.4 in 2004. In 2004, the mean age of women having their first birth in the UK was 27.1 years, a rise of 3.4 years from 1971 (ONS, 2006).

Britain has relatively high teenage pregnancy rates and priority was given to bringing down this level when the current Labour Government came to power in 1997 (Social Exclusion Unit, 1999). In 1999, when the National Teenage Pregnancy Strategy was launched the birth rate for girls aged 15-19 in England and Wales was 30.9 per 1000. The strategy set two national targets:

- Halve the under 18 conception rate in England by 2010 (with an interim reduction target of 15% by 2004; and
- Increase the participation of teenage mothers in education, training or work to 60% by 2010 to reduce the risk of long term social exclusion.

\(^{42}\) The standardised average (mean) age is a measure which allows fertility trends to be separated out from the effects of changes in the population’s age structure over time. The unstandardised mean age shows the mean age of the mothers who had births in 2005 and is unadjusted for the age structure of the population.
However, it has had limited success as, although teenage birth rates have fallen, they are still above the targets, with a birth rate of 26.9 per 1000 girls aged 15-19 in 2004.

The large changes in the number of live births (shown above) from the 1950s to 1980s were largely a result of changes in the age at which women gave birth. Looking at cohort fertility measures, the average age at which women born in 1920 gave birth (irrespective of birth order) was 28.7 but this fell to 26.0 for women born in the mid-1940s (Graph 3). Since then the average (mean) age has risen slowly and is projected to be 29 years for women born in the 1970s. This lowest age at average childbirth for women born in the 1940s contributed to the ‘baby boom’ of the 1960s and these women went on to have larger families than witnessed for subsequent generations.

The average age at first birth for women in England and Wales was around 25.5 for women born in the 1920s but this fell to 23.8 for women born in the early 1940s. Recent generations of women are starting families later, having fewer children and more are remaining childless. The average age at first birth for women born in the late 1950s had reached the level seen for women born in the early 1920s.

The size of families has also decreased recently (Graph 4). Women born in the 1920s had 2.07 children on average and this grew to a high of 2.46 for women born in 1934, which corresponds with the ‘baby boom’ of the 1960s. Since then family size has fallen and is projected to be around 1.74 for women born in the mid-1980s. Women who have recently reached the end of their childbearing life, born in 1955, had 2.03 children on average.

This decline in completed family size per woman is a result of both women having fewer children and more women remaining childless. One third (31%) of women born in 1920 had 3 or more children by the end of their childbearing life and this increased to 40% for women born in the 1930s. However this fell to around 30% for women born from 1945 onwards and has remained at this level for subsequent generations to date. Around one in five women currently reaching the end of their fertile life are childless, similar to the level seen for women born in 1920. This compares to one in ten (9%) women born in the mid-1940s (ONS, 2005).
There has also been a continued rise in the proportion of births outside marriage: 42.8% in 2005 compared with 42.2% in 2004. Ten years earlier, in 1995, only 1 in 3 births were outside marriage and fifteen years before that, in 1980, only 1%.

As stated in the report last year, the British Government has never regarded decisions about child-bearing as appropriate for state comment or intervention, unlike other European countries. While some family policy is now viewed as suitable for state intervention in order to alleviate child poverty, plan support for single parents or balancing family and working lives, the more fundamental demographic issues of fertility levels and the timing of births is not regarded as a public policy issue. There has been a growing interest in the media and other debates about low birth rates, the implications of older age at birth and the ‘baby gap’. This difference between the number of children intended and the number of children achieved has recently been estimated as high as 90,000 children. The average expected family size for women aged 21-23 in 1983-1984 was 2.25 (Smallwood and Jeffries, 2003) and this cohort had an average of 1.93 children by age 36-38. As there were 400,000 women in this cohort, this indicates a ‘gap’ of 128,000 children (Dixon and Margo, 2006). For the most recent cohort of women who have completed childbearing (born 1958) the average number of children between age 37 and age 45 is 0.09. If this is combined with the previous figure the authors estimate the shortfall in births as 92,000.

Previous research indicates, however, that the difference between intentions data and subsequent achieved fertility should not necessarily be interpreted as a measure of unmet fertility need as some intentions are not certain and may be modified throughout women’s life experiences (Smallwood and Jeffries, 2003). The reasons why intentions change may be related to societal or individual circumstances but one major reason is relationship formation and breakdown. Later age at partnership formation, a lack of a suitable partner at the appropriate age or partnering with a person who already has children, among other things, can alter fertility intentions.

### 7.5. Involuntary infertility

One other ramification of later ages at starting families is the problem of rising levels of infertility. Fecundity, or the ability to have children, has been shown to start decreasing from the age of 27 for women. Public attitudes in Britain appear to disregard the biological limits to fertility (Dixon and Margo, 2006).
Infertility has also been growing as a phenomenon and has been predicted to
double in Europe over the next decade. It has been estimated that one in 7
couples now has trouble conceiving but that this could rise to 1 in 3 (Legder,
2006). A European fertility conference recommended encouraging women to
have children younger and the introduction of policies, such as career breaks for
women, to enable this. Growing involuntary infertility has mainly been seen in
Britain as being related to sexually transmitted disease—the incidence of
Chlamydia has doubled over the last decade—or to increasing prevalence of
obesity. These are most often referred to as causes for infertility rather than older
ages at trying to start families.

There has been recognition by the Government that action is needed to help
people experiencing infertility problems. In May 2000 a Department of Health
policy statement recognised the inequality of access to NHS-funded in vitro
fertilisation (IVF) treatment for infertility and a report by the National Institute
for Clinical Excellence (NICE) recommended three free IVF cycles.

In 2004 the Health Secretary John Reid said women under the age of 40 will be
offered one free IVF cycle from April 2005, but he stopped short of saying when
the NHS would offer three cycles, as recommended by NICE. To qualify,
women must be between 23 and 39 and have a specific fertility problem (eg.
blocked fallopian tubes) or have failed to conceive for three years despite regular
intercourse. A cycle of IVF at a private clinic costs around £2,000. There have
since been reports that access to this treatment is still variable (Human
Fertilisation and Embryology Authority 2006 and British Fertility Society
2006).

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Choice for parents, the best start for children (2004),
http://www.dfes.gov.uk/consultations/search.cfm
Research.
Graph 7.1. Total Fertility Rate – UK, 2004

Graph 7.2. Number of live births – England and Wales, 2005

Source: Office of National Statistics (ONS, 2005; ONS, 2006)
Graph 7.3. Mean age at childbearing (irrespective of birth order) for women born 1920 to 1990, UK

Graph 7.4. Completed family size for women born 1920 to 1990, UK

8. A comparative analysis of German and French demographic transitions

Laurent Soulat

8.1. Abstract

While France and Germany share many features of social and economic development and income levels, including also pressure on the welfare state and a high level of unemployment, they differ on one key point: demographic developments. Here France is still in the top of the first division with regard to fertility, with a total fertility rate close to the reproduction level while Germany shares a low rate of fertility with the Mediterranean countries.

In both countries, part of the decline in overall fertility is related to the transition to later childbearing. In France, however, while the fertility rate of women under 30 years of age has declined, the fertility rate for women of 30 years or over is still rising. In Germany, childbearing in the age group 29 and below is still decreasing while it remains weak amongst women aged 30 or over. Traditional explanations, like the creation of a dedicated day-care infrastructure or the implementation of family-oriented policies to help mothers making their professional career compatible with motherhood, seem to account for at least part of the higher rate in France.

8.2. Population ageing in Germany and France

On January 1, 2006, Germany and metropolitan France with an estimated 82.5 and 61 million inhabitants respectively were the two most populated countries in

\[^{43}\text{In order to be able to compare French and German population developments, we will restrict the French territory to metropolitan France, where statistics will allow. Excluding the overseas departments and territories corresponds with the definition of the French territory retained by Eurostat. When taking into account the French overseas departments and territories, France has a total of 62.9 million inhabitants as of January 1, 2006. However, restricting the territory to metropolitan France does not modify the main trends in the French population, such as the population ageing process or decisions to postpone childbearing to ages beyond 30.}\]
the European Union. Together, these two countries represent slightly more than 31% of the entire EU population.

At first glance, these two countries seem to be experiencing similar demographic developments: ageing, an increase in the age at childbearing, and a weak migratory balance. Statistics show that, in 2005, the percentage of the population aged 65 and over was 18.6% in Germany and 16.4% in France. In 1995, it was only 15.4% in Germany and 15% in France (in 1985, it was 14% in France). The average childbearing age (independent of birth order) in Germany was 29.1 in 2003 compared to 28.1 in 1993, and in France, 29.5 compared to 28.7. As regards migration, both France and Germany are net receivers, with immigration into France slightly higher than in Germany since 2003, in proportion to the total population.

However, with a total fertility rate (TFR) of 1.92 in 2004, France ranks second among the 25 European countries, surpassed only by Ireland (1.99). In contrast, the German TFR (1.37) is closer to Spain (1.32), Italy (1.33) and Malta (1.37), although higher than that of the countries in Central and Eastern Europe (with rates below 1.3).

Both countries are thus experiencing a process of demographic ageing, albeit a faster one in Germany than in France. Thus, in 2005, the population ratio aged 65 years or over amounted to 18.6% of the total population in Germany or more than two percentage points higher than in France (16.4%) (INSEE, 2005a and 2005b). Ten years earlier, this ratio was only 15.4% in Germany and 15% in France (Figure 8.1). Correspondingly the share of people younger than 25 is decreasing in response to the decline in fertility and the increase in longevity. Overall, the German population is, in fact, older than the European countries on average. On the contrary, in France the share of people 65 and older is identical to the European average whereas the share under 25 is higher (in 2004, 31.5% in France compared to 29.1% for the EU25).

In both countries the demographic developments and prospects are determined by three common factors: the rise in longevity, the decline in fertility and the particular bulge caused by the ageing of the post-war baby-boomers (Figure 8.2). As far as longevity is concerned the experience has been broadly similar: in Germany for men, an increase of 2.6 years over the last 10 years and for women, an increase of 1.8 years. In France longevity for men shows an increase of 3 years over the last 10 years and for women an increase of 2 years.
The ageing of the baby boom generation is felt in both countries with the large post-war cohorts born now reaching the normal retirement age in France. With a lag of a few years the same phenomenon is found in Germany. As far as fertility is concerned, however, the differences are more pronounced: as indicated above fertility in Germany ranks in the bottom range within the EU while France is second only to Ireland and in company of the Nordic countries.

8.3. Transitions in birth rate modes in Germany and France

In Germany the number of deaths exceeds the number of births already for several decades. In 2004, the number of births in Germany amounted to 705,600 and the number of deaths to 818,300, resulting in a natural reduction of the German population by 112,700 persons. Even if the number of deaths decreased by almost 4.2% between 2003 and 2004 and by 7.5% since 1994, this is not enough to compensate for the low birth rate. In fact, natural decline in Germany began in 1972 and has continued ever since (Figure 8.3).

In France, in contrast, the number of deaths is still below the number of births. Thus, in 2005, France recorded 807,400 births and 537,300 deaths – a natural increase in the population of 270,100 people. The 2005 number of births was 0.9% higher than in 2004, and approaching the 2000 level. The number of deaths, however, was up by 3.2% compared to 2004 as a result of the flu epidemic in early 2005 and following a significant decline in 2004, partially due to a high number of deaths during the heat wave of 2003.

In both countries, the average age at childbearing continues to increase. Between 1990 and 2004, the mother’s average age at the birth of her child (independent of birth order) increased from 27.6 years to 29.1 in Germany and from 28.3 years to 29.5 in France. In 2005 in France, half of the women having a baby is 30 years or older, compared to 43% in 1995. However, in France, even if the number of women between 20 and 40, who give birth to 96% of the children born annually, continues to drop (-0.4% between 2004 and 2005), this decrease is largely offset by the fact that women have on average more children than before (i.e. more than one child per mother) (Héran, 2006).
8.4. Traditional explanations for the increase in the age at childbearing

Various explanations have been brought forth to explain the increase in the average age of women at childbearing: Social, cultural and economic aspects as well as medical and health issues come into play all at the same time.

One of the possible explanations for postponing childbearing beyond the age of 30 years is the extension of educational enrolments for women. In 2004, 74.2% of the German women and 81.3% of French women aged 20 to 24 reached at least a higher level of secondary education. Extending the education period tends to delay the birth of a first child.

However, the effect on fertility of the increased educational attainment of women is not totally unambiguous. Indeed, on the one hand, the increased education level helps women obtaining ‘responsibility jobs’, and allows them to manage their professional careers. This effect may at the same time lead to a delay of having children and a decrease of the number of children desired. On the other hand, the ability to enter a higher social-professional category can increase the income of women and facilitate access to larger housing accommodation and professional childcare. This income effect can lead to fertility recovery or at least an increase in the birth rate at 30 years or over.

Housing prices, access to housing, gender parities and systems of child-care are therefore likely to play a major role in the decision to have children. Furthermore, the increase in insecure and fixed-term employment contracts may also contribute to delays in settling and childbearing. In addition, female employment comprise more fixed-term and part-time contracts than male employment and, thus, involve a higher degree of precariousness.

In addition, improvements in various contraception methods and reproductive assistance from hospitals and family planning clinics have given women more choice with respect to whether and when to have children. This has also contributed to postponing motherhood. Apart from strictly medical reasons, termination is authorised for pregnancies up to 12 weeks in Germany and France. Medical developments and medical follow-up also make it easier to conceive and bear children at a more advanced age.

In addition to employment uncertainties, the social and cultural environment may influence the number of desired children. With first birth postponement, a woman can review her wishes regarding children. In the same way, the expected family size can be reviewed according to a historical low fertility rate during former periods. Thus, Goldstein et al. (2003) explain part of the low German TFR at age of 30 and beyond by a drop in the ideal family size rather than simple postponement behaviour.
8.5. The three stages of the fertility transition

The increase in women’s life expectancy and the associated lengthening of the period of fertility probably plays a role in the demographic transition: as shown by De Beer (2006) the decline of the fertility rate among younger women in general is accompanied by an increase in the fertility rate among older women. However, as could be expected these shifts are not concomitant: the fall of the fertility rate for women less than 30 years tends to take place before the increase in the fertility rate of women of 30 years and over, thus explaining part of the TFR decrease.

The decrease in the first child birth rate in Germany affects especially women under 30. The first child birth rate at age 30 or over is increasing with stability in the number of first children for 100 women aged 30 to 34 and an increase in the older age bracket.

France appears to have entered the third stage of transition with an increase in the fertility of females aged 30 years or over. The probability of having a first child remains highest for women aged 25 to 29, but the birth rate in this age bracket has stabilised since 2000. In contrast, the probability of having a first child at 30 years or over has strongly increased whereas the probability of having a first child between 20 and 24 (or between 15 and 19) has been declining since 2001.

As it seems, according to De Beer the fertility rate among young women started to decline in Germany already around 1967. From 1966 to 1973, the fertility decrease for young women was on average a little more than 5.8% per annum. Consequently, the fertility rate of older women dropped from 0.77 to 0.41, resulting in a strong decrease in the TFR. The period between 1966 and 1973 corresponds to the first stage of the German fertility transition (cf., the left panel in Figure 8.5).

From 1974, the fertility rate for women under 30 continued to decline but at a lower speed. From 1973 to 1995, this rate declined by slightly less than 2% per annum. During the same period, the fertility rate for women 30 or over increased slightly, going from 0.39 in 1974 to 0.51 in 1995 (1.3% per annum). During the second stage of the transition from 1973-74 to 1995, the TFR continued to decrease, but much more slightly, from 1.5 in 1974 to 1.2 in 1995 while the average age at childbearing increased.

The third stage, beginning in 1995 in Germany, is characterised by a greater stabilisation of the fertility rate in younger women, but a stronger increase in the fertility rate for older women between 1996 and 1999 (with an increase of slightly more than 3% per annum). This is followed by greater stability in the
rate (an increase of around 1.3% between 2000 and 2003). During the beginning of the third stage of the German fertility transition, the average age at childbirth continued to increase, but the TFR was strongly stabilised. Therefore between 1992 and 2003, the average age at childbirth rose from 27.9 to 29.1 years.

On the French side (cf., the right panel of Figure 8.5), the TFR is relatively high. Since 1993, there has been a strong increase in this TFR reflecting stability of the fertility rate for women younger than 30 years but, at the same time, an increase for women of 30 years or over.

As shown, in France the fertility rate for women younger than 30 years began to drop strongly in 1965 and continued until 1976. Between 1964 and 1976, this rate decreased by an average of 3.1% per annum. At the same time, the fertility rate for women older than 30 years also dropped, going from 0.9 in 1964 to a little less than 0.5 in 1976, an annual average decrease of around 5.4%. Consequently, the TFR dropped during the first stage from 2.9 to 1.8.

From 1976 to 1993, the fertility rate for young women continued to decrease, but at a lower rate (the average decrease was 1.8% per year). And over the same time span, the fertility rate for older women increased from 0.48 in 1977 to 0.67 in 1993 (i.e. an annual increase of around 2.2%). During this second stage, the TFR largely stabilised between 1.83 in 1977 and 1.66 in 1993 and, on average, the age at the birth of the first child has increased strongly.

Since 1993, the fertility rate for younger women stabilised while the fertility rate for older women increased substantially (the average annual increase was 2.8%). During this period, the TFR increased to from 1.66 in 1993 to 1.88 in 2000.

Since 2000, the increase of the fertility rate for older women has slowed down markedly to below 1.2% on average. Therefore, while the TFR and the average age at childbearing increased, the French fertility transition seems to be coming to an end, i.e. the fertility postponement from women under 30 years to women aged 30 or over has come to an end.

8.6. Family policies in Germany and France

Whether they are direct or indirect, policies aimed at sustaining births can take several forms:
(i) tax policies (tax cuts according to the number of dependent children);
(ii) family and social security benefits in cash or in kind (all French family allowances are provided by the child benefit office (the *Caisse d’allocations familiales*) and social security giving access to medical care (these policies aim to stimulate the replacement of generations, to compensate all or part of family, medical and education expenses due to childbirth, and to reduce income inequalities)\(^\text{44}\);
(iii) parental leave: maternity and paternity leaves and specific parental leave for disabled children, adoption, etcetera;
(iv) policies of financing infrastructure (especially day care and services for the disabled) to be largely supported by city, ‘county’ and regional administrations in France and by the Länder in Germany.

The effectiveness of these various policies depends on the socio-economic context. Their impact can fluctuate depending on a variety of criteria, which are sometimes difficult to perceive and measure. This might include the amount and type of allowance as well as the social-cultural conditions, the place of residence (urban or rural), the level of income, the working or social environment and the impersonation phenomena, the women’s position at work, the importance of non-secure employment for women, etcetera. Moreover, historical and social-economic reasons in both Germany and France make it difficult to implement and evaluate the effectiveness of the various family policies (Table 8.1). The first reason is historical and ideological: in France, family policies were (or are) sometimes classified as set themes developed by ‘the French national right’ during the Vichy government and in Germany by the Nazi KKK (*Kinder, Küche, Kirsch*) and the place of women in the society.

Furthermore, as it seems, France is torn between two family social models: the ‘Swedish’ model of social welfare and a more traditional model referring to Catholicism. In addition, the French model of ‘secularism’ can influence family policies depending on whether the emphasis is on equal opportunities for men and women rather than supporting childbearing.

Creating a family policy may appear complicated within these historical and social-cultural aspects, which can also prevent the ability to evaluate these

\(^{44}\) For more details, see the child benefit office internet site or the electronic publications by *La Documentation Française* (retrieved from: http://www.vie-publique.fr/dossier_polpublic/famille/dispositifs_aides/synthese_prestations.shtml).
policies properly. Three theoretical classes of family policies can be distinguished. The first, ‘familiarist policies’, answers a traditional point of view on the family and on the role of women with regard to children’s education. The second aims rather at reconciling women’s family and her working life and can be defined as ‘feminist policies’. The third one corresponds to the ‘social welfare’ policies with regard to access to medical care and curbing income inequalities.

Guionnet and Neveu (2004) distinguish three main patterns of countries concerning the role of the state in the structure of family life and women in the workforce. Germany corresponds to the first model (which also includes the United Kingdom and Ireland). Women in the workforce are encouraged to follow a ‘primitive’ design regarding the central role of the woman in the education of children. From a cultural point of view, Germans are very keen on the presence of the mother near the young child. Early socialisation of children is negatively perceived, therefore reducing the demand for day care. The child care infrastructure is underdeveloped.

In this group of countries the female employment rate in the childbearing age range is relatively low and part-time work is more pronounced. The curve of the female employment rate according to age has an ‘M’ shape with a minimum around the age of 30 years. To a lesser extent, Spain, Italy and Portugal follow this model.

The second group of countries includes the Northern European countries, like Sweden and Denmark. In this group the employment of women is favoured by infrastructures making it easy (easier) to reconcile family life and work. The employment rates of men and women are close and the curve representing the female employment rate according to age is a ‘U’ reversed curve. The limiting factor of the family policies in Northern European countries is that these welfare state policies tend to institutionalise labour division by gender. The employment rates of men and women may be close, but an attentive observation of the industrial sector reveals strong differences by gender (in particular between the private and the public sector).

The third group of countries includes France (and to a certain extent, Belgium). The French employment rate of women is higher than the European average although it is weaker than that of the Northern European countries. The curve representing the employment rate of women has an ‘M flattened’ shape.
distinction between family policy and policies concerning gender parity is less clear. Indeed, particularly in France, the policies are not designed in terms of family policy, but in terms of education policy. This highlights the importance of the policies regarding early childhood (day care and nursery schools) aimed at reconciling women’s work and family life. Therefore in France, 78% of the three-year old children are registered at a nursery school.

The key issue of family policies is thus the reconciliation of family life and women’s labour market commitments. Studies show that family benefits and tax systems are not per se good for the employment of women and for a fertility increase. The effectiveness of these policies depends especially on the conditions for financial help eligibility and the allocated amounts. Thus, family policies appear to be efficient when the allocated amounts are high and open to all women whatever the number of children and the income. In other words, an allowance based only on the woman’s income is more likely to be an appropriate incentive for a fertility increase than an allowance based on the household income.

If the family policies do not take into account divisions by gender, they lead only to sustaining men-women inequalities and do not stimulate the number of births. Any family policy which would be neutral regarding the gender factor (e.g. not taking into account the time devoted by women to raise her children nor her working conditions) would be dedicated to failure.

In France, the development of infrastructure for children and child care options, such as the construction of day care centres in particular, emerges as the most significant action to stimulate fertility (Thélot and Villac, 1998). In Germany, public and private organisations are cooperating in order to compensate for the lack of day care. Private companies take part in financing child care to keep qualified women on the labour market; this leads at same time to discrimination according to the level of qualification. Thus, under-qualified women have fewer incentives to have children.

In order to boost the particularly weak fertility rate in Germany and increase the employment rate of women the government plans to improve tax incentives and extend social security benefits in order to allow women to better balance their family and working life. This will especially target the lack of day care in the old Länder. Parental and family benefits (‘parental wages’) will be available as of January 2007. The mother or the father will be able to receive a remuneration
equivalent to 67% of his or her usual income for 12 months with a maximum of €1,800 per month. In addition, families will benefit from new tax cuts, in particular for child care expenses. The tax bracket for child care expenses has a minimum of €1,000 to a maximum deductible of €4,000 per year and per child. Up until now, working parents could deduct a maximum of €1,500 for child care until the thirteenth birthday of the child.

The new tax cuts are not limited to child care. These deductions deal with home employment and reimbursement of dependent expenditures (up to €6,000 compared to the current €3,000). In order to support the economic activity in the construction industry and to encourage energy savings, the range of home employment definitions with a right to deductions will be extended to jobs such as restoration, modernisation and maintenance of accommodations. A deduction of 20% for such employment will be possible for an amount of €3,000, i.e. €600 deductible. It will be added to an already existing deduction (i.e. the employment of a cleaning lady).

8.7. Conclusions

Demographic change in Europe is largely determined by firstly the rise in longevity and secondly the increasing age at childbearing to around or beyond 30 years. However, the speed of population ageing, the degree of postponing children and the level at which fertility settles differ considerably from one country to another.

In the two countries considered here, Germany is already in a phase of population decline mainly due to the effects of a weak fertility rate. The decline in the fertility rate among females aged less than 30 years has not been followed, to the same extent as in France, by a rise in fertility among females aged 30 years or over. Since 1993, the migratory balance is not strong enough to make up for the natural deficit. Population ageing is accelerated as well as the future decrease in the labour force.

France experiences a rise in longevity comparable to that observed in Germany. However, its effect on the population pyramid is smoothened by the high fertility rate. Contrary to Germany, France has reached the third stage of the fertility transition, allowing a recovering of the population.

German and French family policies have by and large been determined by historical and social-economic factors. Each country aims at finding a balance
between (i) the raising of children and time availability for women, (ii) equality between men and women regarding employment and employment conditions, (iii) the struggle against inequalities regarding income, access to medical care, and day care, but also housing accommodation, and (iv) equal treatment for both parents.

The model of the German family policy is more traditional: employment of women is barely encouraged and the development of an infrastructure suitable for caring for toddlers is low. In Germany, the employment rate of women in childbearing ages is relatively low and part-time work is pronounced. But the lack of infrastructure supply and demand is a serious problem.

The French family policy is an intermediate one between the German and the welfare models. At the same time, it is based on a traditional view of the place of women and on policies of public aid aimed at reconciling the professional and family life of women. The policy of developing day care (however insufficient in some highly populated areas such as Paris) and nursery schools is a major factor contributing to this reconciliation.

Evaluation of the effectiveness of the family policies remains complex. The findings of studies on the determinants of the fertility rate differ according to the methodology of analysis (macroeconomic and microeconomic). However, the availability of child care and educational infrastructures seems to be positively correlated with the fertility rate. This would suggest that there is no contradiction between traditional family policies and policies addressing gender parity. Indeed, particularly in France, these policies are not formulated so much in terms of the family, but rather in terms of education. Policies favouring day care and nursery schools and early entry into the schooling system are thus likely to ensure reconciliation of traditional family policies and gender parity.

References


Eurostat database, European Statistical Data, Eurostat, Statistical Office of the European Communities, Unit F-1: Demographic and Migration Statistics.


**Figure 8.1. Evolution of the ratio of individuals under 25 and 65 or over in France and Germany between 1994 and 2005 (in %)**

![Graph showing the evolution of the ratio of individuals under 25 and 65 or over in France and Germany between 1994 and 2005](image)

**Notes:** Here the under-25 age group is preferred rather than the ‘traditional’ under-20 age group because it better corresponds with the extension of education in these two countries. The ratio expresses the number of persons in a specific age group as percentage of the total population.

**Source:** Eurostat data. Data for 2005 are not yet available for the EU25.
Figure 8.2. Evolution of the life expectancy for men and women in Germany and France between 1993 and 2004

<table>
<thead>
<tr>
<th>Years</th>
<th>1993 (e)</th>
<th>1994 (e)</th>
<th>1995 (e)</th>
<th>1996 (e)</th>
<th>1997 (e), (p)</th>
<th>1998 (e), (p)</th>
<th>1999 (e)</th>
<th>2000 (e)</th>
<th>2001 (e)</th>
<th>2002 (e), (p)</th>
<th>2003 (e), (p)</th>
<th>2004 (e)</th>
</tr>
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<td>Women</td>
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</tbody>
</table>

Notes: Life expectancy at birth in years, i.e. the average number of years that a newborn can expect to live according to the current mortality conditions during his life time.


Source: Eurostat data. Data for 2004 are not yet available for the EU25.
Figure 8.3. Natural balance of the population: births and deaths in Germany and France between 1950 and 2004

Note: Live births and deaths per annum.

Source: Eurostat data. Data are not available for deaths between 1950 and 1959.
Figure 8.4. Rate of live births for the first child according to age of the mother (per 100 women)

Germany

France

Notes: The birth rate of the first child by age is calculated by the ratio of the number of first births to 100 women in the age bracket. The birth rate for women aged between 45 and 49 is not represented because these rates are lower than 0.03 in France and 0.007 in Germany. The Eurostat data is missing the birth number for certain years. These birth values are calculated by taking the average between two years: 2001 for Germany and 1997 and 2003 for France were calculated using this approximation. However, for France for 1997: the missing values between the former and the latter series could not be calculated for technical reasons.

Figure 8.5. Rate of fertility per age (younger than 30 & 30 years or over, TFR)

Germany

France

Notes: The figures show the rate of fertility for the women under 30 of age, for women aged 30 or over as well as the total fertility rate in Germany and France. Eurostat data contains missing values for 2002 for Germany and 2003 for France.

Sources: Calculations using Eurostat data and INSEE data.
### Table 8.1. Summary of the family policies' efficiency in Germany and France

<table>
<thead>
<tr>
<th>Incentive policies</th>
<th>Germany</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family benefits</td>
<td>++</td>
<td>+++</td>
</tr>
<tr>
<td>Parental leaves</td>
<td>++</td>
<td>++</td>
</tr>
<tr>
<td>Health policies (social security...)</td>
<td>+++</td>
<td>+++</td>
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<tr>
<td>Reconciliation of family life and working life policies:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>children infrastructures</td>
<td>-</td>
<td>++++</td>
</tr>
<tr>
<td>employment during maternity leave</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td>Indirect policies aimed at stimulating women to have children at an earlier age:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>housing benefits</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>ensure job security/job creation for young people</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

Note: The table summarises various public incentives aimed at directly and indirectly stimulating the fertility rate: the direct incentive policies, the policies aimed at reconciling family and work life of women and the indirect policies aimed at slowing down the postponement of childbearing. The following symbols indicate: ++++ a very strong incentive; +++: a strong incentive; ++ an incentive; + a weak incentive; -: a negative or null incentive.