



European  
Commission

# Demography, active ageing and pensions

Social Europe guide | Volume 3



Social Europe



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**Social Europe guide**

Volume 3

**European Commission**

Directorate-General for Employment, Social Affairs and Inclusion  
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# Foreword



**László Andor**

Commissioner for Employment, Social Affairs and Inclusion

The **ageing of Europe's population and shrinking of our working-age population** is a major challenge for the decades ahead. First because it does not make economic growth easier, at least in the way growth has been traditionally understood. And second, because together with the underlying trends of higher life expectancy and low birth rates, and other demographic and social phenomena such as migration and exclusion of vulnerable groups, it may easily result in dynamics that weaken social cohesion within the EU and its Member States.

The severe economic crisis which Europe has been undergoing for nearly 5 years, and notably the reduced budgetary possibilities and the loss of human capital caused by high unemployment, make it only more difficult to adapt to these demographic developments. At the same time, Europe has hardly ever needed active employment, social and innovation policies more than it needs them now. To ensure **prosperity and solidarity across the society and generations** even as the working-age population shrinks, Europe will need in the future higher employment, greater productivity and more social cohesion than until now.

Policies cannot change demographic trends and the balance between generations other than in a very long term (and that is mainly by creating favourable conditions for childbearing at sufficient levels). But a lot can be done to adapt to demographic changes. Public policies can promote work-life balance and new ways of working to enable higher employment, notably of women and older workers. Future employability and productivity can be improved today by reducing child poverty and social inequalities and ensuring everybody's access to quality education. More immediately, employment and productivity can be boosted through investment in training, lifelong learning, job-placement support,

integration of disadvantaged people into the labour market and measures ensuring that young people have enough opportunities for professional development and economic independence.

All these *social investments* are also crucial for maintaining the **values of fairness, equal opportunities and social mobility** in Europe as the balance between generations shifts.

Moreover, adaptation to demographic developments also means that we need to modernize our pension systems. In order to ensure adequate old-age income for generations to come, we need to make our pension systems safe and sustainable. While the main responsibility for the design and functioning of pension systems lies with each of the Member States, the EU has an important role to play in facilitating savings, investment, portability and drawing of pensions across borders. It also has a responsibility for ensuring a healthy regulatory framework for occupational and private pensions. And because we are interconnected, we need a common analysis of how pension systems perform and what the economic and social implications are.

But as the European Commission has emphasised in its White Paper on pensions

in February 2012, reforms in the design of pension systems, such as linking the pensionable age to life expectancy and reducing early retirement schemes do not, alone, ensure the adequacy and sustainability of future pensions. It is crucial to create opportunities so that employment rates of people above age 55 continue to increase. For this, we need to develop the right ways of work and make the necessary investments, so that older workers are able to contribute to the economy and society. Likewise, the gaps between men and women in terms of employment, pay, and pension entitlements must be closed, so that all women have decent old-age income.

Solutions for the challenge of ageing and shrinking working-age population cannot be limited to measures addressing older people. We need to increase opportunities for and employment of young people, women in childbearing age and all groups that are to various extents disadvantaged or excluded, such as minorities, people with disabilities or migrants. Social policies such as social protection benefits, childcare or labour market integration programmes benefit the whole society and economy as they prevent further decline in the human potential that exists and provide a springboard, or rather a ladder, for the individuals concerned to develop and realize their potential.

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# CHAPTER 1



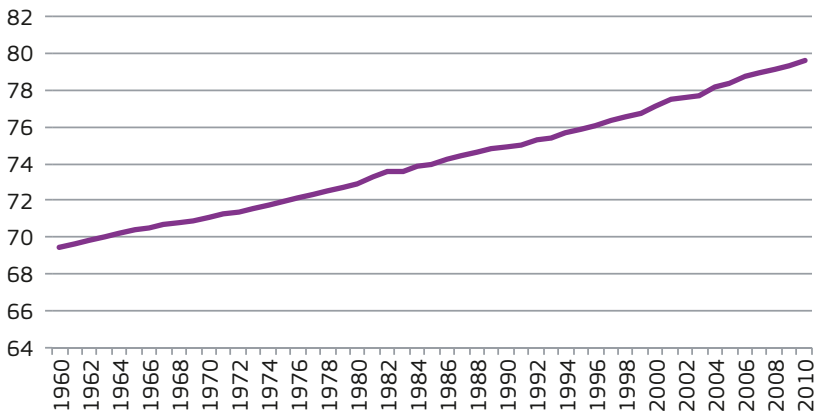


# The demographic revolution in Europe

The age structure of the European population is changing rapidly and radically. A profound change is taking place in the balance between the number of younger and older people. This is the result of two firmly established and parallel trends: life expectancy is increasing and birth rates remain at historically low levels.

First, Europeans are living longer and healthier lives. **Life expectancy** has been rising significantly for five decades. It rose by 8 years between 1960 and 2006. It is expected to increase by another 5 years by the middle of the present century. As of 2009, a newborn girl in Europe could be expected to live on average 82.6 years, and a boy 76.7 years.

Figure 1.1: Life expectancy at birth in the EU-27

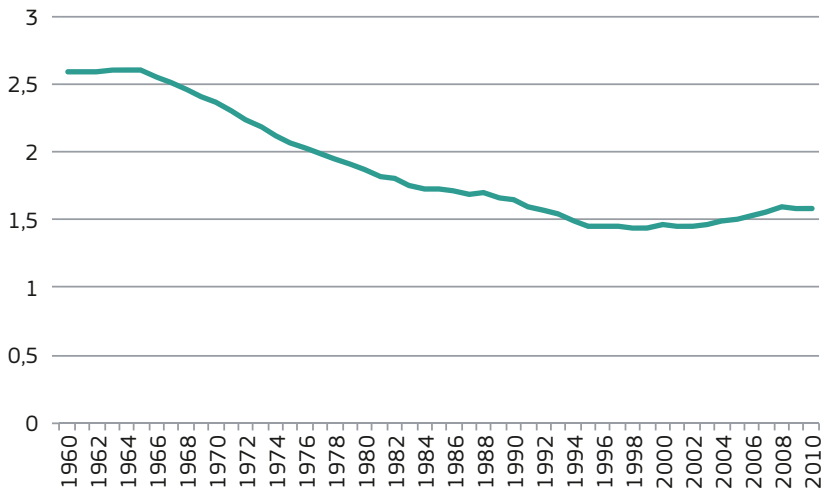


Source: World Bank, health database (<http://data.worldbank.org/topic/health>).

Secondly, the **fertility rate** in the countries which now constitute the EU-27 has been declining since 1965 and was at its lowest at the beginning of the present century. Since then there has been a slight increase but there are indications that the fertility rate has begun to fall again during the current economic recession. Eurostat assume that

over the coming decades the fertility rate in the EU-27 will be no more than 1.6 for each woman in the population and therefore well below the rate of 2.1 necessary to replace each generation. Likewise, the **number of live births** in the countries of the EU-27 has fallen from over 7.5 million children per year in the early 1960s to around 5.4 million in 2008-10.

Figure 1.2: Declining fertility rate in the EU-27

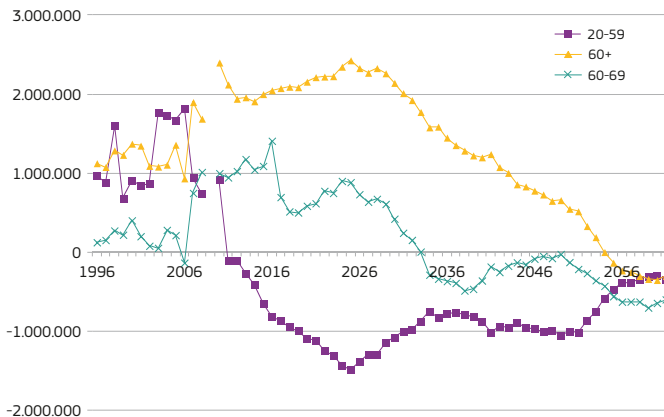


Source: World Bank, health database (<http://data.worldbank.org/topic/health>).

The result of the combination of these trends is that by the middle of this century there are expected to be 48 million fewer

people aged 15-64 and 58 million more people aged 65 and over in the EU.

Figure 1.3: Projected year-on-year change in the size of age groups 20-59, 60-69 and 60+



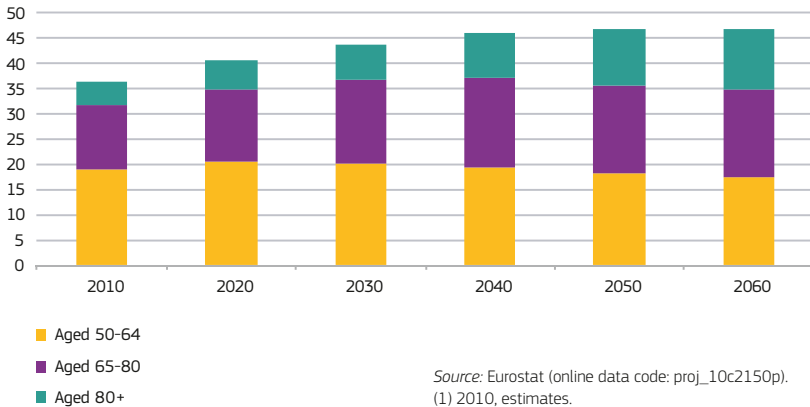
Source: Eurostat (online data code: proj\_10c2150p and demo\_pjgroup).

This not a distant prospect. The most dramatic changes are taking place in the present and next decade as the last cohorts of baby boomers move into and through their sixties, as figure 1.3 illustrates.

Over the next 30 years or so **the population of working age is expected to shrink** at the rate of between 1 and 1.5 million each

year. In parallel, the number of people aged 60 and over is expected to increase at the rate of about 2 million each year. This will transform the balance of the population between older and younger people to an extent that is without precedent. There are no historical examples of age distributions where the oldest age groups are bigger than youngest.

Figure 1.4: EU-27 Population by age group, 2010-2060 (%)<sup>(1)</sup>



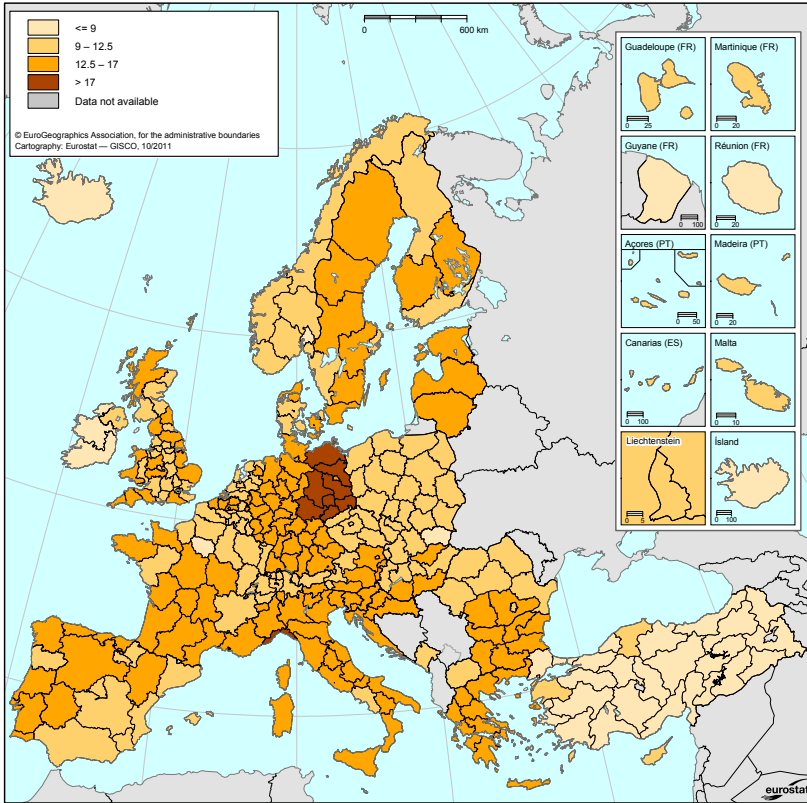
All Member States have ageing populations but the rate of ageing varies widely not only between different Member States but also regionally within Member States.

The regions with the highest proportion of people aged 65 and over tend to be either the metropolitan regions in Germany (usually cities in the north east which were formerly the home of traditional, heavy industries) or rural regions predominantly

in southern Europe (for example, parts of Italy, Greece, Portugal and Spain) from which large numbers of young people have migrated in search of work.

The regions with the lowest proportion of people aged 65 and over tend to be urban areas: for example, Île de France (France), Flevoland and Utrecht (the Netherlands), Inner and Outer London and West Yorkshire and Greater Manchester (UK).

Map 1.1: Relative importance of persons aged 65-79 in the total population, 1 January 2009<sup>(1)</sup> (% share of total population)



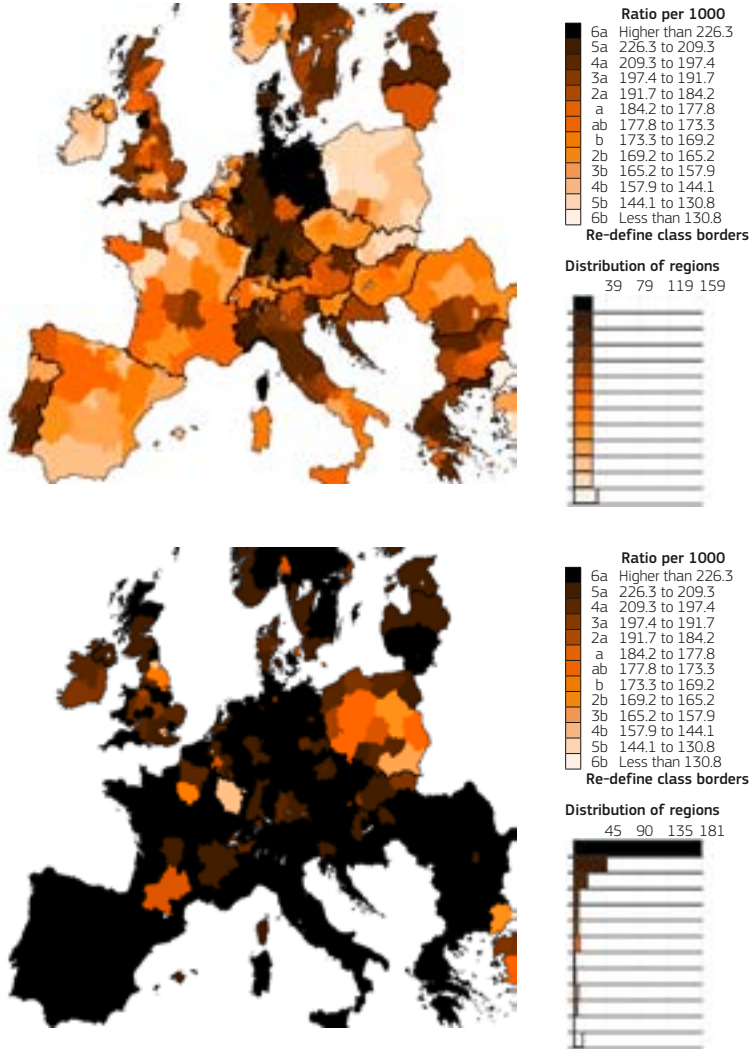
Source: Eurostat (online data code: demo\_r\_d2jan).

(1) 2008 instead of 2009 for regions in Belgium, the United Kingdom and Turkey.

The 2004 and 2007 **enlargements** have also altered the demographic structure of the EU, e.g. as regards fertility rates, which have been throughout the 1990s and 2000s much lower in the countries of the EU-12 than in the EU-15. This means that from approximately 2020 onwards,

the countries of the EU-12 face a prospect of particularly pronounced ageing and shrinkage of the working-age population. Map 1.2 below shows how dramatically the share of older workers in the total workforce will change between 2000 and 2030 but still with significant regional variations.

Map 1.2: Share of older workers (aged 55-64) in total workforce (age group 20-64)



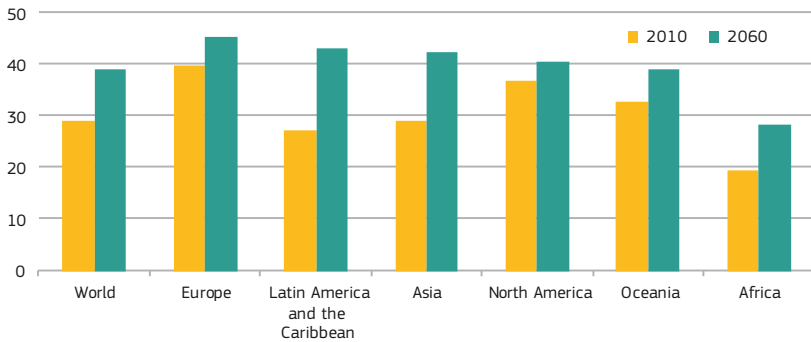
Source: Labour Force Survey data, own calculations based on DG EMPL's regional projection.

Overall, the EU's demographic structure has become **more diverse** through successive enlargements, with more minorities and various types of migration patterns (e.g. north-south, east-west, rural-urban or core-periphery). There are also greater differences in levels and patterns of poverty: in most countries children are at greatest risk (e.g. Italy, Romania, Spain or the UK), while in others it is elderly people or people in working age (e.g. Denmark or Slovenia). That said, the main trends of ageing and

shrinking working age population are common to all Member States.

Europe is not alone in having an ageing population: all countries, including many in the developing world as it gets more prosperous, are expected to have ageing populations in the first half of the 21<sup>st</sup> century. But Europe will be the only continent with a **negative population growth rate** over the next 50 years and as a result will have the highest median age.

Figure 1.5: Projected median age of the population and population trends across the world (years)



Source: United Nations, Department of Economic and Social Affairs, World population prospects: the 2010 revision.

This could have important implications for the level of **migration** to Europe from other parts of the world.

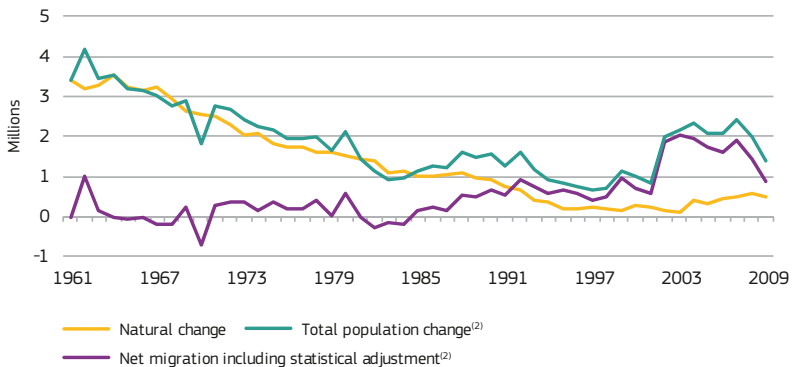
The scale of net migration (the difference between immigration and emigration) is subject to greater short term fluctuations than natural changes in the birth rate and life expectancy. Net migration

had a limited effect on total population between 1960 and the mid 1980s but it increased significantly thereafter. In 2003-07 net migration added on average almost 2 million people a year to the EU-27's total population. Since then there has been a fall. Migration added 875 000 people to the EU-27 population in 2009.

Table 1.1: Projected population trends and relative importance of older persons

	Total population, 2010 (1 000)	Average growth rate 2010-2060 (% per annum)	Projected relative importance of elderly persons (% share of total population)					
			Aged 50-64		Aged 65-79		Aged 80+	
			2010	2060	2010	2060	2010	2060
<b>World</b>	6 895 889	0.7	13.0	17.0	6.1	13.2	1.5	5.1
<b>Africa</b>	1 022 234	1.8	7.6	12.6	3.1	6.7	0.4	1.4
<b>Asia</b>	4 164 252	0.4	12.9	19.0	5.6	15.5	1.1	5.6
<b>Europe</b>	738 199	-0.1	19.4	16.9	12.0	17.3	4.2	10.3
<b>Latin America and the Caribbean</b>	590 082	0.5	11.9	19.0	5.4	15.3	1.4	7.1
<b>North America</b>	344 529	0.6	18.9	16.6	9.3	14.3	3.8	8.0
<b>Oceania</b>	36 593	0.9	15.5	16.2	7.8	12.9	2.8	6.9
<b>EU-27</b>	501 102	0.1	19.1	17.5	12.7	17.5	4.7	12.0
<b>Brazil</b>	194 946	0.2	12.9	20.3	5.5	17.3	1.5	8.8
<b>China</b>	1 341 335	-0.2	16.2	19.8	6.8	20.7	1.4	8.8
<b>India</b>	1 224 614	0.7	11.0	19.3	4.3	13.1	0.7	3.6
<b>Indonesia</b>	239 871	0.4	11.1	19.7	4.8	16.0	0.7	6.4
<b>Japan</b>	126 536	-0.4	20.6	16.5	16.4	17.7	6.3	17.4
<b>Russia</b>	142 958	-0.3	20.0	16.6	9.9	17.8	2.9	6.9
<b>United States</b>	310 384	0.6	18.8	16.6	9.3	14.1	3.8	7.8

Source: Eurostat (online data code: proj\_10c2150p) and United Nations, Department of Economic and Social Affairs, World population prospects: the 2010 revision.

Figure 1.6: Demographic balance, EU-27<sup>(1)</sup>

Source: Eurostat (online data code: demo\_gind).

(1) Break in series, 1998.

(2) Provisional, 2008 and 2009.



Immigration from outside the EU (and greater mobility of labour within the EU) have the potential to mitigate the effects of the shrinking of the working age population. However, it is generally accepted that immigration alone cannot rectify the expected imbalance between the working age and older populations. According to Eurostat's latest population projections (EUROPOP2010), annual net inflows for the EU as a whole are projected to increase from about 1 018 000 people in 2010 (equivalent to 0.20% of the EU population) to 1 217 000 by 2020 and thereafter to decline to 878 000 people by 2060 (a slightly smaller part, 0.17% of the EU population).

Moreover, the present economic crisis has also triggered emigration from the EU elsewhere, notably from countries dealing with high levels of youth unemployment, such as Portugal, Ireland or Greece. Should this

wave of emigration turn out to be permanent, it will also have an influence on the demographic structure of the countries concerned.

Whatever the scale of future net migration, therefore, it is clear that, as a result of the existing trends in life expectancy and the birth rate, Europe is on the brink of a **demographic revolution**. This will require many adjustments to be made by individual people, by governments and by society as a whole. But, because there is no previous example in history of an age distribution in which the older age groups are larger than the younger ones, there is no previous experience on which to draw.

Some consequences are easier to predict than others. The one most often remarked upon is the cost of providing pensions for a much larger population of retired people and for much longer periods spent in



retirement. This is certainly a major consequence but it is far from being the only one or necessarily the most serious.

The ageing of European society has major implications for employment, fiscal policy, social policy, health, education and technology as well as for immigration, mobility within the EU, the balance between work and family life and women's participation in the labour market.

The opportunity for people to live longer and healthier lives is, of course, an enormously positive one and to be warmly welcomed. But a shrinking working age population has potentially serious consequences for future economic growth and the standard of living and greater longevity has profound implications for the cost of supporting, and caring for, the very elderly.

In fact, Europe's demographic revolution can be seen to pose three distinct but closely related challenges:

- how to deliver future economic growth with a shrinking working age population;

- how to provide adequate pensions, health care and other services for an unprecedented number of older people;
- how to enable older people to remain independent and active citizens.

Increased employment opportunities for older people themselves are an important part of the answer – but not the whole answer – to each of these challenges. Higher employment rate and greater productivity are needed across the population.

Chapter 2 analyses the three abovementioned challenges in detail and explains the importance of employment and social policies in this context. Chapter 3 analyses the issue of active ageing and presents examples of policy actions in this area. Chapter 4 describes how the demographic challenges are reflected in the EU's policy on pensions, notably in the agenda set out in the 2012 White Paper on adequate, safe and sustainable pensions. Chapter 5 summarizes the main points and outlines the way ahead.

## CHAPTER 2



# Economic, employment and social implications of Europe's demographic trends

## Increasing growth and productivity

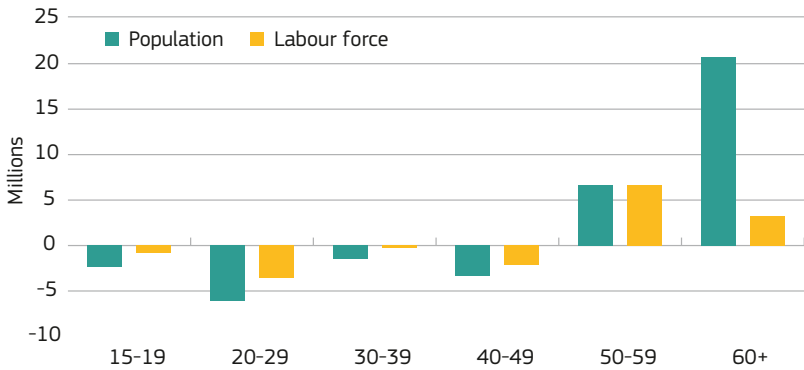
As Europe moves to the fifth year of an economic crisis, a return to sustained growth is a major priority. Economic growth is the sum of growth in employment and growth in productivity. A shrinking working age population is therefore a direct and continuing threat to future economic growth, as are the loss of economic output and the destruction of people's skills and productivity that have resulted from the high levels of unemployment seen in the EU since 2008. The decline of the European working age population over several decades to come represents an unprecedented challenge, which can only be met through a major policy effort and investment, already today, in substantially increasing employment and improving productivity.

European growth and prosperity in the post war decades benefitted from the post war increase in the birth rate (the 'baby boom'). The industrial revolution in nineteenth century Europe depended on a massive transfer of population from rural areas to the cities and from relatively low productivity agriculture to higher productivity manufacturing. China's remarkable growth rate over the last thirty years has been achieved in

exactly the same way. The transformation of the economy of the USA at the end of the nineteenth century would not have been possible without mass immigration from Europe. All these major economic developments were achieved thanks to increases in the amount of labour and in its productivity.

Europe now faces the challenge of growing out of a 4-year long economic slump without any of these advantages but with a population of working age which is expected to decline by between 1 and 1.5 million each year for the next 30 years. Over the course of the current decade the only part of the working age population which will grow is the group of people aged over 50. The challenge is even bigger if we consider that Europe is today significantly under-utilizing its employment potential (the EU-27 unemployment rate has been above 9% since mid-2009 and has exceeded 10% in 2012). Youth unemployment is particularly worrying in this context, as the lost opportunity for jobless young people to develop professional skills is likely to translate into lower productivity and lower earnings over a longer period of time. Economic insecurity associated with high unemployment of young people also affects their household formation decisions and aggregate demand. Since 2009,

Figure 2.1: Changes in population and workforce 2010-2020 by age group



Source: CEDEFOP 2010 ([http://www.cedefop.europa.eu/en/Files/3052\\_en.pdf](http://www.cedefop.europa.eu/en/Files/3052_en.pdf)).

the EU-27 average unemployment rate among people aged 15-24 has been in excess of 20%, and in some countries it has reached over 50%.

Europe's demographic revolution therefore puts a premium on **increasing the employment rate and improving productivity**. Both are critically important. If we fail to improve productivity by investing in skills, education, innovation and efficient use of natural resources, then growth will be insufficient to maintain current living standards. If we fail to find ways to raise the employment rate, total economic output and income will likewise be lower. Capital could substitute labour to some extent, though this could also mean greater concentration of income, with negative effects on total demand and even higher dependency of the economically inactive on the active. Moreover, given the shrinking working-age population in the decades ahead, if Europe is to maintain

its current levels of prosperity, productivity would have to grow at a much faster pace than the approximately 1% per year in 2000-08, unless there is an increase in the employment rate. If we fail in terms of both employment and productivity, Europe faces a future of economic decline and falling living standards.

The **Europe 2020 Strategy**, which was adopted by EU leaders in June 2010, addresses this challenge directly. Its key objectives are to secure:

- smart growth by improving performance in education, innovation and the use of digital technologies;
- sustainable growth by transforming Europe into a low-carbon economy, by making more efficient use of natural resources and improving the business environment;
- inclusive growth by generating more and better jobs, with greater investment in skills and training.

To achieve these objectives, the Europe 2020 Strategy set a range of key targets, three of which relate to the need to counteract the effect of a shrinking working age population:

- an employment target to ensure that 75% of 20-64 year olds are in employment by 2020;
- an education target to reduce school drop-out rates to below 10% and ensure that 40% of 30-34 year olds complete tertiary-level education;
- a poverty and social exclusion target to lift at least 20 million people from life in or the risk of poverty and social exclusion.

The Europe 2020 Strategy highlights the central importance of raising the employment rate. This means drawing on the employment potential of all parts of the population, including older workers. The target of 75% can be achieved only if

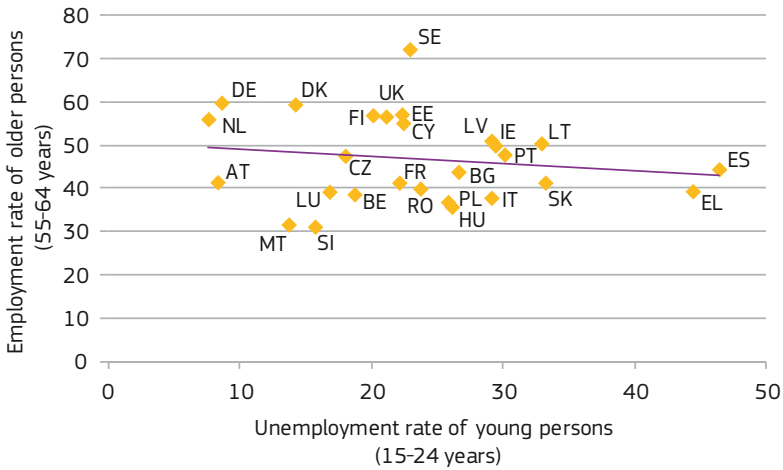
a higher proportion of the population remains in employment until a later age.

The link between employment and economic growth is not always understood. It is sometimes suggested that governments should respond to rising unemployment by taking steps to reduce the size of the working age population, for example, by encouraging earlier retirement. This assumes that labour markets are static and contain a fixed number of jobs. This is a false assumption, also known as the 'lump of labour fallacy'.

If there were a fixed amount of work, countries with high employment rates for older workers would have high youth unemployment. But in fact, the EU Member States with the highest employment rates for older workers also have the highest employment rates for young people.



Figure 2.2: Youth unemployment and employment of older people: 2011



Source: Eurostat, (online data code lfesa\_ergan and lfesa\_urgan).

A job held by one person is not a job denied to someone else. On the contrary, **productive employment generates additional income, resulting in new demand** for goods and services which translates into additional jobs.

To take a simple example: a successful manufacturing company, whose products address a certain need on the market, will create jobs not just for its own employees but also for those who distribute and sell its products. Those new jobs will, in turn, generate additional income which will increase the demand for other goods and services. Increasing employment is both a condition for, and a beneficial result of, economic growth.

It would be a mistake, therefore, to believe that jobs can be made available for young

people simply by persuading older people to retire prematurely. There is no trade-off between jobs for older people and jobs for young people.

On the contrary, retaining older workers within an otherwise shrinking European labour force is essential for maintaining the capacity of the European economy to grow and hence to create new jobs. Over the next few decades Europe literally cannot afford to lose the employment potential of the only age group which will be growing in size: the over 50s.

Enabling older workers to remain in productive employment is therefore a critically important condition for generating future economic growth and employment opportunities for people of all ages. The potential for raising the employment rate of older

people is clear: in 2010 over one third of men and over half of women in the age group 55 to 64 were **not** in employment.

### A dynamic and inclusive labour market

Of course, raising the employment rate of older workers is not the only means of counter-acting the fall in the working age population. Unemployment itself constitutes a huge waste of human resources. Even before the onset of the economic and financial crisis in 2008 the employment rate for the population aged 15-64 was only 65.9%. More than 16 million people were unemployed in the EU and even at the height of the boom Europe had a persistent problem of youth unemployment. Today's unemployment in the unprecedented magnitude of 24.5 million people in the EU-27 is a pressing problem, but much of Europe's joblessness is not caused just by the protracted economic downturn ('cyclical' factors), but also by more structural reasons. To reduce unemployment, governments must therefore try to stimulate job creation in the short run, as well as improve the way in which European labour markets function. The latter includes efforts to improve matching between jobseekers and vacancies, combating discrimination and social exclusion, ensuring up-to-date skills, and facilitating transitions from education or parental leave to work.

This is a major and wide ranging agenda which is described in the 'Employment

Policy' volume of the Social Europe Guide series as well as in the April 2012 Commission communication 'Towards a job-rich recovery'. It encompasses policies which combine the promotion of flexibility and security in employment ('flexicurity'); policies to raise the level of skills and qualifications, particularly through lifelong learning; measures to ease labour market transitions; and modernization of social security systems so as to provide adequate income, encourage employment and facilitate labour market mobility. Focused job creation measures such as reducing taxation of labour or supporting entrepreneurship are also vitally important.

Europe cannot afford to lose the employment potential of people who have lost or cannot find jobs. Active labour market policies to maximize the rate of employment have never been more important than they will be over the next few decades when working-age population shrinks.

Nor can Europe manage without drawing more effectively on the employment potential of **women**. The employment rate of women aged 25-49 still falls well short of the rate for men in the same age group. This underlines the importance of organizing work in ways that provide parents with the flexibility they need to bring up their children and with the security they need to develop a sustainable career. As shown in the Commission's Demography Report for 2010, Member States with most developed measures for **gender equality** and **reconciliation of work and private life** tend to have not only the highest female

employment rates, but also the highest birth rates. This shows how modern employment and family policies can play an important role in shaping demographic trends.

There is a range of other groups whose employment potential is still untapped. In particular, one in every five young people cannot find a job. 7.5 million **young people** between the age of 15 and 24 are not in employment, education or training. The longer they remain in this situation, the harder it becomes for them to gain a foothold in the labour market and start their careers. Youth unemployment is more than a problem for those who are directly affected by it: it risks creating a generation which feels excluded from the mainstream of society. Economic insecurity within the **generation in childbearing age** can also have negative consequences on birth rates, discouraging family formation

among many people who would otherwise be keen to have (more) children.

### Immigration and mobility

Movements of population have historically had a strong association with economic growth and a rapidly shrinking working-age population seems certain to act as a stimulant to further immigration as labour shortages emerge. To what extent can immigration compensate for the effects of the low birth rates of the past and today on the working age population of tomorrow?

Foreign citizens accounted for 6.5% of the EU-27 population in 2010. They tend to be significantly younger than the national or native born population. In 2010 the median age for the total EU-27 population was 40.9%, while the median age of non-EU nationals living in the EU was 34.4%.



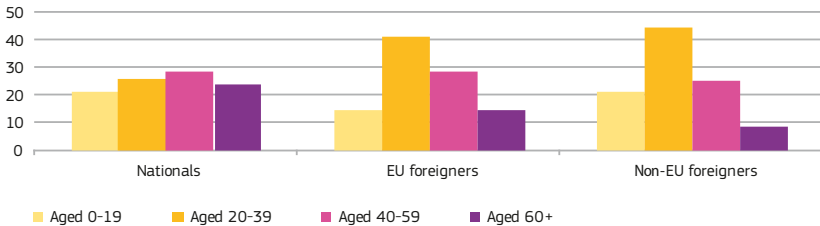


Figure 2.3: Population age structure of nationals and non-nationals (EU and other), EU-27, 2010



Source: Eurostat (online data codes: migr\_pop2ctz and migr\_pop4ctb).

Figure 2.4: Age distribution of nationals and non-nationals (EU and other), EU-27, 2010 (%)



Source: Eurostat (online data code: migr\_pop1ctz).

However, the employment rate of **third country nationals** is still some 10% below the overall employment rate. Barriers to their employment, for example in the form of discrimination and a failure to recognise their existing qualifications, increase the risk of their being unemployed and of their skills and abilities being wasted in low skilled jobs. It can also drive them towards undeclared work.

The full potential contribution to economic growth of the third country nationals who

are already resident in the EU has therefore still to be realised. Their effective economic integration will reduce the risk of illegal immigrants' filling the employment gaps created by the shrinking working age population.

In 2011 the Commission proposed a 'New Agenda for Integration of Third Country Nationals' as a framework for the integration policies of individual Member States. This includes measures, such as language training, introductory programmes,

mapping of individual migrant's qualifications and training needs, equipping teachers and school leaders with skills for managing diversity etc, to improve labour market participation.

Increasing **labour mobility within the EU** also has the potential to make a greater contribution to economic growth in the face of demographic change as the existence of a genuine EU labour market would make it easier to find suitable candidates to fill available vacancies.

Labour mobility in the EU remains low, however, especially in comparison with the USA, despite the large regional disparities in unemployment across the EU. In the EU, people of working age who changed their region of residence in 2008 amounted to only 1.2% of total working-age population as against 2.8% in the US.

There are significant differences between Member States in the pattern of regional movements and there is a clear distinction between the EU-15 and the EU-12 countries. In the EU-15 some 1.4% of the working age population moved between regions in 2008, nearly four times more than in the EU-12 countries.

Furthermore, on average, more than 85% of the labour movement in the EU is between regions in the same Member State. Less than one in 7 cases involved crossing a national border. Only 0.15% of people of working age moved between Member States, less than movements

into the EU from third countries (0.2% of the working age population).

Between 2000 and 2009, the total population of the EU-15 countries grew by 20.5 million (15.6 million through net migration and 4.8 million through excess births over deaths), while in the EU-12 total population declined with 2.2 million (0.9 million net emigration and 1.3 million excess deaths over births). Almost 40% of the EU's regions recorded both positive internal mobility and external migration, especially in France, Italy and Spain. In about 30% of the regions, the total mobility balance was also positive, but with negative internal mobility and positive external migration. Conversely, there are very few regions with positive internal mobility and negative external migration. Regions with both negative internal mobility and external migration (about 10% of all regions) can be found mainly in Poland, Bulgaria and Romania, but also in the northern part of France.

The free movement of labour is a fundamental principle of the EU. It is a right of European citizens and European labour markets would operate more effectively if overall mobility was at a higher level. Equally, however, it is important to create favourable conditions for employment growth throughout the EU and, as far as possible, correct existing regional imbalances to ensure that economic activity is not concentrated in some regions at the expense of others. Cohesion policy investments, accounting for about 35%

of the EU budget, play an important role in supporting balanced development of the Union. In the absence of such a development policy, the overall demographic challenges of a declining working-age population and low fertility would impact certain regions particularly hard, reducing their potential contribution to the growth of the EU as a whole.

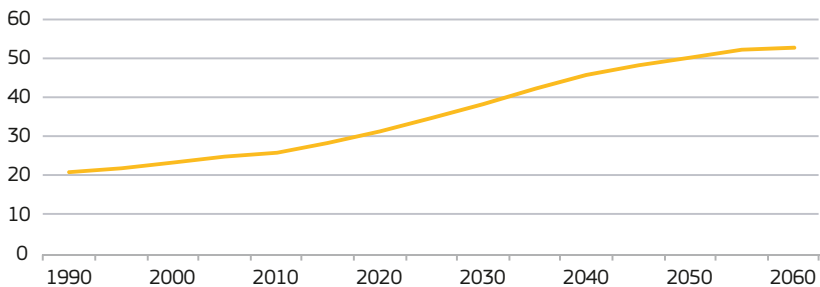
In short, the demographic revolution gives importance and urgency to the development of a dynamic and inclusive labour market across Europe. Measures to reverse the employment-destroying effects of the crisis, reforms and investments to tackle structural unemployment and improve productivity: these are all now essential if Europe is to reach its target of a 75 % employment rate by 2020 and be in a position to deal with the challenge of a shrinking working age population in the decades ahead.

## Supporting a growing population of older people

The second challenge is closely related to the first because future economic growth will be critically important for funding the pensions, health care, long term care and the other services on which the rapidly growing older population will depend in their later years.

The extent of the challenge is clearly illustrated by Figure 2.5, which shows how the ratio of the population aged 65+ to the population aged 15-64 (the 'old age dependency ratio') is expected to change over the next four decades. It shows that the ratio will double by the middle of the century – from 26 % in 2010 to 50 % in 2050. In 2008 there were four people of working age for every person aged 65 and over. By 2050 there will be only two.

Figure 2.5: Old-age dependency ratio, EU 27<sup>(1)</sup> (%)



Source: Eurostat (online data code: demo\_pjanind and proj\_10c2150p).

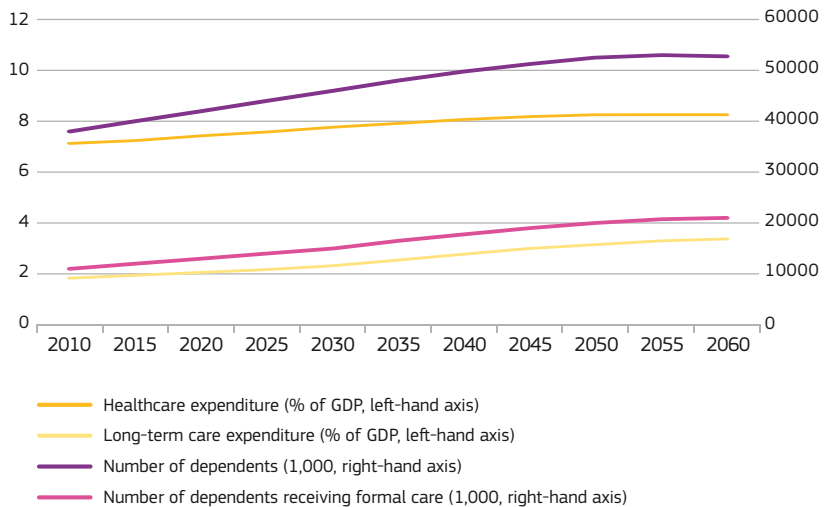
(1) Population aged 65+ in relation to the population aged 15-64; projections, 2015-2060.

The consequence is clear: as the population aged 65 and over grows by about 2 million each year the cost of pensions and of the health care and other services on which they depend can be expected to rise significantly. Chapter 4 discusses in more detail the specific challenge of ensuring adequate, safe and sustainable pensions. But the provision of health care and long term care for older people will also put a big strain on public expenditure. The number of people aged over 80 is expected to increase by 12.6 million

between 2010 and 2030 – an increase of 57.1% over the two previous decades. This will inevitably make much bigger demands on health and long term care services.

As detailed in the Commission's 2012 Ageing Report, healthcare and long term care expenditure in the EU is projected to increase by about 2.6% of GDP between today and 2060. Spending on long term care is projected to grow faster (rising by 83%) than spending on healthcare (+15%).

Figure 2.6: Projections of care expenditure and dependents, EU-27



Source: European Commission, Ageing Report 2012.

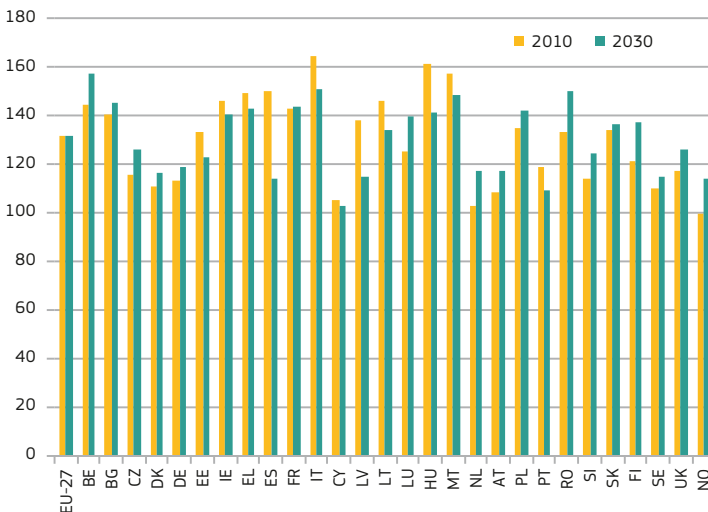
It is natural for each generation, as it moves into retirement, to expect to enjoy at least the same level of pensions (in real terms) and the same standard of health care and other services as their parents' generation and to regard the maintenance – and if possible the improvement – of these standards of provision as a touchstone of social progress. They believe, legitimately, that they have contributed to this through the taxes and social charges they have paid throughout their working lives.

In reality, however, the current cost of pensions and services for older people is borne by people of working age through the taxes they pay or the consumption they forego when goods and services are consumed by older people. As these costs rise over the coming decades and fall on fewer and fewer people of working age, the scope for

potential resentment between the generations is evident. The risk of such tensions is heightened by fears that future generations will not enjoy the same standard of living as the 'baby boomers' did in the prosperous post-war decades, although the shifting demographic balance also involves a risk that the 'baby boomers', when they retire, may suffer a decline in living standards compared to the previous generations and to their own earlier standards.

A useful measurement in this context is the **'economic dependency ratio'**. This is the ratio between the total non-working population and those who are in employment. It shows how many non-working people (children, retired people, the unemployed etc), are supported by each person in employment.

Figure 2.7: Economic dependency ratio, 2010-2030 (%)



If economic growth is weak, the rising costs associated with an ageing society will be harder to meet and difficult choices will need to be made between:

- raising rates of taxation to maintain pension levels and standards of health care and other services;
- switching resources from other areas of public expenditure;
- reducing the level of pensions and standards of service.

There are, therefore, compelling arguments for taking urgent steps to counteract the effects of demographic change in ways that will mitigate these rising costs and allow for an equitable sharing of the burden between the generations. In particular, encouraging and enabling older people to remain in productive employment will simultaneously reduce their reliance on pensions while contributing directly to the economic growth which will help to finance those pensions. This sharing of the costs of an ageing society is an essential basis for securing solidarity between the generations.

Raising the employment rate of older people is part of a much wider agenda to enable older people to remain active citizens, to live independent and healthy lives and to continue to contribute positively to the societies in which they live. This is the agenda of 'Active Ageing' which is described in Chapter 3. It is linked directly with the third main challenge posed by the demographic revolution.

## Maximizing the benefits of living longer

The rapid growth in the population aged 65+ projected over the next four decades is the result of people living much longer. This is, of course, a hugely positive achievement. It is the direct result of the enormous social and medical progress over the last six decades and of the much higher standards of living enjoyed by the post war generations. It is a reflection both of the achievements of the modern welfare state and of a long period of peace and rising prosperity which is unique in European history.

**Greater longevity** is therefore a matter for rejoicing and congratulation. For the first time people of 60 are able to look forward to 2 or 3 further decades of life. The past is not necessarily a guide to what future generations of older people will be able to do or will want to do. People who are now facing a longer and healthier old age than any previous generation will have new ambitions and greater expectations than their parents and grandparents. Society will need to respond by broadening the opportunities available to them.

Enabling them to live independently for as long as possible, to remain active citizens and to contribute to development of the communities in which they live will be important for them – but it will be equally important for the rest of society.

The concept of **Active Ageing** represents a policy agenda aiming, at the same time, to enable older people to lead fuller and healthy lives, to remain independent and self-supporting and to contribute to society and to economic growth. Providing opportunities to work longer than the current age of retirement is one of the most important aspects of the active ageing agenda.

A recent Eurobarometer survey indicated that, while continuing to oppose the idea of being forced to work longer, a majority of people now reject the idea of mandatory retirement at a given age. One in three people would like to have the opportunity to work beyond the age at which they become entitled to a pension.

But there is more to the active ageing agenda than extending working life. There are many other ways in which older people can continue to contribute to society in their retirement – by volunteering to help to deliver social and community services, by making their experience and expertise

available to younger people or simply by leading a full and active life which generates productive work for others. A rapidly growing and active population of older people will create new and expanding markets for products and services.

In short, an ageing population does not have to be a burden on society. On the contrary, it can be a stimulus to new forms of work, new and wider notions of citizenship and the development of new products and services. Enabling older people to realize their full potential both within employment and after their retirement will mean that they can lead more interesting and fulfilling lives and remain active, healthy and independent for longer. At the same time it will help Europe to come through the demographic revolution of the next few decades with a growing economy, with sustainable and secure pensions, and expanded health and long term care services. How the Active Ageing agenda can help to achieve these goals is the subject of the next chapter.

# CHAPTER 3





# Active ageing

Active ageing has been defined by the World Health Organization as ‘the process of optimizing opportunities for health, participation and security in order to enhance quality of life as people age.’ The Commissioner for Employment, Social Affairs and Inclusion, László Andor, has said that, in the context of Europe’s ageing population, this means ‘encouraging older people to remain active by working longer and retiring later, by engaging in volunteer work after retirement and by leading healthy and autonomous lives.’

The basic purpose of active ageing is to widen and enrich the range of opportunities available to older people so that they can realize the full potential of their abilities and pass on their accumulated knowledge and experience to later generations. Enabling older people to lead fuller, more active and healthier lives will allow them to contribute directly to the growth of the economy and to the development of society as a whole.

The European Commission has designated 2012 as the *European Year for Active Ageing and Solidarity between Generations* with the aim of raising awareness of the contribution that older people can make to society and of the importance of enabling them to do this in a context of rapid demographic change.

It seeks to encourage action at all levels and the setting of ambitious goals for active ageing, focusing on three main areas:

- creating better job opportunities and working conditions for older people;
- helping older people to play an active role in society;
- encouraging healthy ageing and independent living.

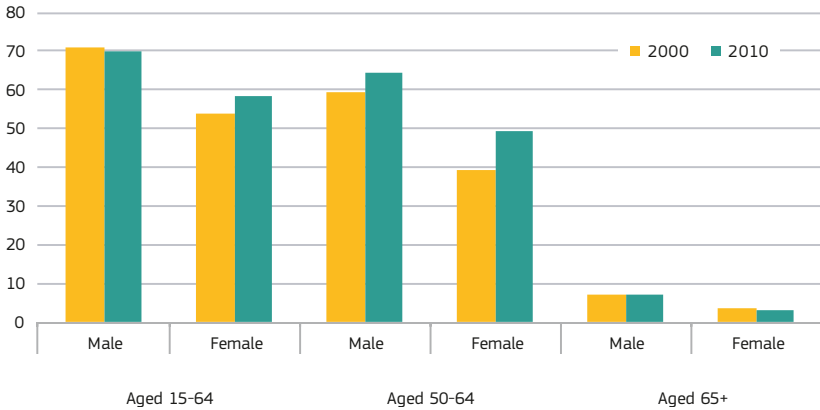
What is the scope for widening the opportunities for older people in each of these areas? What changes in attitude and practice are needed to make these opportunities a reality and enable older people to take full advantage of them? What action is needed to support active ageing and healthy and independent living?

## Creating better jobs and working conditions for older people

Chapter 2 explained the vital importance of raising the employment rate for older workers in order to sustain Europe’s economic growth and its overall standard of living over the coming decades. Without the full and active contribution of older workers both economic growth and living standards will be lower. The EU’s commitment to achieve an employment rate of 75% among 20–64 year olds by 2020 can be achieved only if the employment rate for older people rises significantly.

There is a significant difference between the employment rates for women and men, particularly in the 50–64 age group.

Figure 3.1: Employment rates by gender and age group, EU-27 (%)

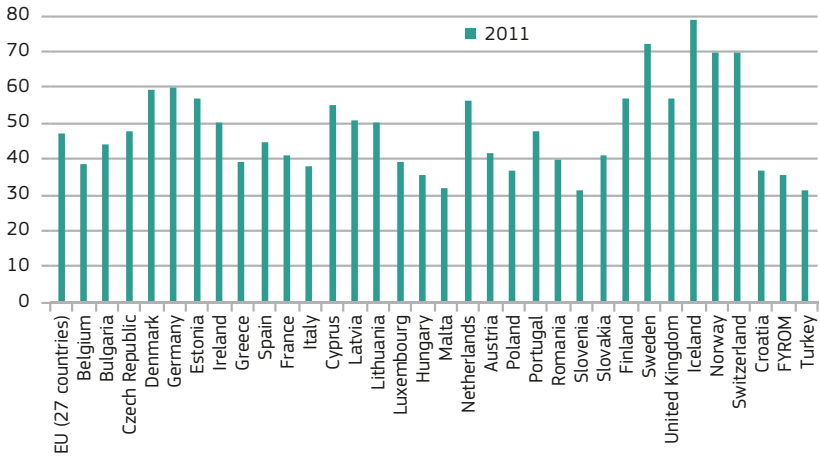


Source: Eurostat (online data code: lfsa\_ergan).

Furthermore, the employment rate for older workers varies widely between different

Member States, and the magnitude of the task of raising it varies accordingly.

Figure 3.2: Employment rates of older workers (55-64) in EU Member States (%)

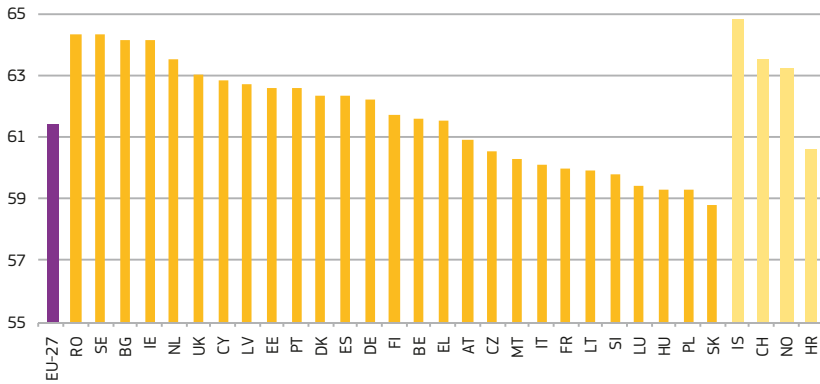


Source: Eurostat (online data code lfsa\_ergan).

In 2009 the average age of retirement from employment in the European Union was 61 years and five months. Six Member States reported an average exit age below 60 and, again, there was considerable

variation between Member States. The average age of retirement is likely to rise over the next few years as a number of Member States raise the age of pension entitlement.

Figure 3.3: Average exit age from the labour force in EU Member States, 2009<sup>(1)</sup> (years)

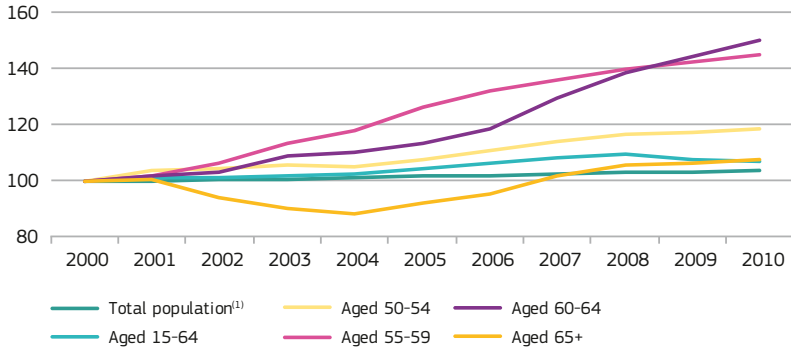


Source: Eurostat (online data code: lfsi\_exi\_a).

(1) Weighted by the probability of withdrawal from the labour market; estimates.

It is an encouraging sign that the employment rate for the 55-64 age group has been rising continuously – and rising faster than the rate for younger age groups – since the beginning of the twenty first century.

Figure 3.4: People in employment by age group, EU-27 (2000=100)



Source: Eurostat (online data codes: ifsa\_pganws and demo\_pjan).  
 (1) Based on information for 1 January of each year.

The largest number of people aged 50 to 64 work in manufacturing, construction, distributive trades, public administration, education, health and social work. This is in line with

the pattern of employment for the 15-64 age group as a whole. There are higher than average proportions of people aged 50 or over in agriculture, education, health and social work.

Table 3.1: Shares of employment by gender, age group and economic activity, EU-27, 2010<sup>(1)</sup> (%)

	Aged 15-64		Aged 50-64		Aged 65+	
	Male	Female	Male	Female	Male	Female
Agriculture, forestry & fishing	5.4	3.9	7.2	5.7	25.5	29.7
Mining & quarrying	0.6	0.1	0.6	0.1	:	:
Manufacturing	20.5	10.3	19.9	9.3	9.2	4.4
Electricity, gas, steam & air conditioning supply	1.1	0.4	1.4	0.3	:	:
Water supply; sewerage, waste management & remediation activities	1.1	0.3	1.3	0.3	:	:
Construction	12.9	1.5	11.4	1.5	6.5	1.6
Wholesale & retail trade; repair of motor vehicles & motorcycles	13.1	15.3	10.7	12.0	11.9	13.0
Transportation & storage	7.3	2.5	8.2	2.5	4.8	1.3
Accommodation & food service activities	3.7	5.3	2.4	3.9	2.8	4.6
Information & communication	3.6	2.0	2.4	1.3	1.7	:
Financial & insurance activities	2.7	3.4	2.7	2.8	1.3	:
Real estate activities	0.7	0.9	0.9	1.1	1.9	1.7
Professional, scientific & technical activities	4.7	5.1	4.8	3.8	9.5	5.0
Administrative & support service activities	3.6	4.1	3.5	3.9	3.7	3.3
Public administration & defence; compulsory social security	7.2	7.4	8.1	9.1	2.7	2.7
Education	3.8	11.7	5.3	14.1	4.8	7.0
Human health & social work activities	4.1	17.7	5.1	20.2	5.1	12.3
Arts, entertainment & recreation	1.5	1.7	1.4	1.6	2.7	2.9
Other service activities	1.5	3.5	1.7	3.1	3.8	4.3
Activities of households as employers	0.2	2.4	0.3	2.9	:	2.9
Activities of extraterritorial organisations & bodies	0.1	0.1	0.1	0.1	:	:
No response	0.6	0.5	0.5	0.5	:	:

Source: Eurostat (online data code: lfsa\_egan2).

(1) The breakdown by economic activity is presented at the NACE Rev. 2 Section level.

The potential for building on the progress of the last decade and raising the employment rate for older people is therefore clear, although the scale of the task varies widely between Member States.

### Helping older people to lead active lives

People in their 50s and above tend to be more engaged with the communities and societies in which they live. They are, for example, more likely to vote in elections at all levels (50% of people aged 55 or more vote in elections to the EU Parliament,

After they have retired from employment, older people have the time and energy to turn this sense of engagement into positive activity. They can continue to make an important contribution to society, for example:

- as responsible and active citizens undertaking voluntary work in their local communities and more widely;
- as carers for both the younger and the older generations within their own families;
- as consumers whose personal activities and interests create a significant economic demand for new products and services.

These are not, of course, exclusive categories: many retired people will be active in all three roles.

Traditions of **volunteering** for social service are more strongly established in some Member States than in others but the demand and the scope for volunteering is certain to increase across the whole of the European Union as the cost of public services rises – not least as a consequence of the ageing population – and the pressure on public expenditure increases. At the same time, volunteering cannot and should not be relied upon as a substitute for the provision of social services: innovative and cost-effective ways need to be found to ensure adequate provision of care, social inclusion, human capital formation and other services. New forms of employment for older people in the area of social services could be developed.

compared with 29% of those aged 18 to 24). A survey in May 2011 showed that local, national and European political matters are frequently discussed by a higher proportion of people aged 55 and over than by any younger age group.



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The same distinctive qualities that older people can bring to employment in general – maturity of judgement, experience and accumulated knowledge and expertise – are equally valuable for delivering social services. At the same time, employment or volunteering in these areas is attractive to older people because it gives them the opportunity both to work flexibly in terms of their commitment of time and to use their experience and abilities in ways that ‘make a difference’ to the communities where they live.

The role of older people as **carers** is also likely to increase. In particular, by 2060 there may be more than two elderly people for each child: in other words, there will be more grandparents for fewer grandchildren than ever before. In fact, the oldest family members may outnumber children under five by the beginning of the next decade. This ‘grandparent boom’ may increase the amount of informal childcare within the family. And many people will approach retirement while their own parents are still alive. This can make it easier for them to care for their parents themselves, although in some cases it can also mean difficulties in combining work and caring responsibilities in pre-retirement years. This could be a significant development as the number of people over 80 rises to unprecedented levels.

The role of older people as **consumers** will also become much more important. As the largest section of the population by the middle of the century, older people will be a major market for new products and services which can be delivered in

new ways. In particular, the scope of the internet to meet the needs of older people has only just begun to be tapped. The ‘baby boomers’, who are now in their early 60s, have pioneered the use of computers and many of them have used them for many years in their careers. Even those who do not have the same affinity with information technology as young people who have been educated in the digital age, will expect to use the full resources of the internet in retirement.

## Encouraging healthy ageing and independent living

Given the traditional association of old age with declining health, it is important to emphasise that the European population is not only living longer but is fitter and healthier for longer than was the case with previous generations. In 2008 women in the EU aged 65 could on average expect to live a further 8.4 years free from any disabling health problem – a period of time equal to 40.5% of their remaining lifespan. The comparable figure for men was 8.2 years – a period equal to nearly half (47.8%) of their remaining lifespan.

There is plenty of evidence that an active life style promotes good health, so active ageing in all its forms can both contribute to, and benefit from, healthy ageing. The two agendas are entirely congruent. It is noticeable that the Member States with the highest proportion of older people who are free of any disability are those with the most active elderly populations.

Table 3.2: Life expectancy and healthy life years of elderly people in EU Member States

	Life expectancy at age 65 (years)		Healthy life years at age 65 (years)		Healthy life years at age 65 as a proportion of life expectancy at age 65 (%)	
	Male	Female	Male	Female	Male	Female
<b>EU-27<sup>(1)</sup></b>	17.2	20.7	8.2	8.4	47.8	40.5
<b>BE</b>	17.5	21.1	10.5	10.1	60.2	48.0
<b>BG</b>	13.8	17.0	8.4	9.1	61.1	53.8
<b>CZ</b>	15.2	18.8	8.0	8.4	52.9	44.5
<b>DK</b>	16.8	19.5	11.2	12.0	66.9	61.5
<b>DE</b>	17.6	20.8	6.4	6.5	36.4	31.0
<b>EE</b>	14.0	19.2	5.5	5.3	39.0	27.7
<b>IE</b>	17.2	20.6	10.2	10.5	59.1	50.8
<b>EL</b>	18.1	20.2	7.2	6.6	40.0	32.6
<b>ES</b>	18.3	22.5	9.2	8.4	50.1	37.1
<b>FR</b>	18.7	23.2	8.8	9.2	47.0	39.6
<b>IT<sup>(1)</sup></b>	18.2	22.0	7.3	6.8	40.4	30.9
<b>CY</b>	18.1	20.9	9.9	8.5	54.9	40.6
<b>LV</b>	13.4	18.2	4.7	5.7	35.2	31.2
<b>LT</b>	13.4	18.4	5.9	6.7	44.0	36.4
<b>LU</b>	17.6	21.4	10.8	11.4	61.5	53.2
<b>HU</b>	14.0	18.2	5.7	5.6	40.7	30.6
<b>MT</b>	16.8	20.6	11.0	11.2	65.7	54.4
<b>NL</b>	17.6	21.0	9.4	10.3	53.3	49.2
<b>AT</b>	17.7	21.2	8.1	8.0	46.0	37.9
<b>PL</b>	14.8	19.2	6.8	7.4	46.1	38.8
<b>PT</b>	17.1	20.5	6.6	5.4	38.4	26.6
<b>RO</b>	14.0	17.2	7.2	7.0	51.4	40.6
<b>SI</b>	16.4	20.5	9.3	9.9	56.6	48.3
<b>SK</b>	14.1	18.0	3.4	2.8	24.3	15.7
<b>FI</b>	17.3	21.5	8.1	8.9	46.9	41.4
<b>SE</b>	18.2	21.2	13.6	14.6	74.8	69.1
<b>UK<sup>(1)</sup></b>	17.7	20.3	10.7	11.8	60.5	57.9
<b>IS</b>	18.6	21.0	12.7	13.6	68.3	64.6
<b>NO</b>	18.0	21.1	13.5	14.0	75.2	66.3

Source: Eurostat (online data code: hlth\_hlye).

(1) 2008 instead of 2009.



**Box 3.1: The EU and healthy ageing**

The EU supports healthy ageing as part of its health strategy: 'Together for health: a strategic approach for the EU 2008-13' and through the open method of coordination on social protection and social inclusion. Healthy ageing is based on a twofold approach:

- the promotion of health over the whole of a person's life with the aim of preventing health problems and disabilities from an early age by adopting a healthy lifestyle and diet;
- a commitment to tackle health inequalities that are linked to social, economic and environmental factors.

Of course, independent living depends on more than good health. The environment in which they live – housing, transport, access to public services – has a major impact on the ability of older people to look after themselves and lead autonomous lives. While a recent survey indicated that most older people believe they live in an age-friendly environment, it is clear that more needs to be done, particularly in respect of transport.

**Changes in attitudes to retirement**

It is clear from recent surveys that attitudes to retirement are shifting in significant

ways. A Eurobarometer Survey conducted in September and October 2011 found that 33% of the population aged 15 and above would like to carry on working after they reach the age when they become entitled to a pension. This figure rose to 41% among those aged 55 and over.

Furthermore, according to the same survey, 61% of the population aged 15 and over believe that people should be able to continue to work beyond any statutory retirement age: in other words, they reject the idea of a mandatory retirement age.

This is an important and welcome development. Mandatory retirement ages which prevent people from continuing to work when they want to do so and are able to do so make no sense at a time when the working age population is shrinking. One of the purposes of active ageing is to create the conditions in which the effective age of retirement can rise in line with increasing longevity. Mandatory retirement ages run directly contrary this aim by frustrating the growth of opportunities for older people to remain in employment.

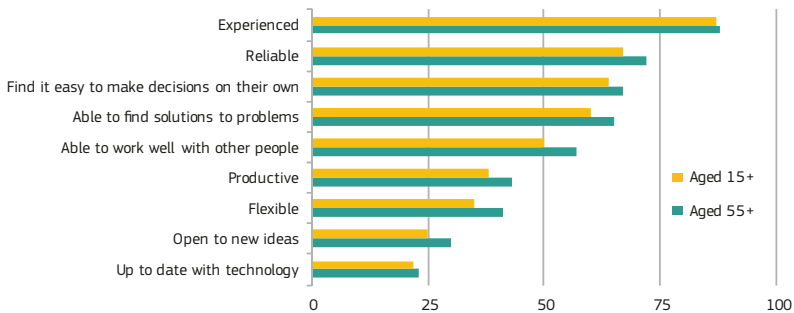
**Perceptions of older workers**

Perceptions are very important. In some respects perceptions of older workers are changing in line with the changing attitudes to retirement. In other respects perceptions of what older people can do seem still to lag behind the realities of greater and healthier longevity.

A survey carried out in 2006 found that 43 % of the population aged 15 and over believed that many of their fellow citizens retired too early. In a survey in 2009 46.6 % of people aged 15 to 24 said they did not think that if older people worked

longer there would be fewer jobs for young people – evidence, perhaps, of some solidarity between the generations. And there is an increasing recognition that older people bring distinctive qualities to the world of work.

Figure 3.5: Perceptions of older workers in the EU-27



Source: European Commission, Special Eurobarometer No. 378 – Active ageing.

However, a special Eurobarometer survey on discrimination in the EU in 2009 found that age was perceived to be the most common form of disadvantage in seeking work. This was confirmed by the Eurobarometer survey carried out in September and October 2011, which found that 'not being valued by employers' was one of the strongest reasons for people over 55 stopping work.

Traditionally, older people have had to contend with the reluctance of many employers to hire older workers or to invest in re-training those they employ. They have also been vulnerable to having their careers terminated prematurely when employers resort to early retirement to restructure or reduce the size of the work

force in times of recession. Against this background, it is not surprising therefore if older workers have often felt undervalued.

The EU has enacted specific legislation requiring Member States to prohibit age discrimination in employment. A directive to outlaw discrimination in access to goods and services is currently being considered by the Council.

All member countries have now legislated to give effect to the EU directive 2000/78/EC, which makes it unlawful to **discriminate in the labour market** on grounds of age, as well as on grounds of religion or belief, disability or sexual orientation. The directive covers recruitment, promotion, training and

working conditions and it prohibits both direct and indirect discrimination as well as harassment and victimization on grounds of age.

The demographic revolution is a golden opportunity to eliminate discrimination on grounds of age for good. What was once mainly damaging for older people themselves can now be seen to be damaging for society as a whole – not only a matter of injustice to the individual but a dangerous waste of valuable human resources. Now is the time to put the positive argument for the contribution older people can make – and must now be allowed to make – to the economy and to society.

### Box 3.2: EU action against age discrimination

The European Commission has taken a range of action to combat discrimination against older workers. It funds an EU level Exchange platform on National Diversity Charters which encourages businesses voluntarily to meet diversity commitments in their employment practices. Since 2003 the Commission has funded a 'For Diversity, Against Discrimination' campaign which uses films, pictures and published material to combat stereotypes and raise awareness of the negative effects of discrimination. And it supports groups of Non-Discrimination Experts who provide analysis and the exchange of information between Member States, validate good practice and produce publications (including two publications on age discrimination in employment).

## What action is needed to support active ageing?

Against this background of changing realities and changing attitudes, what needs to be done to support active ageing?

It must be emphasised at the outset that many older people do not need special arrangements or treatment in order to remain in employment. In many cases their needs and their capabilities are no different from those of younger people. The post war 'baby boom' generations are fitter, healthier and better educated than any previous generation. There is some evidence, for example, that, on average, work-related health problems do not necessarily increase with age. In 2007 15.9% of people at work or having previously worked aged 45 to 54 reported at least one work-related health problem. Among those aged 55 to 64 the proportion fell to 15.0%.

Again, it seems that attitudes to some aspects of work change very little with age. For example, according to the 2011 Eurobarometer survey, the proportion of older workers (84.3%) who say that they are 'satisfied' or 'very satisfied' with their working conditions differs remarkably little from the proportion of all workers (84.4%) who say the same.

Furthermore, many of the steps employers need to take in order to attract and retain older workers are, in fact, the same steps which are necessary for raising employment rates generally.

To take a few examples:

- making a reality of **life-long learning** is important for people of every age because the need to refresh skills and acquire new ones in order to keep up with technological change is critical at every stage of working life: in the digital age life-long learning is a continuous need throughout everyone's career, not something which is relevant only to people in their 50s and 60s: learning new skills may be just as important for people in their 30s and 40s who can no longer depend simply on what they learnt before they entered the labour market;
- **healthy living** is important at every age – not just for older people – and the foundations for a healthy old age are laid – or not laid – much earlier in life;
- improved **mobility**, in the form of easier and cheaper travel from home to work, is critically important for everyone in or seeking employment – for women returning to work after child birth, for people with disabilities, for the long term unemployed, for integrating immigrants and others into the labour market;
- the need for working arrangements which allow employees to **combine work with family caring responsibilities** is increasingly important throughout working life, whether it is caring for children, for sick family members or for elderly relatives: it is inherent in the now nearly universal model of both family partners working: the need for flexible working hours and ways of reconciling employment and family responsibilities is apparent throughout working life.

In other words, much of what needs to be done to boost the employment of older workers is not specific to the needs of older people. It involves the sort of changes which are necessary in order to draw people into employment from all sectors of the population – women as well as men, young people at the outset of their careers as well as older people, those who have recently lost their jobs as well as the long term unemployed and others at risk of social exclusion. In the context of a rapidly shrinking working age population, these are increasingly mainstream changes which are necessary to boost mainstream employment.

Nonetheless, it is clear from the results of the special Eurobarometer survey carried out in September and October 2011 that some changes of attitude and practice are needed if the full employment potential of older workers is to be realised.

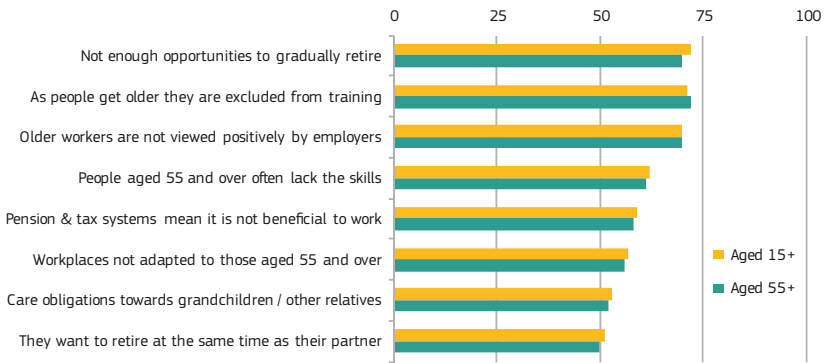
The survey asked why people over 55 stop working. The most commonly cited factors were:

- the lack of opportunities to retire gradually;
- exclusion from training;
- not being viewed positively by employers
- lack of skills.

These were followed by:

- disincentives in the pension and tax systems;
- workplaces not adapted to their needs
- care obligations;
- wanting to retire at the same time as their partner.

Figure 3.6: Opinions on why those aged 55 and over stop working, EU-27



Source: European Commission, Special Eurobarometer No. 378 – Active ageing.

If ‘lack of skills’ is taken in combination with ‘exclusion from training,’ then skills-related issues emerge as the single biggest factor. This confirms that making a reality of lifelong learning is one of the most important factors in expanding employment opportunities for older people.

‘Lack of opportunities for gradual retirement’ and ‘care obligations’ both point to the importance of greater **flexibility in the organisation of work** and, in particular, in working time.

The ability to move from full time employment to full retirement through an intervening period of flexible or part time

working is a key factor for many older people – and one which directly challenges one of the traditional aspects of retirement.

For most healthy and fit people, moving suddenly from full time employment to full retirement in the space of 24 hours has never made much sense. It makes the adjustment in lifestyle more difficult and more disruptive for the individual; and it greatly reduces the opportunity for older people to pass on their accumulated knowledge and experience to other employees. This is one part of traditional retirement practice which needs radical revision.

**Box 3.3: 'The Bonus Years'**

Ros Altmann, director-general of Saga (a UK organisation which provides services for older people) wrote in the London *Times* on 11 April 2012: 'Instead of expecting to live our lives in three stages – education, full time work and full time retirement – there is a fourth phase of life to be grasped. Let's call these the bonus years. This is when part time work takes over from full time, turning retirement into a process rather than an event. It's a period of life that might run throughout our sixties and well into our seventies, when we adapt our working hours according to our health, financial needs and aspirations.'

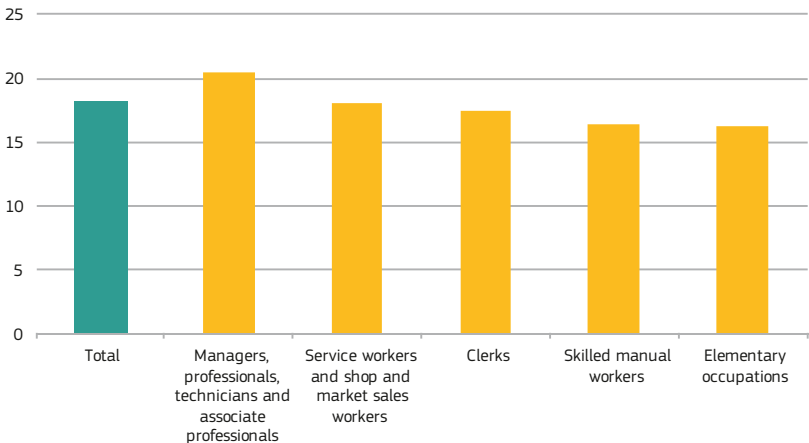
**More flexible working arrangements**

If there is one working condition to which older workers are particularly sensitive it is flexibility in working time. This is primarily a matter of life style choice, and it is strongly linked to the wish for a gradual move from work to retirement. It is clearly an issue where employer practice needs to change

further if older people are to be persuaded to work for longer.

A survey in 2006 indicated that nearly 20% of people aged 50-69 would remain longer in employment if more flexible working time arrangements were available. (The 2011 Eurobarometer survey suggests that the proportion would be even higher today.)

**Figure 3.7: Employed population aged 50-69 who would stay longer at work given more flexible working arrangements (%)<sup>(1)</sup>**



Source: Eurostat (online data code: lfs0\_06flexisco).

(1) Survey conducted among persons who were aged 50-69 (and who had worked at least up to the age of 50).

Nearly 20% of older workers aged between 50 and 69 already work part time. The proportion of those over 65 who work part time is more than 50%. The reasons given by employees for working part time are set out in the following table.

Table 3.3: Main reasons for part-time employment, EU-27 (% share of those in part-time employment)

	Aged 15-64			Aged 50-64			Aged 65+		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
<b>Could not find a full-time job</b>	26.7	36.0	24.0	22.8	25.4	22.0	3.8	3.4	4.3
<b>Own illness or disability</b>	4.0	7.1	3.1	7.9	13.9	6.2	7.2	7.1	7.3
<b>Other family or personal responsibilities</b>	14.4	7.2	16.4	23.6	15.9	25.8	24.4	23.4	25.5
<b>Looking after children / incapacitated adults</b>	22.8	4.1	28.1	7.4	3.1	8.7	:	:	:
<b>In education or training</b>	10.3	20.4	7.4	0.4	:	0.4	:	:	:
<b>Other reasons</b>	21.8	25.1	20.9	37.9	41.5	36.9	63.6	65.6	61.2

Source: Eurostat (online data code: lfsa\_epgar).

Many of the differences between younger and older workers are predictable but some of the similarities are interesting: for example, 'illness and disability' increases in importance only from 4% to 7.2% for those aged 65 and over. However, the much higher proportion of older workers (63.6% in the case of the 65+) who cite 'other reasons' for working part time suggests that choice of lifestyle becomes increasingly important with age.

Over 50% of the over 65s who are still in employment are self-employed. Self-employment gives people not only the freedom to decide for themselves when and how much they work but also control over their own retirement process. It can

be particularly attractive for older people with specific knowledge and expertise who want to work independently.

## Lifelong learning

The primary aim of lifelong learning is to prevent the erosion of skills and the obsolescence of qualifications which were gained at the outset of working life. Opportunities to refresh skills are important at all ages but lifelong learning should not stop in mid-career. It may be particularly important for older workers because of negative perceptions of their capacity to adapt to technological and organizational change. There is a

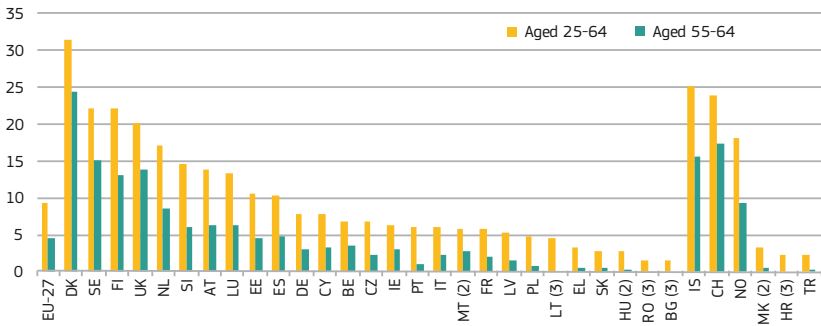
direct and positive link between a longer working life in line with the aims of active ageing and investment in lifelong learning: later retirement raises the potential return by providing a longer pay-off time. Lifelong learning is more attractive to older workers if the teaching methods and content are adapted to their needs by the provision of short, modular courses and if it recognises their previous qualifications and experience.

The available evidence confirms the results of the 2011 Eurobarometer Survey (Fig 3.6) and indicates that retraining opportunities for older workers still fall short of what is necessary to ensure that

the employment potential of people over 50 is fully realised.

The strategic framework for European cooperation in education and training which was re-launched in 2008 set a number of benchmark indicators. One of these was a target to increase the participation of people aged 25 to 64 in lifelong learning to at least 15% by 2020. However, the 2009 labour force survey indicated that only 9.2% of people aged 25 to 64 took part in education or training (in the 4 weeks before the survey). For people aged 55 to 64 this was only 4.6%. The level of participation varied very widely between different Member States.

Figure 3.8: Participation in education and training, 2009<sup>(1)</sup> (%)



Source: Eurostat (online data code: trng\_ifs\_01).  
 (1) During the four weeks preceding the survey.  
 (2) Data for the age group 55-64 is unreliable.  
 (3) Data for the age group 55-64, not available.



### Box 3.4: The contribution of the European Social Fund

The **European Social Fund** (ESF), which has a total budget of 75 billion euros for the period 2007–13, is a major source of funding for innovation, experimentation and the dissemination of good practice in promoting the employment of older people. It has helped millions of Europeans to improve their skills, acquire new skills and to find better jobs. It finances a wide range of schemes and projects to train and re-train older workers, to adapt businesses to meet the needs of older workers and to combat age discrimination in employment.

The ESF-AGE Network, which consists of 14 ESF managing authorities/intermediary bodies drawn from 10 Member States and two non-ESF partners, aims to make more effective use of ESF opportunities for age management programmes and projects and mutual learning. It holds seminars and organises study visits with a focus on ensuring that age management concerns are taken into account in the design and operation of programmes.

The European Commission has proposed a budget of over 84 billion euros for the ESF for the period 2014–2020 and insisted that its goals in this period – improving employment opportunities, promoting education and lifelong learning, enhancing social inclusion and combating poverty – should be closely aligned with those of the Europe 2020 Strategy. This will mean, among other things, a greater emphasis on promoting active and healthy ageing and the employability of the most disadvantaged groups and marginalised communities.

### An age-friendly environment

The environment in which older people live and work has a major role to play in promoting active ageing and improving their quality of life.

The 2011 Eurobarometer survey asked Europeans of all ages how they perceived their local environment. 65 % said that they thought their local area was adapted to the needs of older people. There were some big differences between Member States – almost 80 % in Denmark, Luxembourg, Finland and

Sweden but less than 50 % of people in Hungary and Greece thought their locality was age friendly.

When the 2011 Survey asked what would be the most important improvements, the top three to be mentioned were:

- facilities for older people to remain fit and healthy;
- public transport such as buses and trains;
- roads and road safety.

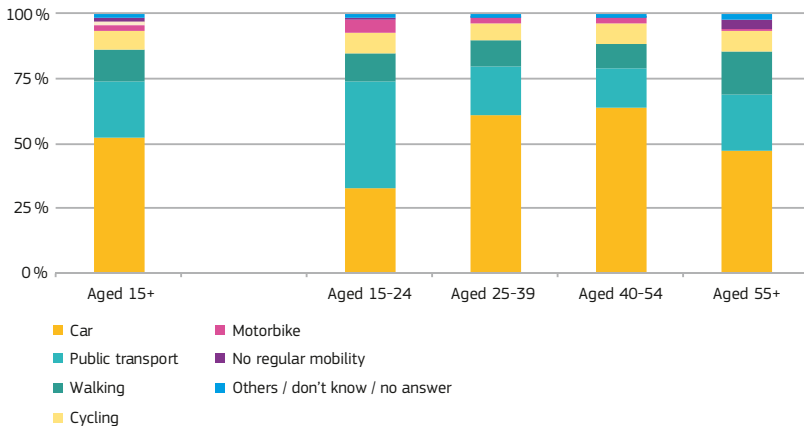
The responses of older people differed very little from those of all ages.

**Transport** emerges as a particularly significant issue. Older people tend to travel less frequently than younger people for the simple reason that they are no longer travelling to work on a daily basis. But mobility is very important for healthy ageing and independent living.

relative importance of the car rises through to middle age, with 63.5% of people aged 40 to 54 relying on it as their main mode of transport. People aged 55 and above use a broader range of transport. Less than half (47%) rely mainly on cars and a higher proportion than the average for the whole population use public transport (21.5%) or walking (17.2%) as their main means of getting around.

Figure 3.9 shows how the use of the main modes of transport changes with age. The

Figure 3.9: Main mode of transport for daily activities, EU-27, October 2010



Source: European Commission, Flash Eurobarometer No. 312 – Future of transport.

It is important to give older people a voice in the process of creating a more age friendly environment. They know what they need and many of them have the

knowledge and expertise to help in finding the most cost-effective solutions. Box 3.5 gives a recent example of a European project involving older people.

### Box 3.5: The Q Ageing Project

The Q Ageing Project, which is funded under the Interreg 1V programme of the European Regional Development Fund (ERDF), is a three year cooperation between nine European cities and organisations in Hungary, Slovenia, Italy, Poland and Germany working on a transnational context, aims to improve the living and working urban environment for older people after they have retired from full working life. It focuses on two aspects:

- improving the quality and adaptability of public services as they affect older people;
- creating a new urban environment designed to meet the needs of older people.

The project involves older people themselves directly in developing and implementing solutions, which are intended to be exemplars for the rest of the EU. The starting point for each project is an analysis of the everyday living environment, health, mobility and employment situation of older people. On the basis of this analysis, regional action plans are prepared which focus on the most important areas for improvement. The project partners then carry out experimental programmes which form the basis for case studies. These can be drawn upon by any organisation or city which is seeking to tackle the challenge of an ageing society and by policy makers at all levels.

At a closing conference in Budapest in October 2011, Q Ageing presented a 'tool box' of tested solutions for promoting active ageing, based on the 18 projects undertaken. These included the use of web-based instruments such as Skype to monitor the needs of older people, access to lifelong learning and mechanisms for linking older people with opportunities for them to undertake voluntary work which is suited to their individual talents and interests.

### Volunteering

Some 100 million European citizens – about a quarter of the total adult population – are thought to be involved in voluntary activities. Their work was celebrated by the 2011 European Year of Volunteering, which aimed:

- to make it easier to volunteer;
- to improve the quality of volunteering;

- to gain recognition for volunteering by measuring the scale of its activities;
- to raise awareness of volunteering.

There is no specific information on how many older people are engaged in volunteering but in a 2009 survey 78% of people over the age of 15 thought that older people made a major contribution as volunteers in charitable and community

organisations. The participation of older people in voluntary activity which brings them into touch with young people, for example, by reading to children in nursery centres, can be an effective way of building links between different generations.

Older people can bring time, knowledge and expertise to voluntary work but it may not be easy for them to discover what opportunities are available in their local community, to identify which are best suited to the qualities they can bring, or to let organisations know of their interest in volunteering. There is, therefore, scope for voluntary organisations to cooperate in establishing **informal 'clearing house' arrangements** to allow older people to match what they can offer to

the volunteering opportunities available in their locality.

A wide variation in scale, models and methods is fundamental to the nature of voluntary activity and there are many different ways in which the participation of older people can be enhanced and expanded. However, volunteering has always developed through learning by example. Facilitating the exchange of experience – particularly across national boundaries – is important for enabling the voluntary sector to discover how participation can be effectively widened.

The European Commission has funded a range of programmes to promote the exchange of experience on volunteering.

### BOX 3.6: The Grundtvig GIVE programme

'GIVE' (Grundtvig Initiative on Volunteering in Europe for Seniors) is a new initiative which will be implemented from 2009 onwards. It consists of a scheme of grants to support Senior Volunteering Projects between local organisations located in two countries participating in the Lifelong Learning Programme (LLP).

The new Action pursues the following interlinked objectives:

- To enable senior citizens to volunteer in another European country for any kind of non-profit activity, as a form of informal (and mutual) learning activity (learning / sharing knowledge).
- To create lasting cooperation between the host and sending organisations around a specific topic or target group, and thanks to the exchange of volunteers.
- To enable the local communities involved in the exchange of volunteers to draw on the potential of senior citizens as a source of knowledge, competence and experience.

For more information: [http://ec.europa.eu/education/grundtvig/doc986\\_en.htm](http://ec.europa.eu/education/grundtvig/doc986_en.htm)

## Older people as consumers

The sheer size of the population of older people in the coming decades will create major new markets for goods and services and new opportunities for generating economic growth through the innovation and development of products specifically designed for older people.

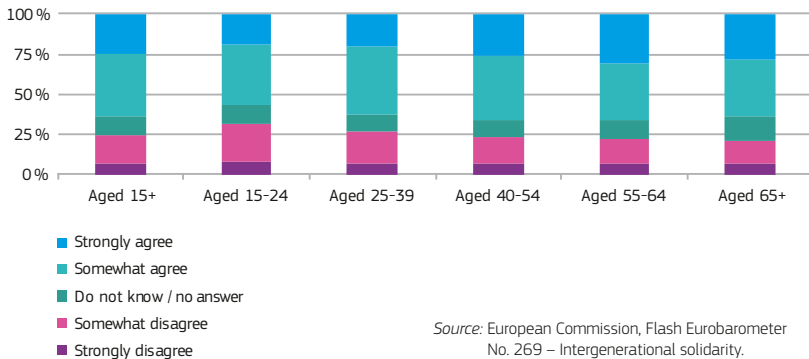
The younger generation of baby boomers are now in the 'high saving and high income years' when children have left home and mortgages have been paid off. As with so many aspects of the unprecedented demographic revolution Europe is experiencing, the scale and pattern of their expenditure may be different from that of their parent's generation. The customary sequence of an initial phase of higher spending in the early years of retirement as people seek to fill their leisure time

followed by a later phase as they take fewer holidays and spend more time at home may change. Depending on the expected future levels of pensions, there may be a move to greater savings.

What is clear, however, is that there will be more retired people, that they will be fitter, better educated and better informed than any previous generation, and that they will be looking forward to a longer and healthier retirement than any previous generation. They have enjoyed a high standard of living during their working lives and will hope to maintain this in their retirement.

A survey in March 2009 showed that 66% of the population aged 40 to 64 thought that developing products and services which respond to the specific needs of older people will become a key driver of the European economy.

Figure 3.10: Opinions on whether products and services for older people will become a key driver of the economy, EU-27, March 2009



Source: European Commission, Flash Eurobarometer No. 269 – Intergenerational solidarity.

It is important to invest in research and innovation so that the European economy can take full advantage of these new opportunities. The 7<sup>th</sup> EU Framework Programme for Research and Technological Development (FP7), which has a budget of 50.5 billion euros in the period 2007-13, has funded projects covering a range of topics which are central to the issues of active and healthy ageing, including:

- fundamental research into the nature and characteristics of the ageing process;
- innovative technology which will enable older people to live independently;
- inclusion and health in the electronic age;
- accessible public transport;
- the role of ICT in longer working lives;
- new treatments for diseases which common in older people;
- public health and the social sciences.

The next framework programme, called **Horizon 2020**, will have a budget of 80 million euro for the period 2014-20. It will aim to convert innovative ideas for addressing such key challenges as active ageing and job creation into practical

solutions which can be put into early operation.

The **European Innovation Partnership for Active and Healthy Ageing** has been launched in 2011 to oversee and coordinate existing EU financial investment in developing new products and services in the field of active and healthy ageing. It brings together a number of stakeholders across different policies, sectors and borders with the aim to optimise and join up resources and expertise, bridge gaps in knowledge, speed up the process of development and facilitate the scaling up of innovations.

The main objectives of this historically first European Innovation Partnership are:

- to enable EU citizens to continue to lead healthy, active and independent lives as they get older;
- to improve the sustainability and efficiency of social and health care systems;
- to boost EU competitiveness and markets for innovative products and services that respond to the challenge of the ageing society.

**Box 3.7: European Innovation Partnership on Active and Healthy Ageing: from strategy to implementation**



**Neelie Kroes, Vice President of the European Commission responsible for the Digital Agenda**

We can't solve Europe's demographic challenge by thinking small, by cutting a few corners here and there and tinkering with a few budgets. We need a whole new way of

operating, to turn this into an opportunity, to turn costs into investments.

Smart innovation with ICT can help.

It can keep people out of hospitals and institutions. It can remove the walls of paperwork that separate doctors and carers from patients. Moreover, we do not need to invent or develop it: it's there. The technology exists. This is no longer the

issue. It's about culture, organisation, legal frameworks, reimbursement, and so on.

If caring for the elderly population is going to be in any way sustainable, we're going to need to **get smart and find new solutions**. Solutions that are more affordable – and which preserve (and even boost) the dignity and independence of elderly people. Innovation and digital technology can do this.

The EIP on Active and Healthy Ageing provides a context for seeking partners and sharing ideas, questions, offers and comments. Meanwhile we will work on the regulatory framework: legislative issues; standardisation; a robust evidence base; exchanging good practices; and aligning our funding instruments. Let's start today!



### **John Dalli, Commissioner for Health and Consumer Policy**

The state of people's health makes all the difference between their being able to benefit of their longer life expectancy or not; between their needing healthcare or not; between their being able to work or not.

To foster active and healthy ageing, we need to fully explore the immense potential of innovation, to support replication and market-uptake of great ideas already realized in some areas, and to promote smart investment in our health systems.

Implementation of the European Innovation Partnership for Active and Healthy Ageing begins now – in 2012 – starting with 6 specific actions:

1) **Prescription adherence:** Only 79% of patients take their 'once a day' dose while only 51% of patients supposed to take 4 doses actually do so.

2) **Prevention of frailty:** Malnutrition is a key determinant of frailty (both physical and cognitive), putting over 20 million of our older citizens at risk of hospitalisation and disability.

3) **Falls prevention:** Falls account for 29% of all fatal injuries of older people. Many of such falls could be prevented through early diagnosis and screening.

4) Replication and tutoring of **integrated care models for chronic disease management**, so as to improve across Europe the quality and accessibility of care for patients with chronic conditions.

5) **Interoperability** in the field of **independent living solutions:** creating common guidelines, global standards and critical mass for uptake will help us realize the potential of ICT tools.

6) Marketplace for innovation for **age-friendly buildings, cities and environments**, based on the age-friendly cities initiative of the World Health Organization.

Improvement in these areas does not involve big costs, but can substantially improve people's quality of life, improve the sustainability of our care, and provide important business opportunities.

More work is needed to translate our vision into reality across the EU. We have much to do – and much to look forward to.

## The information society

The internet has a potential to transform the lives of older people of today and tomorrow compared to the previous generations. A wealth of knowledge and information is available through the internet and it provides access to an ever-widening range of news, culture and entertainment. Social networks have become a prime means of communication and e-mail has all but replaced the traditional letter. The internet is quick, cheap and increasingly versatile.

The internet can be a particularly effective resource in enabling older people

to continue to lead independent lives in their own homes. It provides a means for them to carry out such daily tasks as shopping, paying utility bills and dealing with a bank from their homes. Already 48 % of people aged 65 to 74 who have access to the internet make use of internet banking and 46 % make on-line purchases. This is a lower rate of use than the percentage for all age groups combined (16-74 years) but it is high for a generation which has come to internet use late in life. A higher-than-average percentage of people aged 55 to 64 already use the internet to book holiday travel and accommodation.

Table 3.4: Internet banking and e-commerce by age group, EU-27

	Internet banking <sup>(1)</sup>		Online selling of products <sup>(1)</sup>		Online purchases <sup>(2)</sup>		Online purchase of travel and holiday accomm <sup>(2)</sup>	
	2005	2010	2005	2010	2005	2010	2005	2010
<b>Among all individuals</b>								
<b>Total population</b>	19	36	6	13	24	40	8	21
<b>Aged 55-64</b>	13	27	3	7	14	27	6	16
<b>Aged 65-74</b>	5	13	1	3	5	14	2	8
<b>Among individuals who used Internet</b>								
<b>Total population</b>	38	52	11	19	44	57	15	29
<b>Aged 55-64</b>	41	53	8	15	42	51	19	31
<b>Aged 65-74</b>	41	48	8	12	38	46	15	27

Source: Eurostat (online data code: isoc\_bde15cbc).

(1) Figures for among individuals who used Internet relate to the proportion of individuals who used the Internet in the last three months.

(2) Figures for among individuals who used Internet relate to the proportion of individuals who used the Internet in the last twelve months.

It can be safely assumed that use of the internet by older people will spread progressively with each successive generation, reflecting their increased familiarity with it during their earlier lives. The

comparatively modest level of internet use by the current older population reflects the fact that most of their lives were lived without computers. This situation is changing rapidly.



Table 3.5: Population using the internet, EU-27 (%)

	Total population		Aged 55-64		Aged 65-74	
	2005	2010	2005	2010	2005	2010
Frequency of use: at least once a week	43	65	26	46	10	25
Frequency of use: daily	29	53	17	36	5	17
<b>Used Internet in the last 3 months:</b>						
• for any training and education related purposes	:	39	:	22	:	10
• for looking for information about education, training or course offers	:	23	:	10	:	3
• to do an online course (of any subject)	:	4	:	2	:	1
• reading/downloading online newspapers/news	17	34	10	24	3	14
• to subscribe to news services or products to receive them regularly	:	6	:	4	:	2
• seeking health information	16	34	11	26	5	15
• sending/receiving e-mails	42	61	26	43	10	24
• playing/downloading games, images, films or music	16	28	4	11	1	6
• finding information about goods and services	39	56	24	40	9	22
• job search or sending an application	10	15	2	4		
• downloading software	13	21	7	11	3	6
• telephoning or video calls	:	19	:	10	:	5
• listening to web radios and/or watching web TV	10	26	3	13	1	6
• uploading self-created content to any website to be shared	:	22	:	10	:	5
• posting messages to social media sites or instant messaging	:	32	:	10	:	4

Source: Eurostat (online data code: isoc\_bde15cua).

The European Commission's 2007 Communication on 'Ageing well in the information society' presented an action plan for information and communication technology (ICT) with the aim of accelerating the introduction of technology-based solutions for:

- ageing well at work: enabling older people to remain active and productive for longer by developing e-skills and e-learning;
- ageing well in the community: enabling older people to remain socially active and creative, improve their quality of life and avoid isolation through the use of ICT for social networking and for access to public and commercial services;
- ageing well at home: using ICT to remain independent and enjoy a healthier and higher quality of daily life at home.

The Digital Agenda for Europe, which is one of the flagship initiatives of the Europe 2020 Strategy, has set a target of 60% regular internet use (at least once a week) by 2015 for the group of the population which includes everyone aged 55 to 74.

ICT also has considerable potential to improve the delivery of long term care services, for example, by allowing the remote monitoring of older people in their homes, for example, through the use of software such as Skype. And it is a prime area for business innovation and development in products and services designed to respond to the needs of older people.

### Box 3.8: Telehealth and Telecare

The UK's Whole Systems Demonstrator (WSD) project on telehealth and telecare is designed to avoid the need for people to go into hospitals and institutions. It started by targeting 6 000 patients with chronic illness. The follow up involves 50 000 patients, and a national campaign will scale that up to 3 million.

It is important to take advantage of such innovations in the use of ICT across the EU and scale up integrated care and independent living solutions of proven value. This can achieve a triple win: better lives, affordable care and economic growth.

The EU can play a part in this process by working on the regulatory framework and standardisation, promoting exchange of good practice and facilitating cross-border cooperation, and by bringing its funding instruments into line with those aims.

## Conclusion

Active ageing is much more than an agenda for reducing the burden of a greatly increased retired population on the rest of society. It aims to strengthen solidarity between the generations by enabling more people to contribute to society

and to contribute for longer. It establishes a paradigm of solidarity where older people are not only receiving, but also contributing to the economy, to the community and to their families. It recognises what older people can do and identifies what they need in order to allow them to do more.

Active ageing allows society to show strong solidarity with those who are no

longer able to take care of themselves but who are just as entitled to a life of dignity and security as anyone else. But at the same time it promotes older people's fuller integration in the labour market, in society and in everyday life. Enabling older people to live full and independent lives for as long as possible is hugely beneficial – to older people themselves but also to the economy and society as a whole.

# View of the Council Presidency

## Interview with Karen Hækkerup, Minister for Social Affairs and Integration, Denmark

### *Why is active ageing important?*

Because we cannot afford to waste the pool of resources that our elderly citizens possess.

We cannot afford so on a human level. Because taking responsibility and contributing to something beyond ourselves nurtures self-esteem and quality of life more than almost anything else. Surely, we do not want to limit such opportunities to the younger generations.

And we cannot afford to waste the resources of the elderly from an economic point of view. We all know that the present economic crisis in Europe only aggravates the challenges that our ageing European societies face.

It is therefore essential that we find a way of helping more people contribute to society at an advanced age. We need the experience and time that older people often have.

### *What is your ambition for the European Year of Active Ageing and Solidarity between Generations 2012?*

I believe that the challenges of an ageing Europe offer a golden opportunity. An opportunity to set a new agenda in Europe inspired by the year of active ageing.

If crises are drivers of change, then let us use the present crisis to make us bold enough to raise our expectations towards ourselves and our fellow citizens.

Bold enough to always take as our starting point that people are responsible masters of their own lives regardless of their age. And bold enough to aim for a change of culture that supports everyone in staying active, vivacious and engaged throughout life.

### *What do you see as main principles and priorities for active ageing policies?*

- We must work towards creating inclusive, elder friendly societies.

- We must work towards recruiting and retaining more seniors in the labour market for longer and secure access to lifelong learning.
- We must work to create more flexible working conditions for older people and safe and healthy work places.
- We must support elderly people in participating actively in civil society, for instance by volunteering.
- We must support European citizens in living healthy, physically active lives.
- We must combat stereotypes.
- We must enhance independent living by offering older people training and rehabilitation and using the newest technology.
- We must create age friendly environments.
- We must aim at empowering older citizens.
- All this contributes to economic growth in Europe.



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# CHAPTER 4



# Pensions

The future provision of pensions affects everyone and all generations – not just older people who are receiving them or about to receive them. Everyone, however young, hopes to enjoy the security of a pension when they retire.

The Member States of the EU have some of the most comprehensive and generous public pension arrangements in the world and their future sustainability is a matter of high priority. Pensions are the main source of income for older people. At present, they ensure that people over the age of 65 have an income which is equivalent to 94% of the average income for people of all ages in the EU.

People contribute to the cost of public pensions through the taxes and social charges they pay during their working life. In return, when they retire they expect to receive a pension which will provide them with an income that will allow them to enjoy a decent living standard and economic independence.

A natural perception is that, through their contributions and savings efforts, people pay for their own pensions. The reality is, however, more complex. Even if these contributions were put into an individual fund or account which later is drawn upon in order to pay for that person's pension, retirees always depend on younger, active people producing enough to meet their own needs and those of the retired population. In fact, the cost of the pensions paid at any one point in time falls on

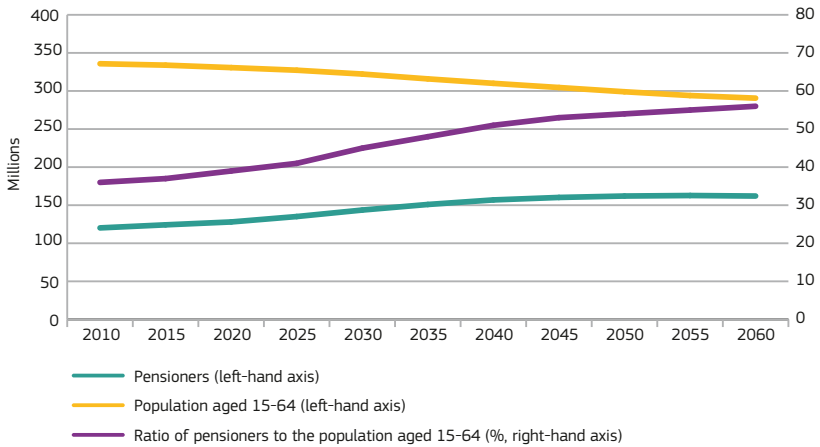
those who are economically active at that time. In other words, it is those people who are still working who are paying for the pensions of those who have retired. This is more visible in so-called **pay-as-you-go schemes**, where pensions are paid out of contributions made to the scheme at the same time by economically active people. But even in the case of **funded schemes**, the value of assets held by pension funds depends on the economic situation at the given point in time, wherever the assets are located.

This amounts to an implicit 'contract' between the generations. Each generation pays for the pensions of the next on the understanding that when they retire the succeeding generation will pay for their pensions. This implicit 'contract' is inevitably subject to some strain if the relative size of generations changes, as it will in Europe over the next half century, so that the number of people due to receive pensions rises dramatically while the size of the working population which pays for those pensions falls equally dramatically.

## The impact of demographic change

One way of trying to gauge the impact of demographic change on the cost of pensions is simply to compare the change in the number of persons over 65 with the change in the size of the working age population (**the old-age dependency ratio**).

Figure 4.1: Projections for number of pensioners and population of working age, EU-27



Source: European Commission, Ageing Report 2012.

However, a more accurate picture is gained from the **economic dependency ratio** which compares the number of economically active people (broadly those who are in employment) with the number of economically inactive people of all ages (broadly pensioners and the unemployed, as well as children). The economically active population is considerably smaller than the working age population: currently there are some 214 million people in employment in the EU but also some 120 million people of working age who are not in employment.

The economic dependency ratio underlines the crucial importance of having as many people as possible in employment in order to fund public pensions.

Unlike the old-age dependency ratio, which follows from demographic developments and can hardly be influenced by policies, the economic dependency ratio can be improved through employment and social policies that increase employment throughout the workforce (e.g. measures enabling better work-life balance, lifelong learning, activation policies) and by pension system reforms, such as linking retirement age to life expectancy or reducing incentives for early retirement. If Europe can achieve its 2020 target of a 75% employment rate and if further progress in the employment rate is achieved in the following three decades, the economic dependency ratio will increase from the current level of 65% to (only) 79% in 2050.



However, with rising life expectancy and a fixed retirement age, the cost of pensions is bound to rise. This raises in acute form the question of how to ensure that Europe's pensions remain **adequate, safe and sustainable**. Nothing is more critical to ensuring solidarity between the generations than meeting this challenge. The challenge has been made all the greater by the economic and financial crisis of the last four years, which has put a huge strain on public finances.

Pension systems have a hugely important economic and social role and are affected by a great variety of factors. This has been reflected in EU policy on pensions, which has become increasingly comprehensive over the years. The full policy agenda on pensions has been set out in the White Paper 'An Agenda for Adequate, Safe and Sustainable Pensions' published by the Commission in February 2012. The approach behind the White Paper and some of the main measures proposed there are explained in the remainder of this chapter.

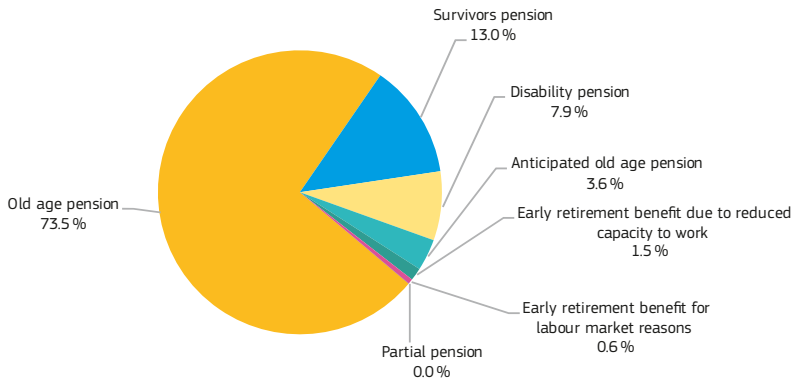
## Public pensions in the EU

The cost of public pensions is high: 11.3% of GDP in the EU. This is predicted to rise to 12.9% by 2060, implying that pension benefits are likely to fall in real terms over the next half century in many Member States.

There were 120 million pensioners in the EU-27 in 2010. This total is projected to rise rapidly until 2045 after which it will rise more slowly. It is estimated that by 2060 the number of pensioners will have increased by 42 million to reach a total of 162 million.

On average 22.5% of each employed person's pay was contributed to sustain Europe's public pensions in 2009: of this 14% was paid by employers and 8% by employees themselves.

The old age pension is the most common type of pension. It accounted for 73.5% of total pension expenditure in 2008 (1 071 554 million euros). But it is not the only type of pension.

Figure 4.2: Pension expenditure by type, EU-27, 2008 (%)<sup>(1)</sup>

Source: Eurostat (online data code: spr\_exp\_pens).  
 (1) Provisional.

## Meeting the challenge of demographic change

In recent years most Member States have taken steps to reform their pension arrangements in order to put them on a more sustainable basis. They have done this in different ways. Some have increased the number of contribution years required to qualify for a full pension or linked it to gains in life expectancy (for example, the Czech Republic, Greece, France and Italy). Others have linked the level of pension benefits to life expectancy gains (for example, Portugal) while a few tie benefit levels to the financial balance of the pension scheme (for example, Germany and Sweden) which will be affected by demographic change. The age of pension entitlement is due to rise in a number of Member States by 2020 (for example, the United Kingdom), with

further changes planned by most others after that.

In recent decades the trend towards earlier retirement has been reversed. The average age of retirement in the EU rose from 59 years 9 months in 2001 to 61.4 years in 2009. Many early retirement schemes have been phased out. As a result, the employment rate for the 55 to 64 age group has been rising since 2001. However, the employment rate for this age group in 2010 was still only 46.3%. The employment rate for older women is significantly lower.

If retirement ages remained as they are, living longer would mean longer retirement. That would lead either to increasingly costly and unsustainable pension systems or to lower pensions and a greater risk of pensioner poverty. **Raising the age of pension entitlement and working**

**longer** is important to avoid both these consequences.

Currently about one third of adult life is spent in retirement. A gradual increase in the age of retirement as life expectancy increases is consistent with maintaining that proportion. Raising the age of retirement in line with future gains in life expectancy could result in savings equivalent to more than half of the projected increase in pension expenditure over the next 50 years.

But if people are to be expected to work longer and to save more for their retirement they, in turn, should be able to rely on:

- first, changes in attitude and practice (described in Chapter 3) which are necessary to create real opportunities for older people to remain in productive employment; and
- second, pension systems being adapted to reward later retirement, for example, by allowing people to combine a partial pension with earnings from employment in a phased transition from work to retirement. Most Member States already offer some opportunities for people to earn a higher pension by working longer but it is important that in future pension systems do not penalize people for extending their careers: flexibility in the age of retirement should be accompanied by flexibility in pension entitlement.

## Closing the pension gap between men and women

It is also important to close the pensions gap between men and women and to improve the income situation of older women. This must be considered in the wider context of persistent disparities between men and women in their income from employment, often linked to career breaks and part-time working for family reasons. All this results in lower pension entitlements for women. Once again, changes in attitude and practice aimed at **reconciling work with the needs of family life** for both women and men are directly relevant to meeting the challenge of an ageing society. For example, **care credits** that are available to both men and women would help to preserve both the value of their pensions and the sustainability of pension systems by facilitating a return to work.

## Complementary private savings

Complementary private savings have to play a greater role in securing adequate income in retirement. There is considerable scope for Member States to learn from each other's experience.

The vulnerability of funded pension schemes to financial crises and economic

downturns has been highlighted during the acute economic difficulties the world economy has been experiencing over the last 4 years. This has underlined the importance of effective regulatory frameworks in safeguarding private pensions.

There are several areas of potential improvement in relation to supplementary retirement savings:

- There is a need to improve the **quality of financial products** for individual retirement savings which are not linked to employment, such as third pillar schemes.
- Better **consumer information and protection** can increase the confidence of both workers and investors in financial products for retirement savings.
- If workers risk losing a significant part of their pension entitlement by moving

to different Member States there will be adverse consequences for the mobility and labour market flexibility which are important for economic growth. Pension entitlements need to be **'portable'**.

- **Pension statements and tracking services** of the kind that already exist in some Member States could demonstrate the benefits of working longer by providing citizens across the EU with accurate and up to date information about their pension entitlements and with projections of their income after retirement from statutory and occupational pension schemes;
- **Women** currently have fewer opportunities than men to build up supplementary retirement savings and this needs to be addressed.

**Box 4.1: Towards adequate, safe and sustainable pensions across the EU**



**Olli Rehn**  
**Vice President of the European Commission responsible for Economic and Monetary Affairs and the Euro**

Europeans living longer than ever before, and hopefully in good health, is an enormous achievement for societies and should not be seen as a threat.

The main challenge the EU is facing is not an ageing challenge, but rather a retirement challenge, stemming from European social models of yesterday not being apt for tomorrow.

On pension policy, reforms carried out suggest that fiscal sustainability is

within reach for most Member States, although there is still some way to go.

The focus now increasingly turns to aligning public perception of retirement incomes and their composition in the future with what the reformed systems will deliver, so as to ensure lasting success of implemented reforms and to provide opportunities for people to adjust and shape their lives as pensioners.

A key challenge will now be to extend working lives, giving a double dividend: higher living standards, and progress towards sustainable public finances.

<http://bit.ly/KWCdTL>



**Michel Barnier**  
**Commissioner responsible**  
**for internal market and**  
**services**

We are all aware of the demographic trends which oblige us to take action in order to ensure that those who retire in the future will have decent pensions.

We want to strengthen the single market in order to offer businesses and workers a greater choice of occupational pensions.

Occupational pensions are generally provided by employers in the form of deferred remuneration. This is a way for businesses to reduce the cost of staff turnover and to boost productivity.

It could be in the interests of businesses operating in several European countries to pool partly or fully their pension schemes into one single pension fund. However, of the 120 000 pension funds in Europe, only 84 are cross-border funds.

We want to facilitate economies of scale, risk diversification and innovation in order to enable businesses to reduce their costs and to simplify governance of their pension funds. This would make it possible to free up capital in order to finance productive investment projects.

As regards demand, workers wish to be informed and advised about their pensions in order to maintain their standard of living throughout their lives.

<http://bit.ly/zCb6P8>

## The role of the European Union

The Europe 2020 Strategy involves a stronger coordination of national policies and provides a framework for examining pension systems. Pensions not only play a vital role in providing an income for many EU citizens but they are also one of the largest elements in public expenditure. For both reasons, they are an issue of common interest to all Member States.

Demographic change and its consequences for pensions are a major concern for the EU because they have far-reaching implications for economic growth, public finances

and the social situation. This concern has been heightened by the current economic and financial crisis. Pay-as-you-go pension schemes are affected by falling employment levels, which automatically reduce pension contributions. Funded schemes are affected by falling asset values and reduced returns on investment.

National policies for the achievement of the objectives and targets of the Europe 2020 Strategy are coordinated at EU level notably through the 'European Semester' process. This starts with the publication by the Commission of an Annual Growth Survey, on the basis of which the Council and European Council discuss policy

priorities for the short- and medium-term. Subsequently, Member States elaborate their Stability or Convergence Programmes (for euro area members and non-members, respectively), and National Reform Programmes. The situation in each Member State and in the EU as a whole is analysed by a number of bodies, including the Economic Policy Committee (EPC), the Social Protection Committee (SPC) and the Employment Committee (EMCO), all of which have devoted a great deal of time and effort over the past years to the issues of active ageing and pension reform. The European Semester is concluded by the adoption of **country-specific recommendations** which are proposed by the Commission, finalized by the Council and endorsed by the European Council. These recommendations are then reflected by each Member State in preparation of national budgets and policies.

In the Annual Growth Surveys for 2011 and 2012 the European Commission recognised that pensions were increasingly a matter of common concern for the EU and emphasised the importance of securing a better balance between the years spent working and the years spent in retirement, and of promoting complementary retirement savings. Specifically, the Commission recommended:

- linking the retirement age to gains in life expectancy;
- restricting access to early retirement schemes and other pathways to early exit from employment;
- supporting longer working lives by providing better access to lifelong learning,

by adapting work places to meet the needs of a more diverse work force, by developing employment opportunities for older workers and by supporting active and healthy ageing;

- equalising the pensionable age for men and women;
- supporting the development of complementary retirement savings to enhance retirement incomes.

The Commission emphasised that successfully implementing pension reforms along these lines would help to put pensions systems on to a more sustainable basis and enable Member States to provide their citizens with adequate incomes in old age. The main themes of its country-specific recommendations were:

- to raise the effective retirement age;
- to prevent early exit from the labour market;
- to remove fiscal disincentives to work for people of pensionable age;
- to consider linking the age of pension entitlement to life expectancy;
- to address any poverty risks for people in retirement.

The main responsibility for pensions is with Member States. However, the Treaty on the Functioning of the European Union requires the EU to support and complement the activities of Member States on social protection (Article 153) and to take into account adequate social protection in defining and implementing its policies (Article 9). The EU has a range of policy instruments available to it which can help to promote adequate, safe and sustainable pensions.



A stronger EU dimension in pension reforms and policies was initiated, and a more comprehensive approach proposed, by the publication in the summer of 2010 of the European Commission's **Green Paper** 'Towards adequate, sustainable and safe European pension systems'. This paper launched a debate on how the EU could best help Member States to provide pensions for an ageing population, and emphasised that the objectives of adequacy, safety and sustainability need to be addressed together. The conclusions the Commission drew from the subsequent consultations were reflected in the **White Paper** published in February 2012. The latter proposes for the coming years a number of EU-level actions in order to

help balance the time spent in work and in retirement and develop complementary private savings (see above).

The EU has no powers to legislate on the design of pension schemes in Member States but it can legislate on matters which concern the **internal market** (including the free movement of people, the freedom to provide services and the protection of consumers), on discrimination (particularly on grounds of age and gender) and on the rights of working people.

The EU therefore has competence in respect of the regulation of some aspects of private pensions and there are already two directives in this area: the 2008

Directive on the protection of employees in the event of their employer becoming insolvent and the 2003 Directive on the activities and supervision of Institutions for Occupational Retirement Provision (IORP). The IORP Directive is currently being reviewed with the aim of promoting the cross-border operation of IORPs and modernising their supervision.

In terms of funding, over the period 2007 to 2013 the **European Social Fund** will spend a billion euros directly on measures to promote active ageing and longer working life. Older workers can also benefit from active labour market measures which account for just over 15% of the total of 75 billion euros available from the ESF in the current programming period.

The EU also plays an important role in **social security coordination**, ensuring that residents of the EU as well as of Iceland, Liechtenstein, Norway and Switzerland have social security coverage even if they move to work or live in a different country. Each country remains free to decide who is to be insured under their legislation, which benefits are granted and under what conditions. However, EU coordination ensures that there are clear rules determining for every individual by which country's rules they are covered and where they need to pay their social security contributions. Everyone has the same rights and obligations as the nationals of the country by whose legislation he or she is covered (this is known as the principle of equal treatment or non-discrimination). Moreover, when people claim a benefit,

their previous periods of insurance, work or residence in other countries are taken into account if necessary, on the basis of an exchange of information between the social security authorities of the countries concerned. If a person is entitled to a cash benefit from one country, they may generally receive it even if they are living in a different country (this is known as the principle of exportability).

Regarding pensions, EU rules on social security coordination ensure that a person's insurance record is preserved in each country where they worked or lived. Every country where they have been insured for at least one year will pay them an old-age pension when they reach that country's national pensionable age. For example, if a person worked in three countries (always more than a year), he or she will get three separate old-age pensions, calculated according to their insurance record in each country: the sum received from each of these countries will correspond to the length of the person's social security coverage there. An Electronic Exchange of Social Security Information (EESSI) is being developed to help social security bodies across the EU to exchange information more rapidly and securely. To facilitate mobility vis-à-vis the rest of the world, the EU is also negotiating provisions on social security coordination with third countries.

The White Paper of February 2012 concluded that:

'The current sovereign debt crisis makes it clear how important it is for the European



Union as a whole that every single Member State succeeds in addressing current challenges in their pension systems. Pension reforms therefore must remain under close scrutiny in the context of the Europe 2020 strategy. We need a more European approach to tackling challenges to pension systems, in line with successive

conclusions of the European Council which have called for closer economic policy coordination... Pension systems must contribute to growth in Europe by promoting active ageing, while remaining an adequate and sustainable instrument at the core of the European social model to sustain the living standards of elderly Europeans.'

CHAPTER 5



# Conclusions

In entering a period where the oldest members of its population will outnumber the youngest, Europe is embarking on uncharted waters. The decline in the working age population could mean that economic growth will falter and living standards will fall, that pension systems will become unsustainable and that the incomes of people in retirement will be significantly reduced.

These consequences are not inevitable but the process of averting them needs to begin now, because the demographic revolution, which has been underway for quite some time, will accelerate over the next few decades. The changes that are necessary to meet the challenges posed by a shrinking working age population are positive in themselves. The need to improve productivity gives new impetus to the drive to raise levels of skill and educational attainment at all ages and to scale up lifelong learning systems. The need to raise the employment rate gives new urgency to the task of reducing unemployment, both by prioritizing job creation and by tackling the causes of structural unemployment. It gives new importance to efforts to reconcile work with family and caring responsibilities.

All this means that Europe needs to develop a dynamic and truly inclusive labour market where disadvantaged groups of all kinds can find jobs on equal terms, free from discrimination: prejudice,

which has always been a cause of personal injustice and a concern for the society, would now be a clear economic folly. Combating social exclusion and poverty by enabling more people to enter productive employment will help the whole of society to cope with demographic change.

Living longer will be a more positive experience if older people have the conditions to enable them to live full, healthy and independent lives and if they have the opportunity to contribute to the communities in which they live. A much larger and healthier population of older people will create a demand for new goods and services, which should itself act as a stimulus to economic growth.

Working longer need be no hardship when lives are longer and healthier than ever before and if an extended career, with the opportunity to renew skills, can boost income in retirement. Surveys show that many older people would welcome the chance to work longer if they could work shorter hours. It will be a positive development if retirement can become a gradual process over a period of flexible working rather than an abrupt event imposed at an arbitrary age.

There are therefore reasons for optimism. Meeting the challenges of an ageing society involves creating new opportunities, particularly in employment, and widening access to them. Achieving a higher

employment rate is not just a means – albeit a very necessary means – to securing economic growth. It requires many more people to be given the opportunity to move into employment, which will increase their income and raise their standard of living. And it means equipping them with the skills they need for a sustained career.

Active ageing is a coherent agenda which requires a holistic approach. If older people are to be expected to work longer they must have the opportunity to renew their skills through access to lifelong learning. The distinctive qualities they bring to their work should be acknowledged and their preference for more flexibility in the organisation of work should be met whenever possible. If people retire later they should have the opportunity to earn a higher pension.

Active ageing works with the grain of the economy, not against it. It is a positive agenda for older people but it is also necessary for economic growth and therefore for maintaining the living standards of society as a whole. It is in everyone's interest that active ageing should succeed.

Active ageing is also working with the grain of social change. The baby boomers who are now entering the 'bonus years' of their 60s, spanning the period between full time work and full retirement, are healthier, fitter and more numerous than any previous generation. Their careers have seen a period of peace and unprecedented prosperity in Europe and taken them into

the digital age, with all the possibilities that the internet is opening up for older people. They will have high ambitions and expectations for their retirement.

Some of the changes which will enable people in retirement to lead more active lives may therefore come about as a response to the demands of older people. Many of the developments which will help older workers to remain in employment – lifelong learning, flexibility in working time and organisation to allow for caring responsibilities, better health care – are equally important for younger generations.

But some necessary changes will not be easy, particularly in such sensitive areas as pension entitlement and the age of retirement. Changes which are controversial in the short run but necessary in order to deal with longer-term problems are sometimes difficult to accommodate to the electoral cycles of democratic politics.

The scale and nature of the unprecedented demographic revolution now facing Europe and its implications for jobs and growth, for living standards and for pensions and the length of working life are increasingly reflected in EU policy. Active ageing is an integral part of the Europe 2020 Strategy. Achieving the 2020 targets of a 75% employment rate and of reducing the number of persons at the risk of poverty or social exclusion by at least 20 million requires a significant increase in the employment rate for older people and an improvement of their opportunities

to remain active and healthy for as long as possible.

The 2012 European Year of Active Ageing and Solidarity between the Generations is an initiative the European Commission has taken to inform and to raise awareness of what is at stake and what needs to be done. It seeks to mobilise stakeholders at every level to find and adopt effective solutions and to give new momentum to all aspects of the agenda for active and healthy ageing.

One of the key objectives of the European Year is to ensure that active ageing will become a project in which the whole of society is ready to engage. It needs the full support not just of all levels of government but of the social partners, civil society and individual citizens.

The whole of society will lose if Europe fails rise to the challenge of demographic change. The whole of society will gain if that challenge is met.



# Voice from the European Parliament

Ria Oomen-Ruijten, Member of the European Parliament

*1. With the White Paper on Pensions and the country-specific recommendations, does the EU have the policy it needs to have when it comes to pensions?*

The aim of the EU is to safeguard safe, sustainable and adequate pensions for the growing 'silvering' society. The EU only has legislative competences when the functioning of the internal market is at stake. The White Paper forces not only a discussion but aims to set standards, which Member States can profit from.

*2. What do you consider to be the most important elements of the 2012 White Paper on Pensions?*

Due to the demographic trends, the increases in longevity and declining birth rates, we are facing enormous challenges. Many Member States with pay-as-you-go systems are confronted with big increases in costs now and in the future, which means growing pressure on solidarity and a heavy burden on the younger generation. Furthermore, young people enter the labour market at a later stage and older people are not working until the statutory retirement age. The main elements in the White Paper are dealing with these challenges. To overcome the difficulties of a proper financing without heavy constraints on public finances, schemes of savings in a second pillar are proposed. Furthermore, measures to improve awareness and transparency are of major importance. Also, and that is an important role for the EU, we need to tackle cross-border issues. The present era requires a flexible, mobile approach from employees and employers. Mobility must therefore be rewarded instead of being penalised. Another important issue is to find the best practices to keep people longer in the workforce.

*3. Is the EU doing enough to promote and support active ageing?*

As mentioned, there are huge challenges facing us. The key challenge, I believe, will be to promote healthy and active ageing for European citizens. More years in good health

will mean a better quality of life and the possibility to remain active. An ageing population in good health means less burden on health systems and fewer people retiring from work due to ill-health. This has a positive impact on Europe's economic growth. Solidarity between generations will be of utmost importance in the upcoming years. Enabling dialogue and an open eye for the young and old is of high importance. The EU, together with European governments, have embarked on modernisation and reform of their social protection systems, but more is needed.

*4. Demographic challenges are not just about ageing. In your view, how should issues such as childbearing, work-life balance, migration, or regional dynamics of population movements be reflected in EU policies and EU governance?*

We need everybody in the labour market, people must be able to work longer, but we also need to involve every man and woman. That means that more than ever we should pay attention to a work-life balance which benefits everybody.



## Further information

- European Commission, Demography Report 2010 <http://bit.ly/upLLby>
- European Commission, Ageing Report 2012 <http://bit.ly/KvXThz>
- European Commission, EU Social Security Coordination <http://bit.ly/aJqZnU>
- European Commission, White Paper on adequate, safe and sustainable pensions (2012) <http://bit.ly/ybWE6R>
- European Commission, proposals of 2012 country-specific recommendations <http://bit.ly/L4YfII>
- Eurostat, Glossary of population-related terms <http://bit.ly/JL5erv>
- Eurostat, Active ageing and solidarity between generations: A statistical portrait of the European Union 2012 <http://bit.ly/yUtFaq>
- European Innovation Partnership for Active and Healthy Ageing <http://bit.ly/JGY22k>
- The 2012 European Year for Active Ageing and Solidarity between Generations: <http://europa.eu/ey2012>
- OECD, Pensions at a Glance 2011 report <http://bit.ly/ibpTMj>



## Forthcoming guides

- Social Economy and Social Entrepreneurship (December 2012)
- Labour Law and Working Conditions (June 2013)
- ESF and other Funding Instruments (December 2013)
- Social Inclusion (June 2014)

# Glossary of terms

## Crude birth rate

The ratio of the number of births during the year to the average population in that year; expressed per 1 000 inhabitants.

## Economic dependency ratio

The ratio between the total economically inactive population (i.e. those who are not working because they are unemployed, retired, children or in full time education or have left the labour market for any other reason) and the total employed population.

## Employment rate

The number of people employed as a proportion of the working age population, expressed as a percentage.

## European Semester

A yearly cycle of economic policy coordination in the EU, starting with the Commission's Annual Growth Survey (towards the end of a calendar year), and concluded by the adoption of country-specific recommendations by the Council (June/July).

## Fertility rate

- *Total fertility rate* is defined as the average number of children who would be born to a woman during her lifetime, if she were to spend her childbearing years conforming to the age-specific fertility rates, that have been measured in a given year.
- *Age-specific fertility rate or the fertility rate by age of mother* is the number of births to mothers of age  $x$  proportional to the average female population of age  $x$ .

## Life expectancy at birth

The average number of years that a newborn child can expect to live if subjected throughout his life to the current mortality conditions (age specific probabilities of dying).

## Old-age dependency ratio

The ratio between the population aged 65 and over and the working age population.

### **Productivity**

Gross added value, usually measured per employee or per hour worked.

### **Structural unemployment**

Unemployment resulting from a mismatch between the demand for and supply of workers (e.g. through lack of necessary skills) or from insufficient incentives for workers to take up the jobs available. Its extent, and change over time, may be characterised by the unemployment/vacancy ratio or by the 'Beveridge Curve': the relationship between the rate of unemployment and the vacancy rate through time.

### **Unemployment rate**

The number of people who are not in employment but available and looking for work, expressed as a percentage of the labour force (employed and unemployed).

### **Working age population**

The total population aged between 15 and 64 (usually: definitions of the age range may vary between 15 and 65).



European Commission

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The third volume in this series gives an overview of the main demographic trends faced by Europe, such as ageing, a decrease in the working age population and declining fertility. It describes the EU's actions to promote active ageing, and explains EU policy efforts to ensure adequate, safe and sustainable pensions for the decades to come.

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