



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 12.10.2006
COM(2006) 571 final

COMMISSION COMMUNICATION

The demographic future of Europe – from challenge to opportunity

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1. THE AGEING POPULATION IN EUROPE: TRENDS AND OUTLOOK

Demographic ageing, i.e. the increase in the proportion of older people, is above all the result of significant economic, social and medical progress giving Europeans the opportunity to live a long life in comfort and security that is without precedent in our history. However, as was stressed by the Heads of State and Government at their Hampton Court informal Summit in October 2005, it is also one of the main challenges that the European Union will have to face in the years to come.

This Communication responds to the concern raised at this Summit, which is also widely felt by Europe's citizens. It is a follow-up to the Commission's communication to the European Council entitled "European values in the Globalised World" and the Commission's Green Paper on "Confronting demographic change: a new solidarity between the generations"¹. It examines the possibilities for Europeans to confront the demographic challenge by drawing on the renewed Lisbon strategy for Growth and Jobs and the Sustainable Development Strategy. More specifically, it underlines how the European Union can support its Member States as part of a long-term strategy, the implementation of which essentially depends on their willingness and competences. In so doing, it sets out the main factors, evaluates the various complex impacts and identifies the main courses of action at national, regional and local levels, as well as at European level. It concludes that we can take up the challenge of the ageing population if we create conditions in support of people who wish to realise their desire to have children and take full advantage of the opportunities offered by longer and more productive lives in better health.

The ageing of the European Union's population is the result of four interactive demographic trends. However, their magnitude and rhythm may vary substantially from one country to another and from one region to another, ruling out a uniform response. In summary:

- The average number of children per woman (the current fertility rate) is low, at 1.5 children for EU-25, well below the replacement rate of 2.1 required to stabilise the population size in the absence of immigration. A limited increase of 1.6 is projected for EU-25 by 2030².
- The decline in fertility in recent decades followed the post-war baby boom which is today causing the bulge in the size of the population aged 45 to 65 years. The gradual progress of the baby-boomers towards retirement age will lead to a substantial increase in the proportion of old people, who will need to be supported financially by a reduced working-age population. This phenomenon will disappear, but not for several decades.
- After increasing by eight years since 1960, life expectancy at birth could continue to rise by at least a further five years by 2050. The projected increase would have its greatest impact on the older generations, so that Europeans reaching the age of 65 in 2050 can expect to live on average between four and five years longer than those reaching 65 today. This will lead to a spectacular increase in the number of people surviving to the ages of 80

¹ COM(2005) 525, 3.11.2005 and COM(2005) 94, 16.3.2005, respectively.

² Some demographers have expressed the hypothesis that a very low fertility rate could become irreversible, cf. "The low fertility trap hypothesis: forces that may lead to further postponement and fewer births in Europe" by Lutz, Skirbekk and Testa, Vienna Institute of Demography research paper No 4 2005.

and 90, leading to many of them spending several decades in retirement and reaching an age frequently characterised by infirmity and disability, although the proportion of people in poor health in this age bracket could fall.

- Europe is already the recipient of major inflows of net migration from third countries. In 2004, the EU registered 1.8 million immigrants, i.e. an influx greater than that of the United States relative to the total population. The EU is set to remain a popular destination for migrants over the coming decades. Eurostat's conservative projection is that around 40 million people will emigrate to the European Union between now and 2050. As many of them are of working age, migrants tend to bring down the average age of the population. However, the longer-term repercussions remain uncertain, as they depend on the more or less restrictive nature of family reunification policies and birth patterns of migrants. Despite the current flows, immigration can only partially compensate for the effects of low fertility and extended life expectancy on the age distribution of the European population.

As a result of these trends, the total population of EU-25 will fall slightly, but will become much older. In economic terms, the main change will involve the size of the working-age population (15-64 years), which will decrease by 48 million between now and 2050. The dependency ratio (the number of people aged 65 years and above relative to those aged from 15 to 64) is set to double and reach 51% by 2050, which means that the EU will change from having four to only two persons of working age for each citizen aged 65 and above.

The regional and social implications of population ageing are also worth noting. Regions with declining populations consisting mainly of senior citizens will face difficulties in supplying essential public goods and services, such as health care, housing, urban planning, transport and tourism services, so that their environmental balance will also reflect the impact of an ageing population. Demographic change is also accompanied by profound social changes affecting the composition of families, particularly evident in the growing number of elderly persons living alone. The increase in the number of very old dependent persons also raises new problems of an economic, social or even ethical nature.

The ageing population of the EU needs to be examined against the background of the global expansion of the world's population. Following a worldwide population increase from 2 billion in 1950 to 6.5 billion today, the United Nations' key projection is that this growth will continue, albeit at a slower pace, to reach a population of 9.1 billion by 2050. Around 95% of the overall growth of the population will occur in the developing countries, and the population of the 50 least developed countries is set to double. The fastest growth will take place in Africa. As a result, the proportion of the worldwide population accounted for by the 25 Member States will decrease.

However, Europe will not be ageing alone. Significant increases in the dependency ratios will appear between now and 2050 in emerging economies such as China and India. If developing countries can exploit the demographic dividend and integrate young working-age people into the labour market, global production will increase and provide profitable investment opportunities for Europeans saving for their retirement. Conversely, the combination of a high birth rate and slow development could lead to instability in these countries and increase pressure to emigrate.

Global migration flows have and will continue to have major repercussions for the countries of destination and departure. For the EU, the impact of immigrants on population ageing will depend on how well they integrate into the formal economy, bearing in mind that the

employment rate for immigrants is still lower than that of non-immigrants in many Member States. Immigration may temporarily help to reduce the financial impact of an ageing population when legally employed immigrants pay contributions into public pension schemes. However, economically active immigrants will also, over time, accumulate their own pension rights. Their longer-term contribution to a sustainable balance in public finances will therefore depend on the existence of well-designed pension schemes. For the countries of origin, emigration to the EU can be beneficial, specifically through the reduction of pressure on the labour market, transfers of funds and the contribution of migrants returning to their countries with new skills and capital. However, the emigration of a large section of the young educated population is likely, for certain countries and sectors, to give rise to a “brain drain” with its negative impact on the economy and the country's prospects for social development. Against this backdrop, we must not ignore the possibilities offered by temporary migration and the voluntary return of migrants to their countries of origin.

2. IMPACT OF THE AGEING POPULATION

2.1. Impact on the labour market, productivity and economic growth

Over the next decade, the working-age population will begin to decline when a large number of the “baby-boomers” retire. However, with the support of specially-adapted employment policies, this phenomenon is likely to be temporarily offset during the next decade by increasing rates of employment. Recent projections³ show that although the working-age population will begin to fall from 2010 onwards, the total number of persons in work in EU-25 will continue to increase until around 2017. More than two thirds of this increase will be the result of a higher number of women in work, older women being gradually replaced by better-educated younger women with greater involvement in working life. The remainder is accounted for by the substantial increase anticipated in the employment rate for older workers (aged from 55 to 64 years). The expected positive developments tend to create a “window of opportunity” permitting the implementation of reforms before the effects of population ageing make themselves fully felt. However, higher employment rates can only offer temporary respite, and the full burden of the demographic changes would subsequently be felt. Even if the objective of 70% in the overall rate of employment as set out in the Lisbon strategy is reached, the total number of persons in work is set to decrease by 30 million between the end of the decade and 2050.

Economic growth rates are set to decline with the ageing of the population, mainly owing to the reduction in the working-age population. The projections show that, if current trends and policies remain unaltered, the average annual growth rate in GDP for EU-25 will fall systematically from 2.4% over the period 2004-2010 to only 1.2% between 2030 and 2050. Over time, Europe will increasingly have to rely on its productivity gains as a major source of economic growth. Older workers will constitute an increasing proportion of global labour and economic production resources. However, many countries still employ only a relatively small number of older workers owing to excessive recourse to early retirement, insufficient financial incentives to work offered by tax and social security systems, and poor management

³ Economic Policy Committee and European Commission (2006), “The impact of ageing on public expenditure: projections for the EU-25 Member States on pensions, health care, long-term care, education and unemployment transfers (2004-50)” in *European Economy Reports and Studies*, No 1.

of age-related issues in the workplace. This is in particular reflected by insufficient access to training, or even discrimination against older workers.

An older labour force and longer working lives need not imply less productive labour. The available data do not suggest that older workers are necessarily less productive and less innovative. The decline in physical and mental capacity occurs only at an older age, is very gradual, is subject to wide variations depending on the individuals concerned, and can be reduced by preventive health policies. Moreover, it may be offset by greater experience, changes to work organisation and more effective use of information and communication technologies (ICT). In addition, the future cohorts of older workers will also benefit from higher levels of training, reducing the risk of a slower spread of new technologies that could be associated with ageing.

In addition, we cannot take it as read that the reduction in the number of young people will facilitate their access to the labour market. Factors like education and suitable skills will still be essential in securing stable employment. In the context of an ageing society it is therefore of vital importance to provide quality training for young people, thereby meeting the needs of the labour market and of a knowledge-based society, and to develop lifelong learning to ensure that individuals maintain their human capital.

2.2. Impact on social security and public finances

On the basis of current policies, ageing will lead to ever greater pressures on public spending, although the situation varies widely from one country to another. For EU-25, it is projected that age-related public spending will rise by 3-4 GDP points between 2004 and 2050, representing an increase of 10% in public spending⁴. These upward pressures will be felt from 2010 onwards and will become particularly pronounced between 2020 and 2040. They will relate to pensions, health and services for the elderly.

Overall public finances risk becoming unsustainable in many countries, thereby compromising the future equilibrium of pension and social security systems in general. Allowing public spending linked to ageing to create budget deficits would lead to an intolerable spiral of debt. Such consequences would undermine the potential for economic growth and compromise the functioning of the single currency, thereby requiring pensions and health benefits to be seriously called into question, with considerable negative impact on the future wellbeing of pensioners and taxpayers.

Delaying reforms until public spending on pensions and health has risen would be missing an opportunity to ensure that every generation, including the baby-boomers, contribute to the necessary process of adjustment.

However, the EU governments have, in general, not remained inactive and recent reforms, especially in the fields of public pensions, health, employment and education systems, have begun to pay off, as evidenced in particular by the employment rate for older workers, which has been rising rapidly since 2000. These reforms have also aimed to transfer responsibilities from governments and companies to individuals; citizens will thus have to play a much more active role as regards both the amounts they save for retirement and choosing when to retire.

⁴ Communication from the Commission - The long-term sustainability of public finances in the EU - COM(2006) 574, 12.10.2006.

Ageing will also bring about sharp rises in public spending on health and long-term care, even if much will depend on the future improvement in the state of health of the elderly. Such an improvement will require, in particular, better adapted healthcare services and a preventive approach to chronic diseases which could be helped by the use of new technologies. If the gains to be made in terms of life expectancy were generally acquired in good health and without disability, the projected increase in public spending on health and dependency care due to ageing would be reduced by half⁵.

3. A CONSTRUCTIVE RESPONSE TO THE DEMOGRAPHIC CHALLENGE

In view of the complexity of the challenges of ageing, an *overall strategy* appears essential. Both at EU and at national level it will be necessary to review existing policies to determine whether they need to be adjusted to take account of the changing demography of the EU.

Five core policy directions are outlined below:

3.1. Promoting demographic renewal in Europe

The EU Member States can prevent demographic decline or react to the falling birth rate, which for some of them is reaching a worrying level. These reactions are both necessary and realistic: *necessary* because surveys show that in all EU countries couples would like to have more children; *realistic* because international comparisons underline the effectiveness of family and other policies consistently implemented by some countries over several decades to create conditions supportive of those who wish to have children⁶.

There are many different such policies but they generally have three aspects in common, aiming to (i) reduce the inequality of opportunities offered to citizens with and without children, (ii) offer universal access to assistance services for parents, in particular for education and care for young children, and (iii) manage working hours to offer both men and women better opportunities for lifelong learning and for balancing their private and working lives.

Furthermore, the most recent analyses of the fall in the birth rate emphasise the substantial impact of the rise in the age at which women have their first child, reflecting the growing reluctance of couples to have children. These analyses attach growing importance to reducing uncertainties accompanying the entry of young adults into the labour market and, more generally, to the improvement of their living conditions. In addition, effective gender equality policies make it easier for parents to consider when to have children. We must therefore tackle the problems of access to accommodation, facilitate access to affordable and quality childcare and generally improve the work-life balance through flexible forms of work, making use of new technologies. We must also tackle child poverty, the extent of which remains worrying and also reflects the relative deterioration of the situation of families with children.

⁵ Communication from the Commission - The long-term sustainability of public finances in the EU - COM(2006) 574, 12.10.2006.

⁶ Cf. for example "The Demographic Future of Europe – Facts, Figures, Policies: Results of the Population Policy Acceptance Study (PPAS)" published by the German Federal Institute for Population Research and the Robert Bosch Foundation; Eurobarometer No 253 produced in 2006, for which an analysis of the results is to be published shortly.

Solidarity between generations could be jeopardised if the burden of ageing had to be carried by the younger population, decreasing in number and economic strength. Remedying this situation is one of the priorities of the new pact between the generations.

At the Barcelona European Council in 2002, Member States made a clear commitment to step up provision of childcare: by 2010 this should be available to at least 90% of children between 3 and 6 years old, and at least 33% of children under 3 years of age. It is now time for these national childcare facilities to be put in place.

The Commission:

- will consult the social partners on the measures (e.g. on parental leave, or more flexible work arrangements) to be taken to improve the balance between the working, private and family lives of men and women, in order to take greater account of the needs of families⁷;
- will hold in October 2006 the first *European Demographic Forum* which will give rise to a Commission analysis report. In addition, the Commission will set up a *group of government experts* to accompany the work of the Forum.

3.2. Promoting employment in Europe: more jobs and longer working lives of better quality

Increasing the rate of employment is a vital component of the Lisbon Strategy. Some success has already been achieved. The relevant reforms of employment, education and training policy will thus have to be expanded and pursued beyond 2010. Increased efforts will be needed to reduce the segmentation of the labour markets, pursue the increase in the number of women in work⁸, and increase the efficiency and equity of education systems in order to enhance skills and foster the integration of new entrants who suffer from this segregation. This, in particular, will be the aim underlying the implementation of “flexicurity” guidelines which should facilitate the transition between different stages in the life cycle by means of increased flexibility of the labour markets, lifelong learning and active labour market and social security policies. The involvement of a large number of stakeholders with different levels of responsibility - workers and companies – by means of social dialogue and corporate social responsibility will be required.

Demographic ageing, however, calls for strategic importance to be given to increasing the rate of participation of men and women aged over 55. This will require far-reaching reforms to remove incentives for early exit from the labour market and to encourage the employment of senior citizens. It must also be ensured that it is effectively possible to work for longer and that public employment policies as a whole create more job opportunities for older workers.

“Active ageing” constitutes in itself a comprehensive and sustainable approach which must employ a range of tools beyond retirement reforms. In order to be able to seriously consider working longer, people must not be faced with discriminatory prejudices, they must have been prepared to update and make the most of the skills they have gained with experience and have access to more flexible retirement schemes, and they must not only be in good physical and

⁷ Communication from the Commission - First-stage consultation of European social partners on the reconciliation of professional, private and family life - SEC(2006) 1245, 12.10.2006.

⁸ Communication from the Commission - A Roadmap for equality between women and men 2006-2010 - COM(2006) 92, 1.3.2006.

mental health but also have good prospects of remaining so for a long time to come. The EU has legislative instruments to ensure that the ban on age discrimination is enforced, and the 2007 European Year of Equal Opportunities for All will be an opportunity to evaluate its implementation by the Member States, which are responsible for developing training and stepping up lifelong preventive health policies. Easier access to lifelong learning must reach everyone and, in particular, those with lower skills and in less favourable employment conditions. While these areas are not new, demographic ageing now makes them a *priority investment in the future* which the European Union supports, principally through its "Education and Training 2010" programme.

Increasing the active population will be achieved partly by improving public health. First of all, we need to rationalise the structure of our health systems' provision of care, which often no longer meets current needs. The Commission's recent initiative to establish a Community framework to improve cross-border mobility for patients and free movement of health services will allow economies of scale to be achieved and is part of this programme. Secondly, effective preventive measures to tackle obesity, smoking, alcoholism and mental illnesses should also have a broad impact on Europeans' state of health and, therefore, on productivity at work and future healthcare costs. Thirdly, the increased use of new technologies, such as telemedicine and personalised healthcare systems, available to senior citizens, their families and healthcare staff, could help to control healthcare expenditure and improve the wellbeing of citizens. Finally, the types of illnesses will certainly change with an ageing population, inevitably raising new questions about the types of care required in the future.

Continuing to work after the age of 60 should no longer be, as it is today, the prerogative of high income earners and the highly qualified. This should lead to a reduction in the disparity in life expectancies, which today constitutes one of the most salient forms of social inequality, depending on income and level of education. Preventive measures to foster lifestyles and environmental conditions conducive to good health, within and outside the workplace, must henceforth lead to increased cooperation between the stakeholders in public health, education, the media and work organisation. This should influence at an early stage life expectancy *in good health*, which differs markedly from overall life expectancy and varies considerably between Member States.

The participation of people aged over 65, including those who are officially retired, in the economic and social fabric must be promoted as an opportunity and not presented as a constraint. This increased participation in social activity on a voluntary basis will be achieved by means which have largely yet to be created.

Member States are invited to take the necessary measures to respect their commitments, taken at the Stockholm European Council in 2001, to raise employment rates for workers over 55 to over 50%. At the launch of a new cycle of the Lisbon Strategy for Growth and Employment in 2008, the Commission will examine the results obtained in each Member State as regards the employment rate for men and women aged over 55 and the age of withdrawal from the labour force. It will report on specific examples of best practices from the Member States in promoting active ageing.

The European Union has agreed to step up support to Member States to reach this goal with an agreement on a reinforced European Social Fund and Lifelong Learning programme for 2007-2013⁹.

The Commission will consult the stakeholders on initiatives aimed at establishing a Community framework to improve cross-border supply of health services and mobility for patients¹⁰.

Member States are invited to implement fully the Directive on equal treatment in employment and occupation¹¹. In 2007, the Commission will review the state of implementation of this directive with regard to age discrimination.

3.3. A more productive and dynamic Europe

A third response to the demographic challenge is to improve the productivity of Europeans at work. More generally, the Lisbon Strategy, which has been refocused since 2005, brings together in a coherent manner all the structural reforms, including microeconomic ones, which are likely to optimise European performance. The European Union contributes to this directly by deepening the internal market, implementing competition rules, prioritising the quality of regulation (specifically with regard to small and medium-sized enterprises) and through social cohesion policy. In this way, the Lisbon Strategy establishes the conditions required for optimising skills and the quality and productivity of work at all ages.

The ageing population can even represent a good opportunity to enhance the competitiveness of the European economy. European companies should be able to take advantage of better conditions to grasp the opportunities offered by demographic change in terms of creating new markets for goods and services which respond to the needs of an older clientele¹². A first step in this direction would undoubtedly be to encourage companies and other economic actors to incorporate the ageing phenomenon into their innovation strategies. This concerns a number of areas such as information and communication technologies, financial services, transport, energy and tourism infrastructures and local services, in particular long-term care. In all these areas the European Union can supplement or to strengthen planning efforts of the Member States.

By the end of 2008, the Commission will adopt a Communication on how best to take into account the needs of an ageing population in areas such as town and country planning, the environment or access to new technologies. It will pay special attention to the conditions and potential role for the Structural Funds for developing care provision adapted to the needs of dependent people and their families.

⁹ Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund, and proposal for a Decision establishing an integrated action programme in the field of lifelong learning - COM(2004) 474, 14.7.2004.

¹⁰ See Communication from the Commission - Consultation regarding Community action on health services - SEC(2006) 1195, 26.9.2006.

¹¹ Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation.

¹² Communication from the Commission - Putting knowledge into practice: A broad-based innovation strategy for the EU - COM(2006) 502, 13.9.2006.

3.4. Receiving and integrating immigrants in Europe

It must be acknowledged that over the next 15 to 20 years significant net immigration into Europe will continue. This will at first meet the needs of the European labour market, which will need to attract a qualified labour force from outside. The need for external unskilled labour will also remain very high. Nor can we overlook the attractiveness of Europe owing to its relative prosperity, its political stability, the desire of recently arrived immigrants to be reunited with their families and the dynamic growth in the populations of relatively poor neighbouring regions. These different factors should be better reconciled by organising legal immigration and, correspondingly, the integration of immigrants, while at the same time respecting the needs of the country of origin.

Current national policies on immigration from third countries are not uniform. In some countries, legal flows are limited and illegal immigration remains more or less contained; in others, the large-scale regularisations of recent years have allowed the circumstances of hundreds of thousands of immigrants who were living and working on an irregular basis to be legalised. These differences reflect, beyond the disparities in the labour market, the growing difficulties of immigrants with regard to economic and social integration in countries that have a long tradition of immigration. These differences are not sustainable in the long term within a European Union characterised by the free movement of workers and an increasingly unified internal labour market. It is also the European Union, with its international weight, its commercial role and its international cooperation relations with the Mediterranean, African and Latino-American regions, which can engage in partnerships indispensable to the management of migration flows, a prerequisite for the success of immigration policies. It also falls to the European Union, which is founded on non-discrimination and the respecting of differences, to inform public opinion and combat prejudice, to identify the real obstacles to be overcome and also to point out the riches of diversity¹³.

This is why the EU today is working with the Member States to develop elements of a common policy on legal immigration¹⁴, focussing particularly on immigration for work purposes in order to satisfy requirements in certain sectors of the labour market. This policy should be supplemented by tighter policies on integrating third-country nationals¹⁵, allocating greater financial resources, and by striking up partnerships with emigration countries.

At the same time, with respect to the internal mobility of Community citizens, the transition towards full freedom of movement for workers within an enlarged EU of 27 Member States will continue up to 2014. This internal mobility helps offset imbalances in labour markets in Europe and should be taken into consideration in planning immigration policies.

The Hague programme of 2004 led to a "Policy Plan on legal migration" and inspired the establishment of the European Integration Fund. Such measures can support further action at all levels to help the integration of legal migrants.

¹³ See the results of Eurobarometer No 64, published in December 2005, and No 65, published in June 2006, on public opinion and migrations.

¹⁴ Communication from the Commission - Policy Plan on Legal Migration - COM(2005) 669, 21.12.2005.

¹⁵ Communication from the Commission - A Common Agenda for Integration - Framework for the Integration of Third-Country Nationals in the European Union - COM(2005) 389, 1.9.2005.

The Commission will continue its initiatives to stimulate the integration of migrants, specifically by holding discussions with Member States on obstacles to integration, to find out more about migrants' profiles, perceptions and policies implemented. Over the course of 2009, the Commission will consider the need to propose new measures relating to economic immigration, taking account of the needs of the labour market, and taking stock of the progress achieved on internal mobility.

3.5. Sustainable public finances in Europe: guaranteeing adequate social security and equity between the generations

In most Member States, public finances are not sustainable under current policies. Sustained efforts towards budgetary consolidation are nevertheless required. Increasing the participation rate in employment is an effective tool that governments have at their disposal for increasing their revenue and contending with expenditure linked to ageing, without increasing the rates of taxation.

The recent retirement reforms in several countries will allow the financial imbalance in the pension systems to be significantly reduced. Nonetheless, some countries may require additional reforms, aimed in particular at avoiding early withdrawals from the labour market, raising the age of definitive retirement, offering older people financial incentives to stay in the labour market and allowing individuals to increase their retirement income with a supplementary pension, while ensuring a better balance between individuals' contributions and benefits.

New challenges are emerging, linked to the development of private savings and funded systems. They are linked, for example, to the cover of these systems, to the level of contributions and to the increasing role of pension funds, which in turn raises questions about transparency and quality of supervision. In this context, it is of key importance to develop efficiently functioning financial markets and to create stable and secure conditions for individuals to save and invest. Governments should also favour the emergence of a sufficient variety of financial instruments. Building up private savings and capital should also be promoted so that individuals can have more autonomy in determining the level of income they wish to have at their disposal during their retirement. There is also a need for communication and education in financial matters to help individuals adapt to new circumstances.

Together with this communication, the Commission is adopting a report analysing the long-term sustainability of public finances, based on population projections up to 2050 and on the financial strategies presented by the Member States in their 2005 Convergence and Stability Programmes.

4. CONCLUSION: FROM CHALLENGE TO OPPORTUNITY

The ageing of European populations is the inevitable consequence of developments that are fundamentally positive: increased life expectancy, often in good health, and easier choice over whether and when to have children, in particular by increasingly educated women who enjoy easier access to the labour market. However, these far-reaching demographic and socioeconomic changes compel us to reform existing institutions, for reasons of both economic efficiency and social equity.

Our current policies are not viable in the long term, in that they do not address the expected decrease in the active population and the prospect of slippage in public finances. The source of the problem is not higher life expectancy as such, rather it is the inability of current policies to adapt to the new demographic order and the reluctance of businesses and citizens to change their expectations and attitudes, particularly in the context of labour market modernisation. In short, the Member States are facing a problem of retirement rather than a problem of ageing.

Of course, it falls above all to the Member States to formulate specific responses to the demographic challenge. Recent experience in this regard is encouraging, as the first retirement reforms have begun to bear fruit. The challenge is not insurmountable if we make good use of our brief window of opportunity of about ten years.

These reforms are also part of a European framework, already applied opportunely and tenaciously through the renewed Lisbon Strategy for Growth and Jobs, the Stability and Growth Pact, the Sustainable Development Strategy, cohesion policy, and the open method of coordination in the area of social protection and inclusion.

It is not now a question of introducing a new process of European coordination. We need to commit to continuing and deepening these efforts, while at the same time ensuring that adequate account is taken of the multiple and complex facets of the demographic challenge as a whole and in each of our policies, at both national and Community level.

In this respect, this communication develops a reference framework at Community level for Member States' policies. The framework has set out five areas that respond to a common perspective of restored confidence:

- Promoting demographic renewal in Europe
- Promoting employment in Europe: more jobs and longer working lives of better quality
- A more productive and dynamic Europe
- Receiving and integrating migrants in Europe
- Sustainable public finances in Europe: guaranteeing adequate social security and equity between the generations.

Community and national policies need to be attuned to the demographic challenge described in this Communication. European policies, including the Commission's, need to be reviewed so that the demographic challenge is mainstreamed into tomorrow's policy choices. The Commission recommends that the sectoral Councils and the sectoral Committees in the European Parliament consider the impact of demographic change in the policy areas for which they are responsible.

Confidence in the long-term future is to be built from today on the basis of men and women participating in working life, and on productivity and performance. This same confidence will also help Europeans to enjoy fruitful relationships with current and future migrants, based on mutual respect.

Confronting the demographic challenge will be a long-term task for all of us. Progress in the implementation of these initiatives will be the subject of the European Demographic Forum to

be held every two years, for the first time in October 2006. The results of the initiatives announced in this communication between now and 2009 and the lessons of the Forum will form the subject of a chapter in the Annual Progress Report (Lisbon Process), which the Commission will devote every two years to the Union's state of preparedness for increasing life expectancy.

APPENDIX: MAIN EUROPEAN DEMOGRAPHIC TRENDS AND DATA

Projections – EU-25

Projections for EU's population trend 2005-2050				
<i>in thousands</i>	2005-2050	2005-2010	2010-2030	2030-2050
Total population	-8659	5563	5312	-19534
<i>Percentage change</i>	<i>-1.9%</i>	<i>1.2%</i>	<i>1.1%</i>	<i>4.2%</i>
Children (0-14)	-13811	-2304	-6080	-5427
<i>Percentage change</i>	<i>-18.6%</i>	<i>-3.1%</i>	<i>-8.5%</i>	<i>-8.2%</i>
Young people (15-24)	-14035	-2383	-6663	-4990
<i>Percentage change</i>	<i>-24.3%</i>	<i>-4.1%</i>	<i>-12.0%</i>	<i>-10.2%</i>
Young adults (25-39)	-24867	-3896	-14883	-6088
<i>Percentage change</i>	<i>-25.0%</i>	<i>-3.9%</i>	<i>-15.6%</i>	<i>-7.5%</i>
Adults (40-54)	-18666	4116	-10029	-12754
<i>Percentage change</i>	<i>-19.0%</i>	<i>4.1%</i>	<i>-9.8%</i>	<i>-13.8%</i>
Older workers (55-64)	4721	4973	8717	-8969
<i>Percentage change</i>	<i>9.1%</i>	<i>9.5%</i>	<i>15.3%</i>	<i>-13.6%</i>
Elderly people (65-79)	25688	1947	22281	1460
<i>Percentage change</i>	<i>44.5%</i>	<i>3.4%</i>	<i>37.3%</i>	<i>1.8%</i>
Frail elderly (80+)	32311	3109	11969	17233
<i>Percentage change</i>	<i>171.6%</i>	<i>16.5%</i>	<i>54.0%</i>	<i>50.8%</i>
Source : EUROSTAT, 2004				

Projections by country

	Population ¹		Fertility ²		Life expectancy ³				Natural Increase ⁴		Net Migration ⁵		Old Age Dependency ⁶	
	2005	2050	2004	2050	Men		Women		2004	2050	2004	2050	2004	2050
					2004	2050	2004	2050						
EU25	459,5	449,8	1,5	1,6	73,7	80,5	80,4	85,6	211	-48351	1464	39710	24,5	52,8
BE	10,4	10,9	1,6	1,7	75,5	82,3	81,6	88,3	5	-405	24	897	26,1	48,1
CZ	10,2	8,9	1,2	1,5	72,4	79,7	78,8	84,1	-18	-2010	4	647	19,7	54,8
DK	5,4	5,4	1,8	1,8	75,2	80,9	79,6	83,7	6	-302	8	323	22,5	40,0
DE	82,5	74,6	1,4	1,5	76,1	82,0	81,7	86,8	-143	-17311	211	8980	26,8	55,8
EE	1,3	1,1	1,4	1,6	65,5	74,9	76,9	83,1	-5	-248	1	19	23,8	43,1
EL	11,1	10,6	1,3	1,5	76,4	80,3	81,4	85,1	-1	-2207	43	1743	26,4	58,8
ES	43,0	42,8	1,3	1,4	76,6	81,4	83,4	87,9	67	-6007	508	6235	24,6	67,5
FR⁷	60,6	65,7	1,9	1,9	76,2	82,7	83,4	89,1	219	2919	64	2823	25,2	47,9
IE	4,1	5,5	2,0	1,8	75,5	82,4	80,7	87,0	33	814	16	645	16,4	45,3
IT	58,5	52,7	1,3	1,4	77,3	83,6	83,2	88,8	-29	-11278	330	5777	28,9	66,0
CY	0,7	1,0	1,5	1,5	76,3	81,9	80,8	85,1	3	8	6	238	17,5	43,2
LV	2,3	1,9	1,3	1,6	64,9	74,3	76,2	82,5	-12	-484	-2	30	23,6	44,1
LT	3,4	2,9	1,3	1,6	66,5	75,5	77,6	83,7	-11	-606	-6	28	22,3	44,9
LU	0,5	0,6	1,7	1,8	75,0	81,6	81,4	86,7	2	63	3	131	21,0	36,1
HU	10,1	8,9	1,3	1,6	68,5	78,1	76,8	83,4	-36	-2029	15	795	22,6	48,3
MT	0,4	0,5	1,7	1,6	76,2	81,8	80,7	85,0	1	-4	3	113	19,0	40,6
NL	16,3	17,4	1,8	1,8	76,2	80,2	80,8	83,6	52	-358	21	1480	20,5	38,6
AT	8,2	8,2	1,4	1,4	76,2	83,6	82,1	87,7	1	-912	25	985	22,8	53,2
PL	38,2	33,7	1,2	1,5	70,5	79,1	78,5	84,4	-26	-5022	-28	318	18,6	51,0
PT	10,5	10,0	1,5	1,6	74,2	80,4	81,0	86,6	7	-1326	42	808	24,9	58,1
SI	2,0	1,9	1,2	1,5	72,6	79,8	80,2	85,1	-3	-390	6	287	21,4	55,6
SK	5,4	4,7	1,2	1,6	69,7	77,7	77,8	83,4	-2	-781	-2	109	16,3	50,6
FI	5,2	5,2	1,8	1,8	75,3	81,9	81,9	86,5	7	-303	6	288	23,3	46,7
SE	9,0	10,2	1,7	1,9	78,1	83,3	82,4	86,5	6	171	28	1069	26,4	40,9
UK	60,0	64,3	1,7	1,8	76,4	82,9	80,9	86,6	89	-343	139	4939	24,3	45,3

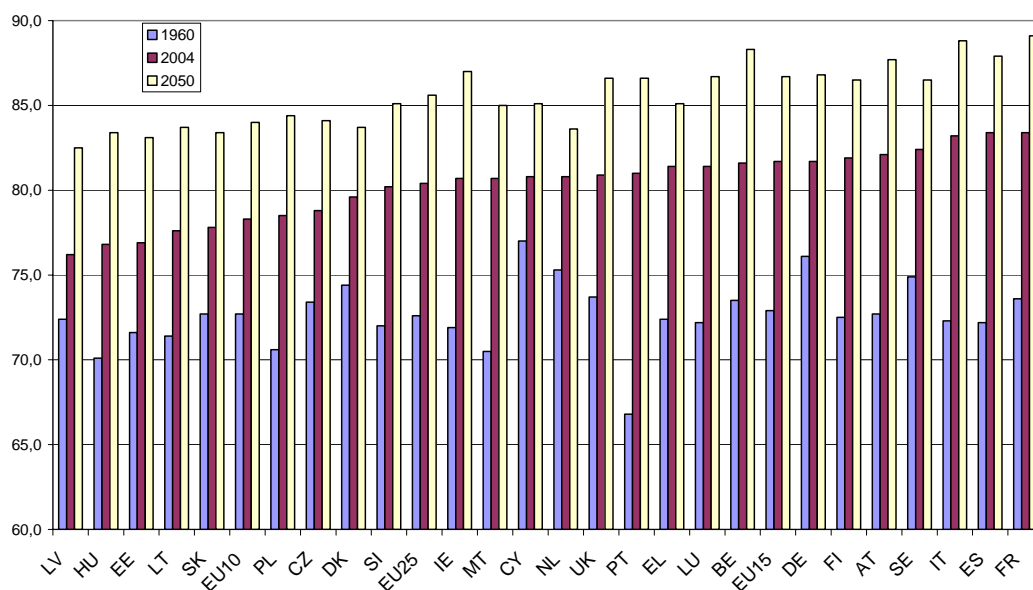
Source: EUROSTAT, 2004

Notes:

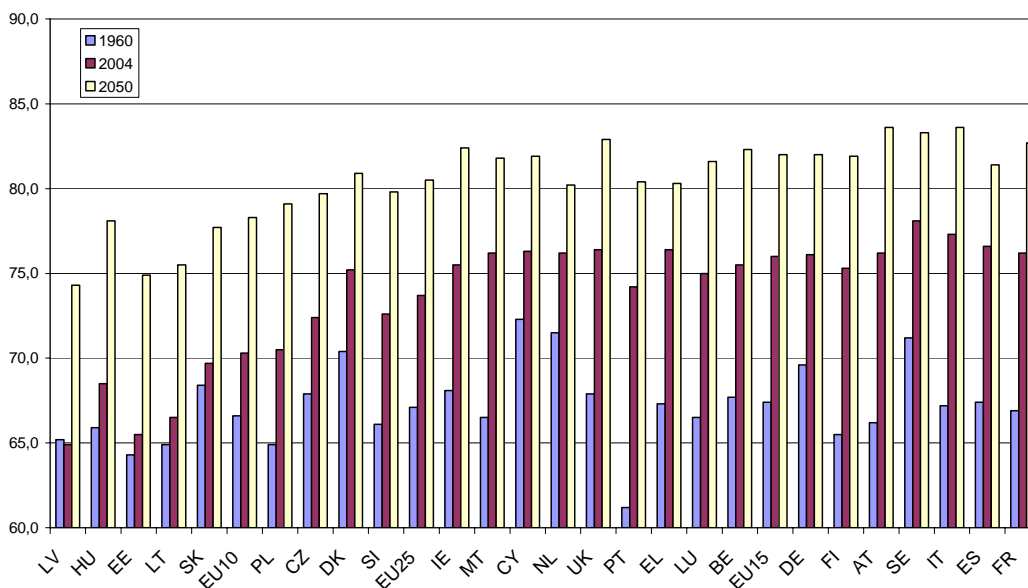
- 1 Population in million on January 1st (2050: trend scenario)
- 2 Number of children per woman (2004: estimate; 2050: trend scenario)
- 3 Life expectancy at birth in years (2050: trend scenario)
- 4 Difference between the number of live births and the number of deaths (2004: estimated annual Flow, 2050: cumulative net migration between 2004 and 2050)
- 5 Estimation of net migration in thousands (2004: estimated annual flow, 2050: cumulative net migration between 2004 and 2050)
- 6 Number of people aged 65+ as percentage of people aged 15-64 (2050: trend scenario)
- 7 France: Metropolitan France (excluding overseas territories)

Life expectancy at birth

Life Expectancy 1960-2050, Females



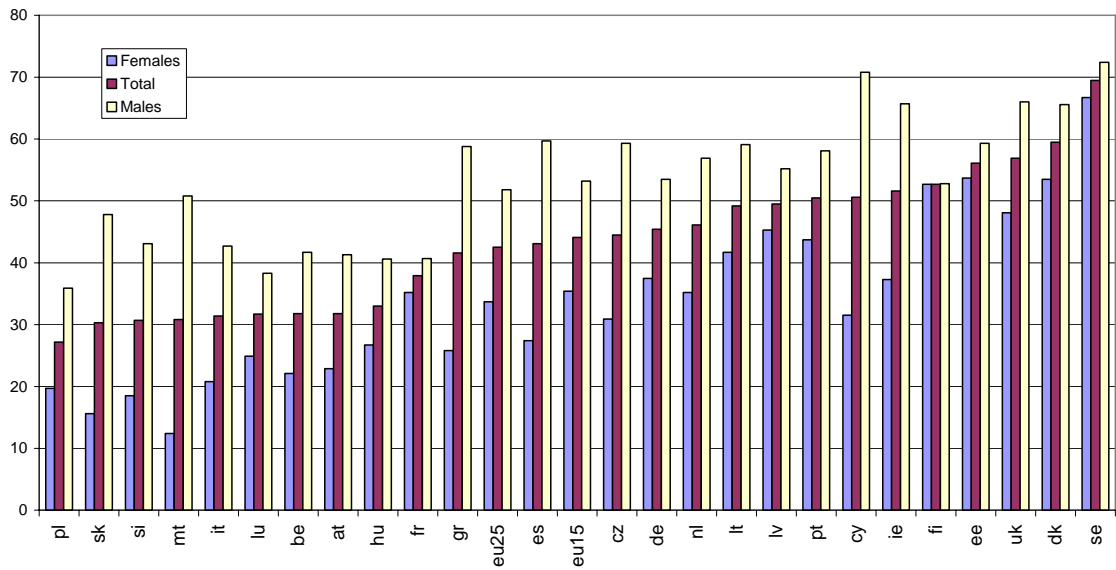
Life Expectancy 1960-2050, Males



Source: Eurostat 2004 Demographic Projections (Baseline scenario)

Employment rate of older workers

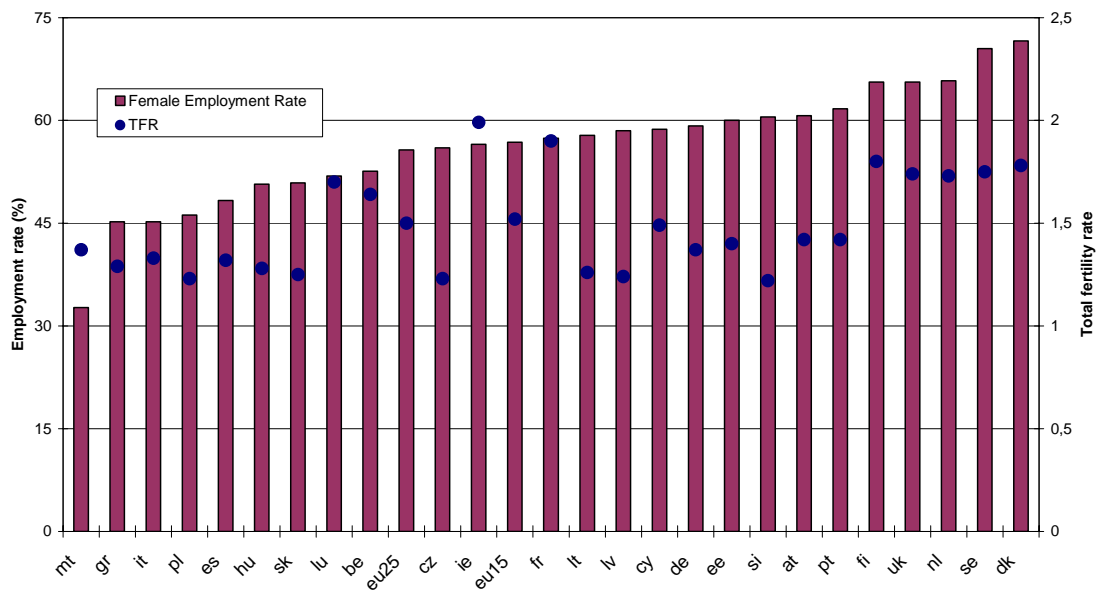
Employment Rate of Older Workers, 55-64 Years (2005)



Source: Eurostat, Labour Force Survey

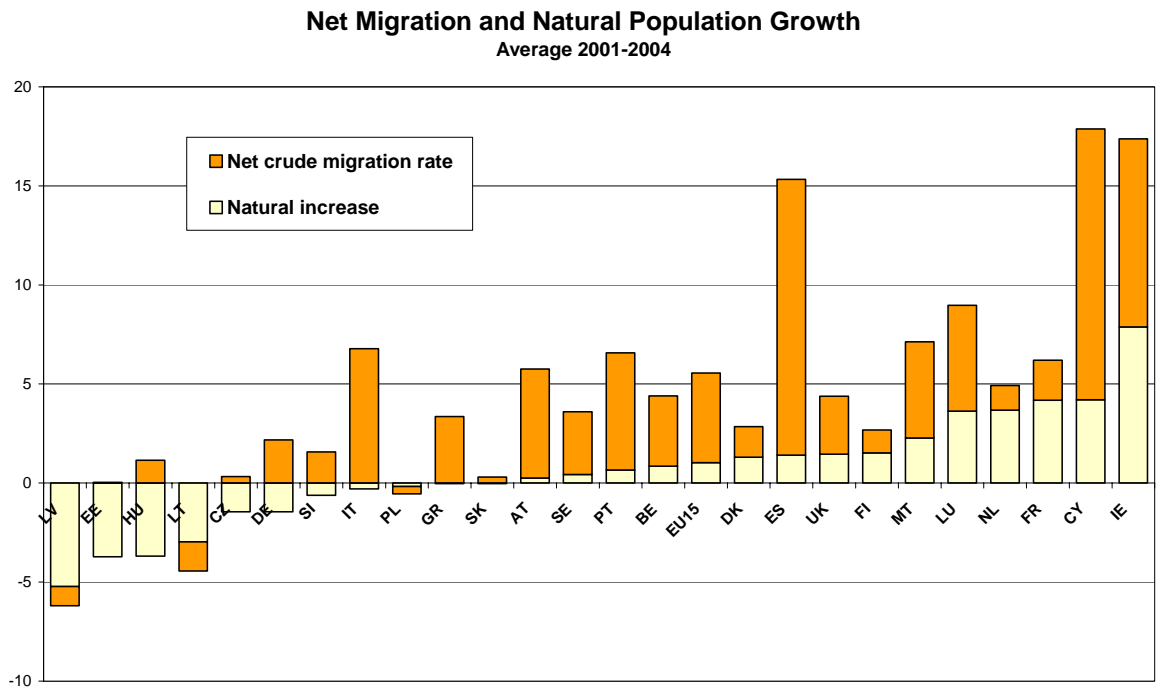
Fertility and female employment rates

Female Employment Rates (15-64) and Total Fertility Rates 2004



Source: Eurostat, Labour Force Survey and National data

Net migration rate vs. natural population growth



Source: Eurostat. Figures exclude intra-EU flows and comprise regularisations of previously undeclared migrants