

Elena Ambrosetti and Maria Herica/La Valle-Sapienza Università di Roma: Population ageing in Europe: past trends and future challenges

Population ageing is one of the most important achievements of humankind. Nevertheless, it also represents a challenge, because modern society and governments have to face its social, economic and health implications. This paper focuses on a fundamental issue: the link between the changes in age structure of populations and labour market in Europe, where the consequences of the economic crisis on one hand, and the demographic changes of the last decades on the other hand, are modifying the characteristics of labour force and could produce manpower shortage. The paper consists of three sections. The first one deals with the meaning of demographic ageing and with its key factors. The second one concerns the economic impact of population ageing, while the last one shows its potential solutions, among which migration is of particular importance.

1. The demographic ageing and its causes

Demographic ageing is caused by two joint factors: the reduction of fertility and the extension of lifespan (Cagiano de Azevedo and Castagnaro, 2008). Since the last century, the most advanced countries all over the world have been experiencing both a mortality decrease of all age classes, in particular of the oldest ones, and a severe reduction of birth rates (Cagiano de Azevedo and Capacci, 2004). They are the results of an extraordinary medical progress and of cultural changes affecting women's priorities and possibilities in terms of the average number of children they would have compared to their work opportunities and ambitions.

According to the European Commission 2012 Ageing Report, between the second half of 1960s and 2000, Total Fertility Rates plummeted in the EU member States: from the peak above 2.5, the average number of children per woman dropped to below the natural replacement level of 2.1 (See Graph 1.). However, this severe decline was not the same in each country, neither in timing nor in size, and on average in the EU27, the trend changed in 2000, when fertility rates began to rise (European Commission 2012 Ageing Report).

Life expectancy at birth, instead, rocketed during the period 1960-2009 in all member States, especially for women, even though the gender gap has decreased since 1980 in the euro area and since 1990 in the EU. The gain in life expectancy at birth differed across countries, and it is expected that in the EU it will rise from 76.7 to 84.6 years for males, and from 82.5 to 89.1 years for females over the period 2008-2060; then, the gender gap in life expectancy at birth is projected to reduce in the next decades (see Graphs 2. and 3.) (European Commission 2012 Ageing Report).

The improvement in life and health conditions occurred over the XIX century has affected the life expectancy at age 65, which rose from 19.5 to 20.7 for females, and from 15.9 to 17.2 for males during the period 2002-2008 (Eurostat, 2011) (see Graph 4.). Moreover, in the EU as a whole, the life expectancy at age 65 is predicted to attain 22.4 years for males and 25.6 for females within 2060 (European Commission 2012 Ageing Report).

2. The socio-economic implications of ageing

As ongoing demographic changes have been differently affecting the various world areas, countries all over the world are coping with different economic, social, cultural and political issues.

Cesaratto (2009) describes two opposite situations:

- the developing countries are experiencing the so-called “demographic bonus” or “demographic window”, which is the extraordinary existence of a young labour force due to the reduction of infant mortality;
- in the most advanced countries the drop of *baby boom*'s positive effects could produce a manpower shortage, whose implications could concern both growth rates and PAYG (Pay As You Go) public pension systems.

The direct effect of population ageing is the increasing share of elderly people, who are in retirement age, compared to the decreasing share of young population.

One of the most important and synthetic measures of population ageing is the *dependency ratio*¹. As inactive population is made up of the youngest (0-14 year olds) and the oldest (65 and over year olds), we can distinguish two kinds of dependency ratio: the *green pressure* and the *grey pressure*, which estimate, respectively, the burden of young and old people on active population (Cagiano de Azevedo and Castagnaro, 2010).

According to Eurostat data (2011), in the EU the old age dependency ratio rose from 23.2% in 2000 to 25.9% in 2010, and it is expected to keep rising: it is forecast that in 2060 the ratio of elderly inactive population to active one will amount to 53.5% (see Graph 5.). Furthermore, the European Commission 2012 Ageing Report suggests that population ageing has been also affecting the age structure of population in working age. In fact, in the EU27, the portion of older workers, i.e. people aged 55-64, in the labour force (aged 15-64) is expected to increase from 15% in 2010 to 23% in 2060 (see Graph 6.). This is extremely important in the overall context of labour force in the EU. The Report, indeed, counts three key factors in the evolution of total participation rates:

- the contribution of prime-age women, whose participation rates have constantly risen over the past twenty-five years;
- the involvement of older workers, in particular male ones, whose participation rates have grown since the turn of the century, above all because of pension reforms increasing the statutory retirement age;
- the participation of young people (aged 15-24), which has diminished, primarily as a result of a longer stay in school.

3. Are there any solutions to population ageing?

In 2004, Grant et al. published a study about the relationship between European government policies and demographic changes and behaviour. They recognised three kinds of measures designed for reducing the negative implications of low fertility and population ageing:

1. indirect preventive policies – relating to economics, gender issue and education – aimed at promoting fertility through acting on macro-level socioeconomic variables;
2. direct preventive policies – i.e. migration, family support, reproductive health and family-friendly employment – aimed at affecting individuals' and families' attitude towards fertility and migration;
3. ameliorative policies – concerning social security, labour force, health care and support for the elderly – oriented toward the reduction of the negative effects of ageing on the society and the economy.

¹ It is commonly expressed as a percentage, and it is calculated dividing the total economically inactive population (aged 0-14 and 65 and over) by the amount of population in working age (15-64).

Among these possible instruments, migration plays an important role, even though there is yet a scientific debate dealing with its real capacity to replace the demographic balance between births and deaths, which is affected by the low fertility rates registered mainly in the most advanced countries in the world.

Ambrosetti and Giudici (2013) suggest that migration assumes different functions in relation to countries in which it takes place. While in Middle East and in Northern Africa, emigration is considered a solution to the excessive number of people in working age, in the most advanced countries, like Europe, immigration could be an instrument coping with labour force shortage in certain economic sectors and with population ageing. Therefore, both countries of origin and countries of destination could activate migration policies aimed to increase or decrease manpower demand or supply, and to affect the evolution of demographic structure.

In a recent paper (2014), Ambrosetti and Giudici stress the relationship between ageing and migration in Europe, and they focus on the importance of immigration as one of the channels through which it could be possible to decelerate (not do defeat) population ageing. The examination of demographic changes in the recent past endorses this argument.

In the last decades, European growth rate gradually decreased from 8‰ in 1960 to 4‰ at the beginning of the 80s and today it is on average 2.2‰ in the EU-28. However, the most significant overview is that, in many countries, population growth has been depending on net migration (positive gap between immigrations and emigrations) rather than natural growth (positive gap between births and deaths) (Ambrosetti and Giudici, 2014) (See Graph 7.).

Conclusions

Demographic ageing is an irreversible event. Nevertheless, it can be slowed down and its negative consequences can be reduced and turned in pretexts to improve our socio-economical schemes.

The first step should be the analysis of the two factors that have been producing ageing: the increased life expectancy – especially at age 65 – and the reduced fertility level. They are not problems in themselves – rather they represent an achievement, the former in terms of scientific results and the second in terms of women's power to regulate their own reproductive behaviour – but their effects are worrying. A society in which both the number and the share of elderly people grow has to cope with many different problems, like the increasing (public and private) health expenditures for age-related diseases, and the young labour force shortage compared to the excess of people in retirement age. Ambrosetti and Giudici (2014) suggest two answers to population ageing: migration, that is considered a short-run solution, and fertility growth, that is regarded as the only way to reverse ageing process. They assert that one of the channels through which reproductive decisions and behaviour of couples and women can be affected and oriented towards the promotion of higher fertility levels, should be a set of policies aimed at helping young women to conciliate work time and family time.

Just women seem to be the key factor of population ageing in the most advanced countries of the world, like Europe. Ageing, indeed, represents a gender issue, not only in terms of solution, but also:

- in terms of causes, as low fertility levels have been depending on the evolution of women's needs and perspectives;
- and in terms of consequences, as women live longer than men, and they also spend the last period of their lives in challenging conditions, in addition to health complications. In fact, as the number of female widows significantly exceeds the number of male widowers in all countries, older women usually are alone; therefore, they are more likely than men to suffer poverty and social isolation (World Health Organization, 2002);

However, governments should design specific measures focusing on the social inclusion of older people, especially women, and on the promotion of the so-called *active ageing* throughout a longer participation of elderly in the working life of their countries (Ambrosetti and Giudici, 2014).

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