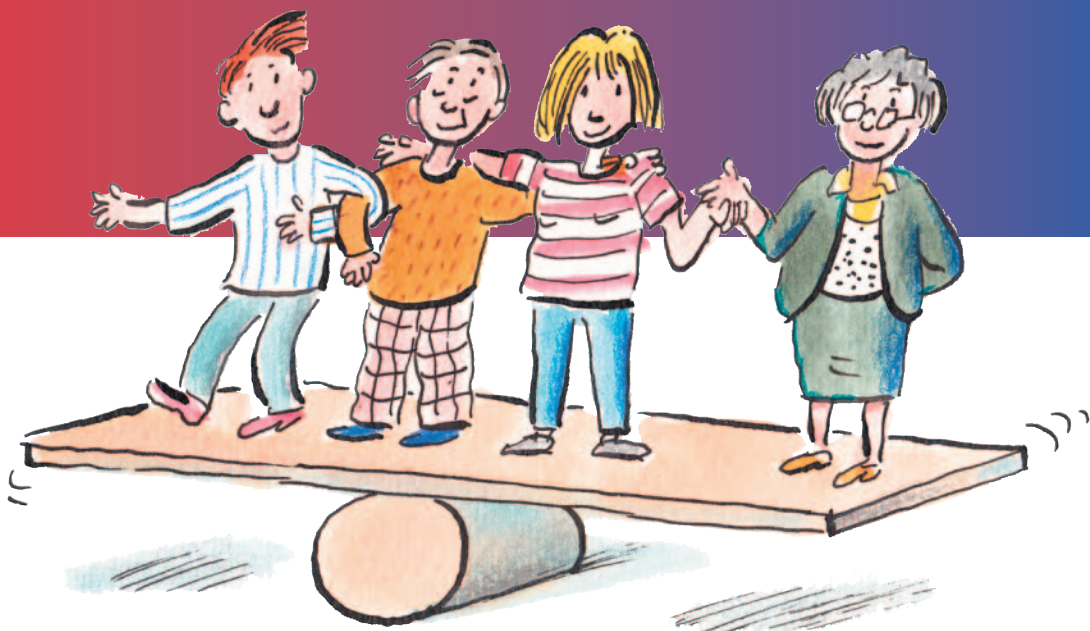


Demographic challenges in the labour market, vocational training and social security systems in Europe





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Editor: European Centre for Workers' Questions, Königswinter
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Author: Alexandra Cornea

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FOREWORD

Since back in the 1970s, scientists have been drawing attention to the impact of demographic change on Europe. The increase in life expectancy and lower birth rates mean that there are fewer and fewer young people in active working life and more and more old people. In view of this development, the European Commission made 2012 the European Year for Active Ageing and Solidarity between Generations.

How is the structure of the European labour markets changing owing to demographic change? How must vocational training be designed to enable younger people to get their first job and elderly people to stay in their job longer? With the current demographic development, how will it be possible to finance the social security systems in future and what effect will the growing number of jobs not subject to social security contributions have on this? Does immigration offset the demographic change in Europe?

Anyone in Europe concerned with the demographic change faces these and other future issues that occupy workers' organisations and their multipliers in the social dialogue – including in collective bargaining. In the 2012 education and training year, EZA tackled these issues by co-ordinating projects on “Demographic challenges in the labour market, vocational training and social security systems in Europe”.

I wish to thank Alexandra Cornea, who was in charge of co-ordinating the projects, evaluated the results and drew up the Final Report published here, as well as the member organisations involved. I would also like to thank my colleague Matthias Homey, who co-ordinated the projects activities from the EZA Office. The European Commission's Directorate-General for Employment, Social Affairs and Inclusion assisted with the content and funded our activities.

Our aim with the results and recommendations for action in this brochure is to give workers' organisations and their multipliers suggestions for their daily work; we would be delighted to receive ideas and comments on these issues that are of importance to every worker. Our contact details can be found on the back of the brochure.

Roswitha Gottbehüt
EZA Secretary-General

1 GENERAL INTRODUCTION TO THE TOPIC

According to the latest reports issued by the European Commission and other stakeholders (e.g. Universities, research centres, international organizations like ILO, UN) the demographic issue will be one of the most important challenges for this decade. A study issued by the University of St. Gallen (HSG) reveals that as financial uncertainties continue to dominate daily headlines, the demographic shifts start to become another stress factor for Europe.

The 2010 European Commission's Demography Report states: "The EU's demographic picture has become clearer: growth is fuelled mainly by immigration, whereas the population is becoming older and more diverse". So the question awaiting an urgent answer is: Europe's population structure will definitely shift within the next few decades – but how is it possible to maintain sustainable social structures, social welfare systems, pensions and healthcare funding? There is no doubt that these are critical factors which determine Europe's global competitiveness, the stability of its civil society and ultimately also the wealth of its citizens.

The total population of Europe passed the 500 million mark as of 2010 with approximately 90 million pensioners (aged 65 years and older). One can observe a continuing and significant increase in older people in the whole EU, Norway and Switzerland over the next decades. The group of people aged 65 years and older in the EU will grow by 36.1% from the current level of 87 million people to 124 million by 2030. For Norway, the increase is 451,000 people (plus 62.4%) from currently 723,000. In Switzerland, the picture is similar with plus 61% from 1.3 million to 2.1 million aged 65 years and older. This leads to the "good-bye pyramid" syndrome – a phenomenon where the classic population pyramid is reshaping into a rectangle with a peak on the top.

Within the European Union, Germany is affected the most by the ageing of its society with a projection of a 28% share of people aged 65 years or older in the total population by 2030. The smallest increases in elderly people cohorts (4-5% to 17% of total population) can be observed in Cyprus, Ireland and Luxembourg.

While the world's population continues to grow and looks set to reach almost 9.5 billion by 2050 (currently 7 billion), population growth is negative in many industrial countries – above all in Europe and Japan. The EU population is forecast to shrink after 2015. By 2050, it will have declined by 40 million. Countries will have to deal with the effects of ageing societies. In some industrial countries, the active population will equal the number of pensioners in only a few decades' time.

The decline in the working age group, defined as the age group between 20 and 64 years, will continue until 2030. In the EU, the reduction in labour market participants is forecast at 12.5 million, a drop from 307 to 295 million (-4.1%). For Norway and Switzerland, the situation looks similar in relative terms as the working age group is also declining by -4.2% and -5.3% respectively.

There is no doubt that demographic ageing will occur all across Europe. The question whether this transition becomes either a problem or an opportunity for civil societies, welfare states and their economies will be decided within the next few years. One needs to discuss, without further delay and in a proactive manner, how to balance the unprecedented 20th century improvements in life expectancy with the so far untapped potential for longer individual productivity.

The intergenerational dialogue within our civil society, guided by policy makers, has to be centred on the following questions:

- At what age should 21st century citizens retire, since this sensitive age has to satisfy both the interests of young and elderly generations?

- How can we efficiently integrate migrants in our societies and in the EU labour market?

This discussion is urgent for the future fiscal health of each nation, and ultimately for each individual's financial security. Europeans need to succeed in transforming the additional years of life into some sort of measurable and taxable productivity. The key is therefore to establish a system that brings a benefit to all age groups. This means that the position and responsibility of elderly people in our society needs to be redefined without jeopardizing ethical standards, dignity and the principles of solidarity.

All the seminars included in the group concluded that the *crisis and the changes in the labour market and social security systems are closely interrelated*.

Challenges of a structural nature have been aggravated more recently by the effects of the financial crisis, which has resulted in a considerable rise in unemployment, the consequences of which have not yet fully unfolded, and which is affecting certain countries more severely, particularly in **Southern Europe (Greece, Italy, Portugal, Spain)** and **Eastern Europe**.

Owing to the financial crisis (including an increase of unemployment), the income of social security schemes has fallen considerably. This reduction is due essentially to a decline in social security contributions and income from investment, a fall in public subsidies and in cross-subsidizing. The reserves of social security schemes have also diminished.

The fall in income and reserves is compounded by a considerable rise in social security expenditure due to the increased demand for unemployment, housing and welfare benefits. Consequently, many social security programmes in Europe could face financial problems in the short and medium term.

Moreover, the improved benefits provided and the reduction in social contributions granted to enterprises could result in serious financial imbalances among social security schemes and institutions.

Measures such as additional benefits or the freezing of envisaged increases in contribution rates, and even the reduction of current rates, may increase

the disposable income of individuals or facilitate the financial situation of companies in the short term, but they also put social security systems at risk.

2 EZA'S PROJECT COORDINATION PROGRAMME

At the *EZA Start Seminar in Bratislava – Key Issues of the European Social Dialogue* held from December 1 to 3 December 2011 in the Slovakian capital, this group's members identified some of the demographic challenges:

- While the world's population continues to grow and looks set to reach almost 9.5 billion by 2050 (currently 7 billion), population growth is negative in many industrial countries – above all in Europe and Japan. The EU population is forecast to shrink after 2015. By 2050, it will have declined by 40 million.
- Countries will have to deal with the effects of ageing societies. In some industrial countries, the active population will equal the number of pensioners in only a few decades' time.
- Many industrial countries will face a serious shortage of young people and skilled labour. From 2020, the number of people of employable age in Germany will probably fall by more than 1% per year on average. A similar development is to be expected for Europe as a whole. With the workforce getting older on average, there is an increasing danger of erosion of the knowledge base and a loss of innovative capacities.
- If – as forecast for Europe – the old-age dependency ratio rises by 100%, this means (*ceteris paribus*) that pensions would have to be cut by half or contribution rates for old-age provision doubled. This puts pay-as-you-go social security systems under pressure. Hence, more private provision is necessary.
- The divergence of global demographic trends will lead to massive cross-border movements of capital. Owing to lower global trend growth, returns on equities and bonds will most likely fall.
- International migration will increase markedly. Europe will likely see immigration from the Middle East and Northern Africa.

- The degree of success in this area will be a key determinant for the competitiveness and performance of individual countries over the coming decades.

In this context we came up with some recommendations to be implemented by each group member during their own seminars:

1. To emphasize in the reports the innovative activities included in the group projects (e.g. CIFOTIE wishes to emphasize the role of the representatives of civil society in the social dialogue both at national and European level; NKOS included in the project activities like: public workshops, street work and discussions, public presentations; FLC will carry out an analysis which will be disseminated using the EZA network);
2. To invite representatives of each centre member of the group to the other seminars;
3. To include the members of the group in the seminar activities (e.g. NKOS will elaborate a research project in which opinions from Portugal and Italy can be included);
4. To elaborate a short presentation with pictures and recommendations and concrete proposals for action developed after each seminar in order to share the experience with the other EZA member centres.

3 GROUP PROJECTS (BRIEF REPORTS ON SEMINARS)

3.1 AFB, South Tyrol, Italy (Project No.: 04-01-12-SE)

“Secure and sustainable jobs – How can insecure temporary and project contracts, as well as mini-jobs, be replaced to strengthen the social system?”

This question provided the focus for the seminar held from 8 to 10 June 2012 in Brixen, South Tyrol. The event had been organized by the *Arbeiter-, Freizeit- und Bildungsverein (AFB)*.

The aim and objectives of the project: One of the aims of this symposium was to ensure that when entering into an employment contract workers make sure that their jobs are secure and that they are aware of the consequences in terms of supporting and planning their lives.

The participants emphasize that the concept of the “right to work” cannot be separated from issues such as adequate wages, secure livelihoods for workers and their families, personal fulfilment and participation in the wider society. All of these require safe and sustainable jobs, 60 representatives of employee organizations from seven European countries unanimously agreed. The speakers at the conference dedicated brief statements to the different aspects of work including issues such as employment market flexibility and the social safety nets, actual and potential ranges of activity for European workers’ organizations and models for the future of social sustainability. One of the participants focusing his presentation on occupational safety in companies emphasized the important role that health and safety regulations had to play in the provision of sustainable jobs. He also expressed concern for the problems of older jobseekers (over the age of 50) and for the fact that more and more university graduates had to take the “route of precariousness” into the employment market.

The participants stated that the demographic trend had already been responsible for a lack of highly qualified workers in Europe with potentially grave consequences for the companies' innovative capacities and for the flow of investments. The gap between the regular labour market and a labour market with temporary contracts and precarious jobs looked likely to become ever wider, ensuring that more workers and pensioners would eventually fall below the poverty threshold and that our social security systems would be increasingly underfunded.

3.2 CIFOTIE, Portugal (Project No.: 03-05-12-SE)

The project focused on higher rates of participation in the labour market, gaining qualifications and combating poverty, and these were discussed with the following aims and objectives:

- 1) Discussion of policies and implementation of community strategies;
- 2) Cooperation between organisations at EU member state level.

The seminar entitled *Europe 2020 Strategy – Inclusive growth: increased rate of participation in the labour market, gaining qualifications and combating poverty* held in Lisbon, Portugal between 31 May - 3 June 2012 and organised by [Centro Internacional de Formação dos Trabalhadores da Indústria e Energia \(CIFOTIE\)](#) focused on:

- Knowledge acquisition by participating organisations and the countries they represent;
- Exchange of experience, taking into account the reality of each participating country;
- Stimulation and improvement of aspects related to a more active and participatory citizenry;
- Decisive contribution to adapting the European labour market to global liberalisation, backing the development of social policies that are

balanced from the perspective of the social solidarity network, with an expanding role in civil society.

The participants from Portugal, Spain, Italy, Germany, Lithuania, Romania, Poland, Slovakia and France stressed that inclusive growth is crucial for the creation of jobs and skills and the fight against poverty. Against the backdrop of the demographic shrinking of the working-age population, growing youth unemployment, reduction in low-skilled jobs and the increase of “the working poor”, this seminar focused on the importance of a policy to promote inclusive growth. It aimed at outlining concrete measures for workers’ organizations on how to cope with the changes.

3.3 Fondazione Luigi Clerici, Italy (Project No.: 07-04-12-SE)

The issues the project focused on were prosperity and immigration. Opportunities for the future were reflected in the following aims and objectives of the project: the main issues are the creation of partnerships with the countries of origin, through collaboration in projects for cooperation in development in order to improve the economic and social conditions of the migrants’ countries of origin, the creation, in the long term, of a joint European system with regards to asylum, through a joint procedure for those seeking asylum and a uniform status for those who have been granted asylum, the equal treatment of citizens of other countries and European citizens, and the management of migratory flows in all their phases.

“Immigration as a mutual opportunity” was the topic of a seminar organized by the **FLC (Fondazione Luigi Clerici)** from 28 to 30 November 2012 in Milan. Experts from trade unions, professional associations and training institutions had been invited to describe the situation in France, the Netherlands, Spain and Italy. Their reports made clear that migrants had been badly

affected by the economic crisis and the ensuing lack of political stability. The participants were also familiarized with the work done by trade unions in the individual countries – including its difficulties. It is often impossible, the participants heard, to identify with precision and in time where discrimination had taken place. The lack of anti-discrimination clauses in collective bargaining agreements also posed a problem. At the end of each report, key issues were discussed and additional information about the current legal situation in different European countries was provided.

A panel of experts discussed the work of NGOs that are supporting migrants to solve some of their problems, and the position of the trade unions – European trade unions were represented on the panel by Dr. Visentini – on the migration issue and the phenomenon of migrants returning to their country of origin.

In this context, the representatives from Bulgaria, Lithuania and Romania had a meeting to discuss certain problems in greater detail that specifically concerned their countries.

As a representative of Romania I offered all participants support in the common effort that will be required to manage the European Social Fund, and our expertise as speakers on everybody's behalf. The Romanian representatives also emphasized the necessity of applying tried and proven practices and outlined possible strategies of providing support for *all* workers, including those with a background of migration. The representative from Lithuania reported that it was still impossible to provide her fellow Lithuanians with active support in foreign countries where they had gone to live and work. This situation had been caused by institutional blocks and the general weakness of the new trade union.

The representative from Bulgaria concluded this part of the conference by providing a highly detailed and carefully argued description of her country's policies, past and present, of helping both migrants and the community of Bulgarians abroad.

At the end of the three working days, the participants agreed that the seminar had provided an opportunity for growth and development.

As a conclusion we can highlight that providing decent employment lies at the core of reducing poverty and creating the potential for better lives for all. Unemployment rates are rising in all European countries more than economies are growing, and the challenges will increase because of demographic trends.

Progress on basic education needs to be complemented by a strategy to develop job-related skills. Migrant communities, NGOs and trade unions can have a strong role to play in skill transfer using various tools (e.g. social dialogue at national level, implementing projects using different financing sources, social campaigns).

To successfully face the demographic challenges it is necessary to re-shape our labour markets and education and vocational training systems, which should be based on skills, and also to improve economic governance and to continue efforts to strengthen the monitoring and implementing of core labour standards.

3.4 NKOS, Slovakia (Project No.: 04-08-12-SE)

The seminar of [NKOS \(Nezávislé kresťanské odbory Slovenska\)](#) entitled *“Solidarity between generations on the labour market”* was held in Bratislava, Slovakia, from 5 to 7 October 2012 and the participants aimed to:

- Discuss forms of intergenerational solidarity and the promotion of the young generation with a view to the future prospects of different EU member states;
- Analyse the factors which impact on the generations in EU member states;
- Discuss the possibility of involving the young generation in social dialogue at all levels and to analyse the compatibility of employment policy in different EU member states;

- Discuss the correlation between social policy and social situation from the social partners' point of view in different countries;
- Discuss the relationships of the young generation and the older generation to the labour market and labour relations.

The seminar looked into forms of intergenerational solidarity and the new talents of the young generation in the EU member states. In addition, the seminar analysed the factors influencing the young generation and discussed the possibility of involving them in social dialogue. The relationship of the older generation and the young generation to the labour market including labour relations was also a main topic discussed during the seminar.

4 CONCLUSIONS

All the participants at the seminars agreed that the EU must reacted correctly in response to the demographic challenge all EU member states were facing in 2012, which is why they have sought to:

- Promote active ageing in employment;
- Promote active ageing in the community through volunteering and caring;
- Promote healthy ageing and autonomous living;
- Enhance solidarity between generations in order to create a society for all ages.

The following points are also important:

1. Nobody should leave our schools without any qualifications. More emphasis needs to be placed on the technical and natural science subjects.
2. EU citizens who have migrated should be encouraged to integrate into the host society by learning the language, attending training courses so that they will be able to find a job quickly and to participate in the social life of the community.
3. The training and qualifications of unemployed people should be improved and older people be better integrated into the job market. The ultimate goal is to increase the potential available in EU member states.
4. The governments should adopt and implement a common and coherent social policy focused on developing more efficient, effective and sustainable educational measures and tools that can provide the necessary skills demanded by employers and thus contribute to stronger productivity growth and, as a consequence, the creation of better jobs.

In this respect it is necessary:

- › **to challenge the concept of a minimum income** which, irrespective of the employment rate, determines the level of employment-related income from which the payment of social security contributions becomes compulsory.
- › **to promote measures for the labour market integration of the foreign population**, while developing policies to promote the continuous training of the active population, and particularly persons with the lowest educational levels.
- › **to reform the tax and social contributions systems** to avoid a situation in which a rise in income resulting from taking a job is cancelled out by higher taxes and social security contributions, and by abolishing the social benefits that were previously provided to jobseekers.
- › **to establish a real family policy** which, among other objectives, allows women to remain in the labour market, even after the birth of their children. Family structure is an overwhelming factor in the risk of in-work poverty. A policy for families that is capable of combating working poverty also needs to be addressed.
- › **to ensure that work pays** by finding the best possible compromise between the system of tax and social security deductions, the system of benefits and the (minimum) wage. To achieve this, it is necessary to act on three parameters: the benefits provided by insurance systems, tax deductions, and the wages obtained in the labour market, particularly by the low-skilled.

It is also important that all EU countries promote activities to support an **EU agenda for vocational education and training (VET)**. In 2020 VET should be more:

- **Attractive:** with qualified teachers & trainers, innovative learning methods, high-quality infrastructures, relevant to the labour market,
- **Accessible and flexible:** career-oriented; permeability between subsystems of education and training (E&T), opening doors to progression routes in E&T

- Supporting internationalisation of the economy and transnational mobility
- Inclusive: also for those with high potential and the disadvantaged; supported by LLL guidance - continuing VET
- Supporting the acquisition of the key competencies identified at European level
- Quality assured.

According to the EU Commission, countries should:

- establish quality assurance frameworks in accordance with the EQAVET Recommendation;
- by the end of 2015, establish at national level a common quality assurance framework for VET providers which also applies to associated workplace learning and which is compatible with the EQAVET framework;
- take adequate measures to implement the EQAVET Recommendation and make progress towards national quality assurance frameworks for VET.

One of the most efficient tools of the EU Commission in this area is the Erasmus for all programme which streamlines the current EU schemes for education, training, youth and sport:

- Increased budget: € 19 billion
- Sectoral skills alliances: 200 set up by 2,000 education and training providers and businesses
- Overall mobility opportunities: 5 million people
- Vocational education and training: 735,000 students
- Staff mobility: 1 million teachers, trainers, youth workers and other staff.

The demographic future is an inevitable incentive to integrate migrants better, to make them more productive, to improve the efficiency of education and health systems, to adopt more modern family policies, to overhaul public budgets, and to make social security systems demography-proof.

The good news is that Europe, with its huge number of cultures, concepts and ideas, already has a great many models for dealing with these challenges. Some nations are better prepared than others, and if all nations can learn to learn from one another, the old continent would be not only the pacesetter in the process of demographic change but also the pioneer in dealing with these problems.

Discussion of European demography should focus less on human quantity and more on human capacity. Population growth in itself is more a problem than an opportunity. Countries that learn to live in prosperity with an ageing, a stagnant, or even a shrinking population will be the trendsetters for a sustainable future.

Europe has no other chance than to learn to live with these changes. Europe will create the blueprint for modern societies of the future, for economies that build their wealth and well-being not on growth but on stability.

A sustainable development for all EU member states can be the key to solving the issues presented in this report.

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