

Impact of future demographic trends in Europe

Abstract

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The aim of the paper is to look at the future of European populations, identify the main trends and discuss the policy implications of these changes. The analysis focuses on the impact of future demographic trends on the following social domains: education, labour market, health and elderly care, and social protection. The whole study aims to be policy-oriented, and to provide recommendations of feasible policy responses to the demographic change. The basis for the analysis of population dynamics in the coming 45 years is the United Nations (2005) population projection.

The structure of the study is as follows: Section 2 contains information about the source of the data (the 2004 revision of the population projections of the United Nations). Section 3 presents an assessment of the projection assumptions, with focus on the possible impact on the results of the study. Section 4 contains a quantitative analysis of trends in population size, as well as sex and age structures, with a description and illustration of the main tendencies. Section 5 is devoted to the review of the recent literature on the impact of demographic change on various aspects of development: education, labour market, health and elderly care, as well as social protection. These issues are further corroborated in Section 6, on the basis of an analysis and interpretation of the trends presented before. This section also includes a qualitative analysis of possible policy outcomes, as well as an evaluation of feasible responses to the demographic change from the policy-oriented perspective. Finally, Section 7 contains main conclusions with respect to the policy challenges and recommendations for the future, as well as suggestions for further studies in this field. In addition, the study contains an extensive Annex, providing insights into future demographic prospects of the member states of the Council of Europe. The Annex contains information on expected trends in population size, as well as in the sex and age structures.

The paper starts with the discussion of the UN projection. We criticised assumptions on the unrealistically high level of fertility, leading in general to overestimation of birth numbers, in comparison to other projections and forecasts. Mortality is slightly higher than assumed in other studies. One may suggest that UN projection will generate more numerous and younger populations in comparison to that may realistically be expected, and what is predicted by other specialists.

In order to offer a compact analysis of the results of the UN projection, the countries under study have been grouped into six larger clusters, taking into account their geographical,

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historical and cultural proximity: Central Europe, European and Trans-Caucasian part of the former Soviet Union, Northern Europe, Southern Europe, South-Eastern Europe and Western Europe. In all 42 countries under study, the total population size is envisaged to decline from 808 million in 2005 to 763 million in 2050, i.e. by 6% over the 45-year period under study. The short-term increase expected for 2005–2014 is a result of the positive population momentum from the past. This is, however, going to come to an end in the first half of the 21st century all over Europe, not only in the most developed countries of the former EU-15. Despite the fact that the population decline is far from dramatic, substantial changes are envisaged in the population structure by age, reflecting the further advancements of the process of population ageing, as indicated by the dynamics of three dependency ratios. Although the young-age dependency ratio (population below the age of 15 years to population aged 15–64), is expected to stabilize about 25 percent, the old-age dependency ratio (regarding population over 65) is envisaged to more than double, from 22% in 2005 to 45% in 2050. In particular, the dependency ratio concerning population aged over 80 years is going to more than treble from 5% to 15% in the same period. These changes are going to result in an increase of the total dependency ratio from 47% to 71%. It means that the overall demographic burden of the population outside of the productive age on the population aged 15–64 years is going to increase by a factor of 1.5. The study shows clearly that depopulation will concern some of European countries whereas ageing will be an universal phenomenon. In consequence, the societies have to adjust to the new, grey demography.

In terms of policy measures an increase in fertility and an increase in labour force participation should be two main priorities, as they directly reduce the speed of population change. One of the consequences of ageing will be problems with maintaining of the social, especially retirement, security systems, which, despite recent reforms are still vulnerable. It is recommended that retirement age is increased. Increase in labour force participation has been identified by Bijak et al. (2005) as a very efficient tool to reduce ageing-related imbalances on the labour markets in a short- and middle-term. Some countries already introduced necessary legislative changes. Finally, development of atypical forms of employment, catering for those who can not or do not want to work full time is necessary.

All efforts should be made to reduce future demand for health care services in future. Lutz and Scherbov (2005) have shown that increase in disability-free life expectancy may allow for maintaining the costs of health and care services. It has been argued that keeping the cost of health care and social services on current levels in terms of the share of GDP spent on them will be conditional on economic growth and controlling of the cost of medical care.

An important ethical issue concerns the very probable brain drain of highly qualified personnel in health care from poorer countries by the more affluent ones. Freedom of labour mobility and globalization results in almost unrestricted mobility of highly skilled and significant economic losses of poor countries.