LE DÉVELOPPEMENT DÉMOGRAPHIQUE ET SON IMPACT SOCIO-ÉCONOMIQUE

Présentation
dans le cadre de la conférence

« Génération 50+ en entreprise »

Pol WAGNER, directeur de l'IUIL

Demographic Trends and their Impact on Growth and Labour Markets

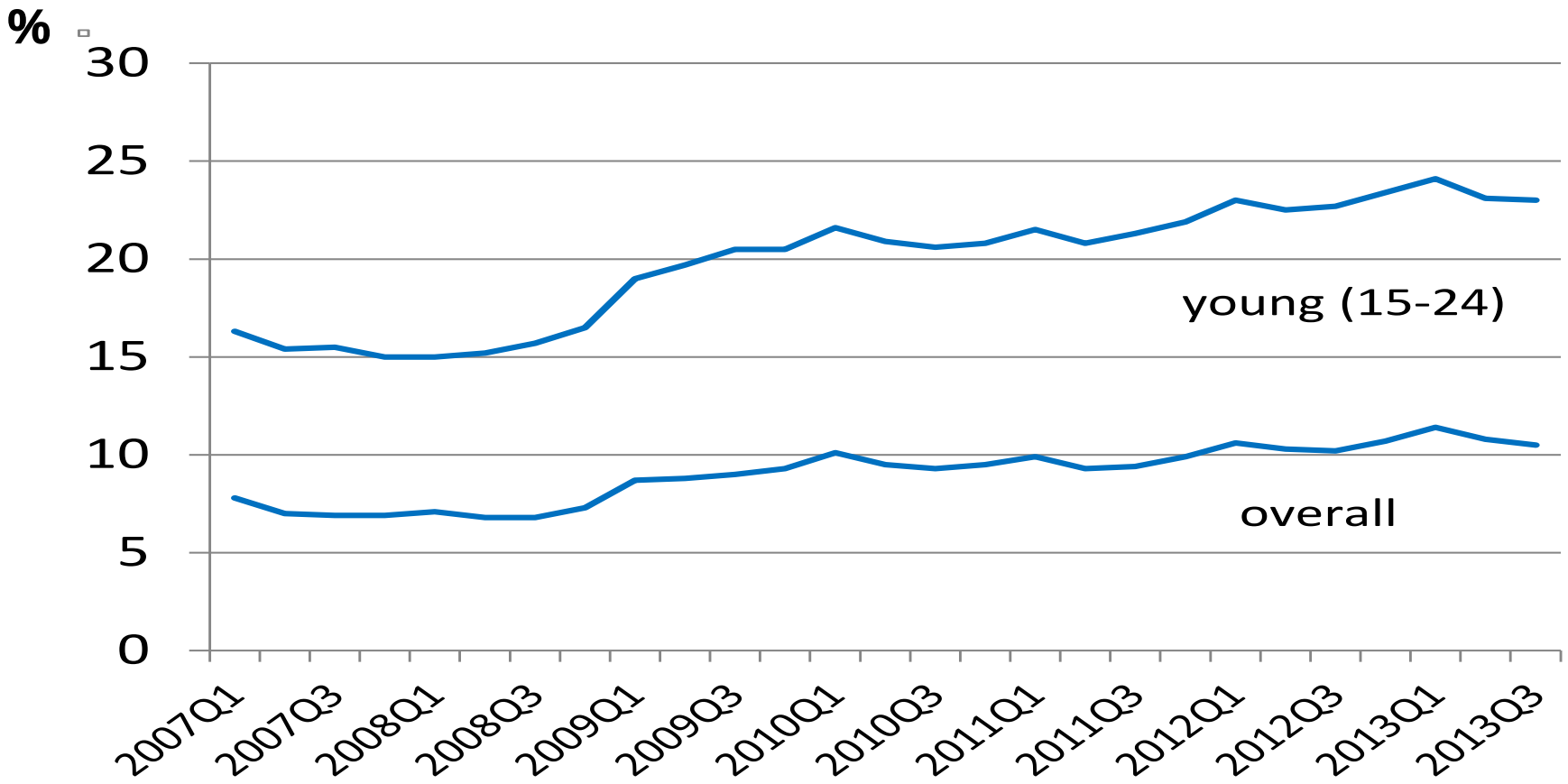
Dr Jörg Peschner, European Commission,

DG EMPL, Employment Analysis

Luxembourg, 27 February, 2014

Critical starting point:
EU labour market is severely hit by the crisis.

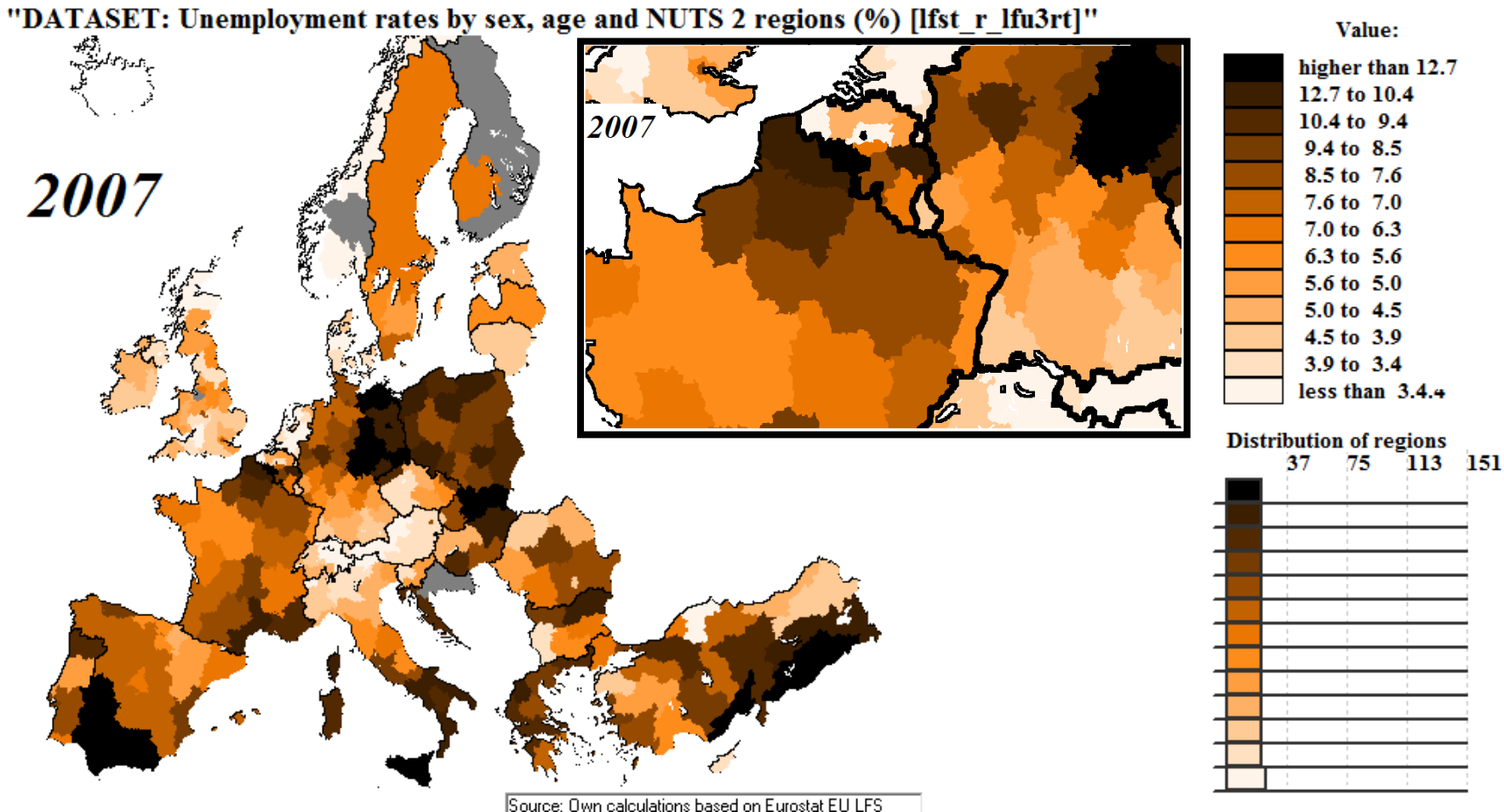
- EU unemployment rate still beyond 10%
- More than 20% youth unemployment



Source: Eurostat, LFS

… the development showing huge divergence.

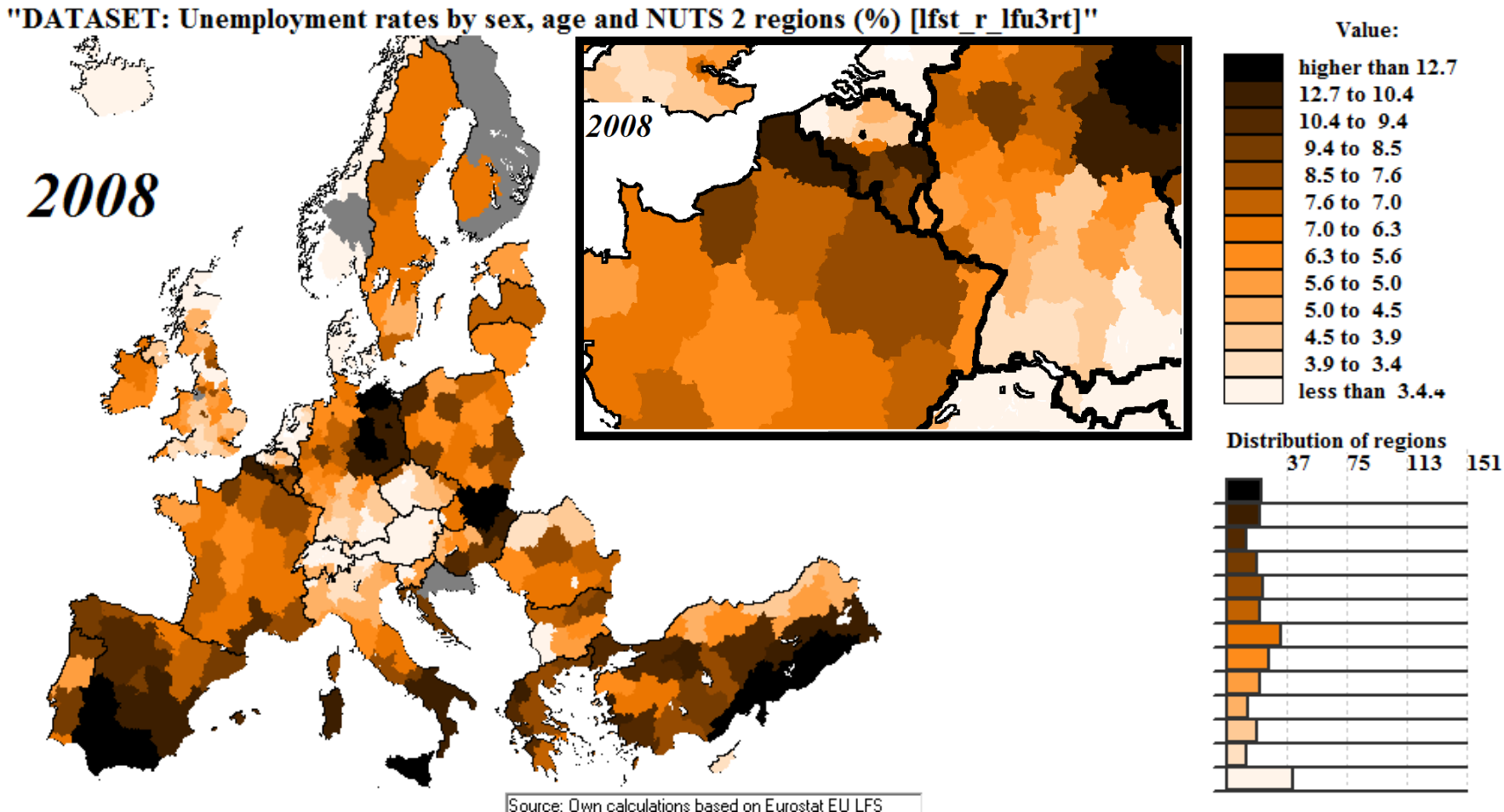
The crisis triggered unemployment in most locations. Unemployment rate (age 15 and older)



Source: LFS data, illustrated using DG EMPL's regional projection software

EU labour market is severely hit by the crisis.

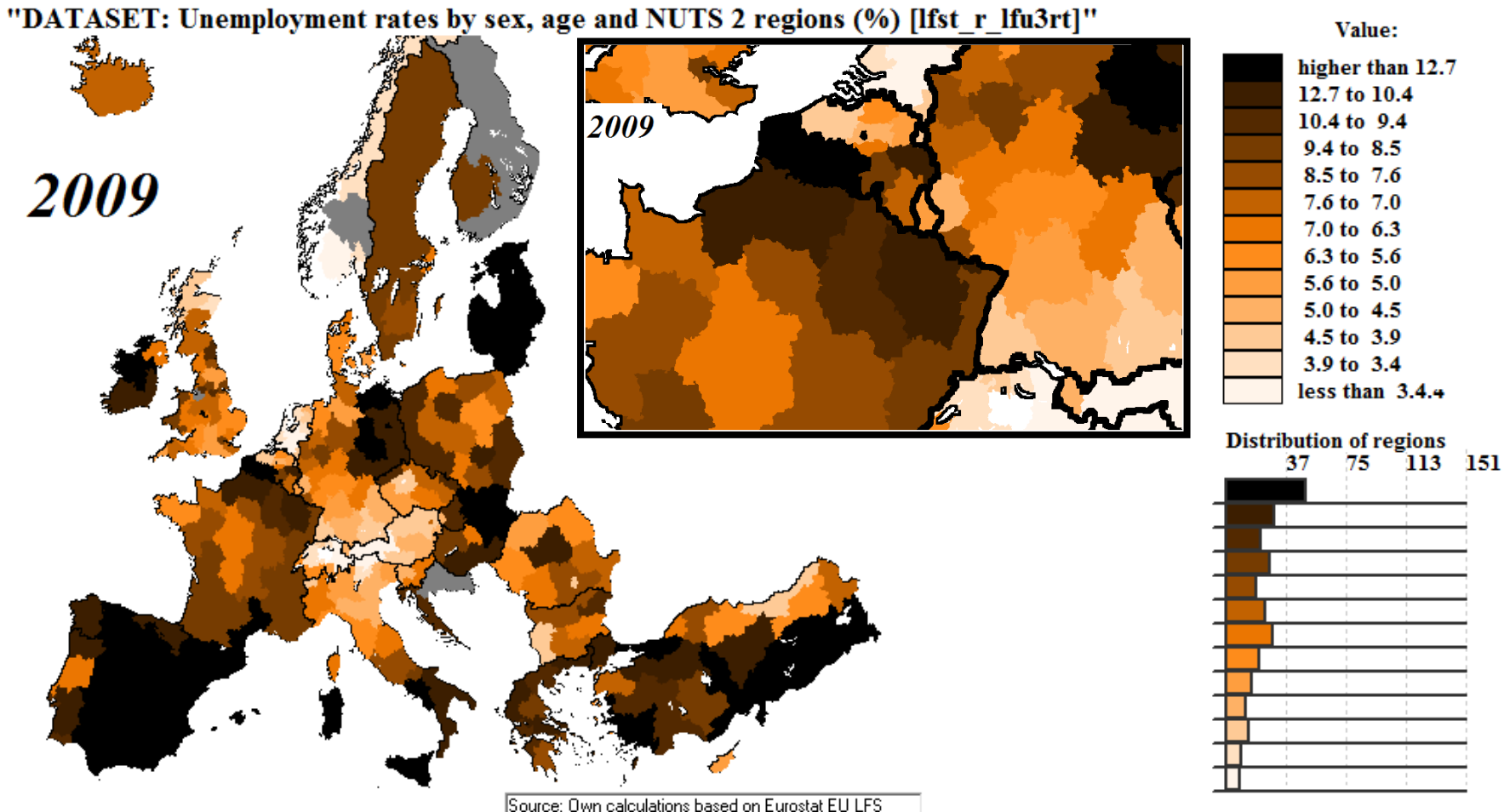
The crisis triggered unemployment in most locations. Unemployment rate (age 15 and older)



Source: LFS data, illustrated using DG EMPL's regional projection software

… the development showing huge divergence.

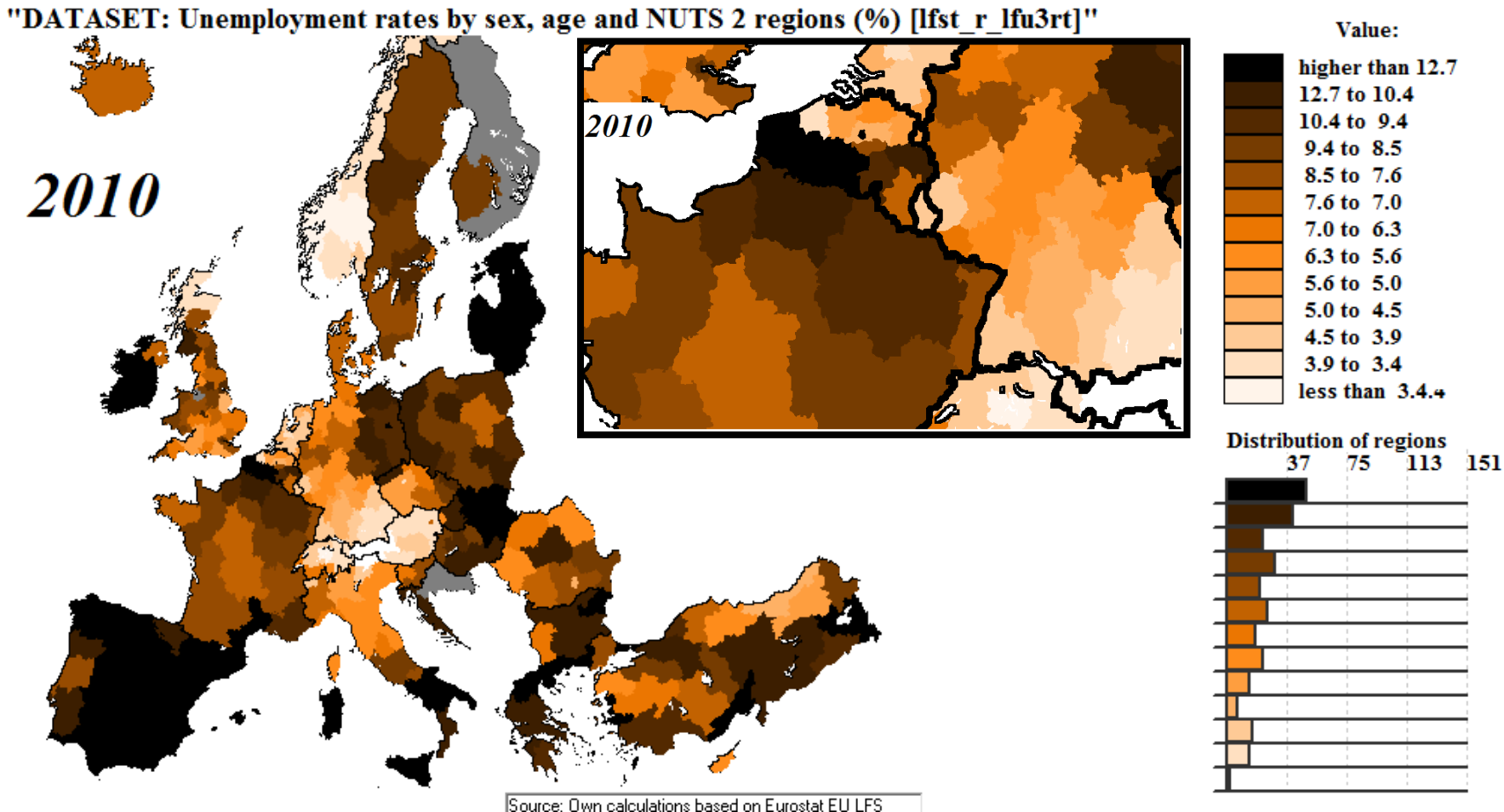
The crisis triggered unemployment in most locations. Unemployment rate (age 15 and older)



Source: LFS data, illustrated using DG EMPL's regional projection software

… the development showing huge divergence.

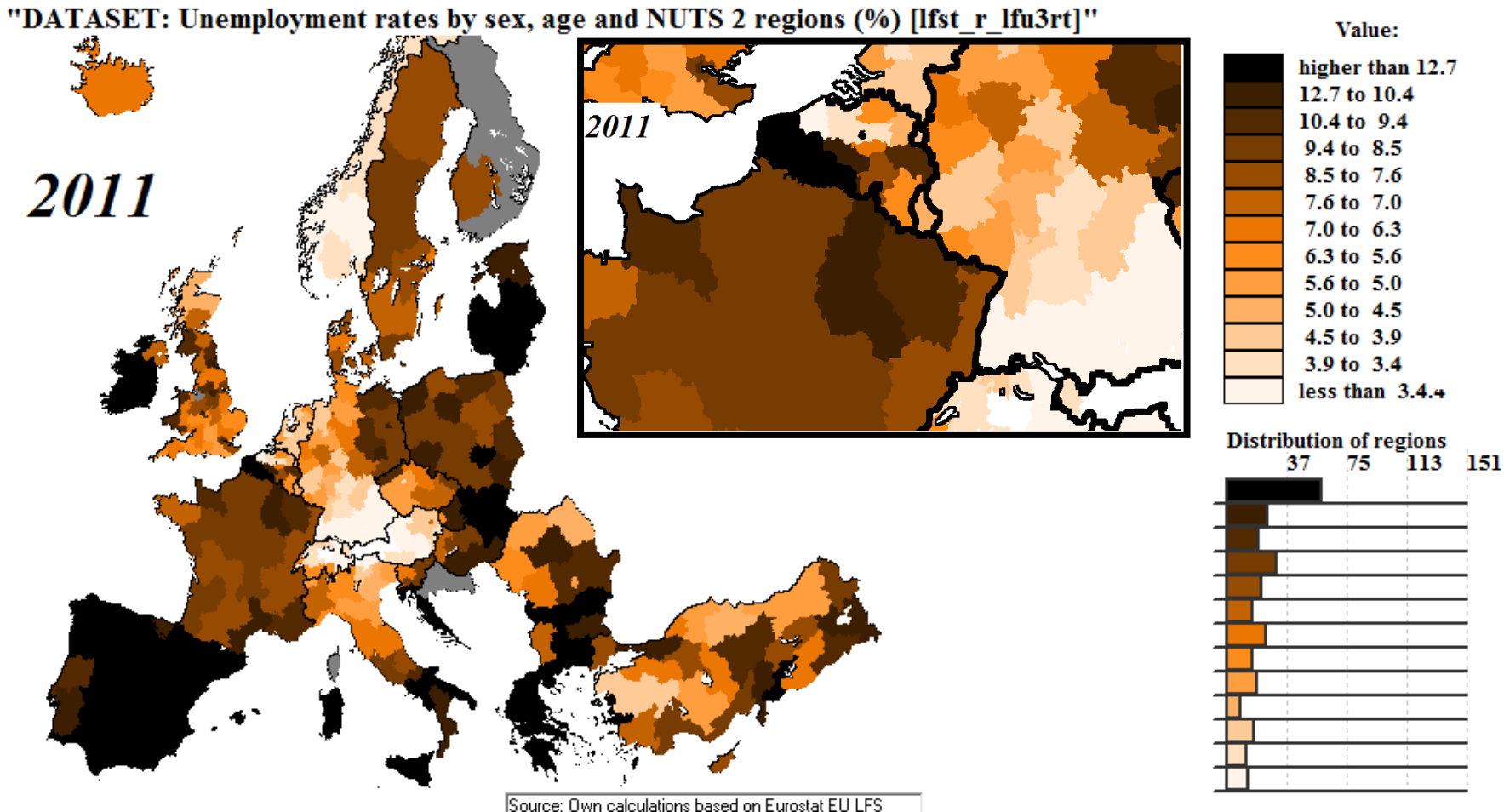
The crisis triggered unemployment in most locations. Unemployment rate (age 15 and older)



Source: LFS data, illustrated using DG EMPL's regional projection software

… the development showing huge divergence.

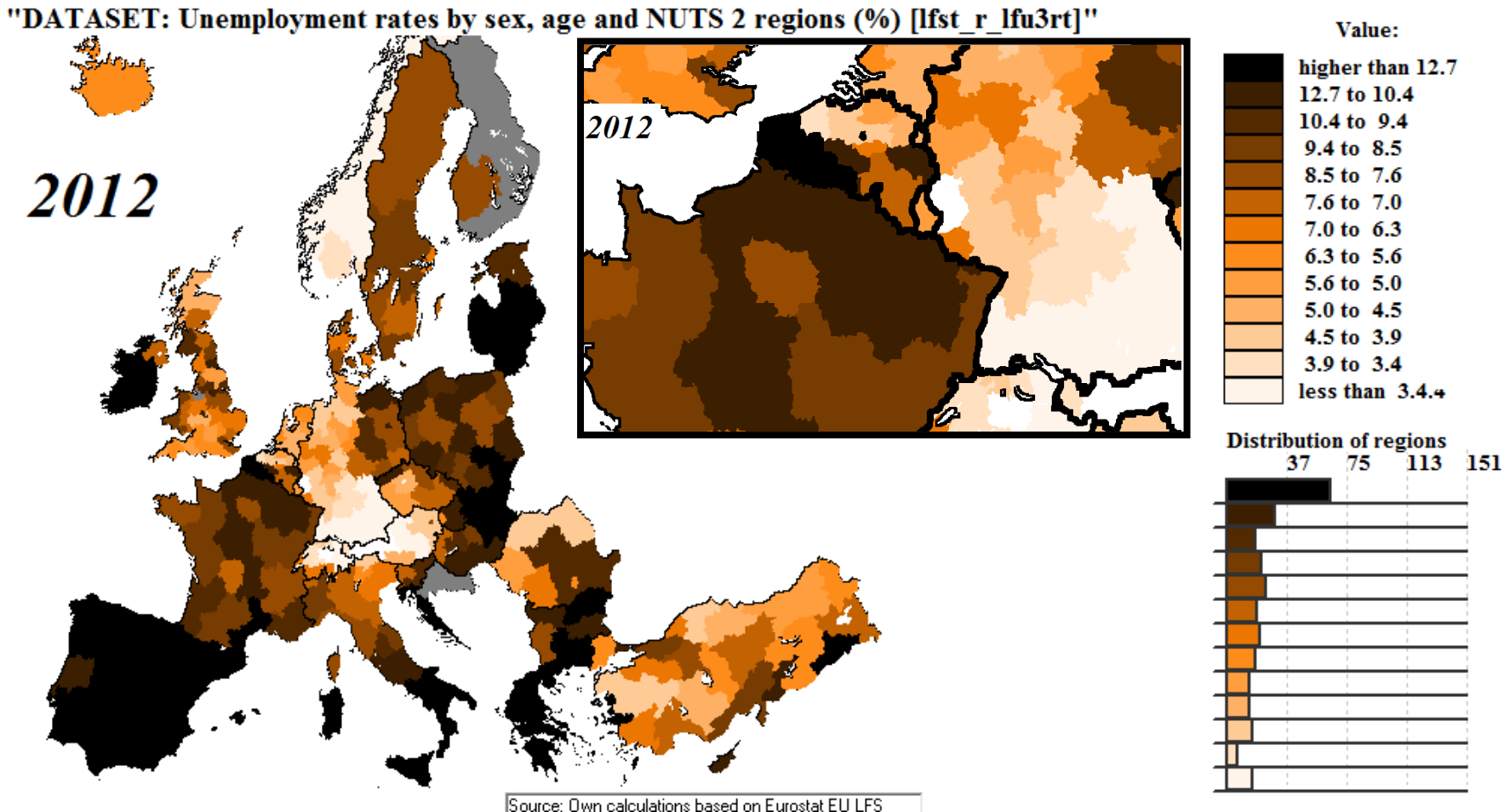
The crisis triggered unemployment in most locations. Unemployment rate (age 15 and older)



Source: LFS data, illustrated using DG EMPL's regional projection software

… the development showing huge divergence.

The crisis triggered unemployment in most locations. Unemployment rate (age 15 and older)

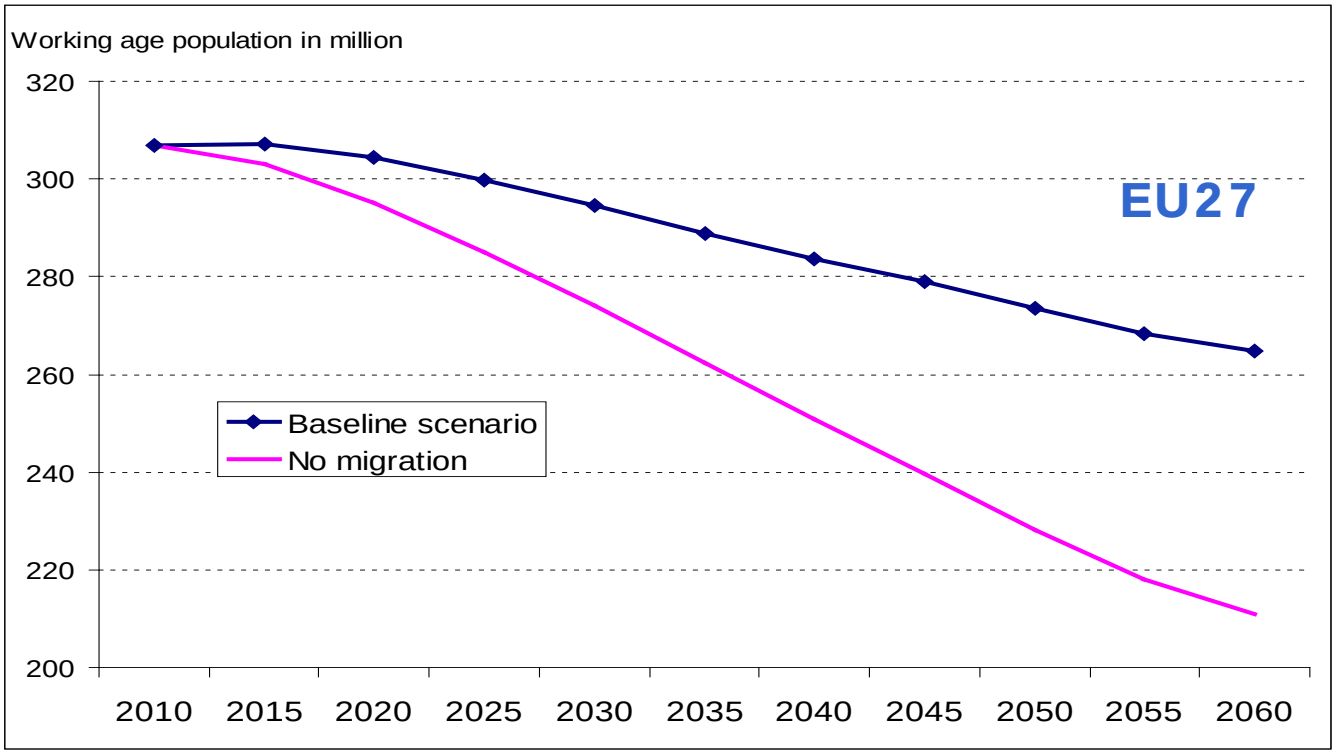


Source: LFS data, illustrated using DG EMPL's regional projection software

Shrinking Working-Age Population

Average annual decline will be -0.4% as from 2020..
.. setting the focus on the potential impact of migration

EU's working-age population (people aged between 20 to 64 years)

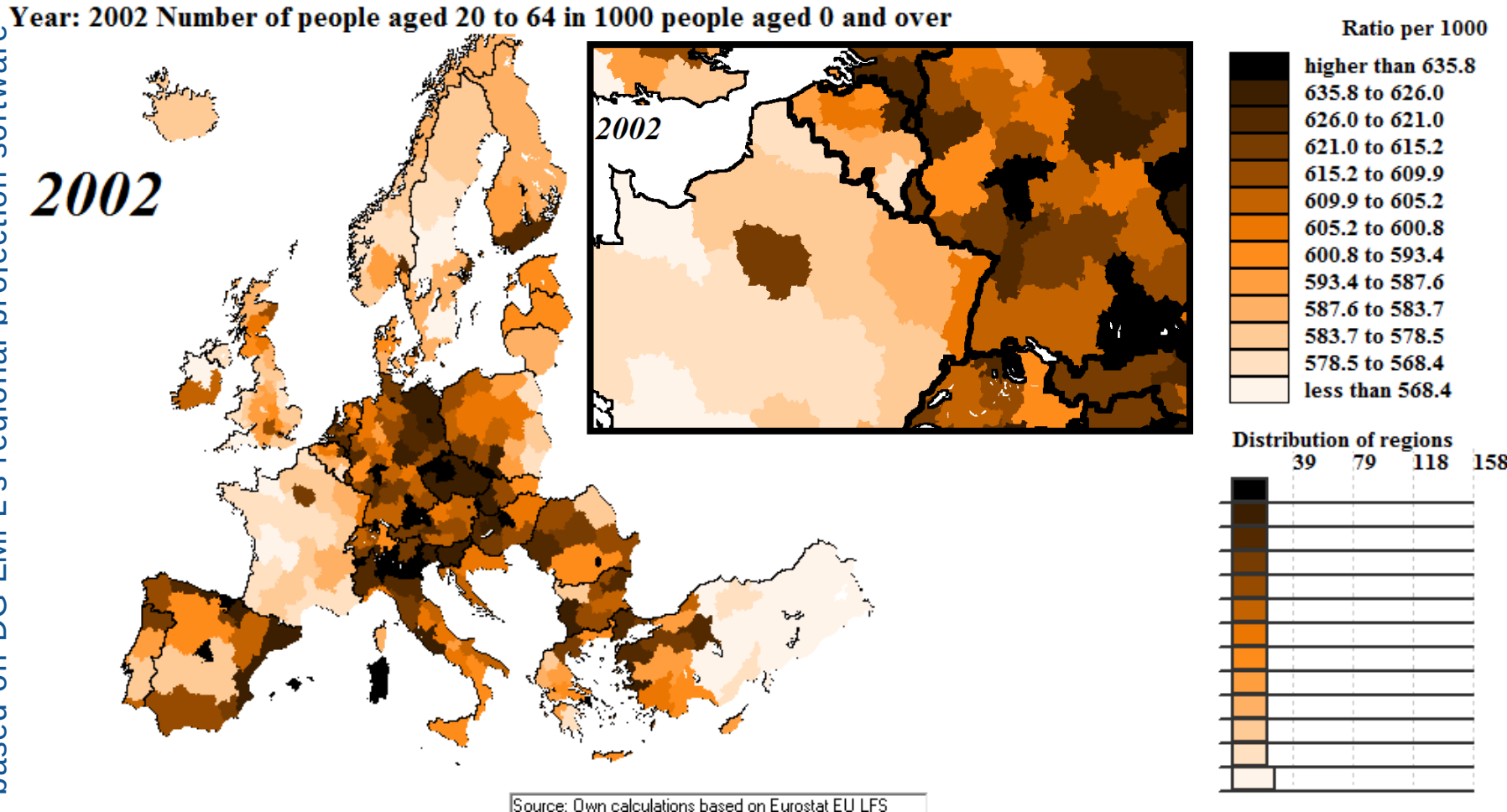


-42 m pot. workers over the next 50 years..

.. -96 m pot. workers without migration..

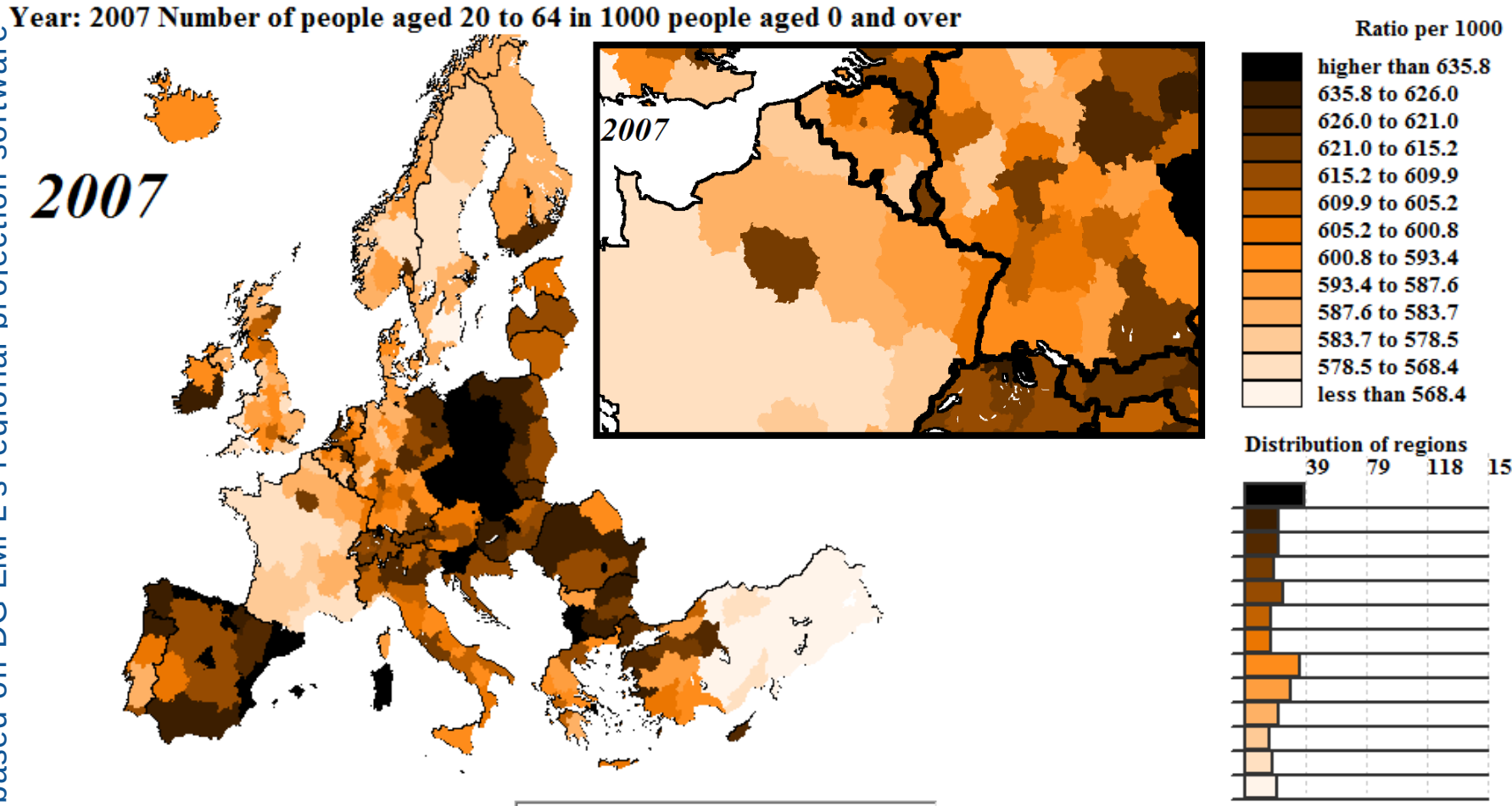
Source: Eurostat Europop2010 convergence vs no-migration scenario

Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population



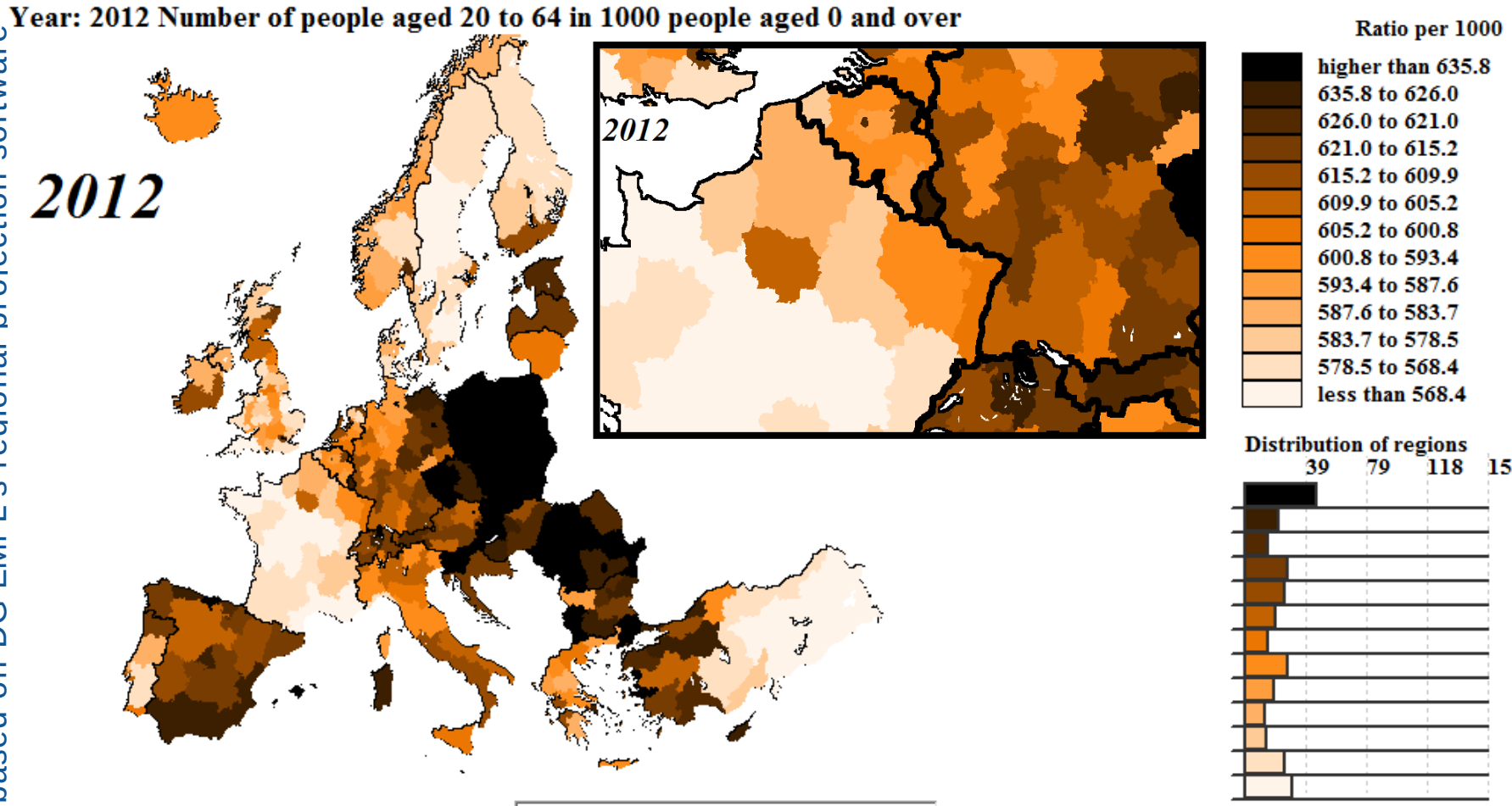
Source: LFS data, own calculations based on DG EMPL's regional projection software

Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population



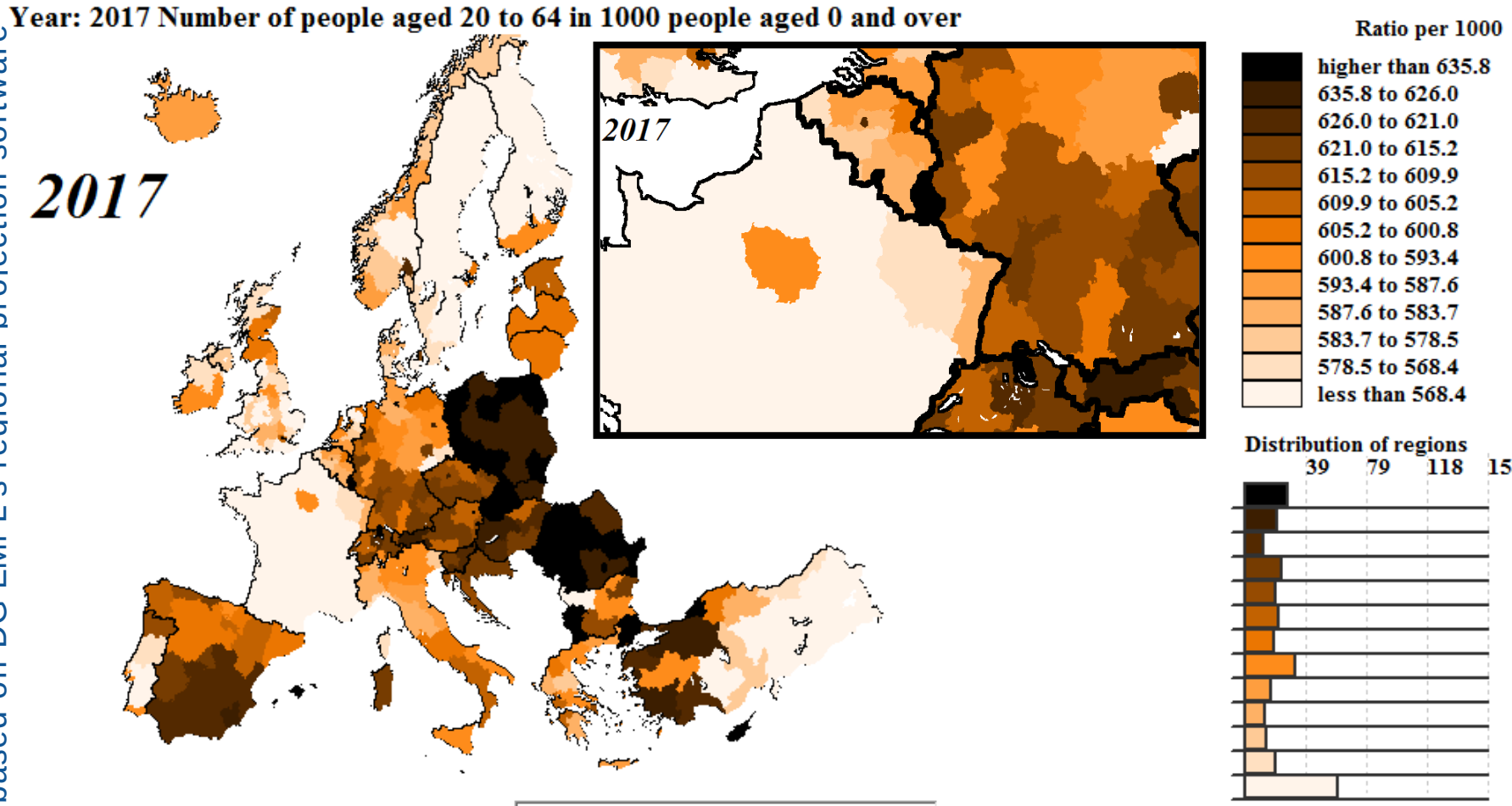
Source: LFS data, own calculations based on DG EMPL's regional projection software

Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population



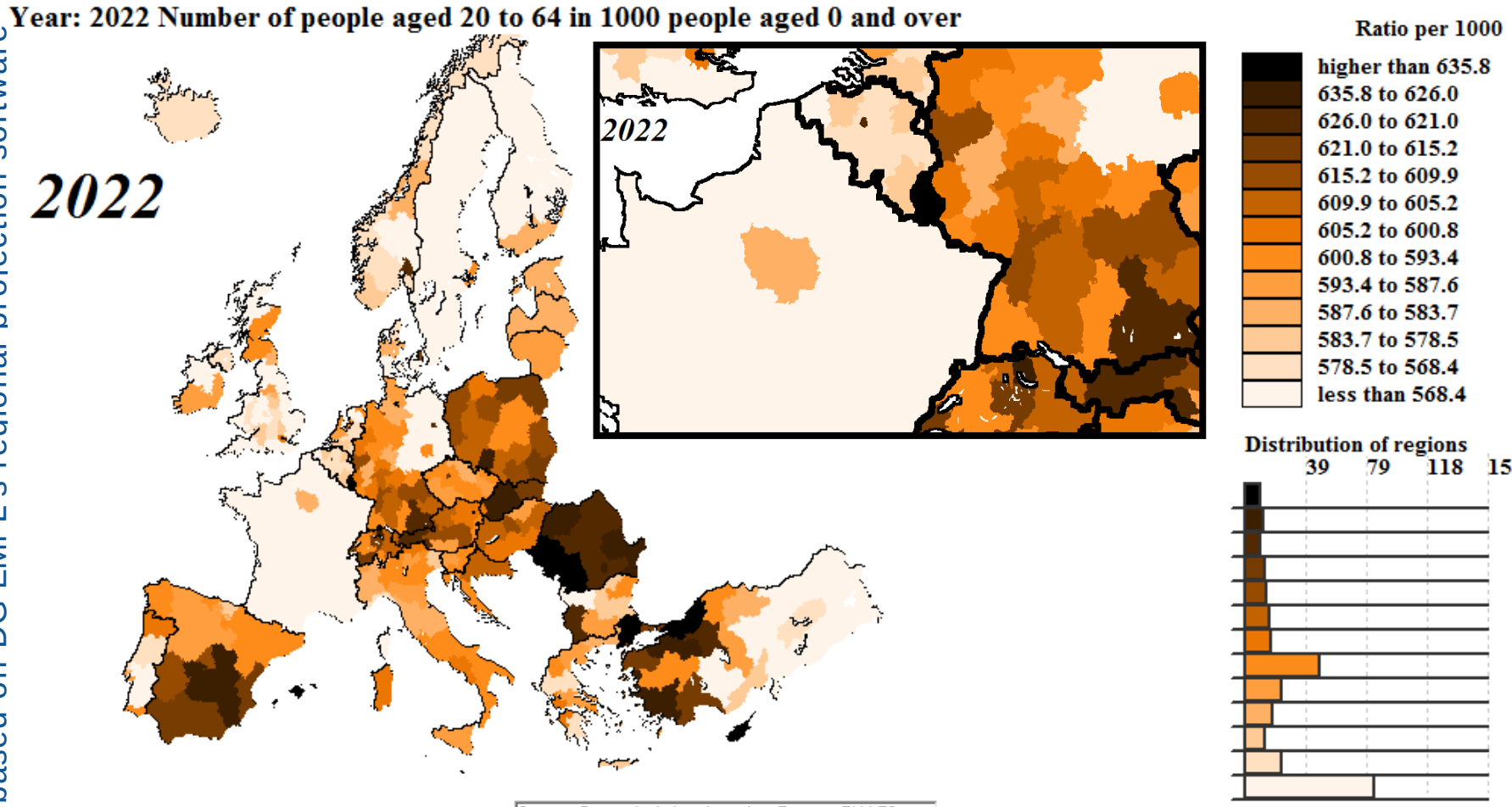
Source: LFS data, own calculations based on DG EMPL's regional projection software

Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population



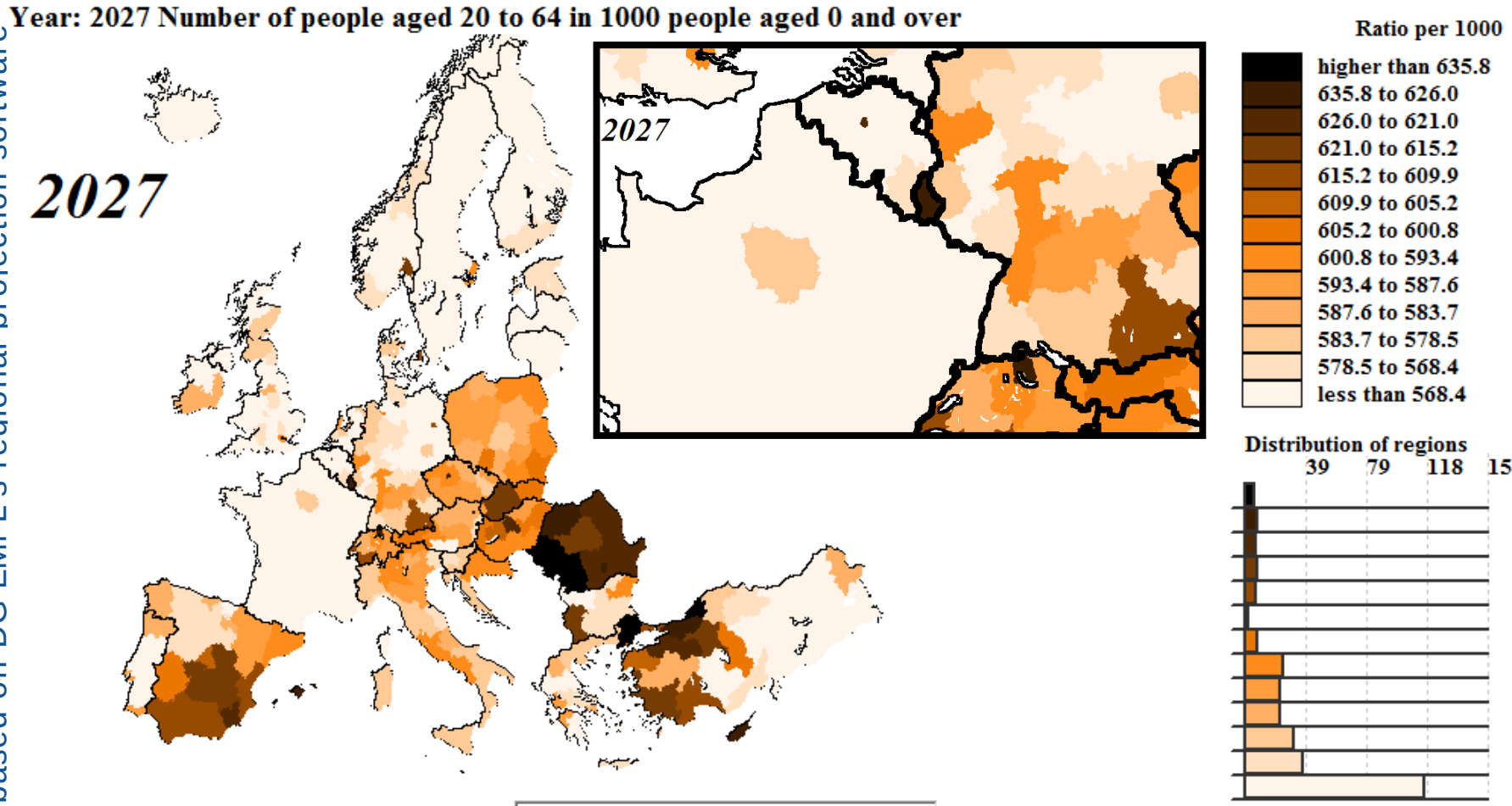
Source: LFS data, own calculations based on DG EMPL's regional projection software

Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population



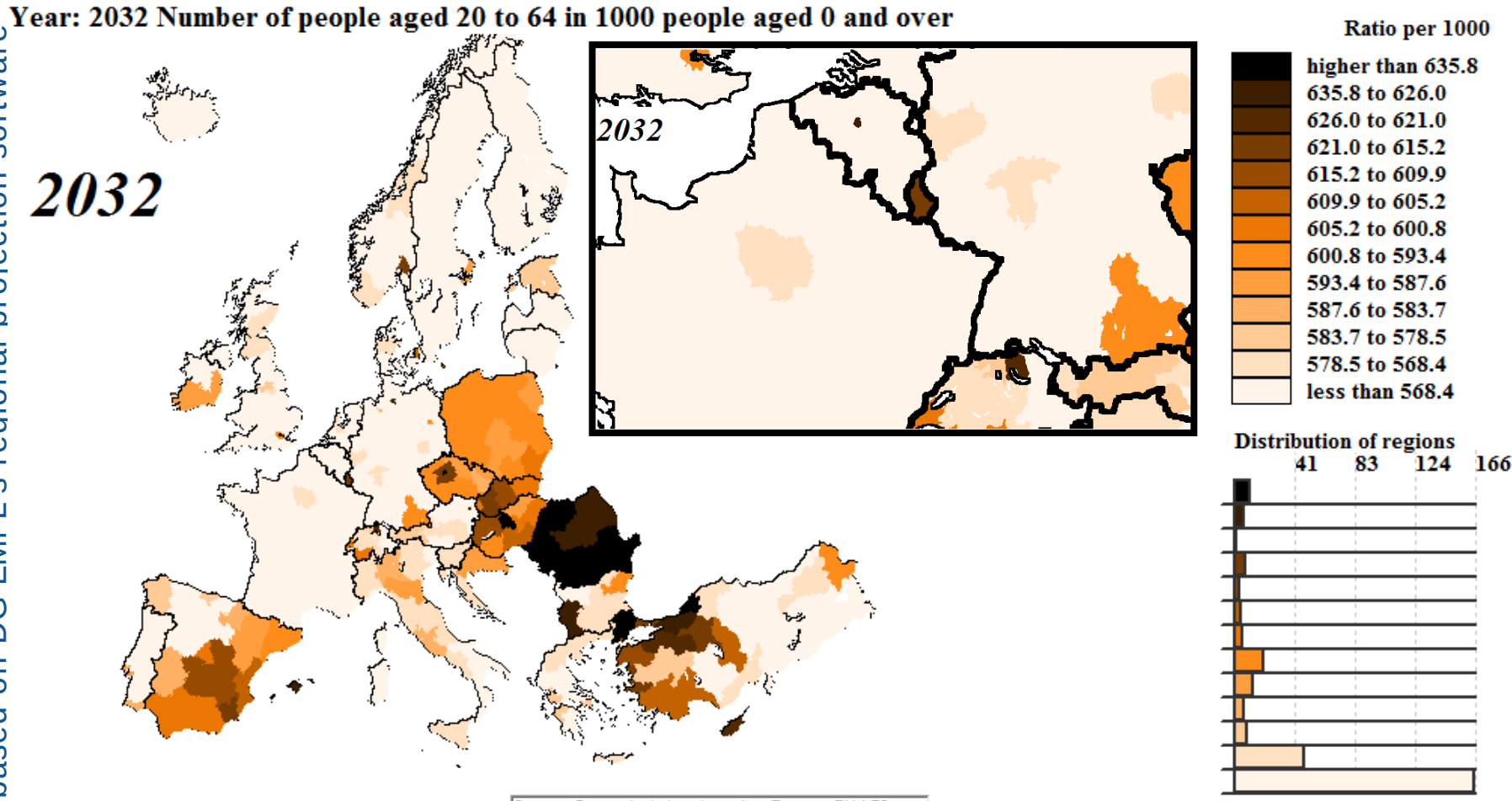
Source: LFS data, own calculations based on DG EMPL's regional projection software

Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population



Source: LFS data, own calculations based on DG EMPL's regional projection software

Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population

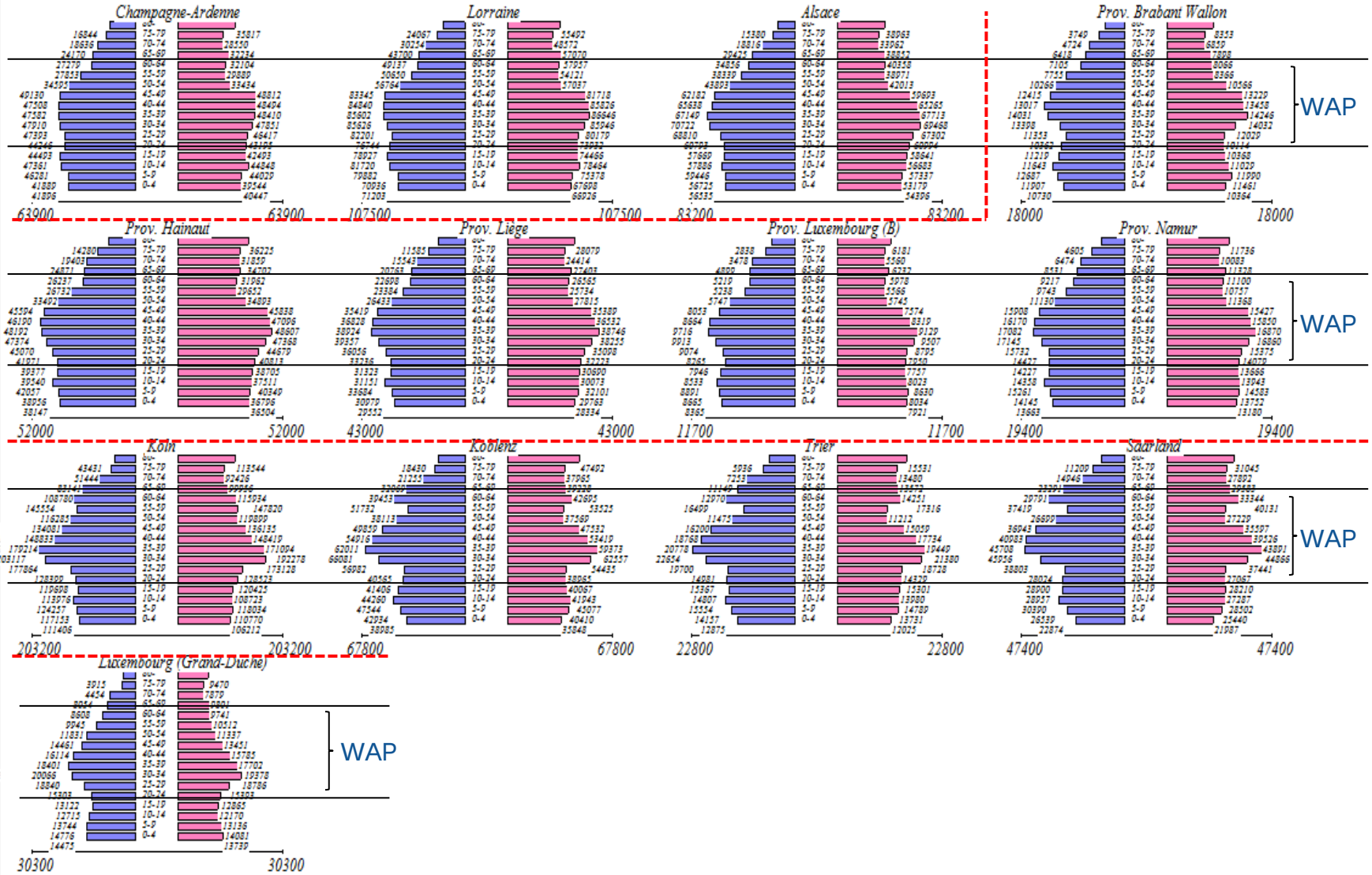


Source: LFS data, own calculations based on DG EMPL's regional projection software

Your selection

Regional demographic projection

<double click trees for full info>



Select time

2002

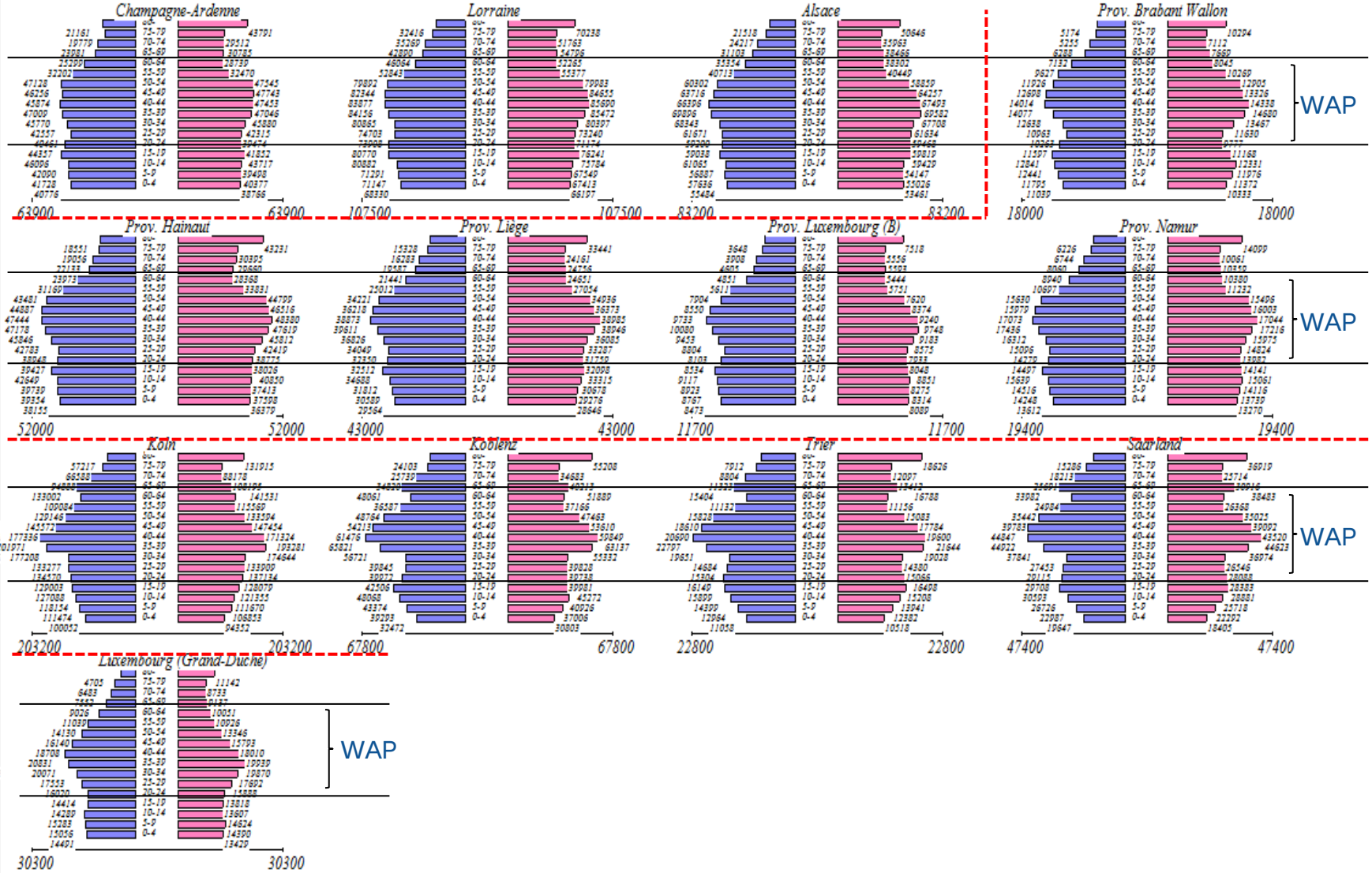
Close

Source: LFS data, own calculations
based on DG EMPL's regional projection software

Your selection

Regional demographic projection

<double click trees for full info>



Select time

2007

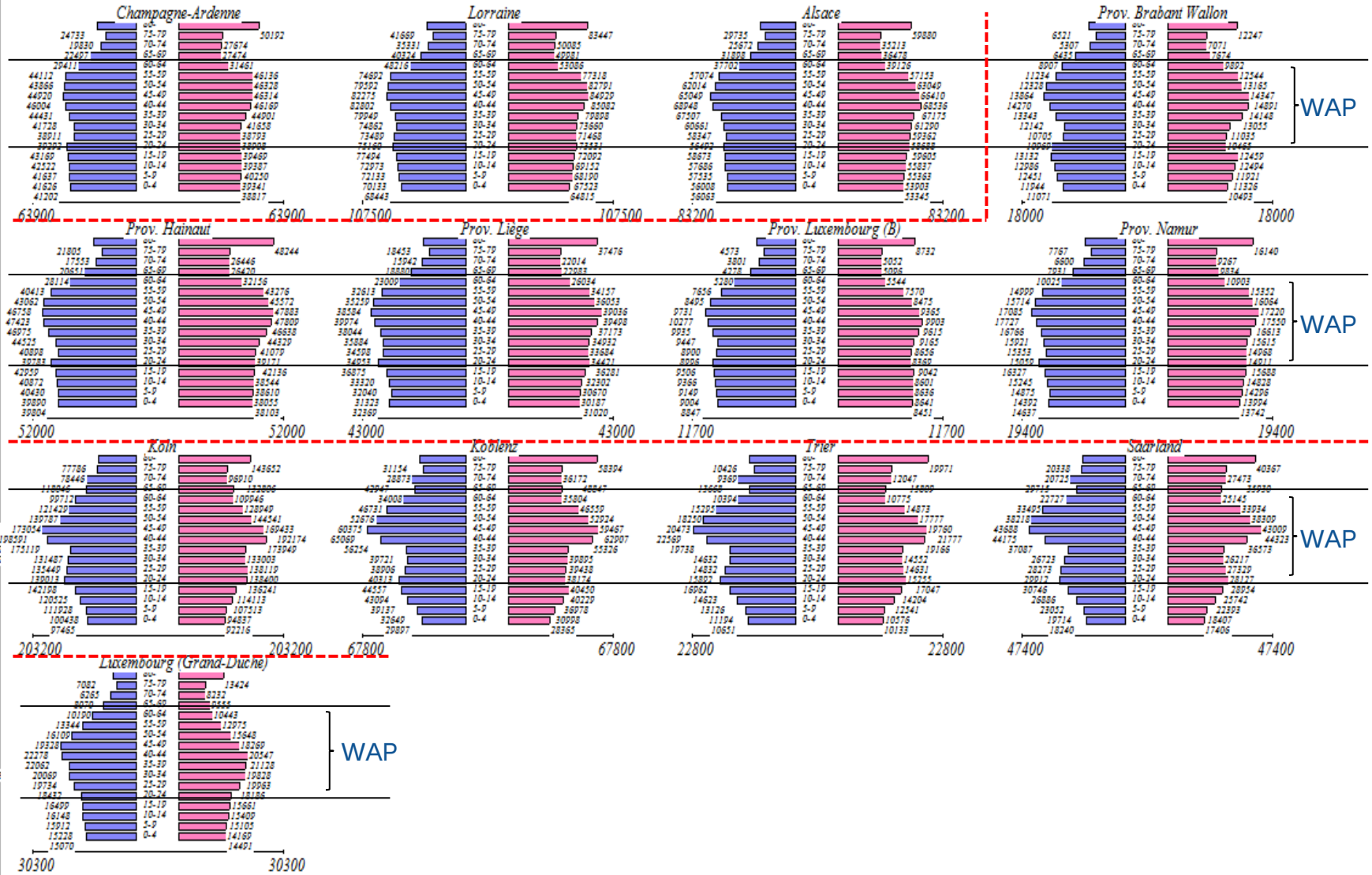
Close

Source: LFS data, own calculations
based on DG EMPL's regional projection software

Your selection

Regional demographic projection

<double click trees for full info>



Select time

2012

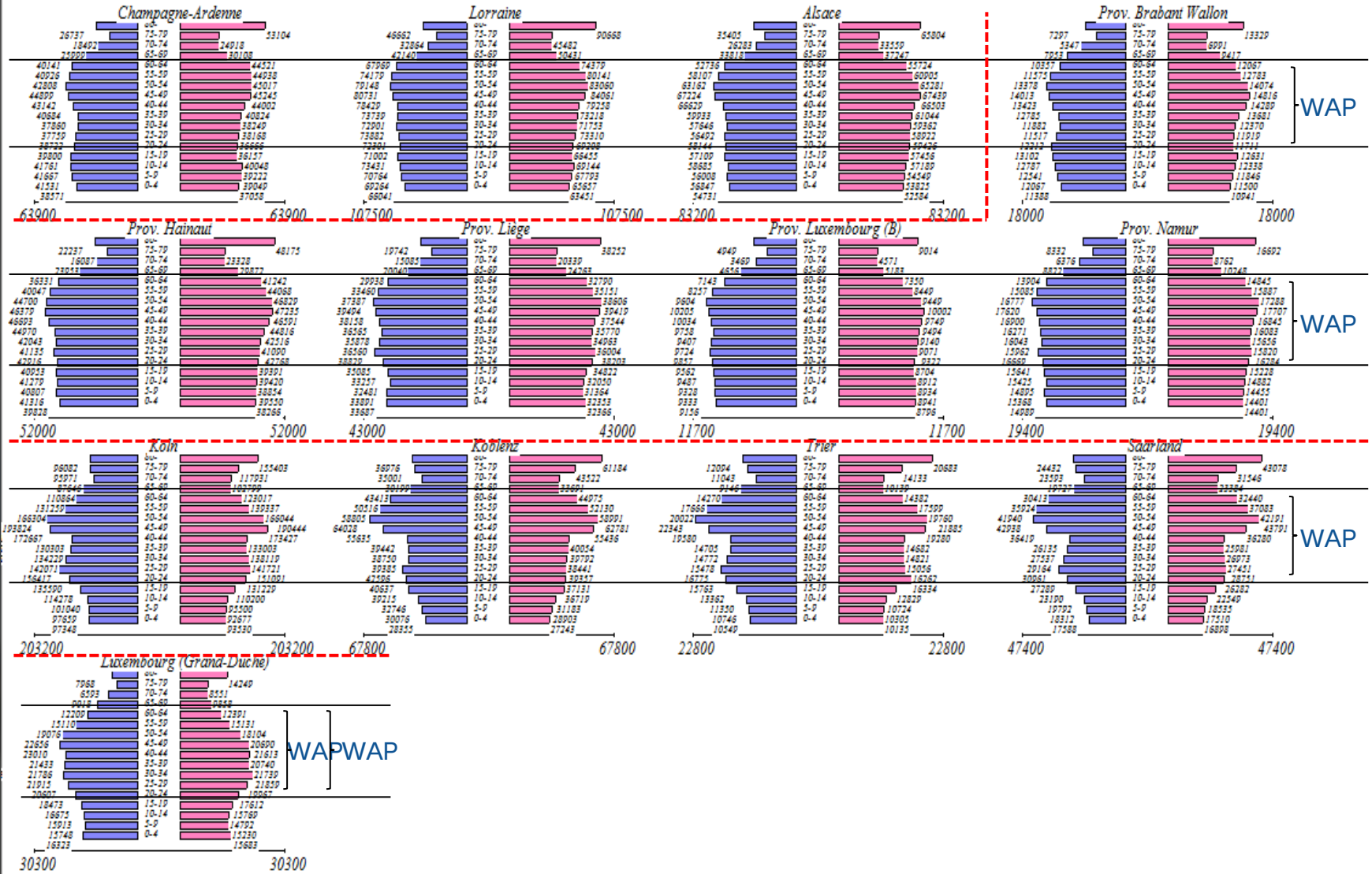
Close

Source: LFS data, own calculations
based on DG EMPL's regional projection software

Your selection

Regional demographic projection

<double click trees for full info>



Select time

2017

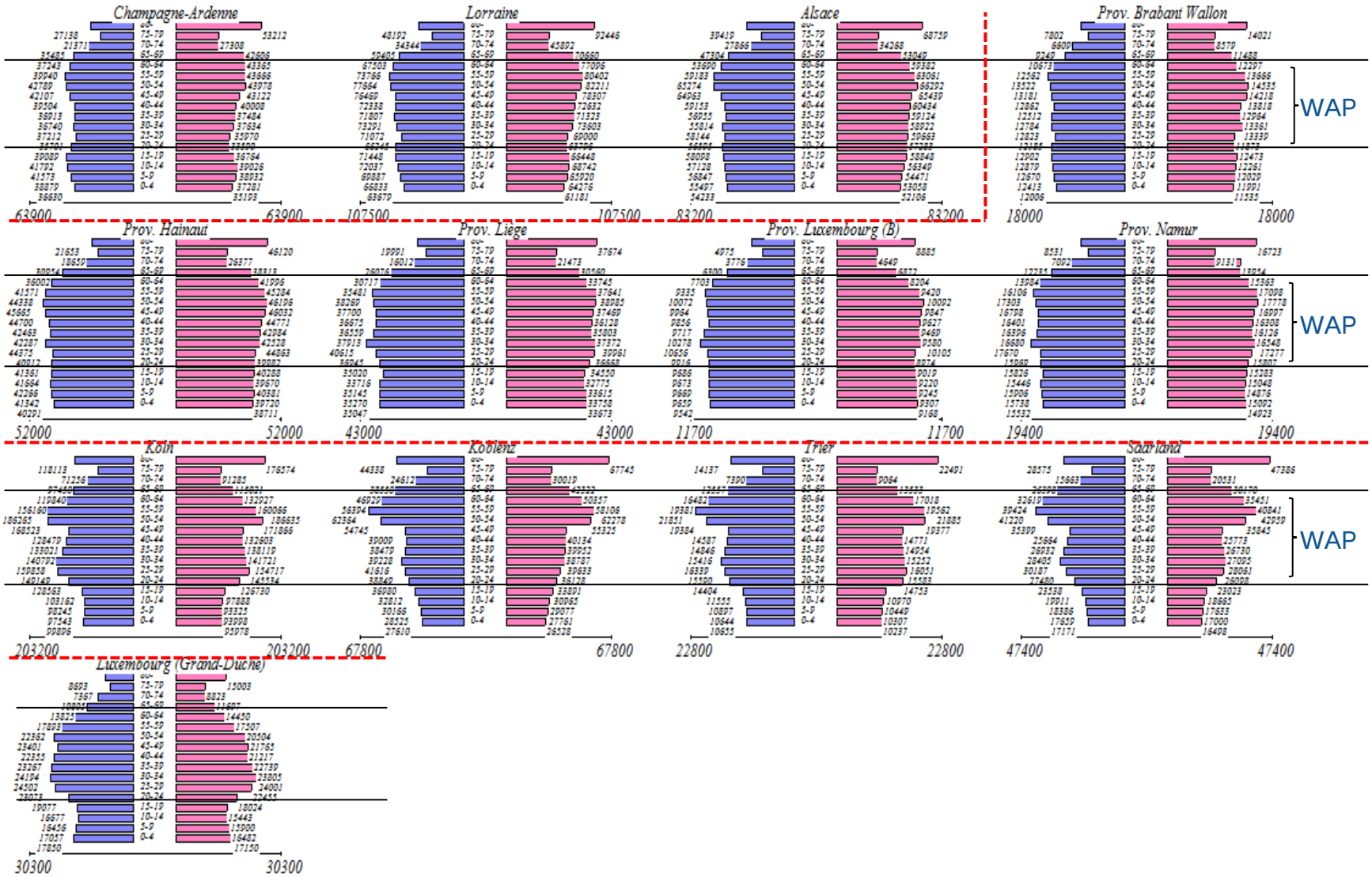
Close

Source: LFS data, own calculations
based on DG EMPL's regional projection software

Your selection

Regional demographic projection

<double click trees for full info>



Select time

2022

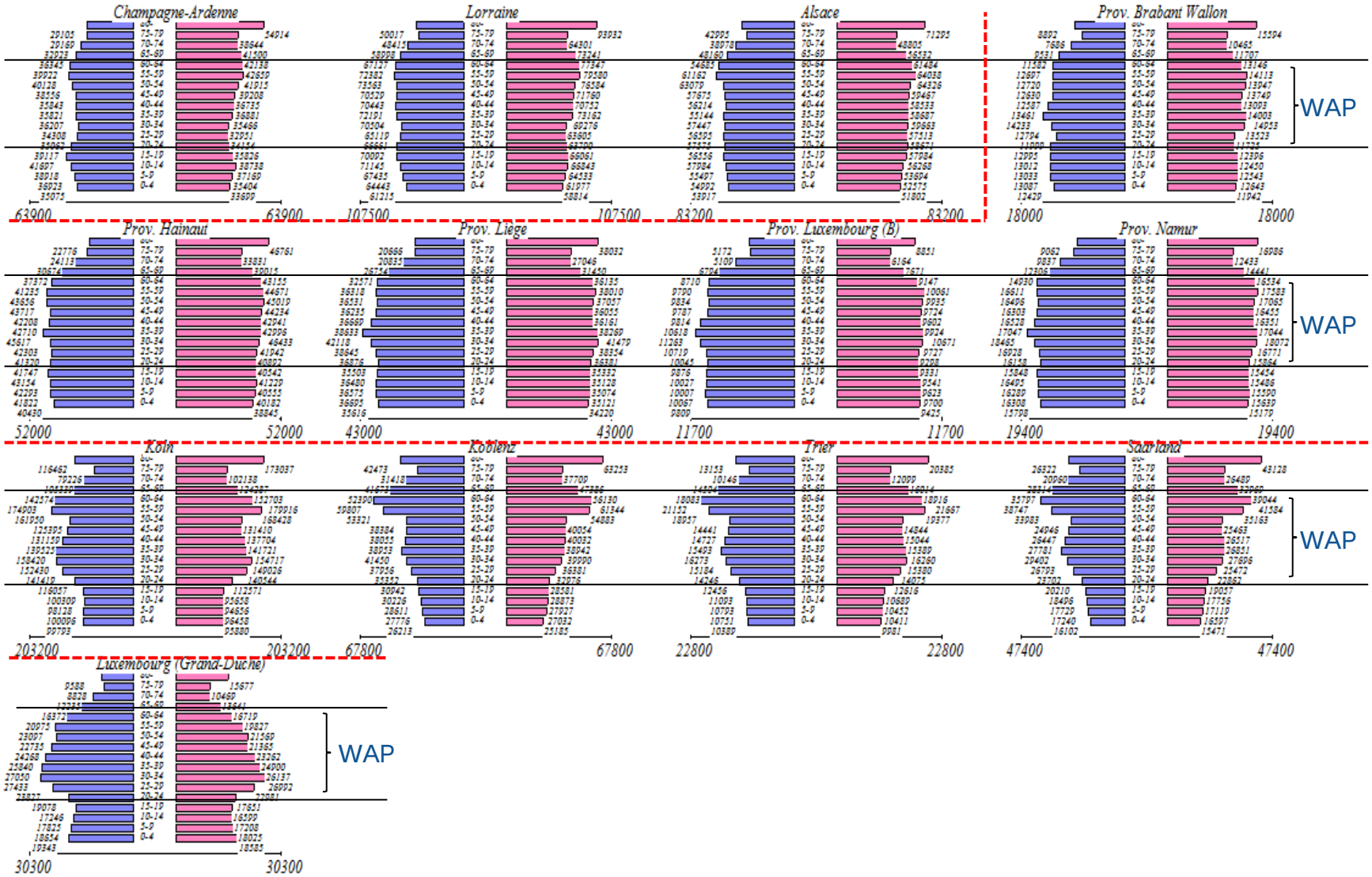
Close

Source: LFS data, own calculations
based on DG EMPL's regional projection software

Your selection

Regional demographic projection

<double click trees for full info>



Select time

2027

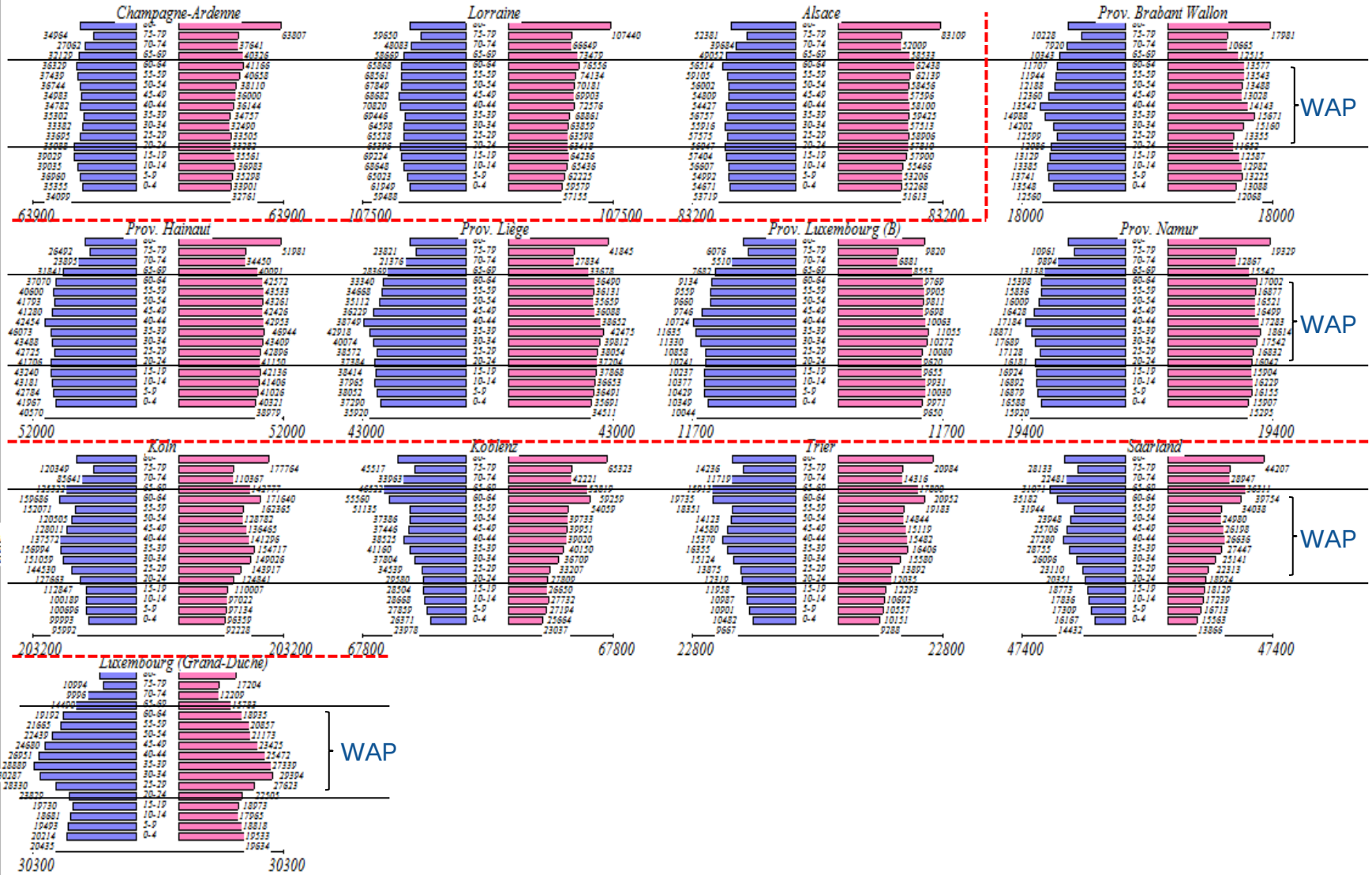
Close

Source: LFS data, own calculations
based on DG EMPL's regional projection software

Your selection

Regional demographic projection

<double click trees for full info>



Select time

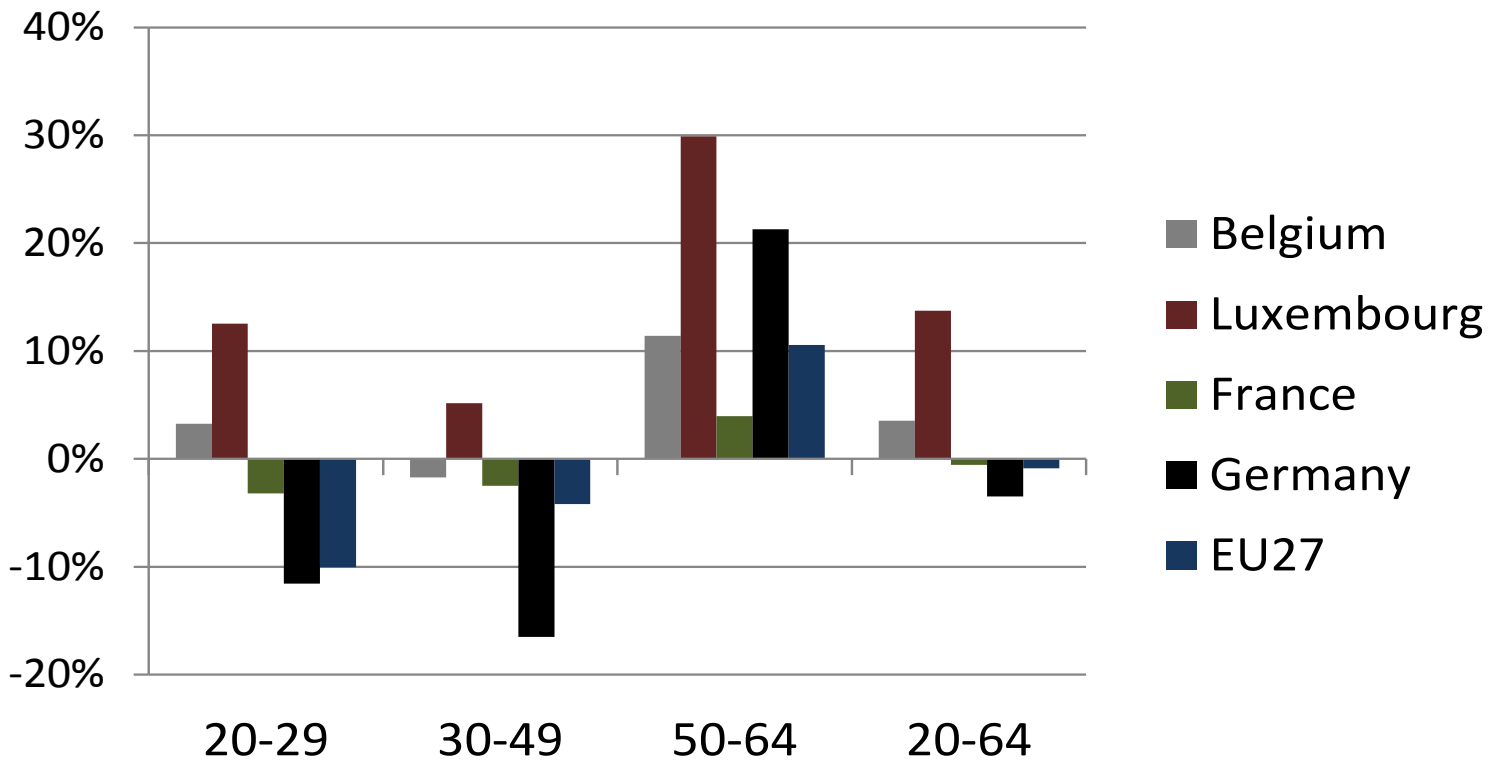
2032

Close

Source: LFS data, own calculations
based on DG EMPL's regional projection software

The age structure of Working-Age Population is changing already now.

Change of age structure amongst people aged between 20 and 64 years
(change **2020** compared to **2010** in %)

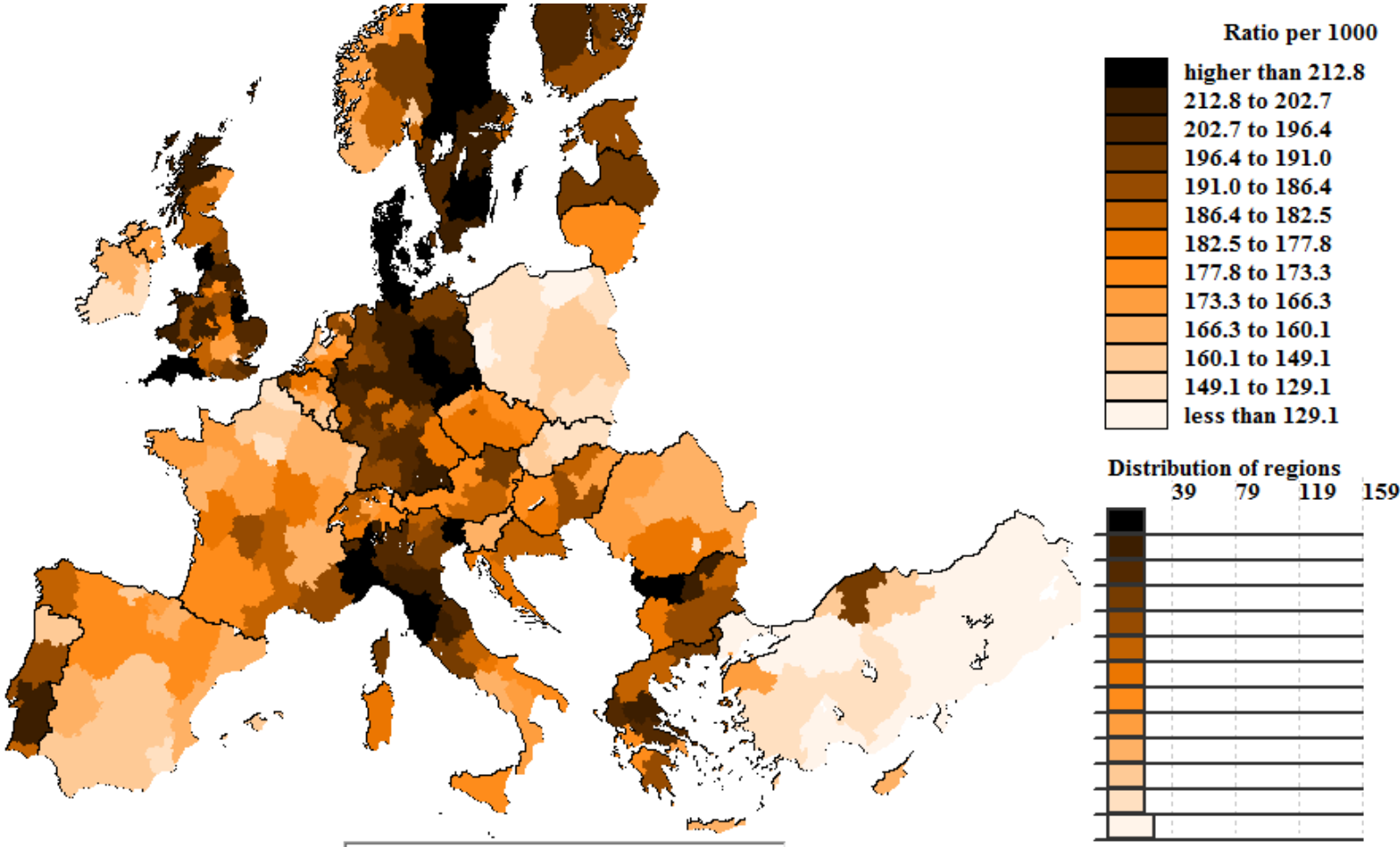


Quelle: Eurostat (Europop 2010 population projections, convergence scenario)

Working-Age population gets older everywhere. Share of people aged 55 to 64 per 1000 aged 20-64

Source: LFS data, own calculations based on DG EMPL's regional projection software

2002

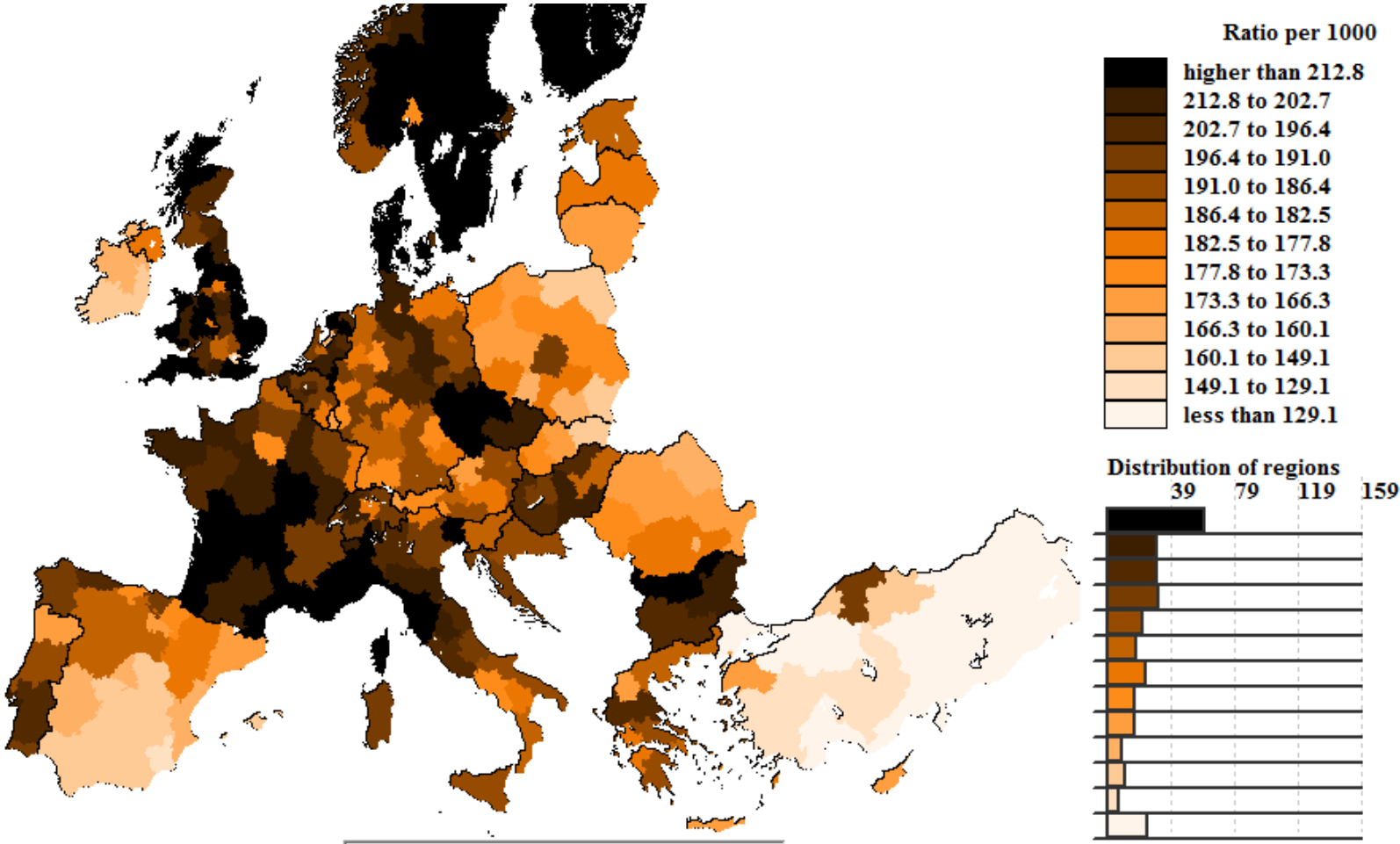


Source: Own calculations based on Eurostat EU LFS

Working-Age population gets older everywhere. Share of people aged 55 to 64 per 1000 aged 20-64

Source: LFS data, own calculations based on DG EMPL's regional projection software

2007

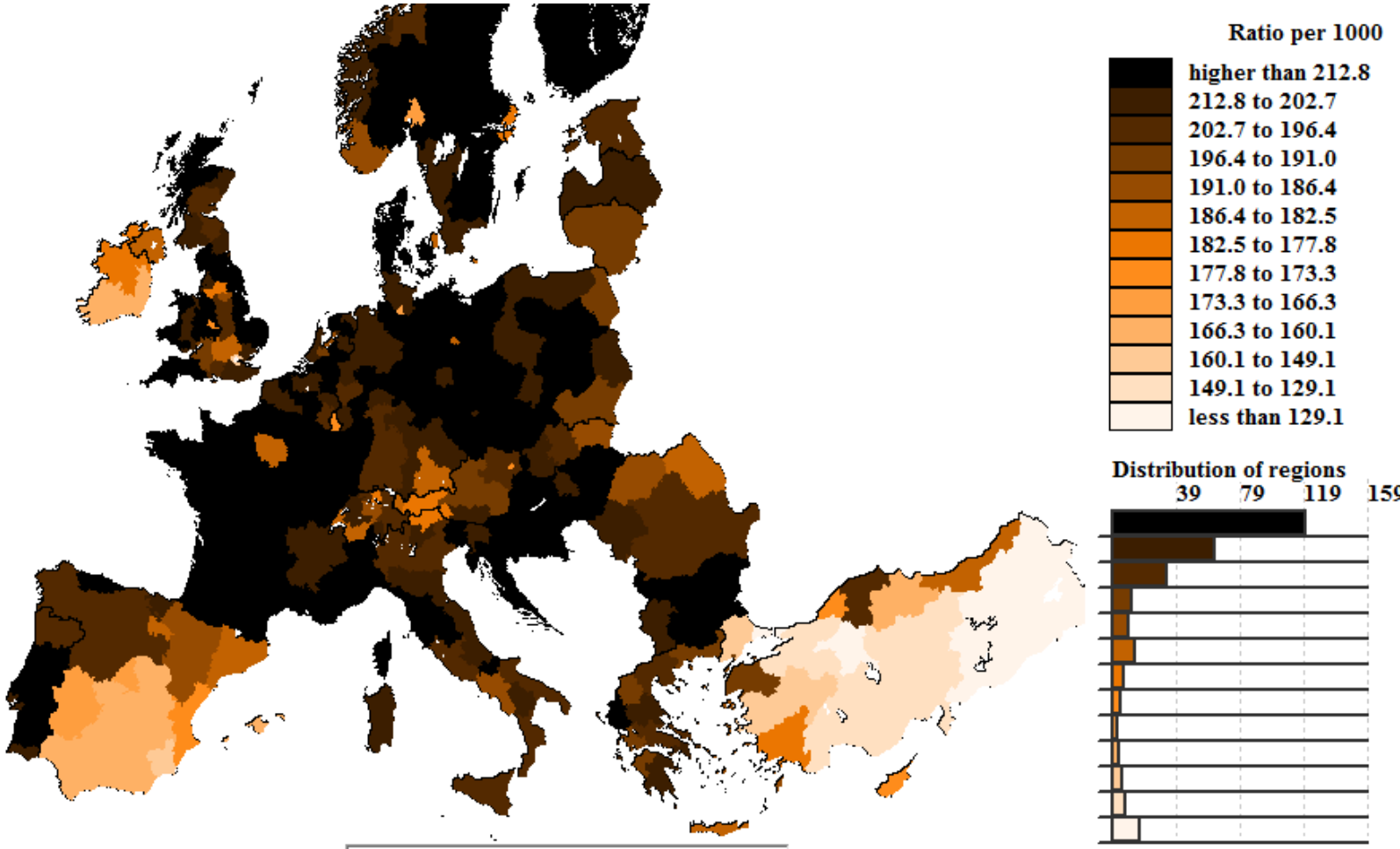


Source: Own calculations based on Eurostat EU LFS

Working-Age population gets older everywhere. Share of people aged 55 to 64 per 1000 aged 20-64

Source: LFS data, own calculations based on DG EMPL's regional projection software

2012

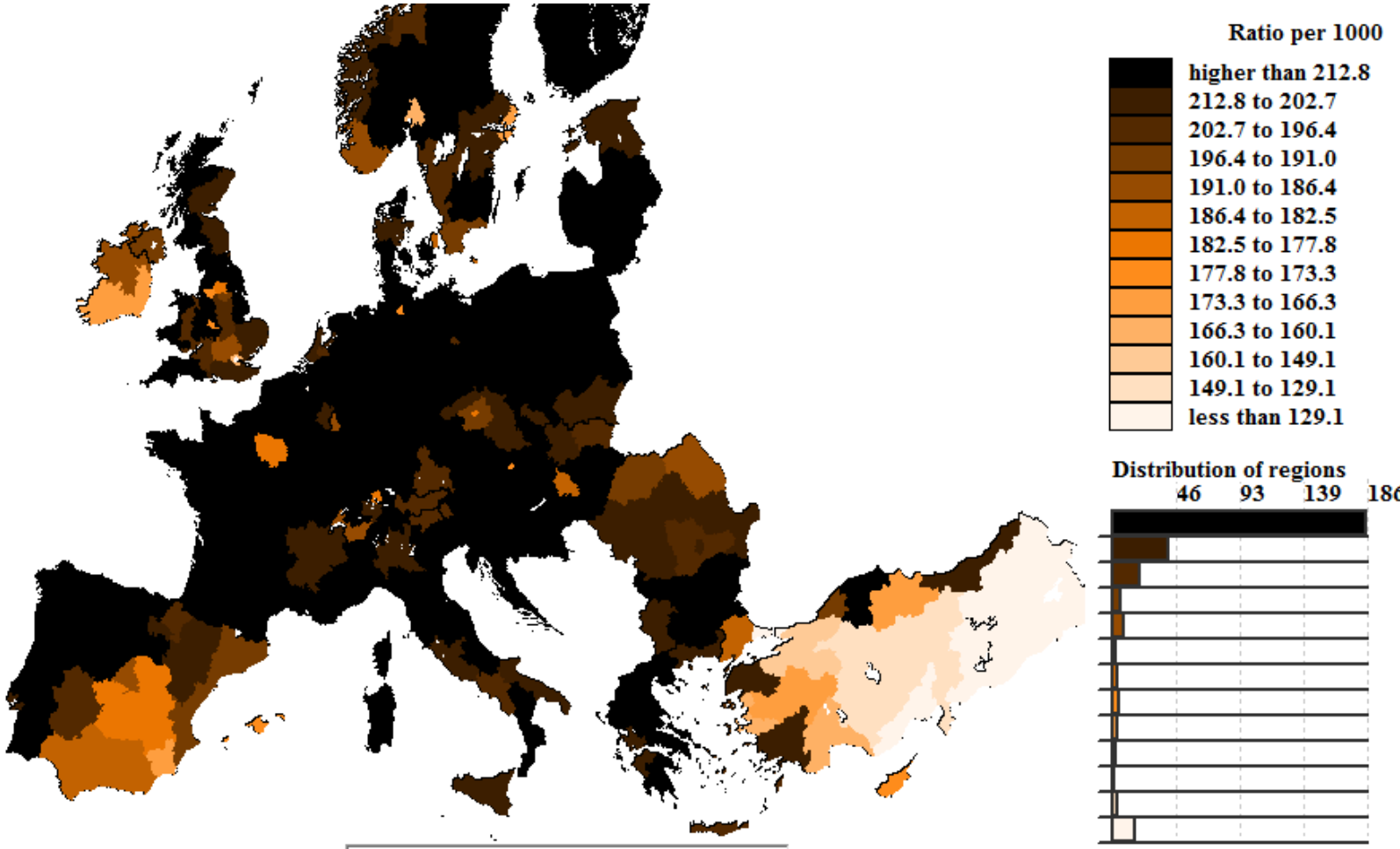


Source: Own calculations based on Eurostat EU LFS

Working-Age population gets older everywhere. Share of people aged 55 to 64 per 1000 aged 20-64

Source: LFS data, own calculations based on DG EMPL's regional projection software

2017

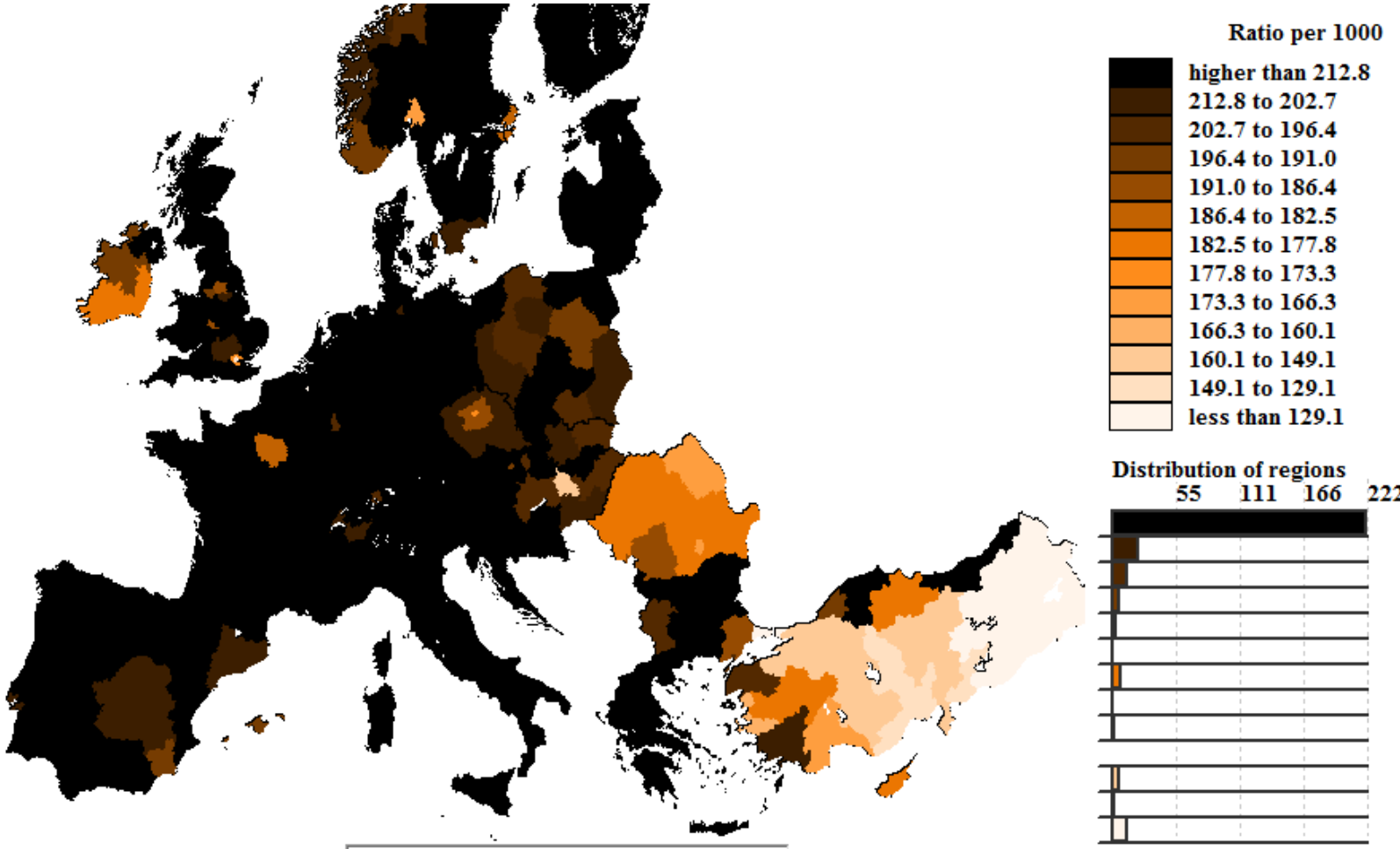


Source: Own calculations based on Eurostat EU LFS

Working-Age population gets older everywhere. Share of people aged 55 to 64 per 1000 aged 20-64

Source: LFS data, own calculations based on DG EMPL's regional projection software

2022

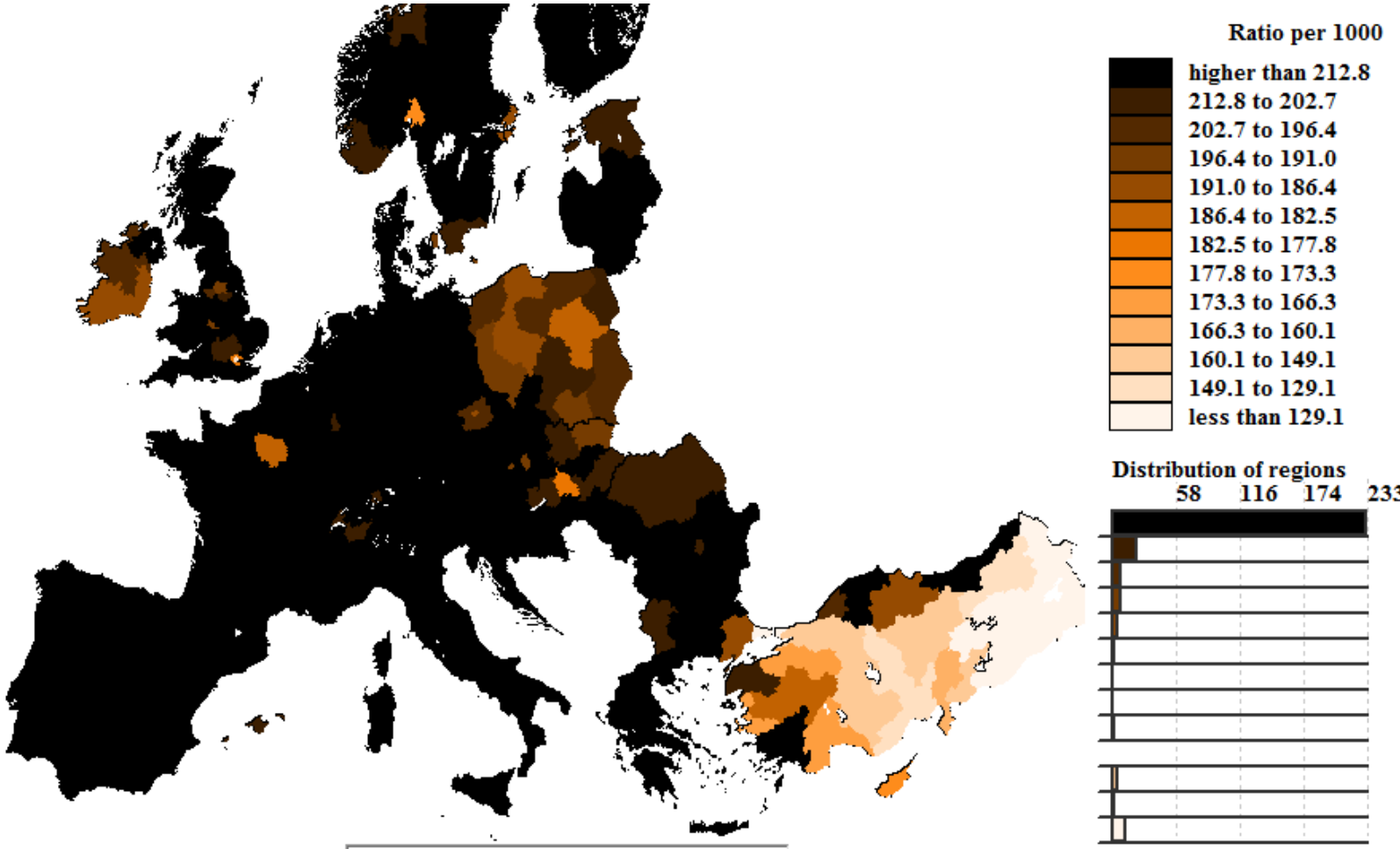


Source: Own calculations based on Eurostat EU LFS

Working-Age population gets older everywhere. Share of people aged 55 to 64 per 1000 aged 20-64

Source: LFS data, own calculations based on DG EMPL's regional projection software

2027

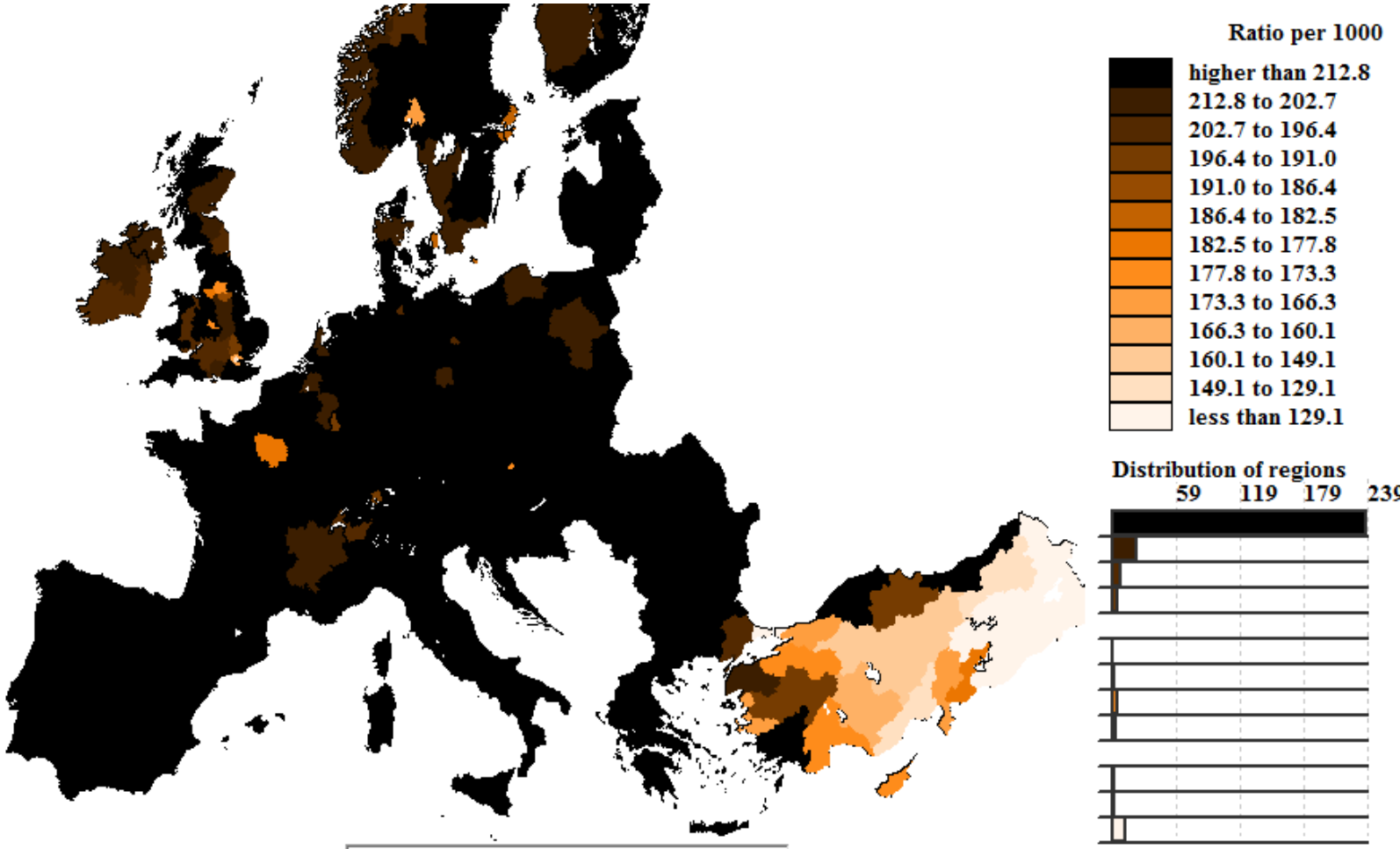


Source: Own calculations based on Eurostat EU LFS

Working-Age population gets older everywhere. Share of people aged 55 to 64 per 1000 aged 20-64

Source: LFS data, own calculations based on DG EMPL's regional projection software

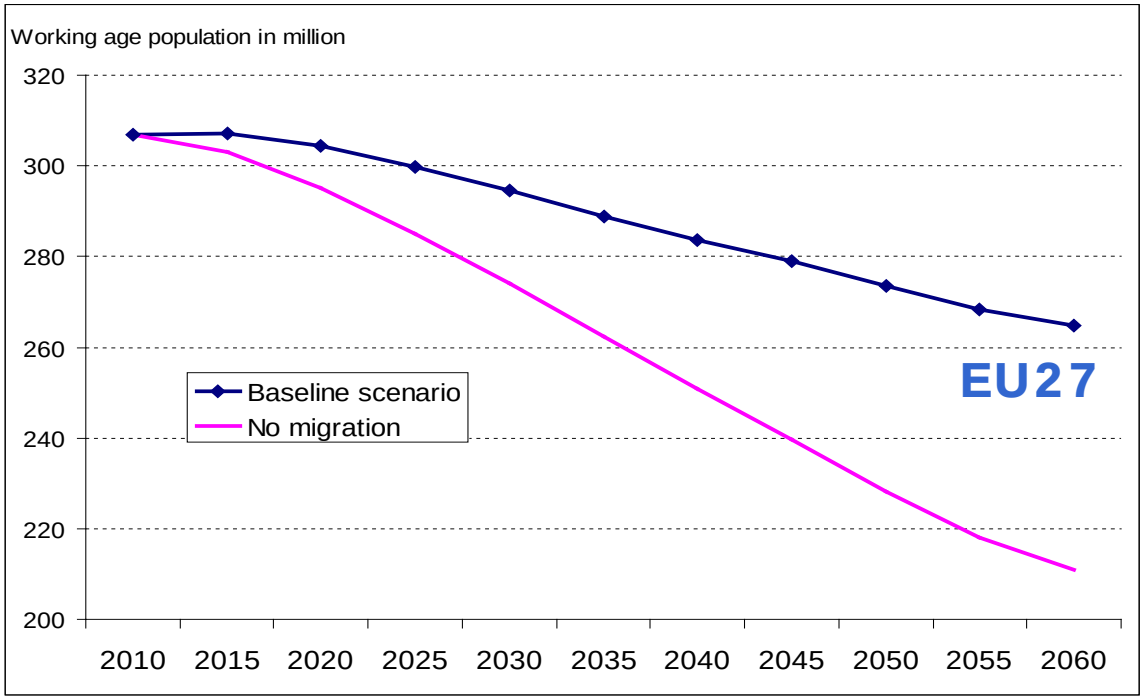
2032



Source: Own calculations based on Eurostat EU LFS

Shrinking Working-Age Population..

EU's working-age population (people aged between 20 to 64 years)



-42 m pot. workers over the next 50 years..

.. -96 m pot. workers without migration..

Source: Eurostat Europop2010 convergence vs no-migration scenario

We define a range

(for the activity rate by age, gender, educational attainment level):

1. ***LOW activation scenario:***

   No further progress in increasing activity rates

vs.

2. ***HIGH activation scenario:***

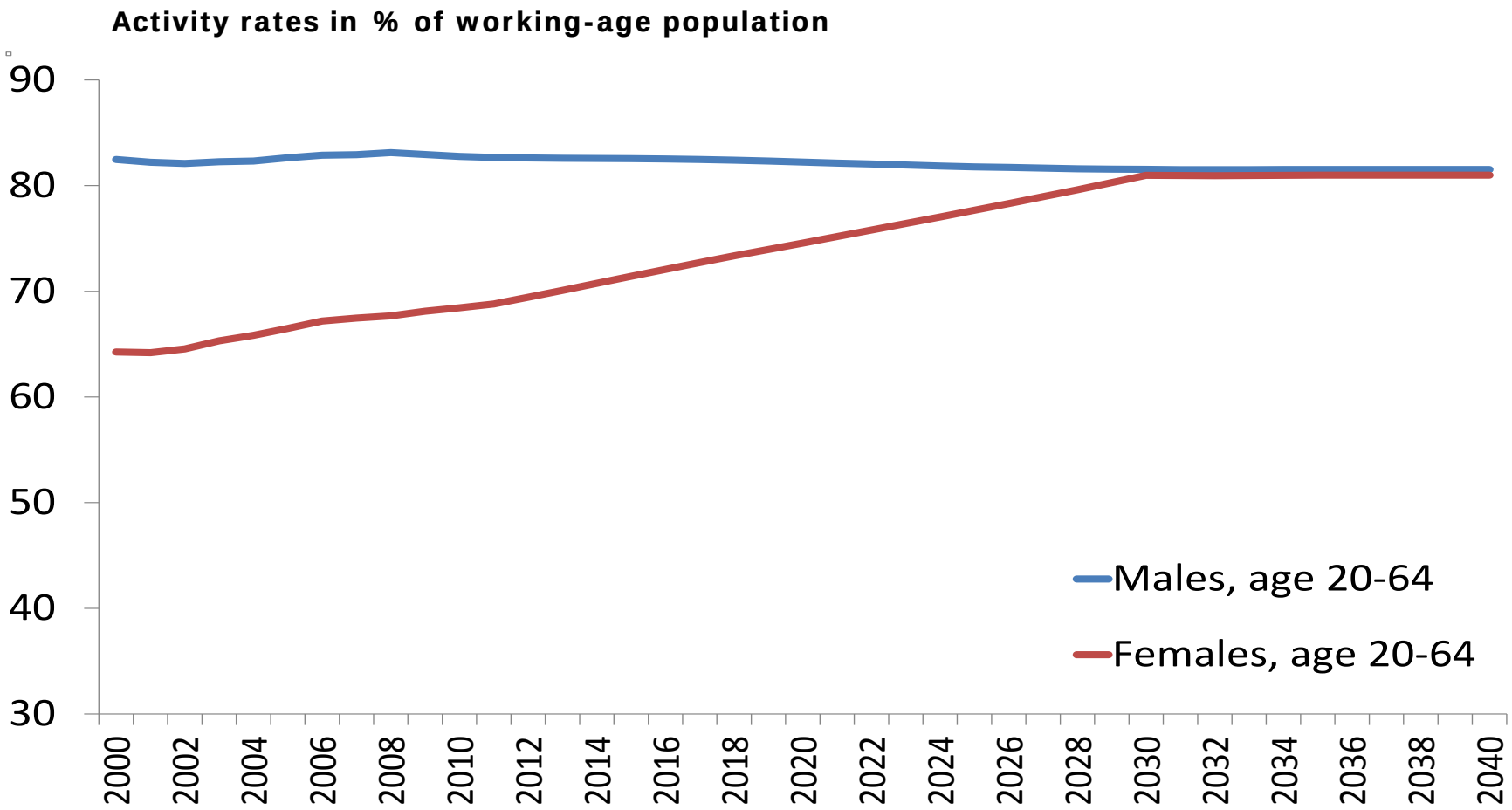
   - Female activity rates will catch up to male levels by 2030.

   - Older workers' activity rates shift by 20 p-pts. by 2030.

   - Further educational progress will trigger activity gradually.

HIGH Activity scenario

1: Female activity rates: No gender difference by 2030

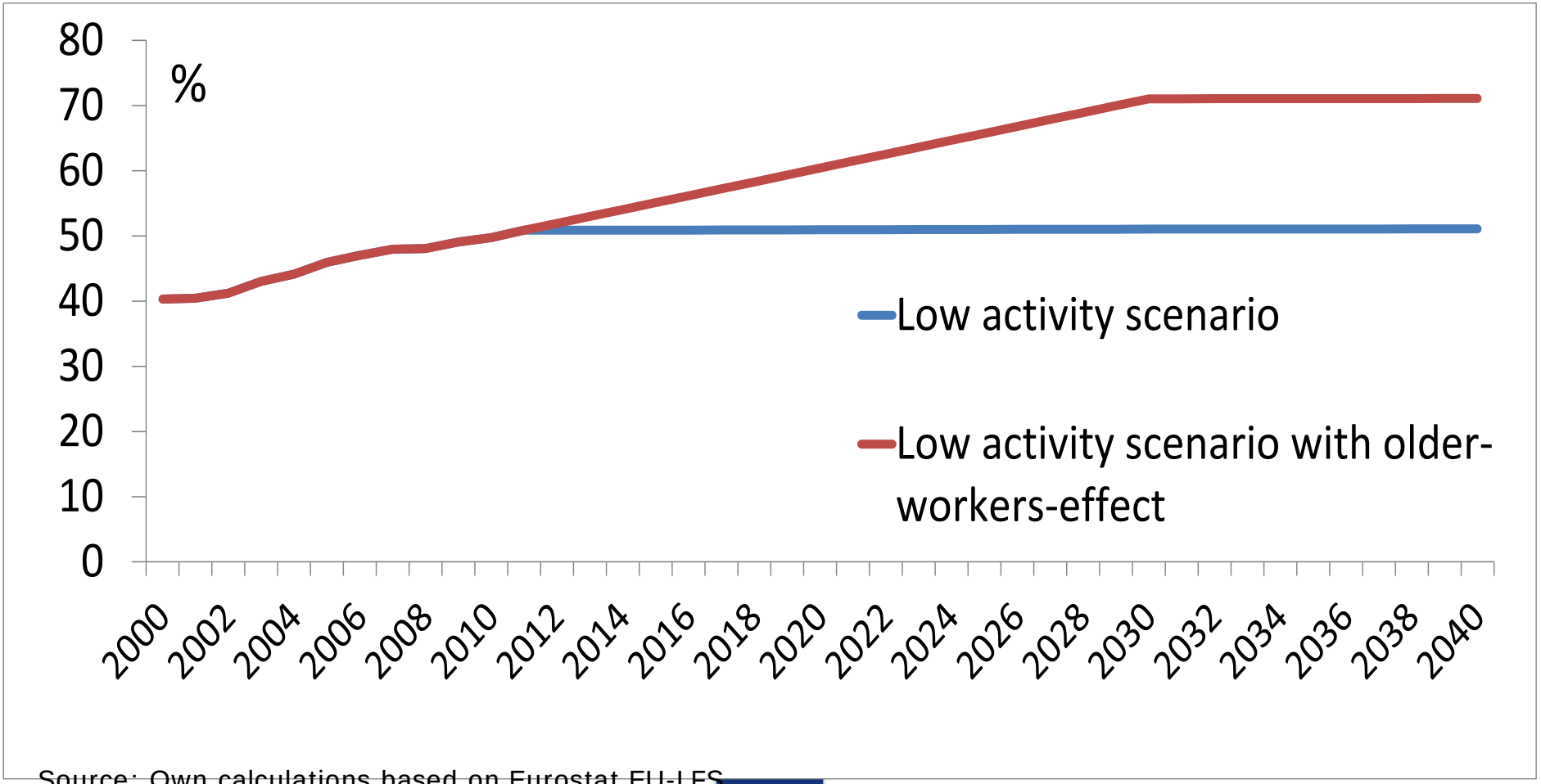


Source: Own calculations based on Eurostat EU-LFS

HIGH Activity scenario

2: Older Workers' activity rates: Up 20 %-pts by 2030

Activity rates in % of working-age population

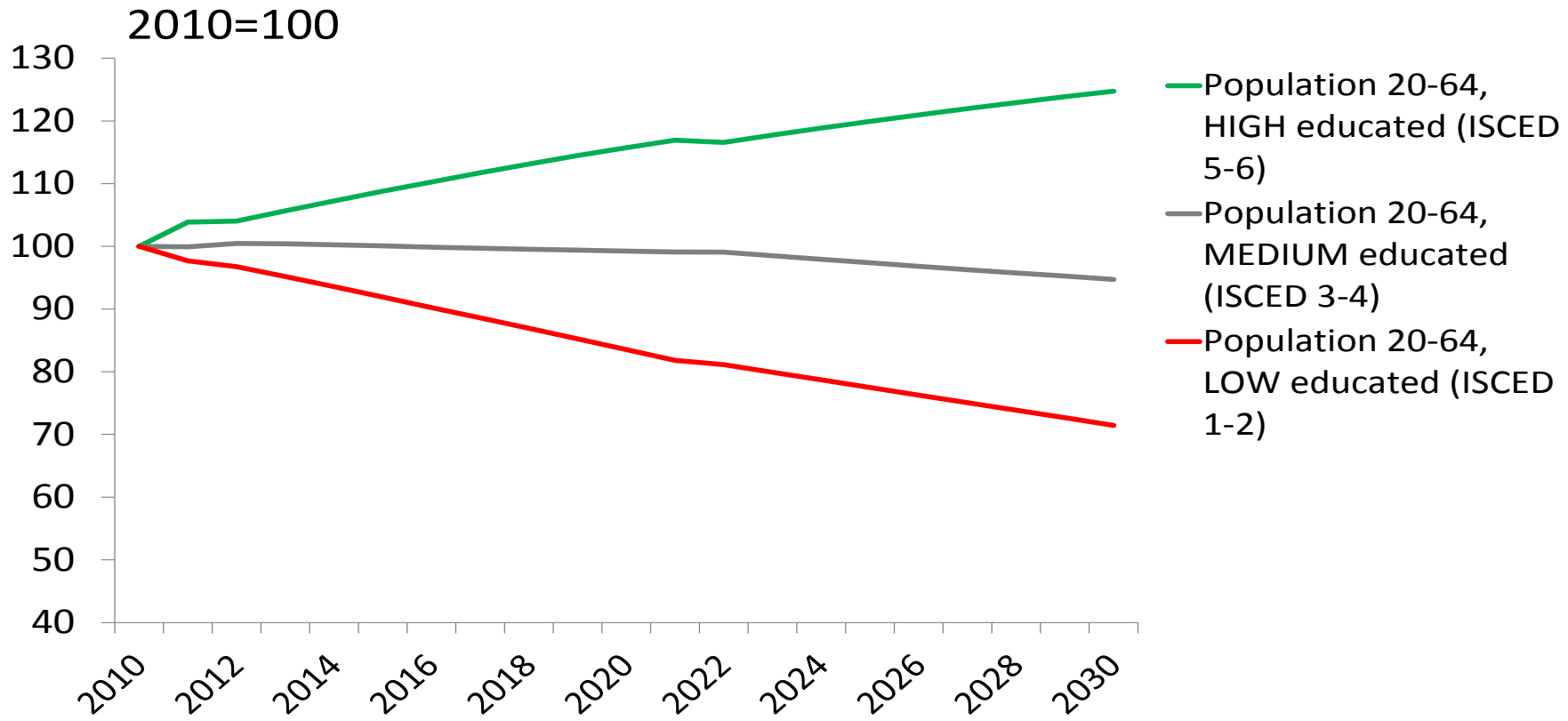


Source: Own calculations based on Eurostat EU-LFS

HIGH Activity scenario

3: Further educational progression for the younger workforce: people aged 25-34 (log-linear regression)

Resulting development of population aged 20-64 by educational attainment level from 2010



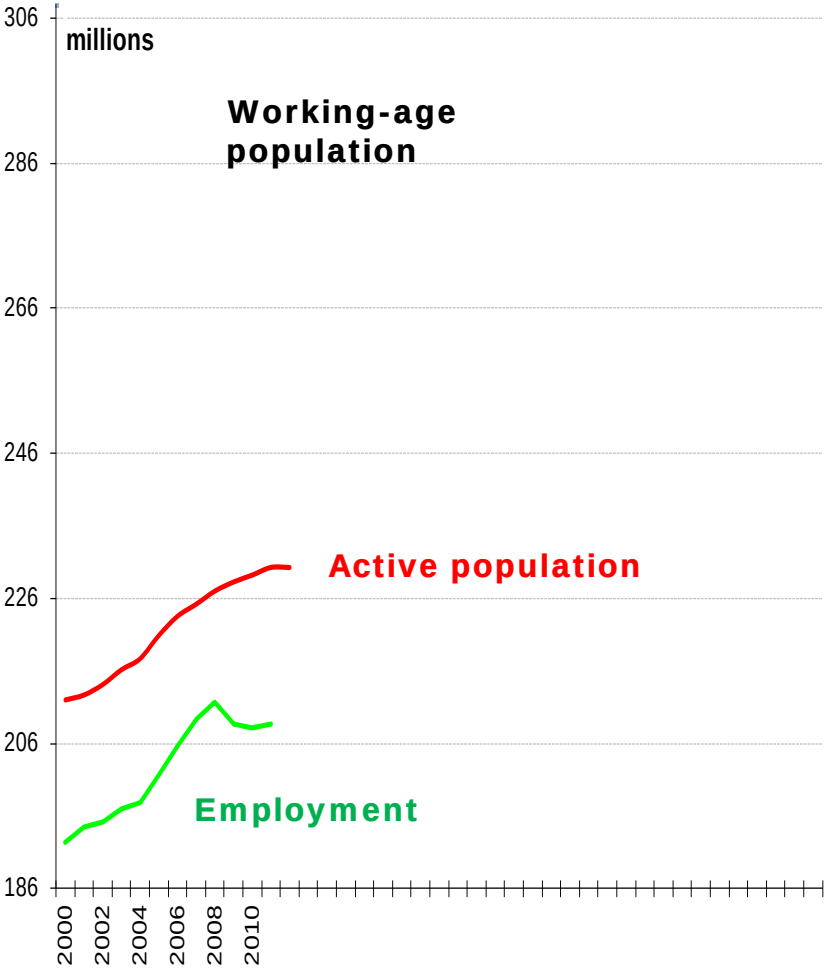
Source: Own calculations based on Eurostat EU-LFS

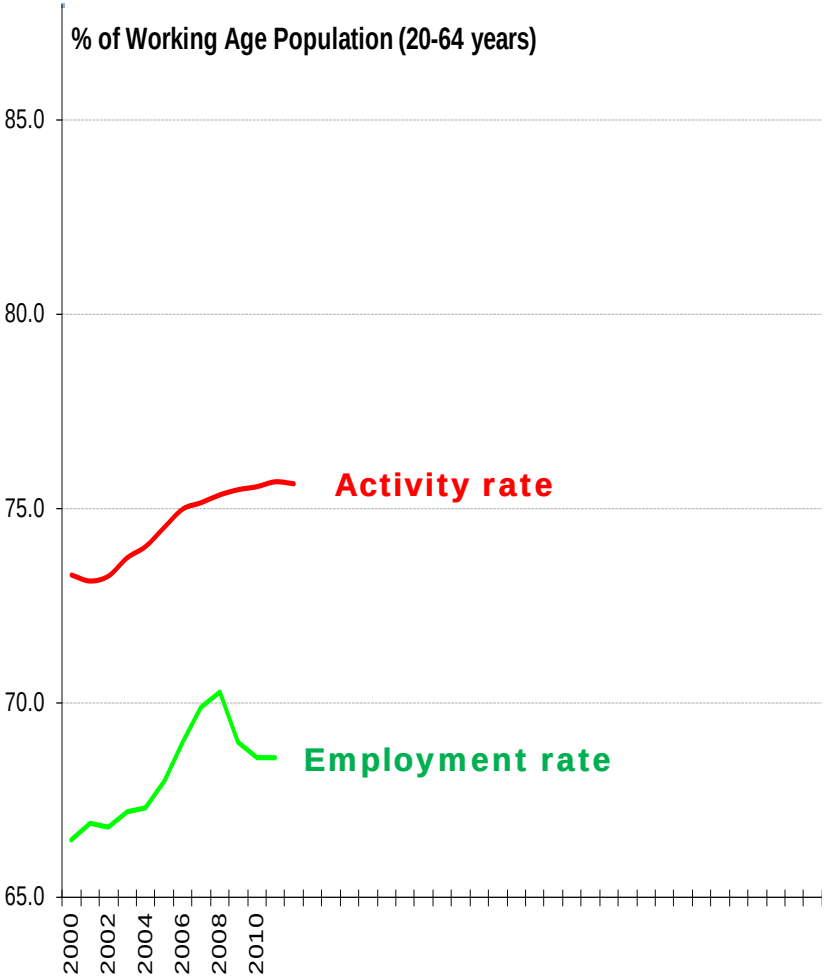
EU27

Potential employment paths

Working age popul. (age 20-64)	Active population Low activity scenario	Active Population, High activity scenario	Active Population, Education Effect	Past em-ployment

Workforce development, age group 20-64 years





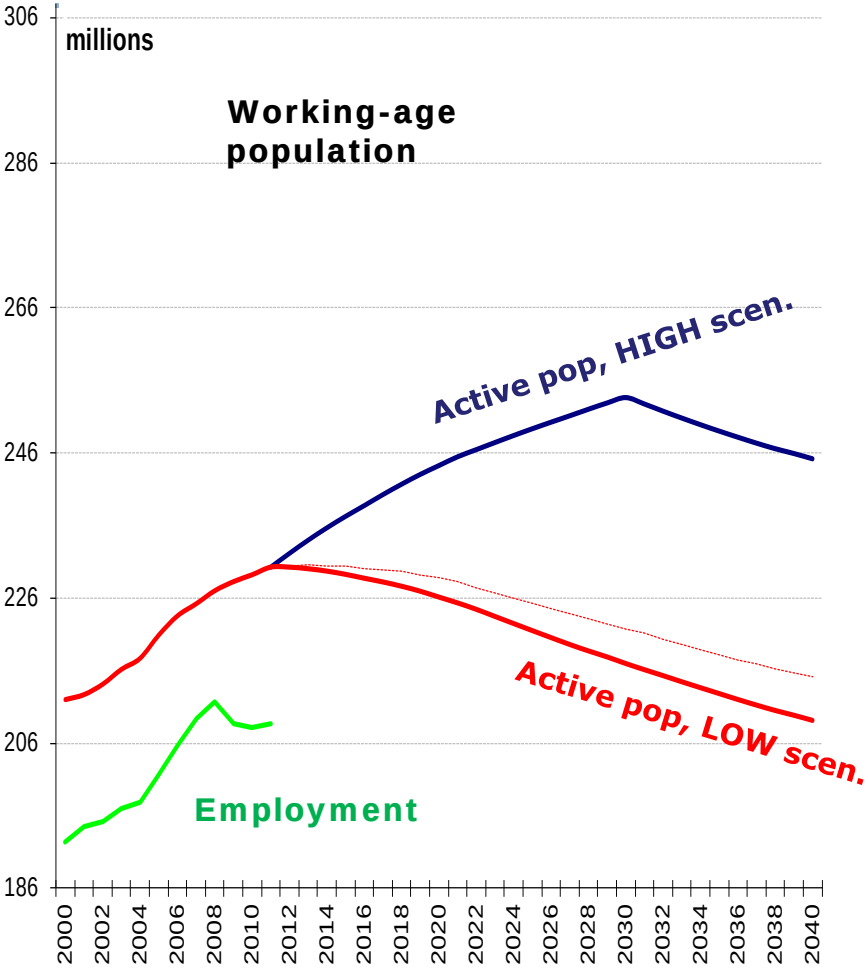
Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2010 population projection

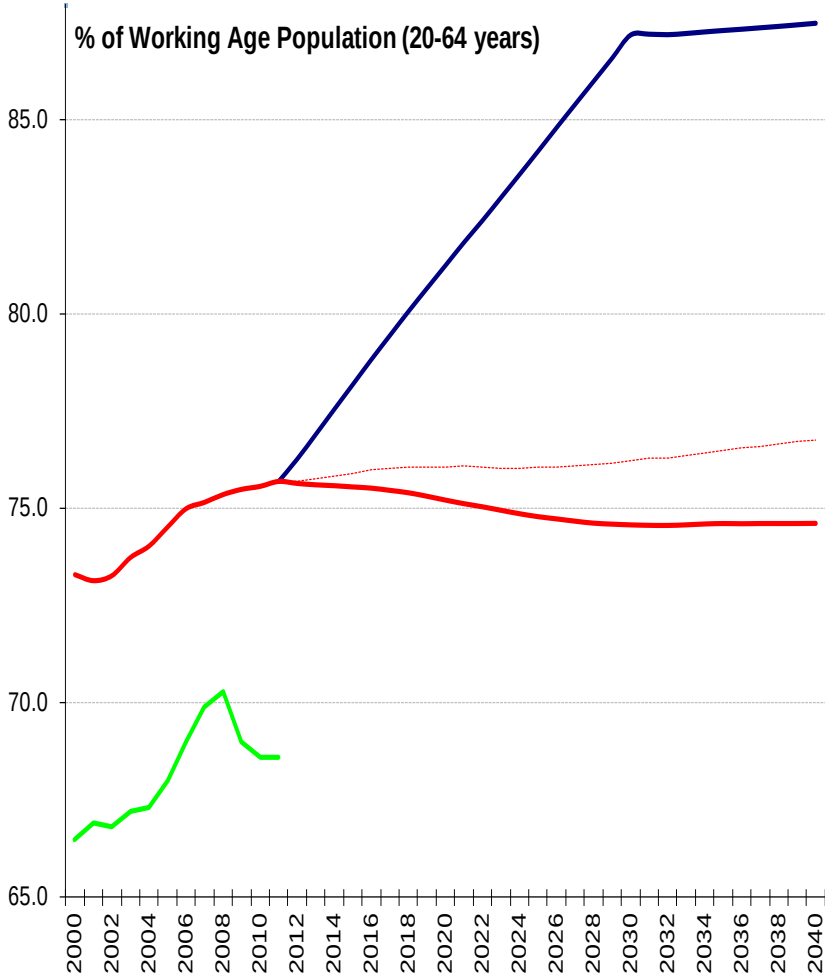
EU27

Potential employment paths

Working age popul. (age 20-64)	Active population Low activity scenario	Active Population, High activity scenario	Active Population, Education Effect	Past em-ployment

Workforce development, age group 20-64 years





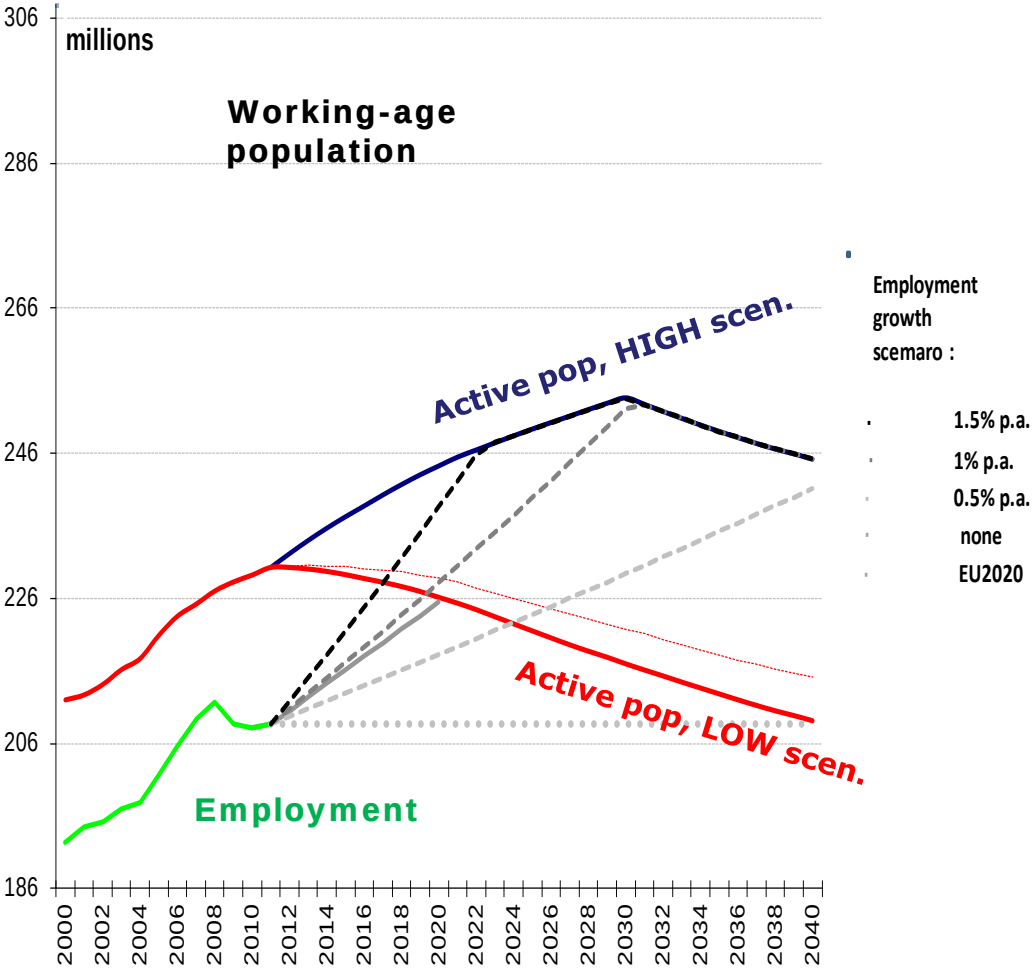
Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2010 population projection

EU27

Potential employment paths

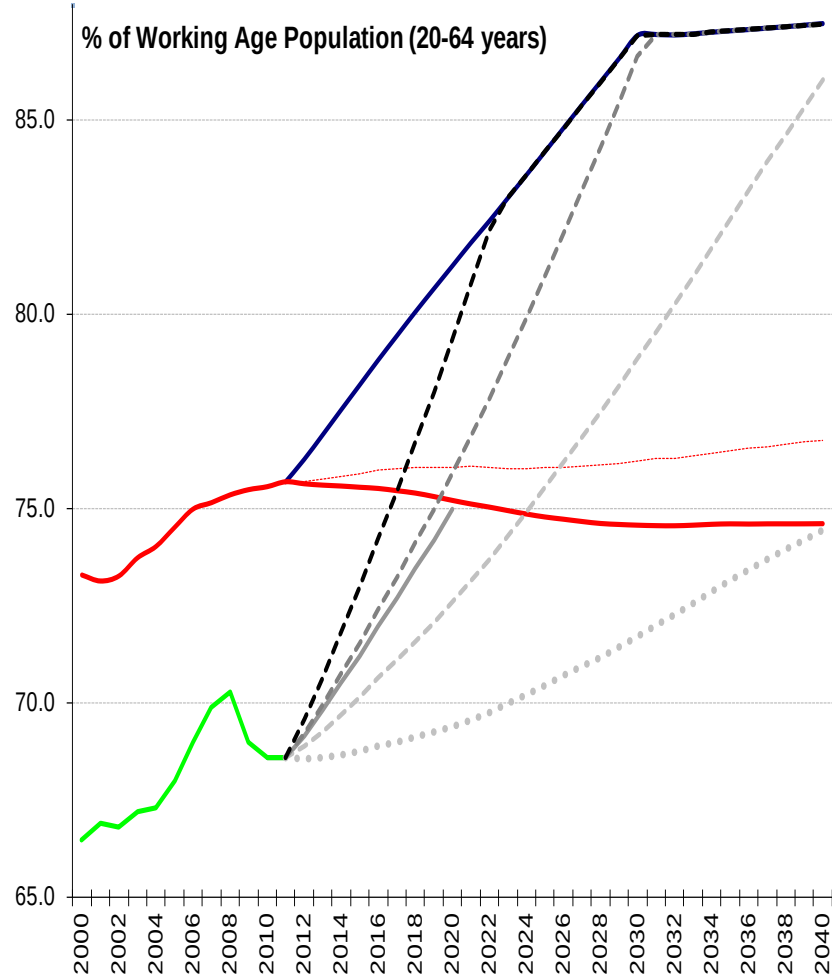
Working age popul. (age 20-64)	Active population Low activity scenario	Active Population, High activity scenario	Active Population, Education Effect	Past em-ployment

Workforce development, age group 20-64 years



Employment growth scemaro :

- 1.5% p.a.
- 1% p.a.
- 0.5% p.a.
- none
- EU2020



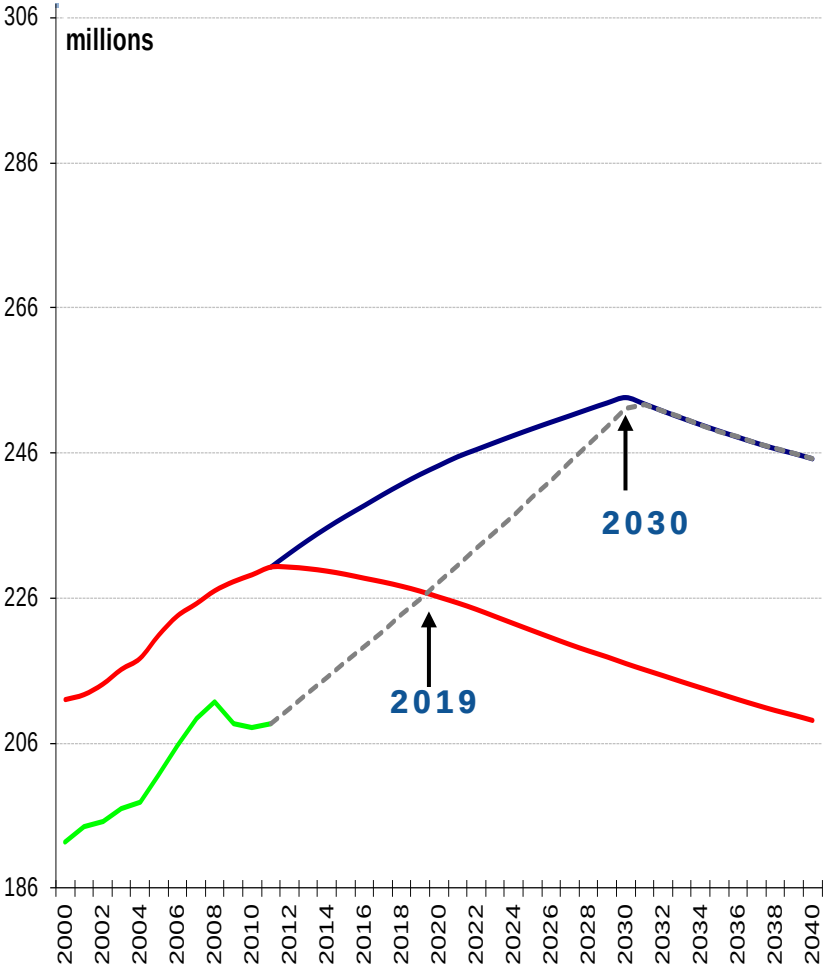
Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2010 population projection

EU27

Potential employment paths

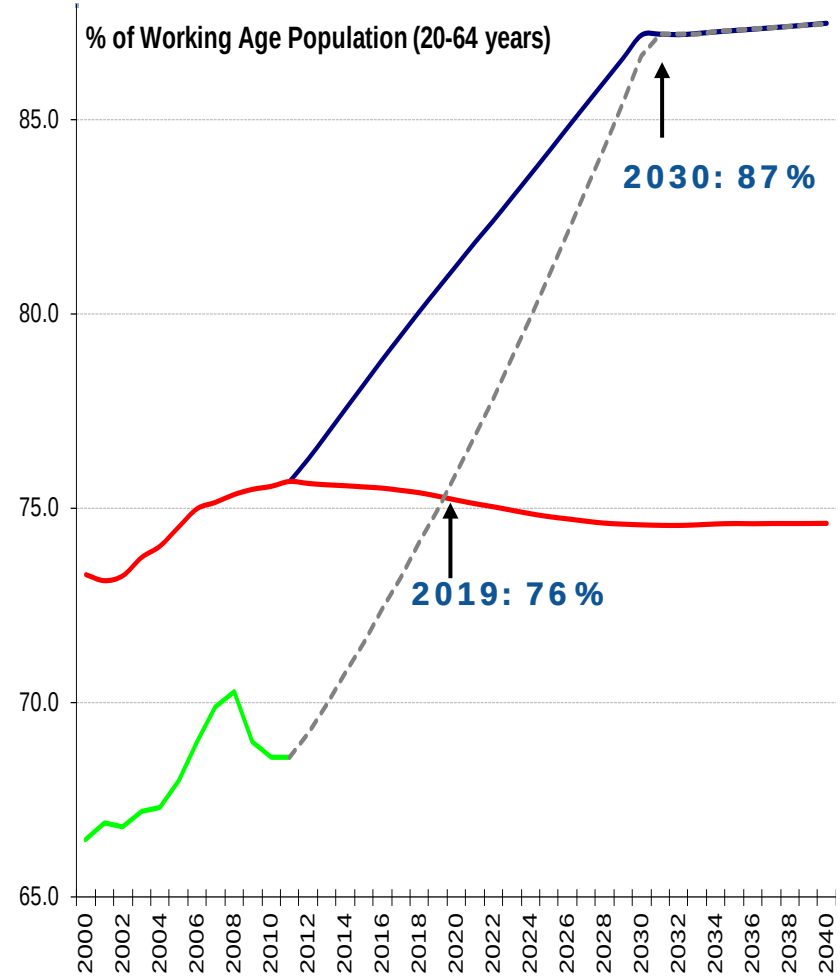
Working age popul. (age 20-64)	Active population Low activity scenario	Active Population, High activity scenario	Active Population, Education Effect	Past em-ployment

Workforce development, age group 20-64 years



Employment growth scemaro :

1% p.a.



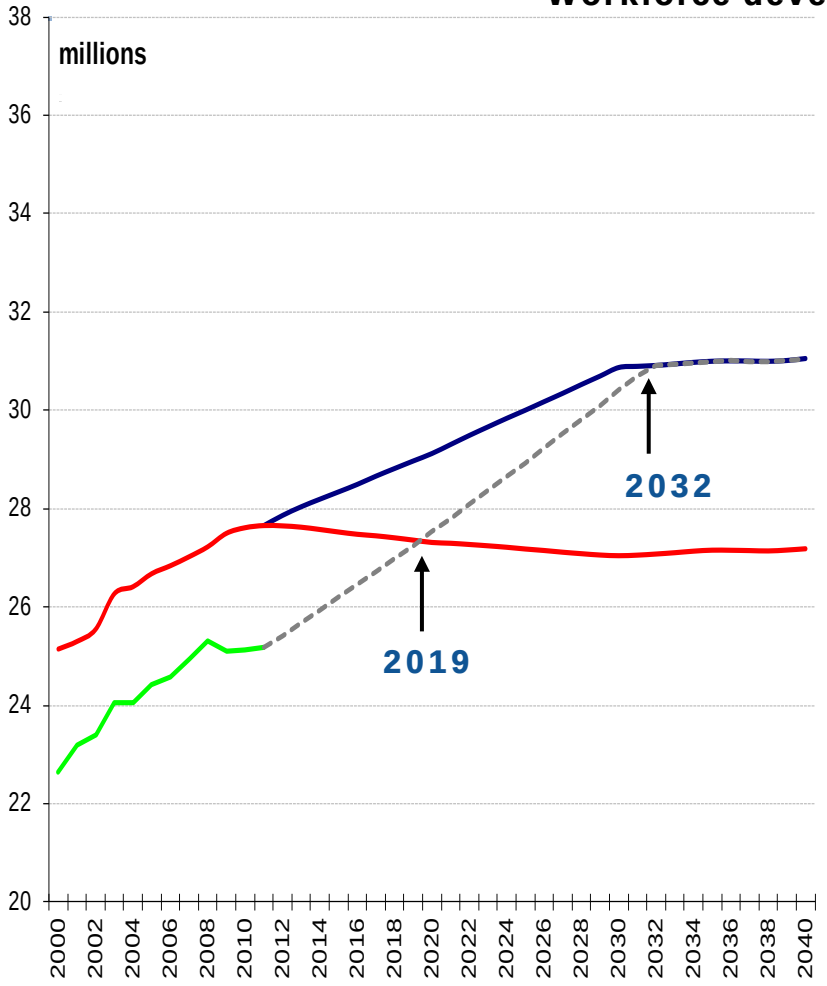
Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2010 population projection

FRANCE

Potential employment paths

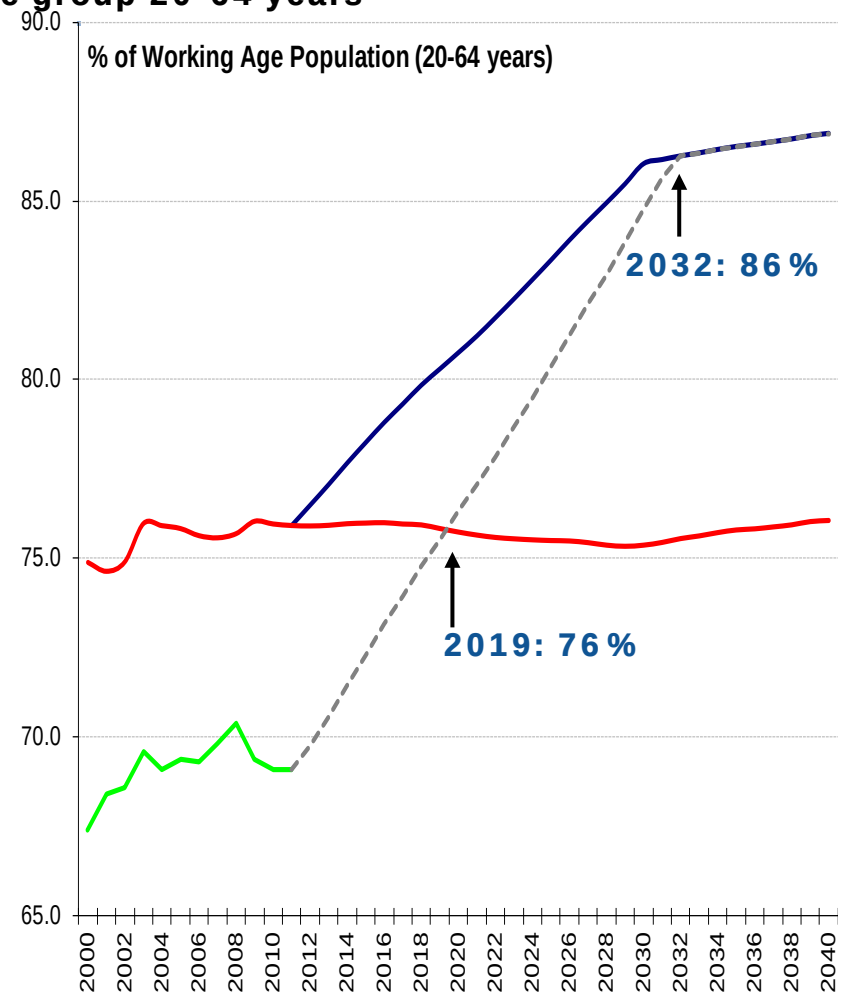
Working age popul. (age 20-64)	Active population Low activity scenario	Active Population, High activity scenario	Active Population, Education Effect	Past em-ployment

Workforce development, age group 20-64 years



Employment growth scemaro :

1% p.a.



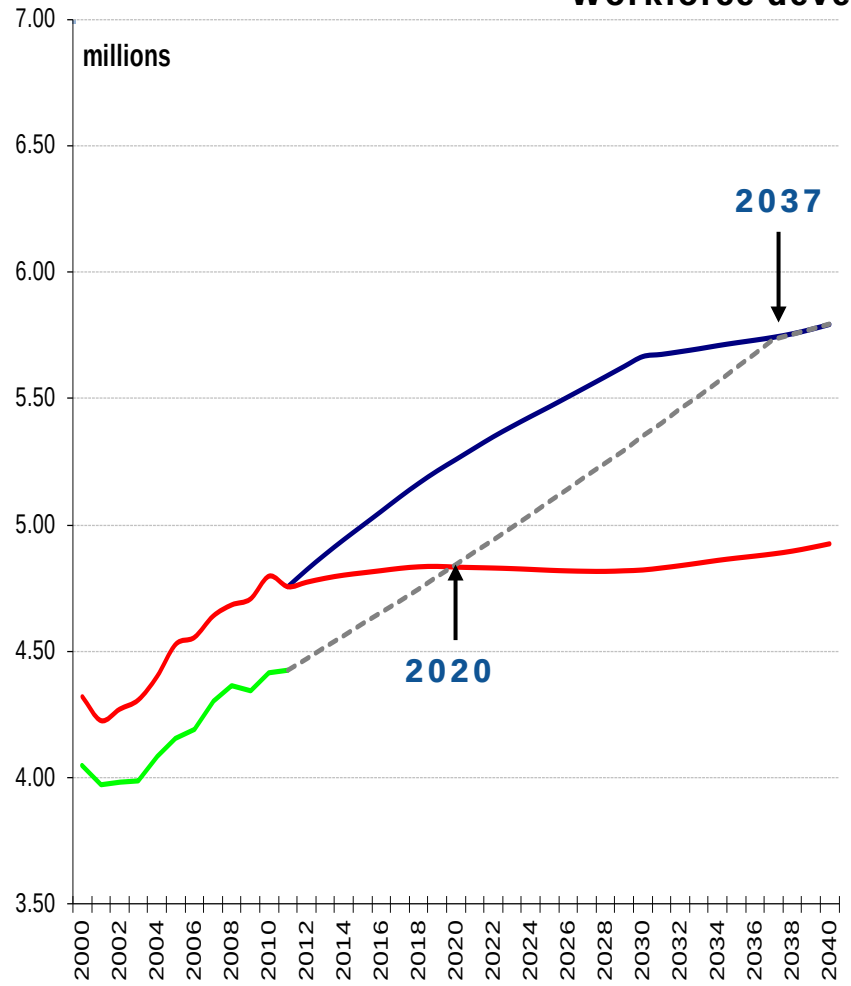
Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2010 population projection

Belgium

Potential employment paths

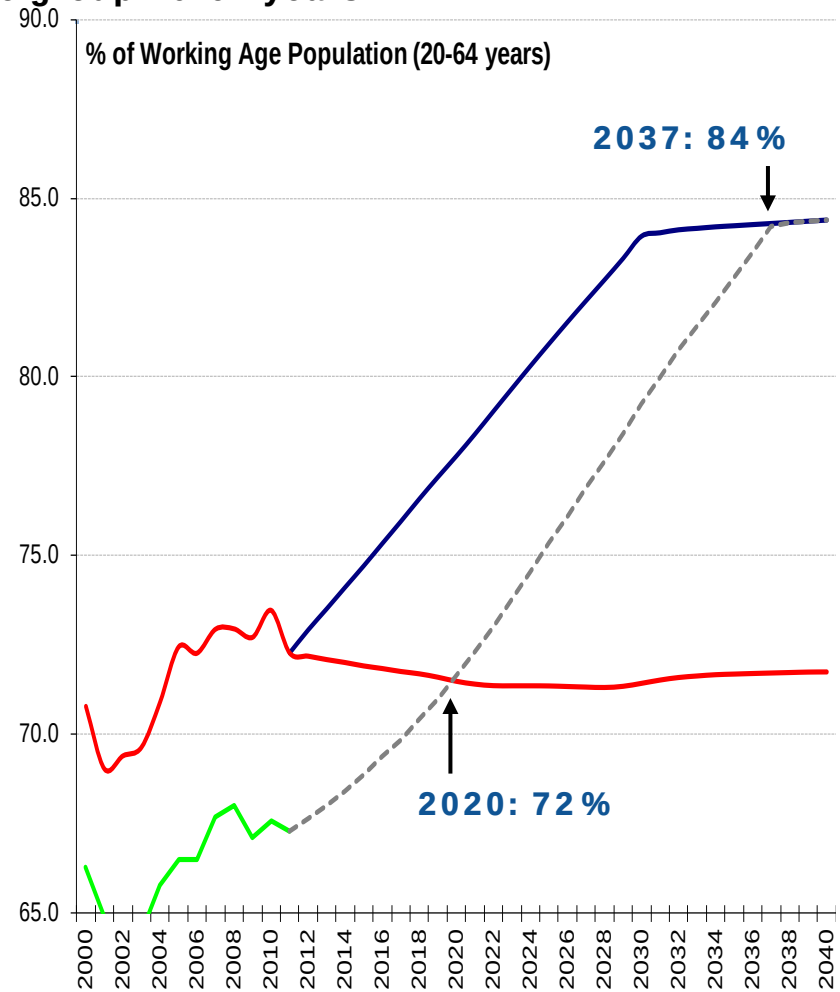
Working age popul. (age 20-64) | Active population Low activity scenario | Active Population, High activity scenario | Active Population, Education Effect | Past employment

Workforce development, age group 20-64 years



Employment growth scemaro :

1% p.a.



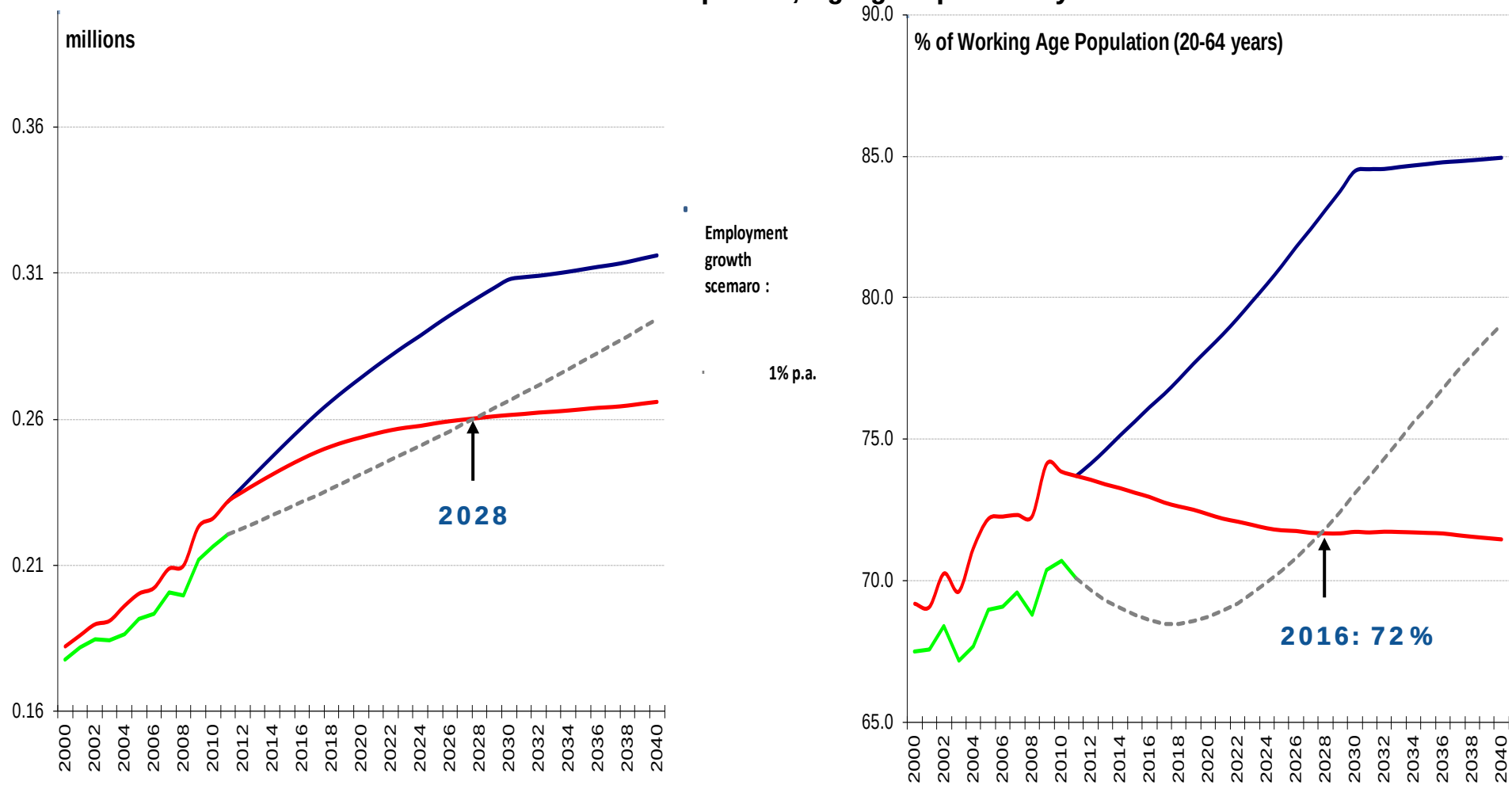
Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2010 population projection

Luxemb.

Potential employment paths

Working age popul. (age 20-64)	Active population Low activity scenario	Active Population, High activity scenario	Active Population, Education Effect	Past employment

Workforce development, age group 20-64 years



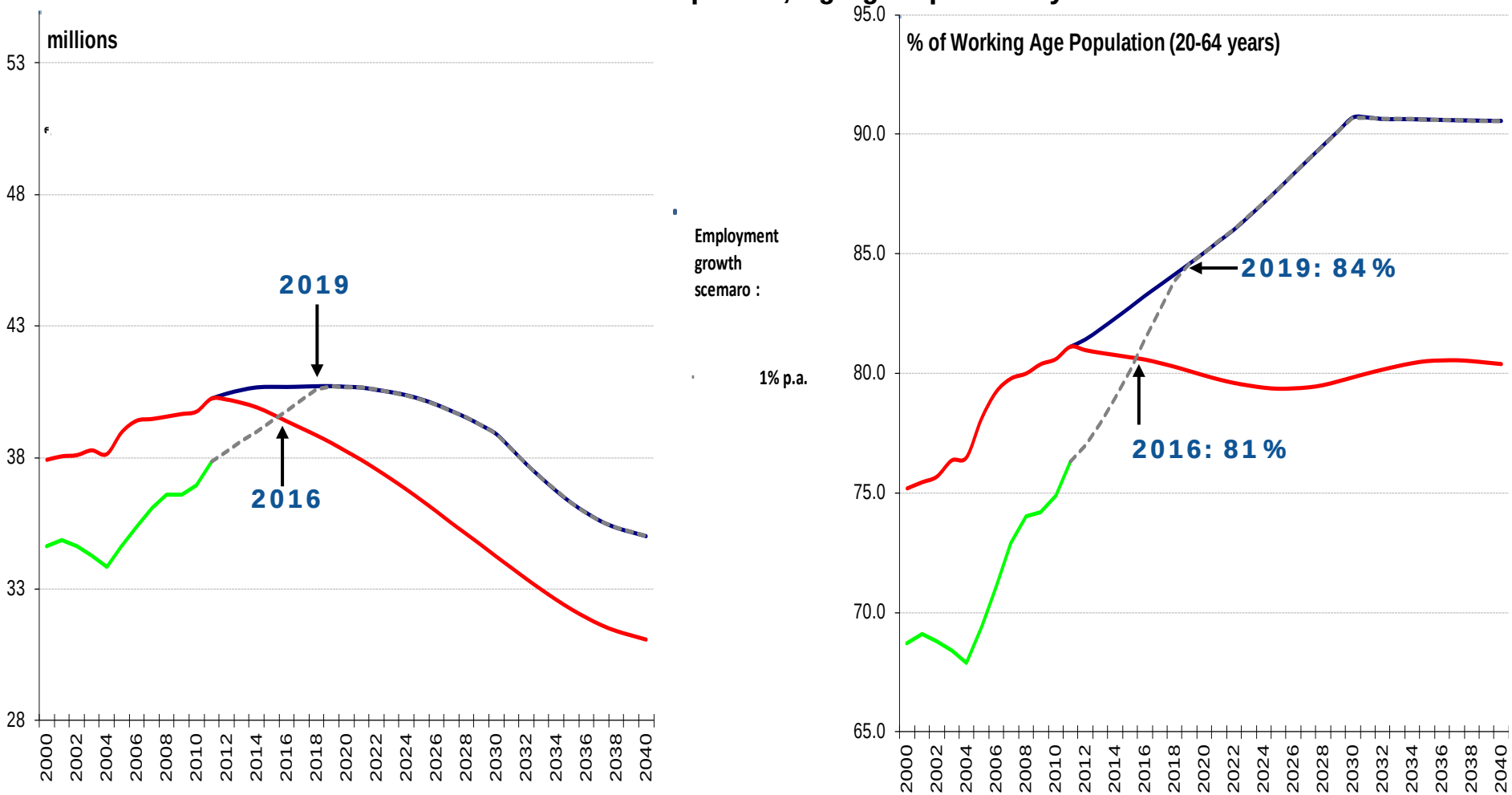
Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2010 population projection

Germany

Potential employment paths

Working age popul. (age 20-64)	Active population Low activity scenario	Active Population, High activity scenario	Active Population, Education Effect	Past em-ployment

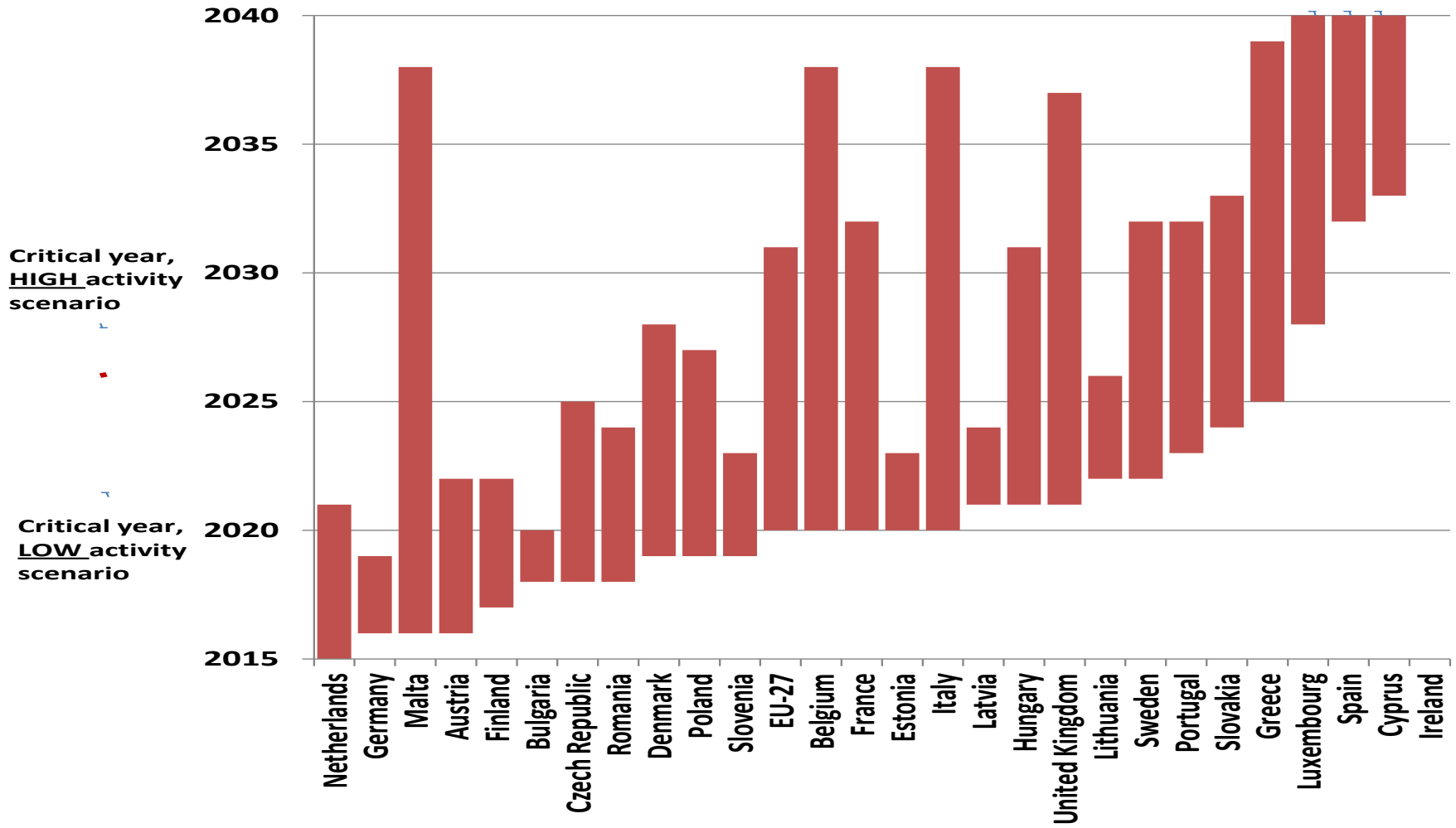
Workforce development, age group 20-64 years



Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2010 population projection

Critical year by country

(year from which on 1% employment growth won't be possible any longer)



Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

Conclusions (1)

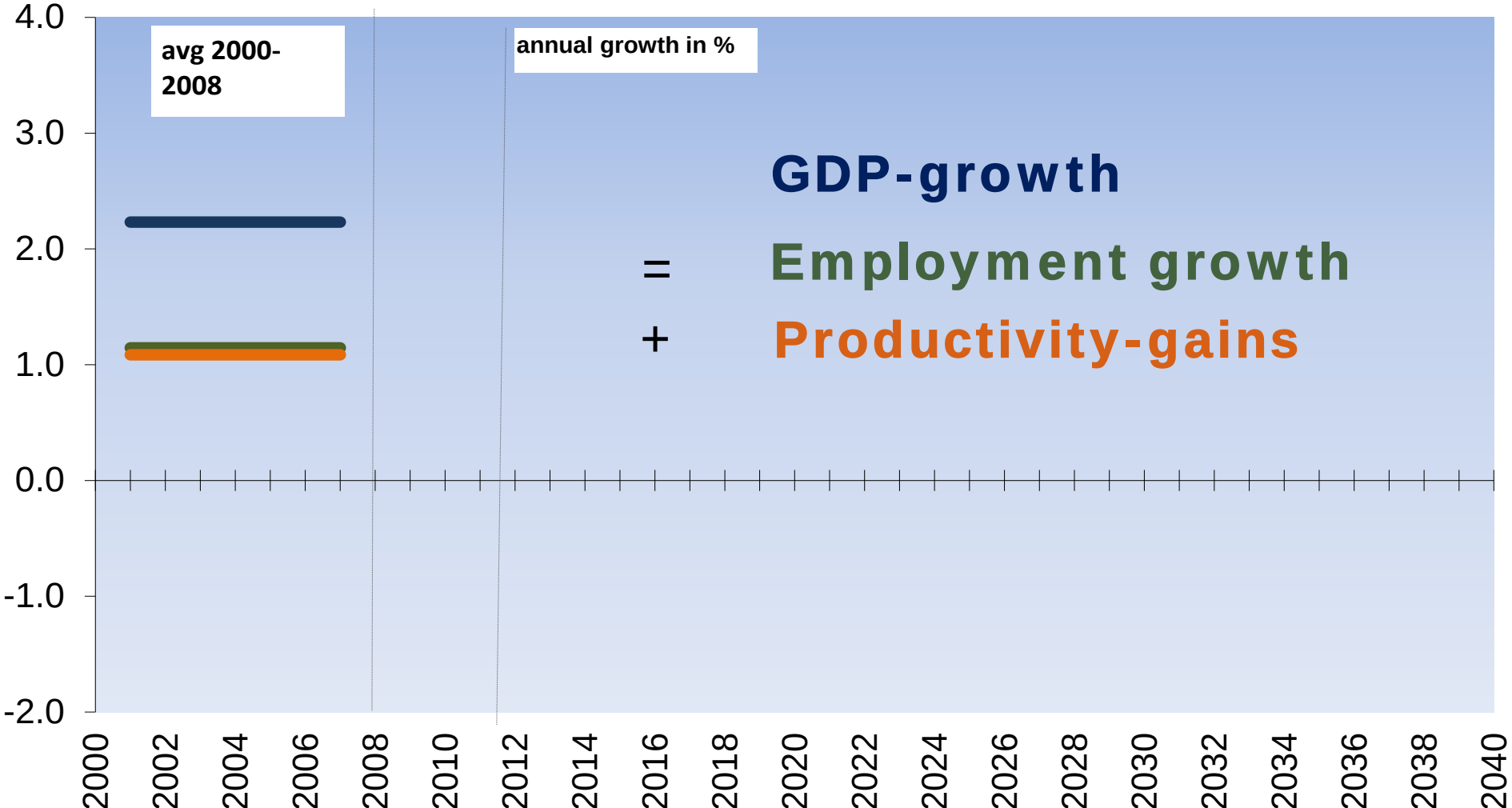
EU's employment growth turn negative around 2030 *at the latest*.

→ Impact on Europe's growth potential?

EU27

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

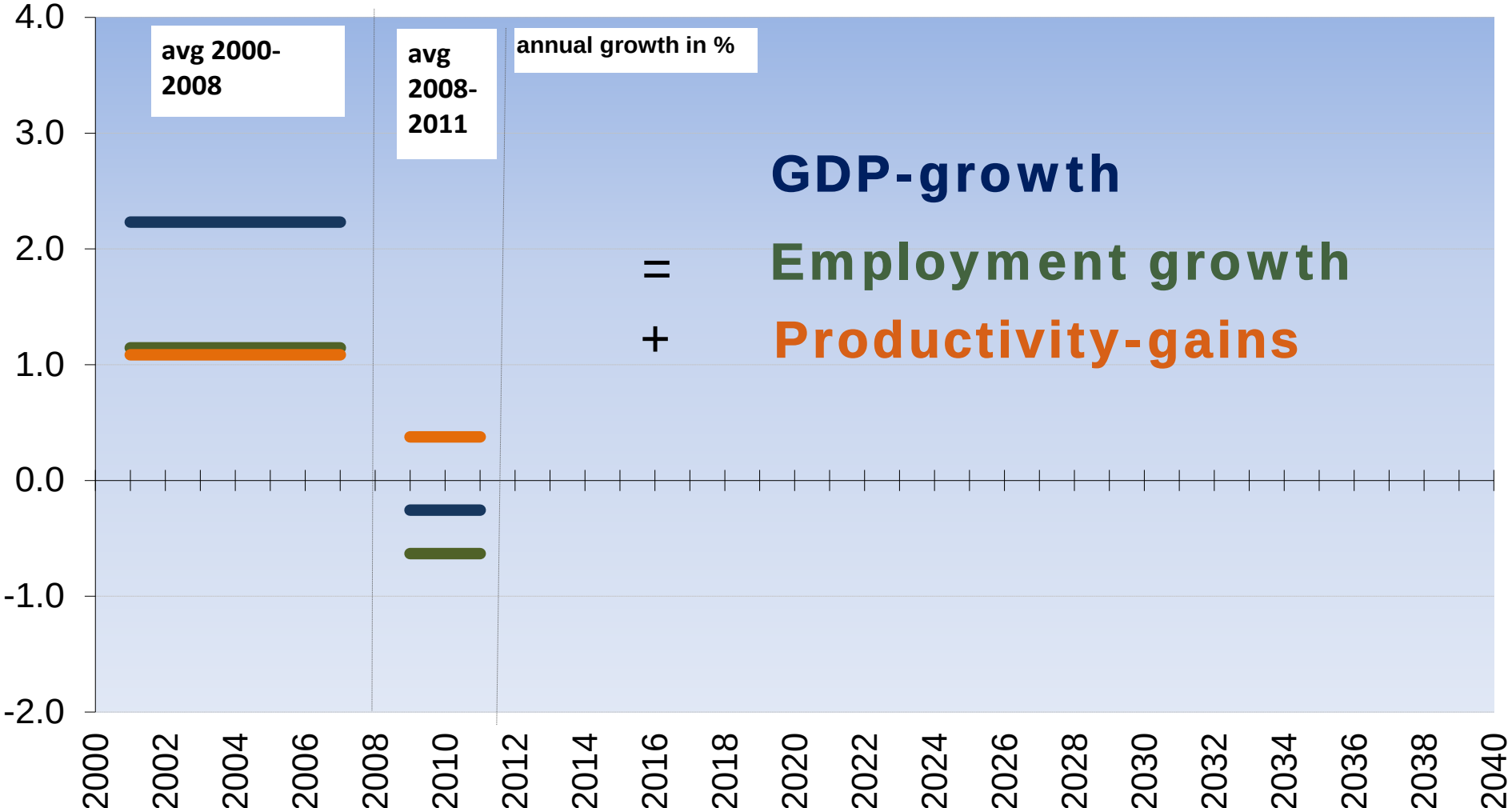
Potential employment growth paths



EU27

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

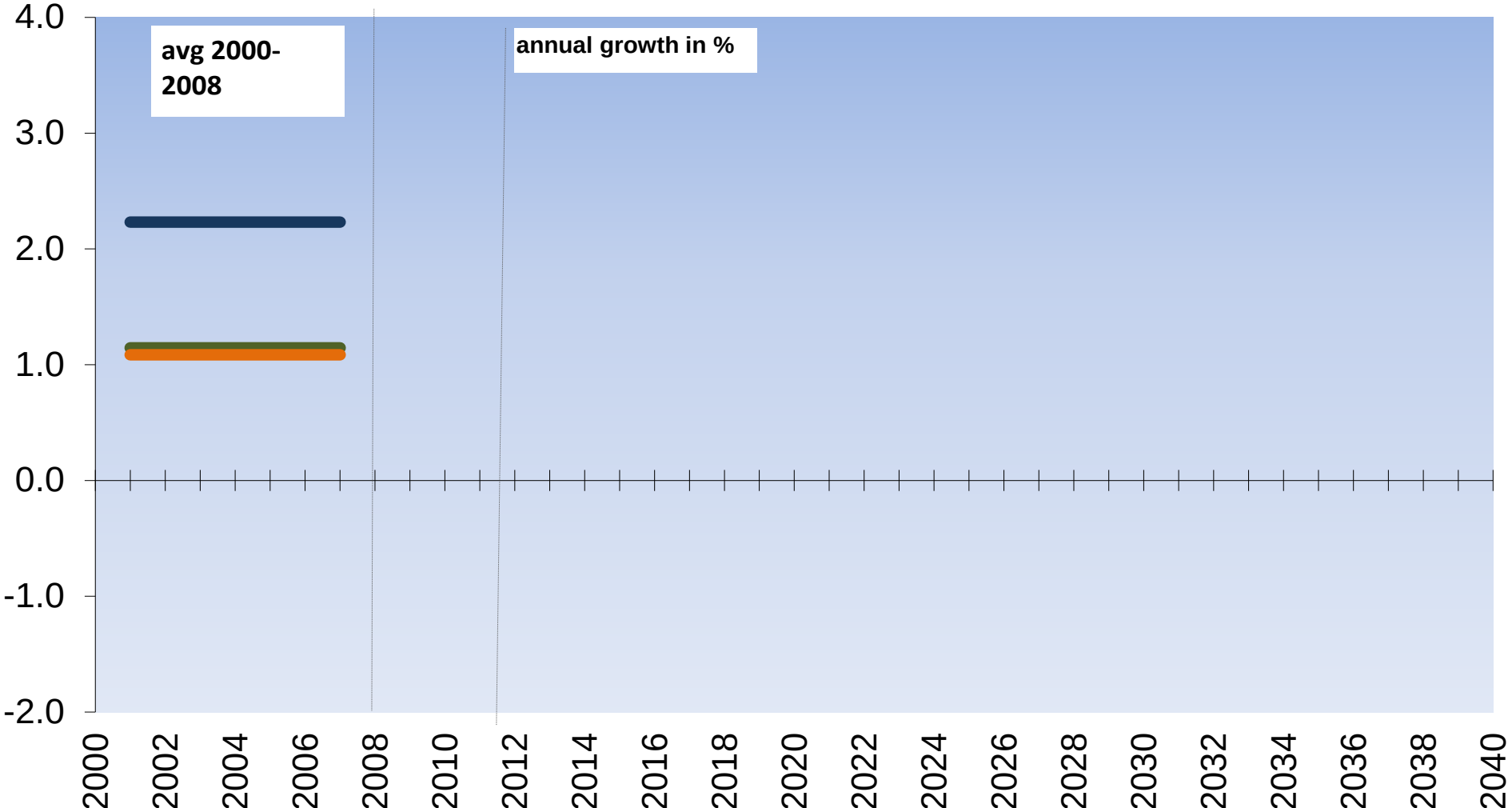
Potential employment growth paths



EU27

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

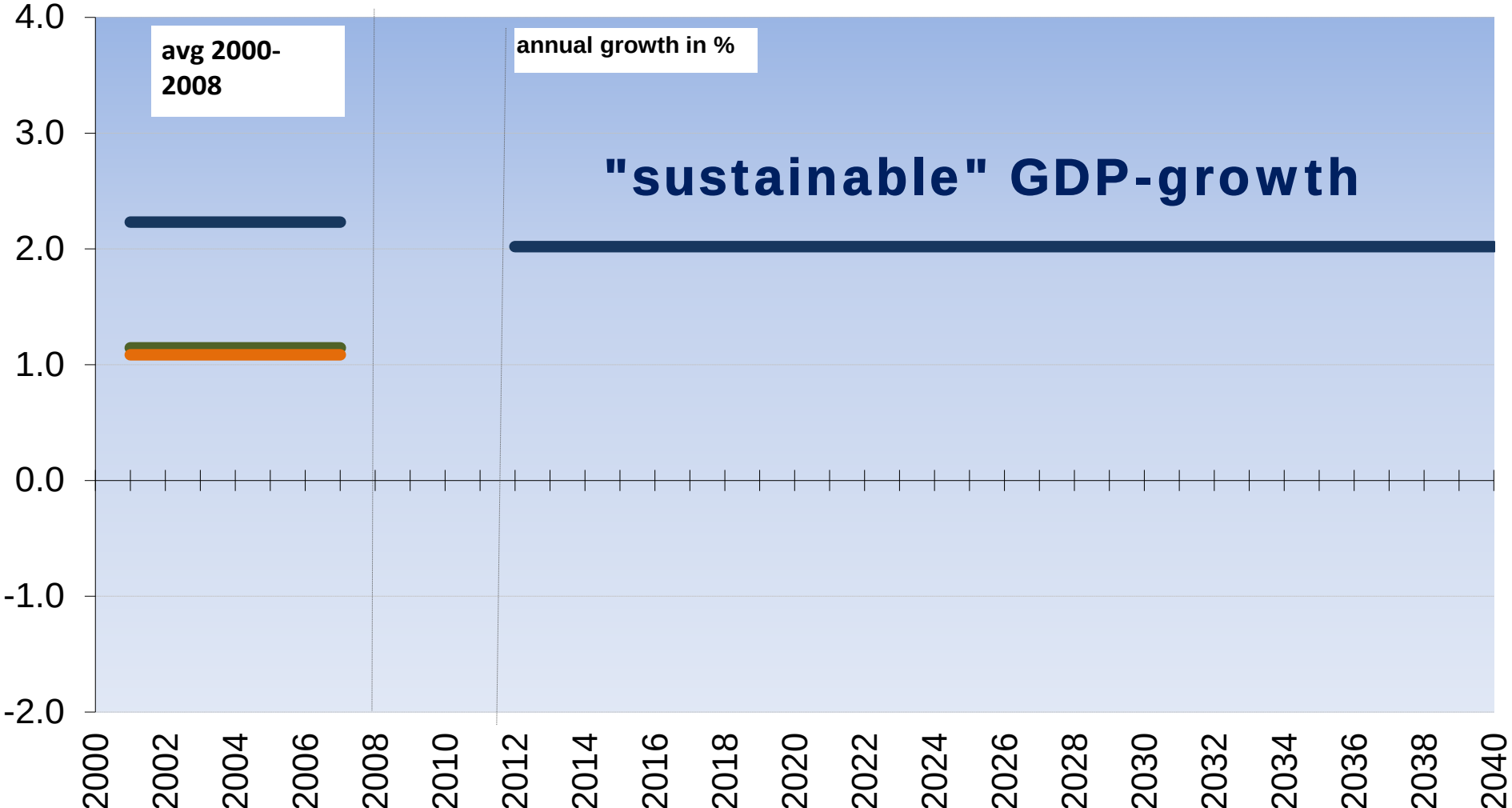
Potential employment growth paths



EU27

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

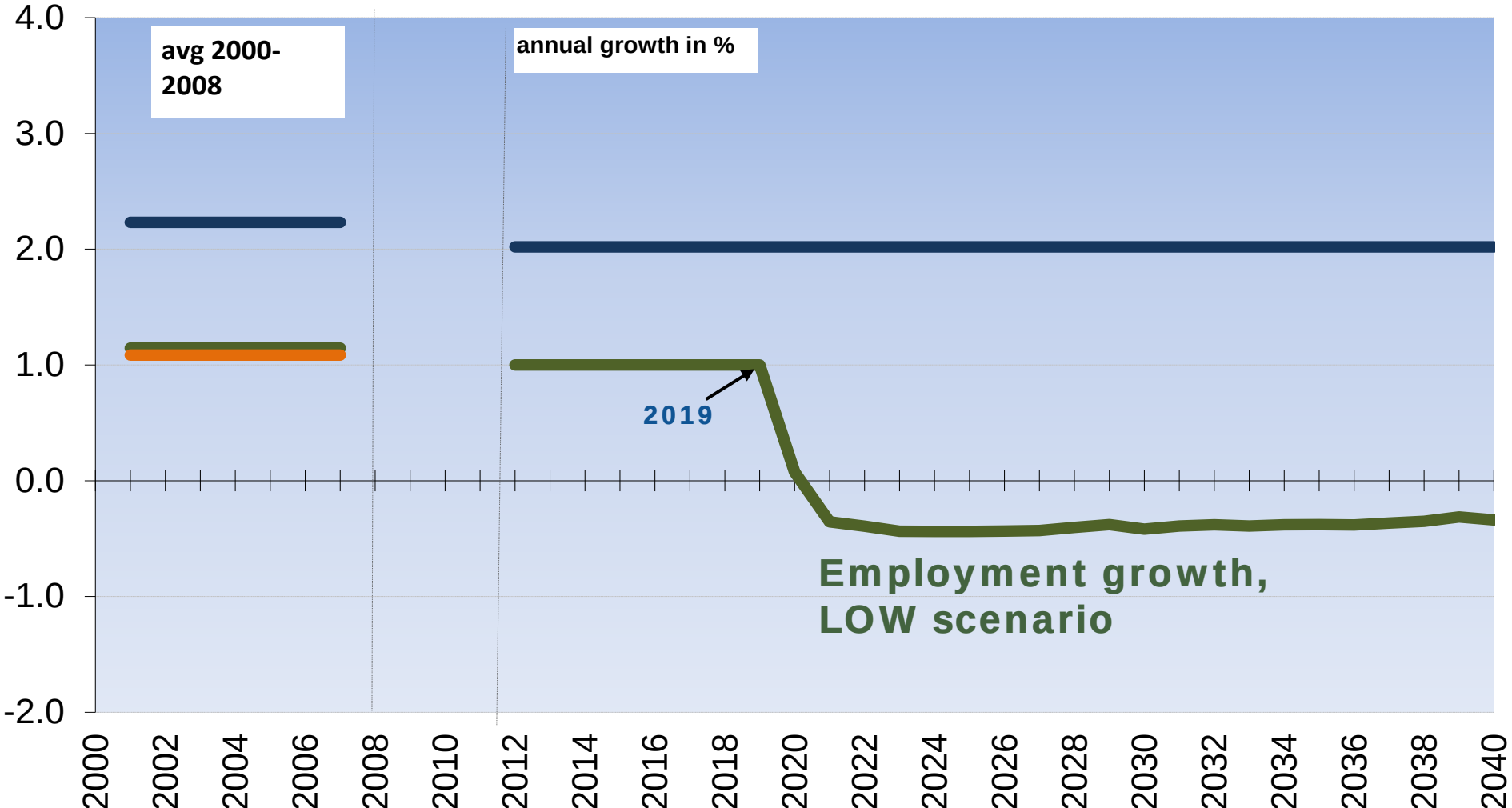
Potential employment growth paths



EU27

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

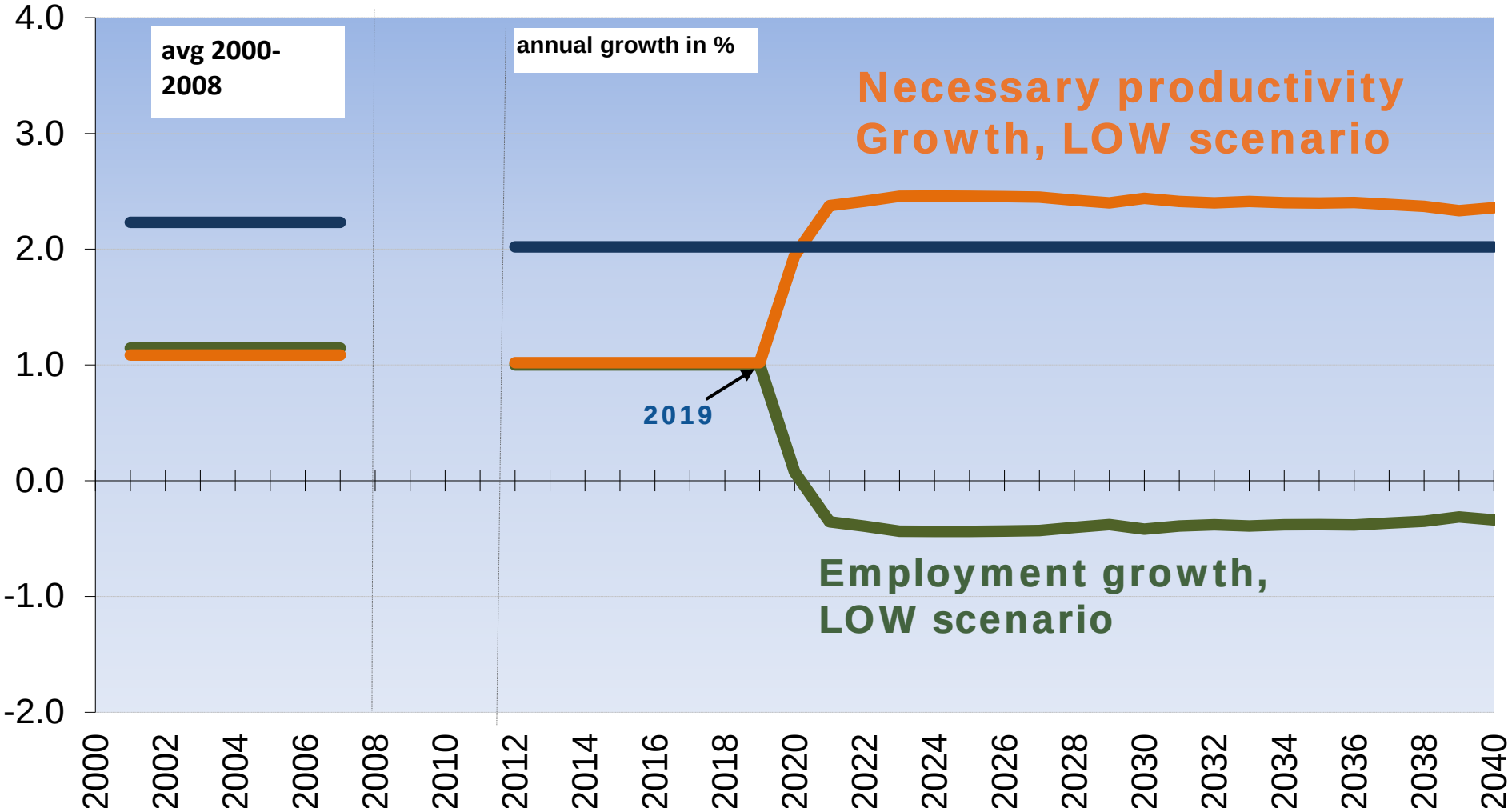
Potential employment growth paths



EU27

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

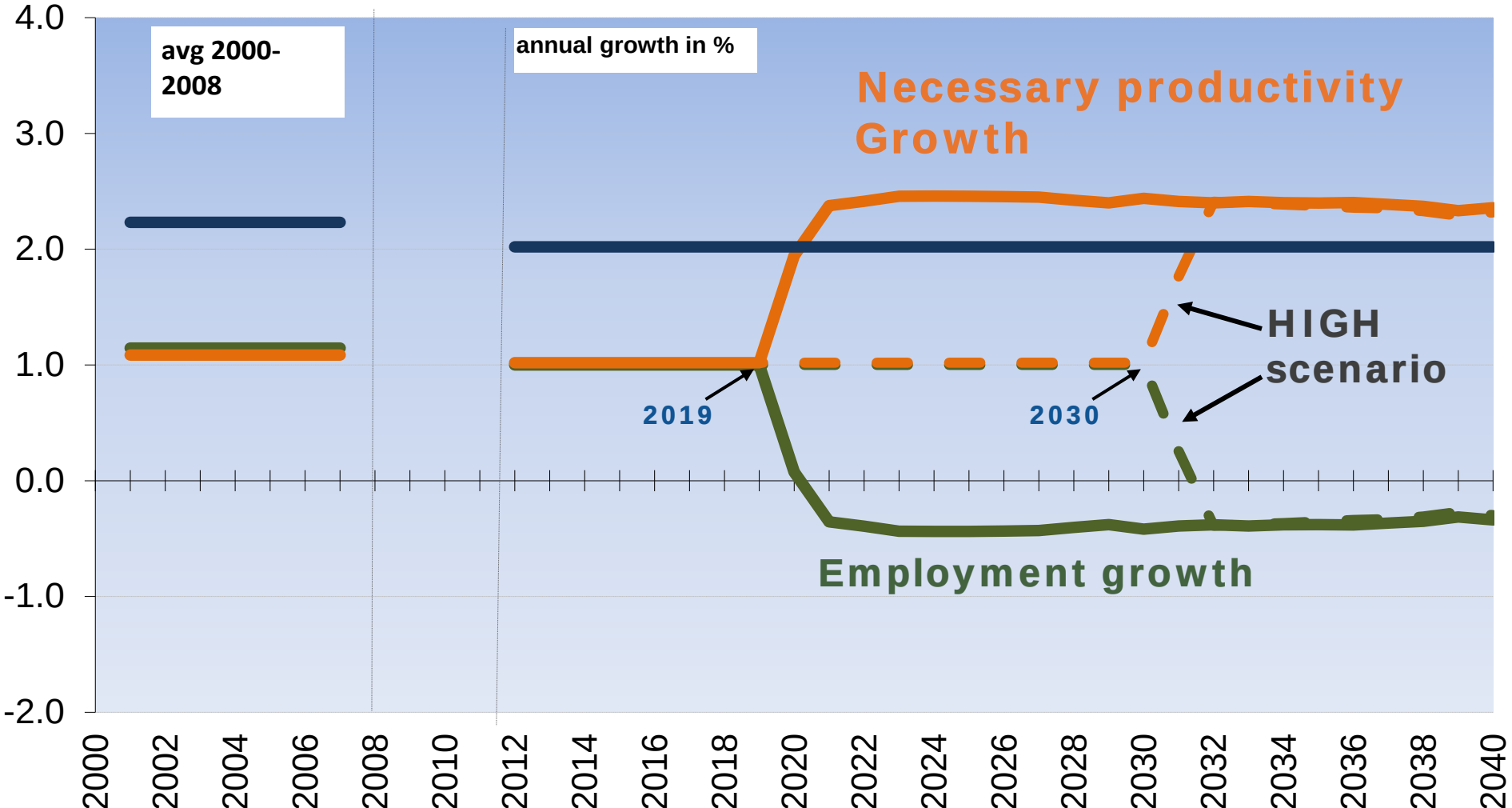
Potential employment growth paths



EU27

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

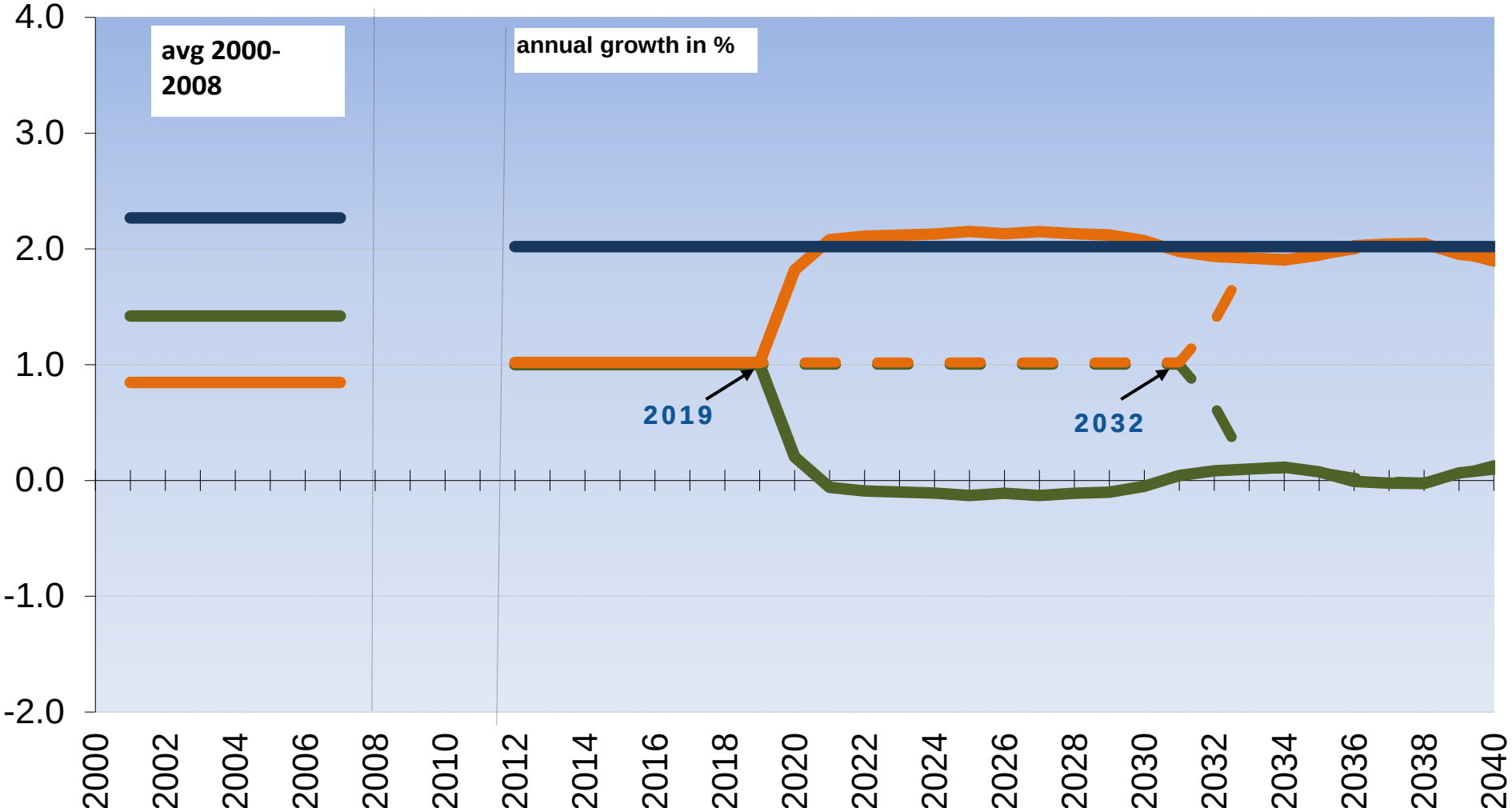
Potential employment growth paths



FRANCE

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

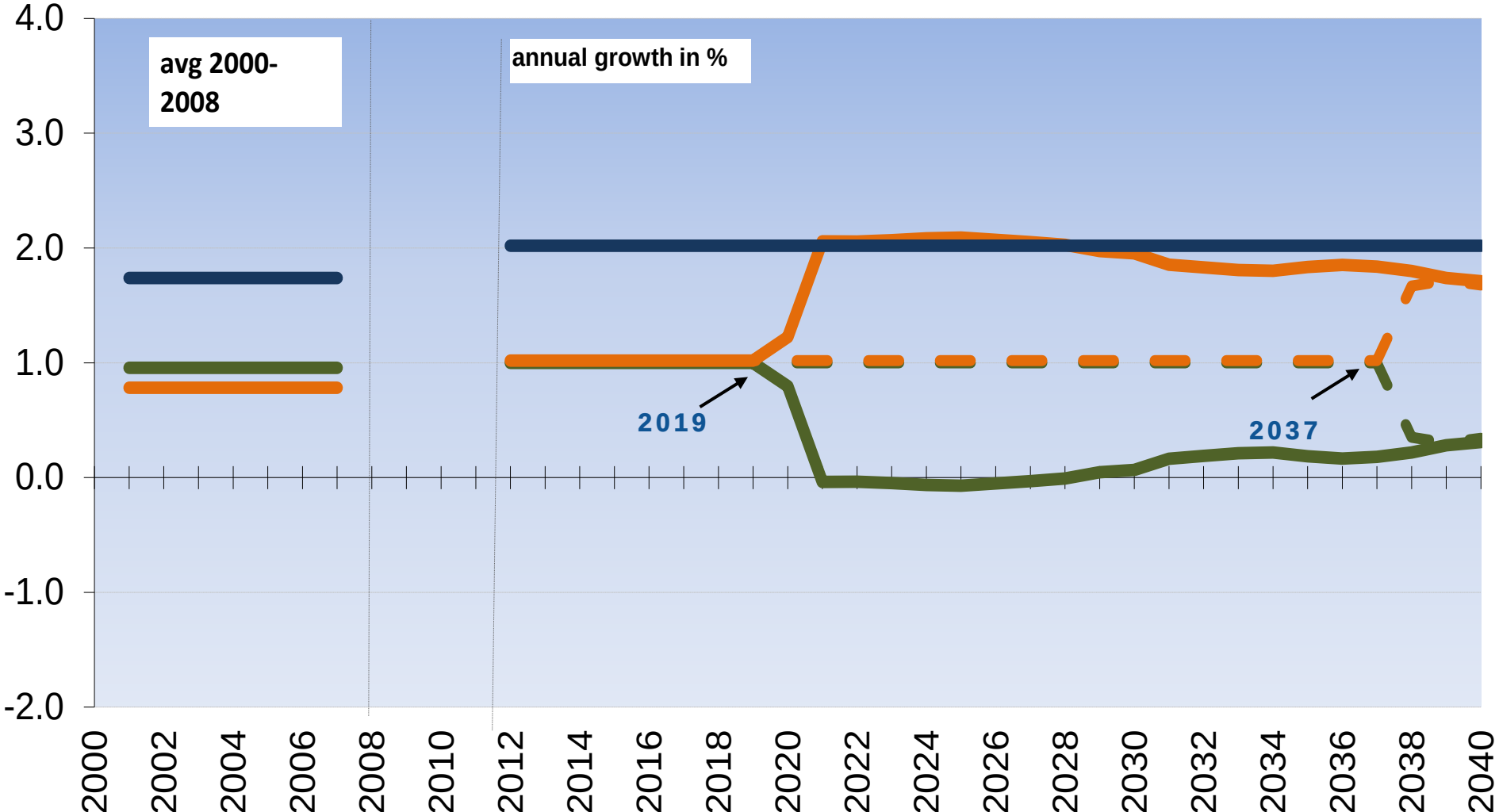
Potential employment growth paths



BELGIUM

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

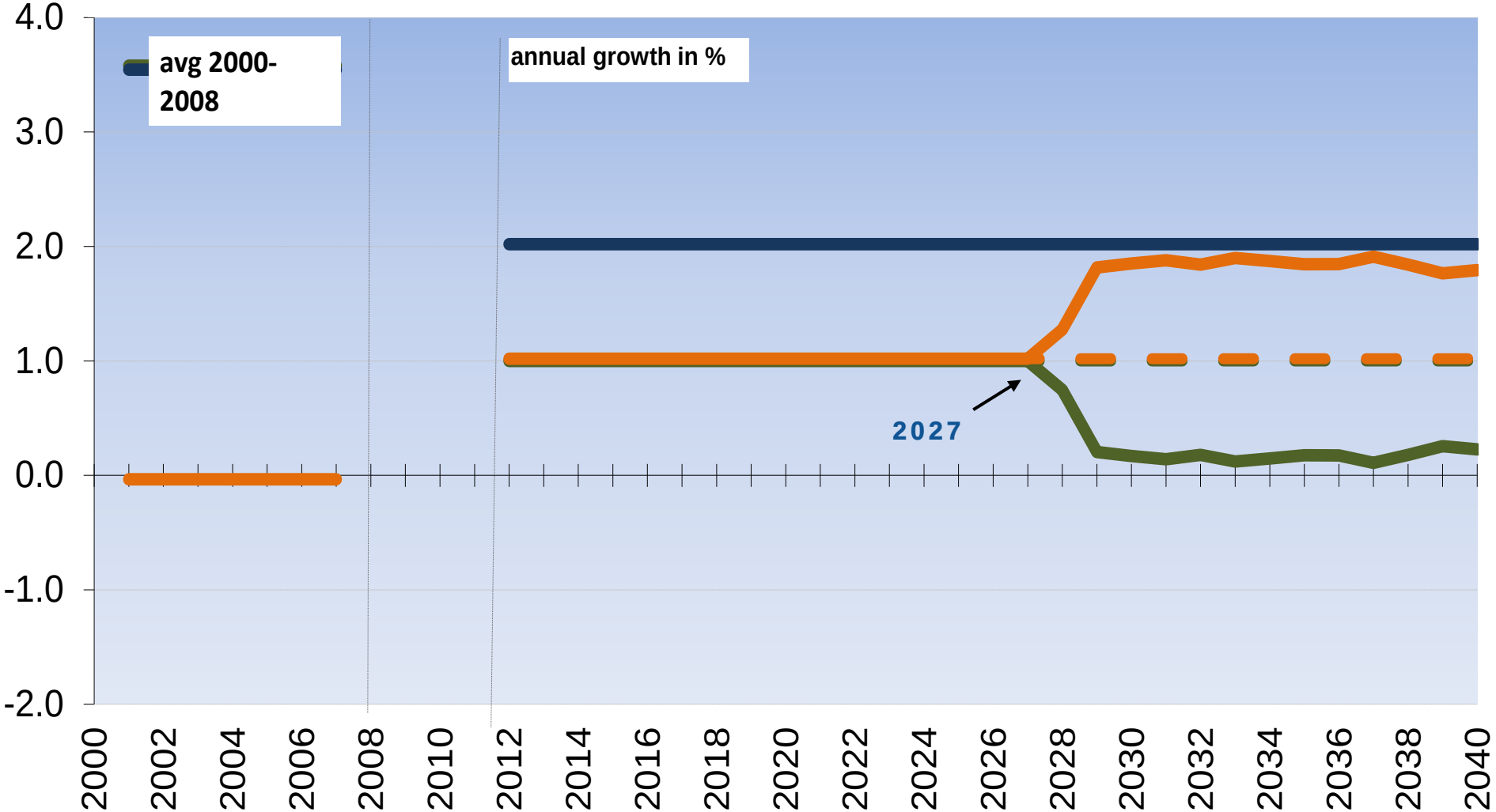
Potential employment growth paths



LUXEMBOURG

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

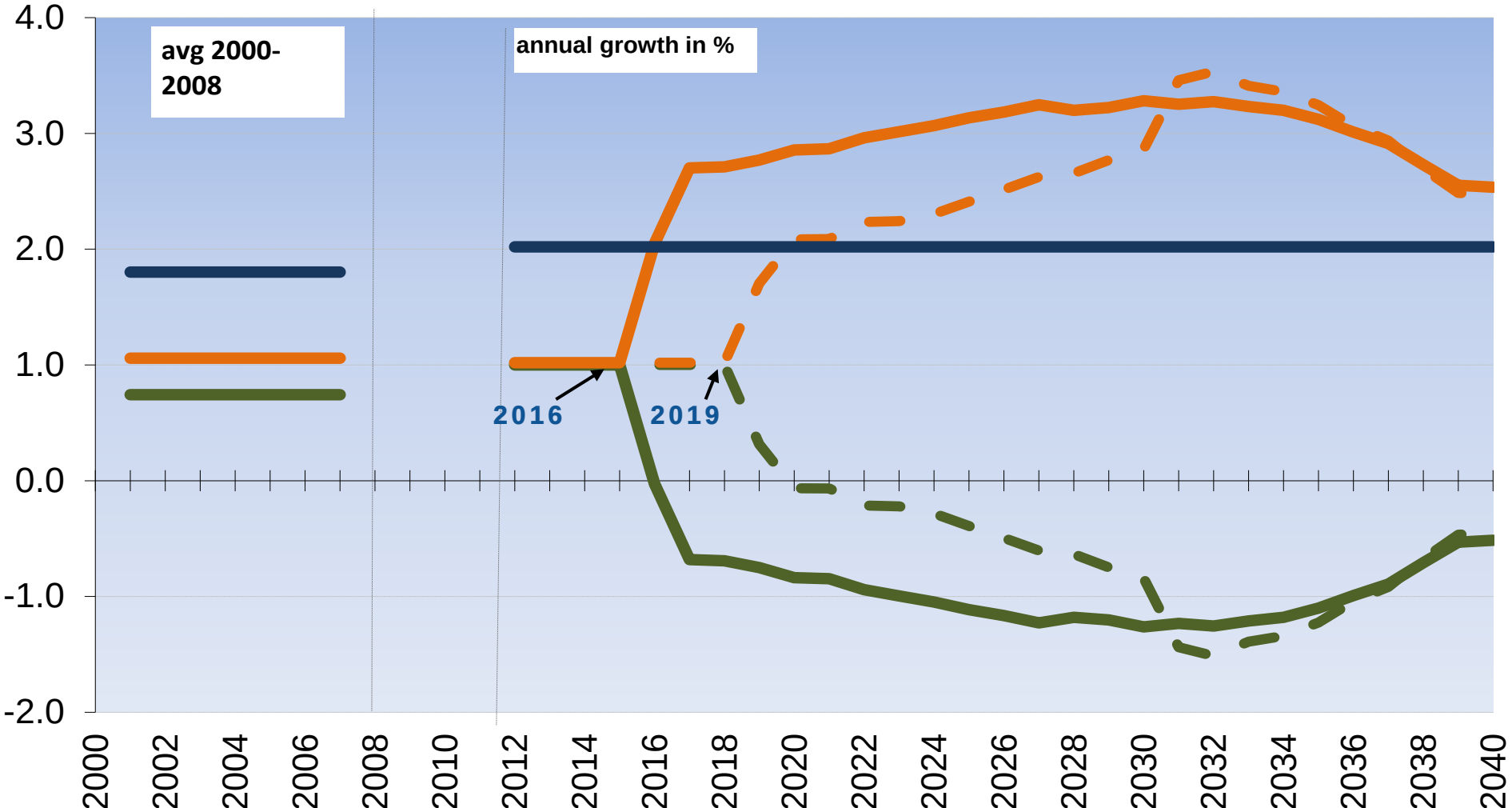
Potential employment growth paths



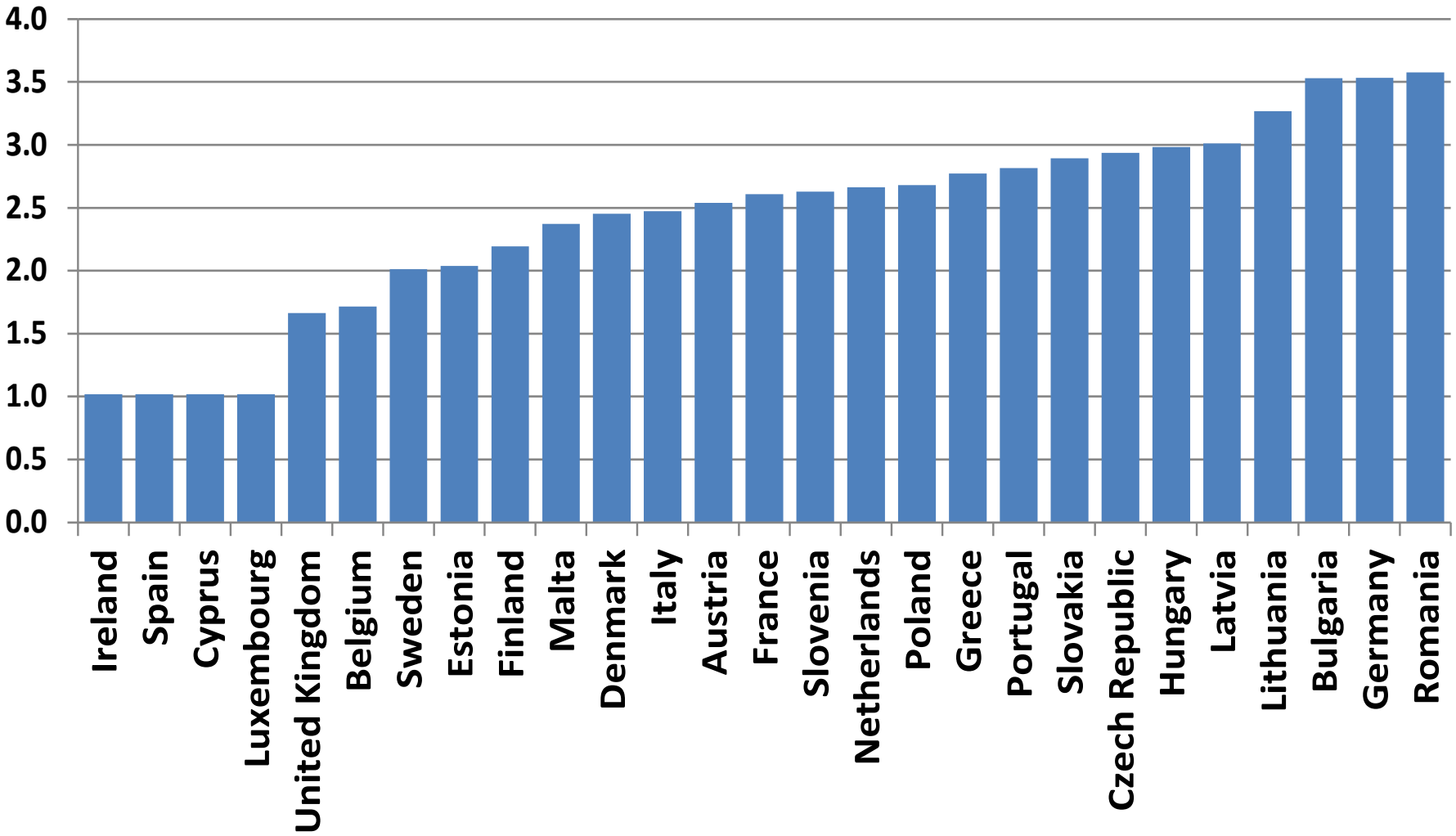
GERMANY

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

Potential employment growth paths



Maximum annual productivity growth required for 2 % GDP growth - HIGH activation scenario



Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

Conclusion (2)

What to do in Europe?

→ **NOW: Use existing potential to 'prolong' employment growth !**

Increase employment potential, **tapping into resources so far unexploited** (increase women's, young people's, migrants', older workers' employment rate).

→ **For COMING DECADES: Use this extra time to invest in productivity !**

Increase (local) productivity as the only remaining source of growth in future decades !

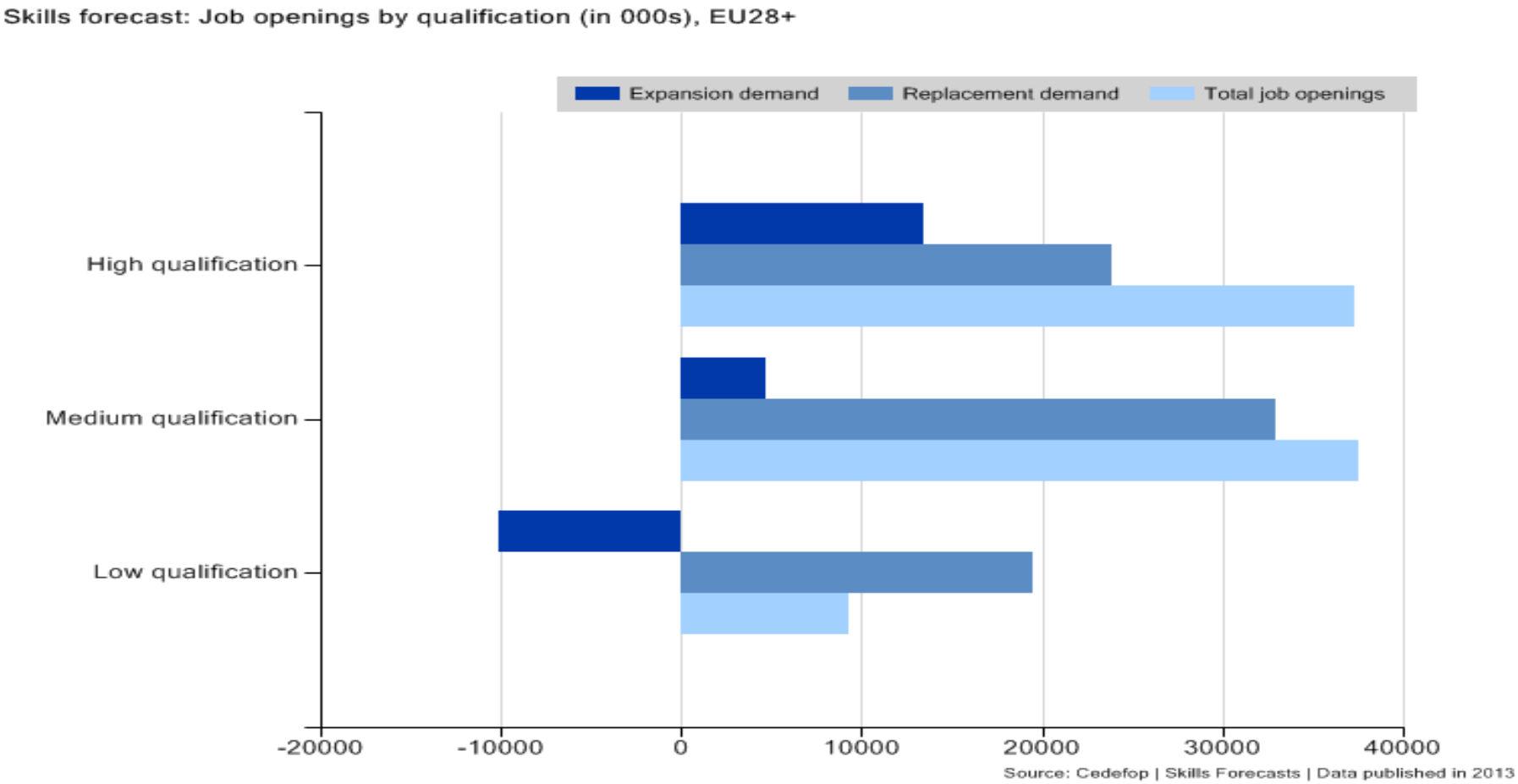
Heavy investment in **skills** development and **education** to achieve higher productivity gains

Meet the demand for higher qualifications to raise productivity!

European Commission

Job openings in the EU, change from 2010 to 2020 in % (CEDEFOP-forecast)

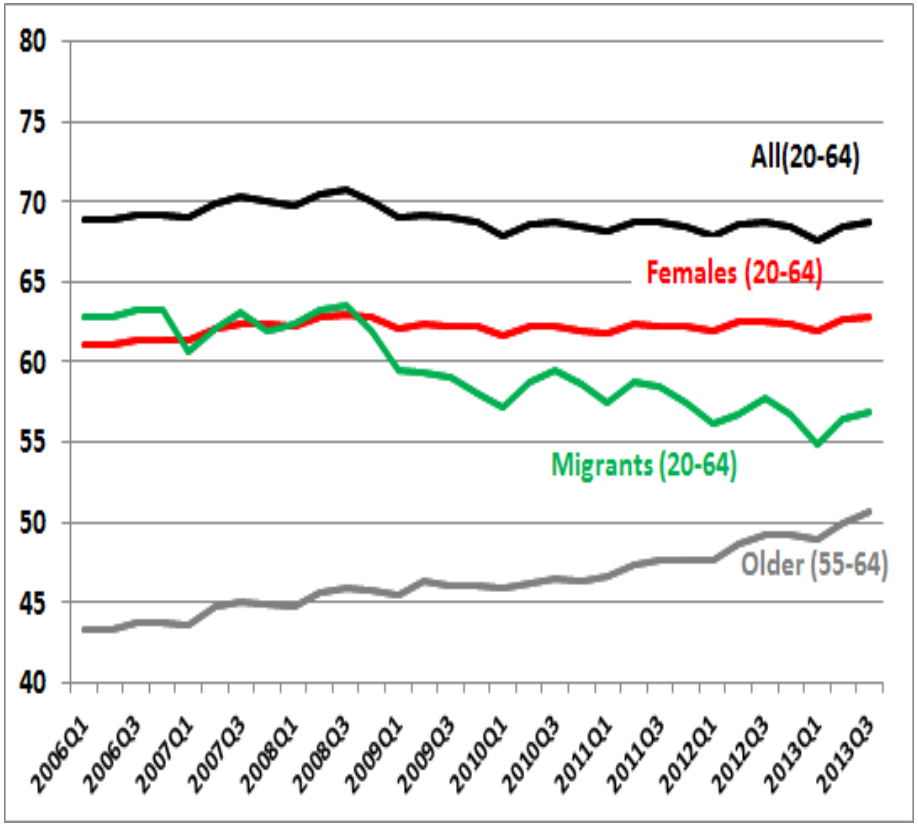
CEDEFOP | European Centre for the Development of Vocational Training



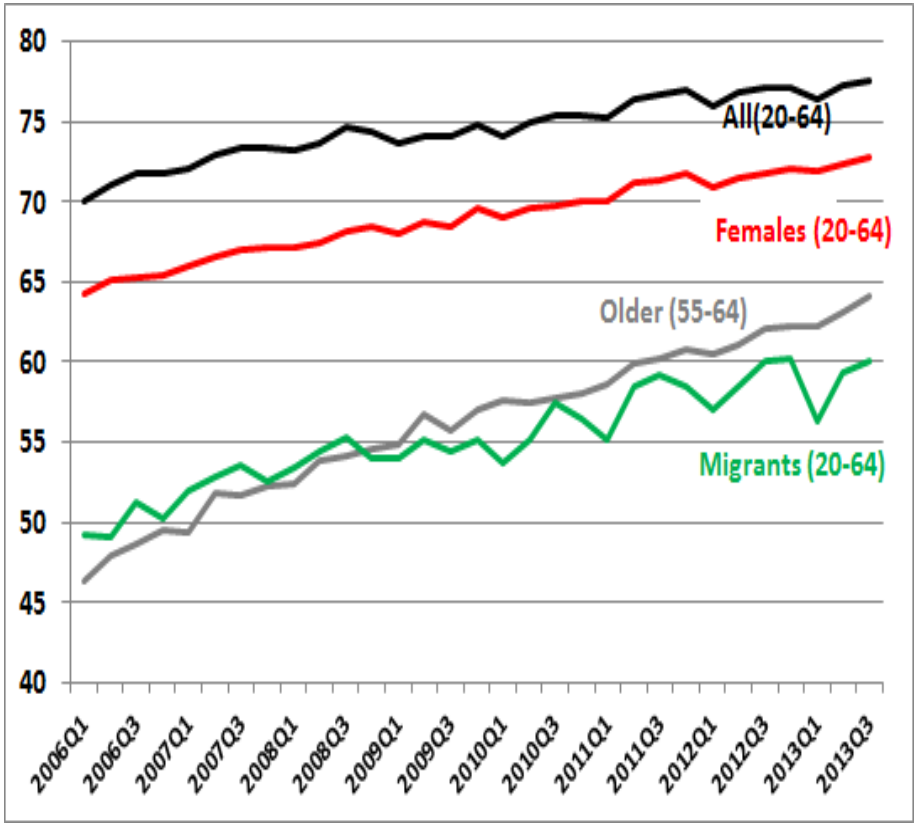
Current 'idle employment capacity' is enormous

Employment rates by gender, age, citizenship in % of population (of a given age group)

EU28



Germany



Source: Eurostat EU-LFS

Employment rates in Europe: 2012 (age 20-64)

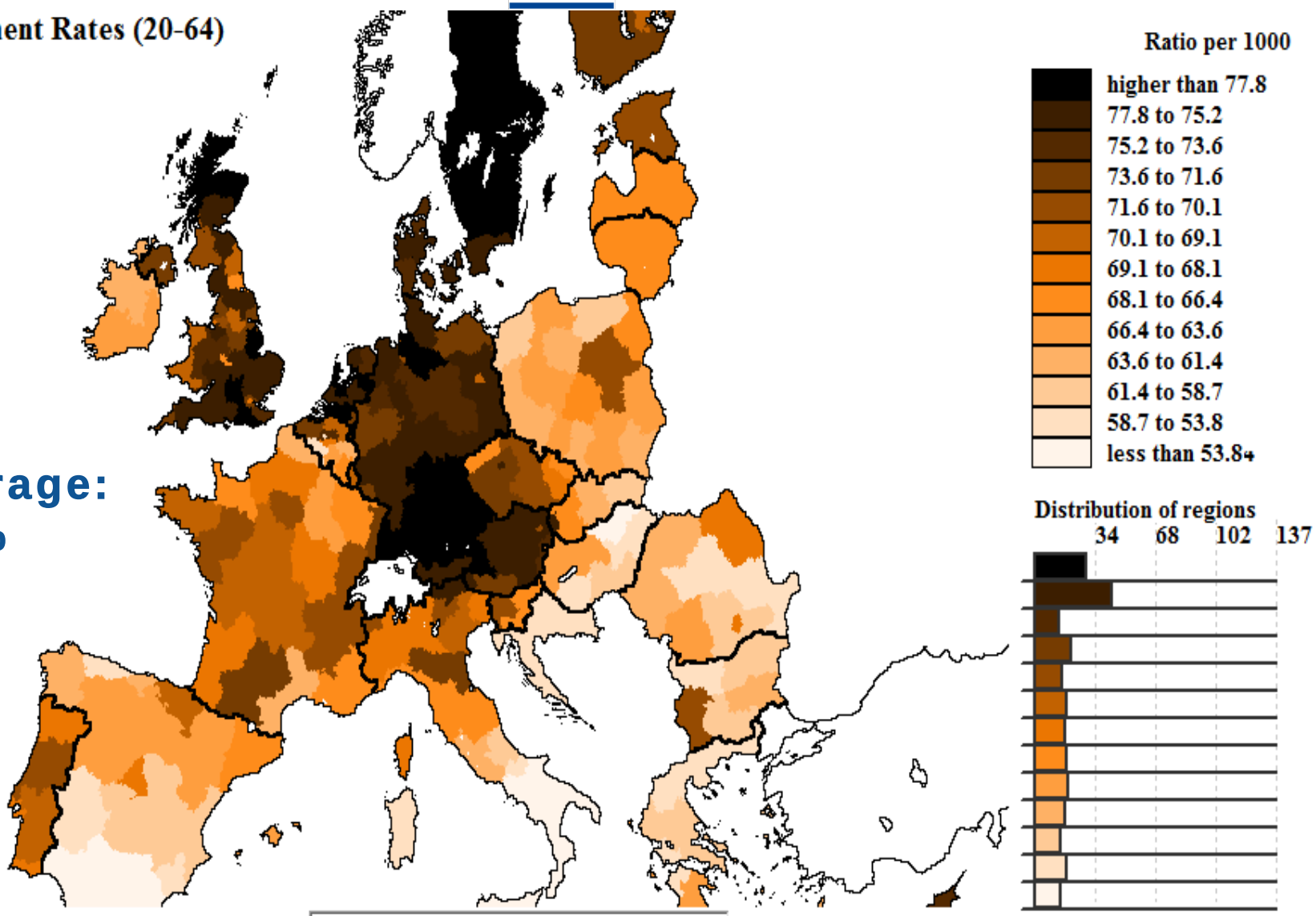
European Commission

Local Employment Rates (20-64)

Now:

2012

EU-average: 68 %



Source: Own calculations based on Eurostat EU LFS

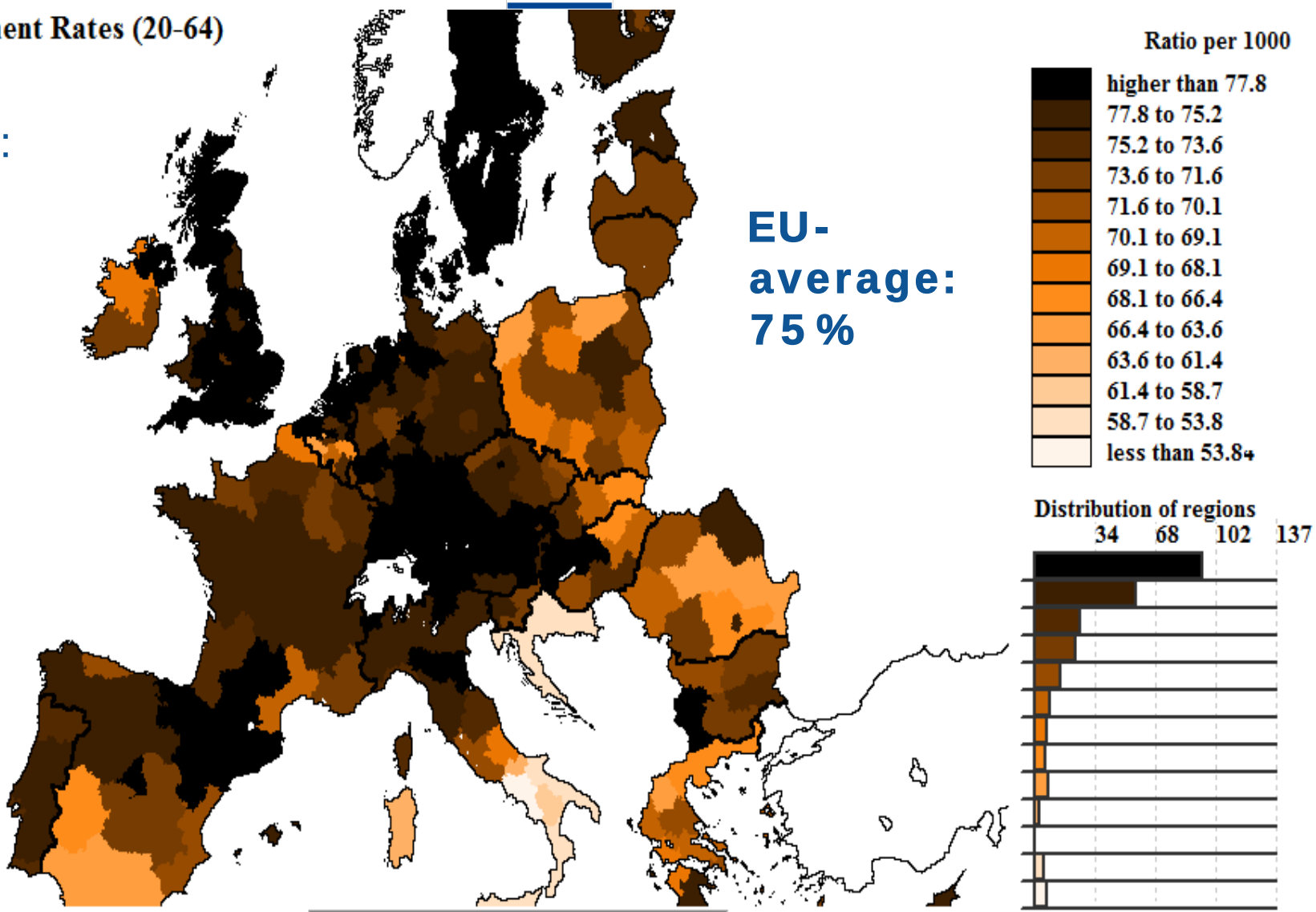
Source: LFS data, own calculations based on DG EMPL's regional projection software

Employment rates in Europe: „EU2020“ (age 20-64) (EU-average 75% by 2020)

European Commission

Phase I:

2022



EU-average: 75%

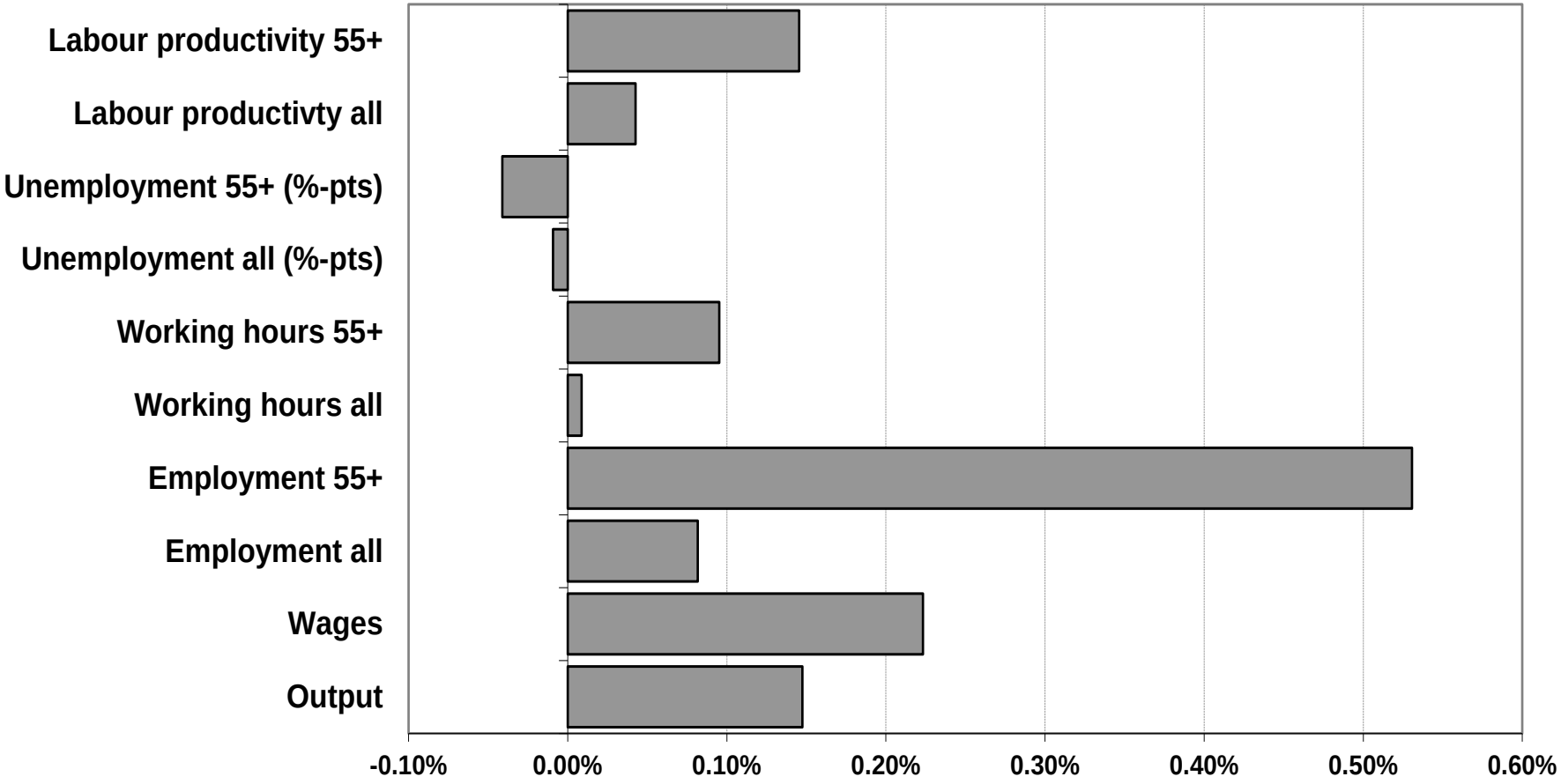
Source: LFS data, own calculations based on DG EMPL's regional projection software

Source: Own calculations based on Eurostat EU LFS

Active Ageing policy: Definitely helpful!

European Commission

Model-simulation: Subsidy to firms for older workers' training, magnitude: 0.1% of GDP – Long-term impact for Germany



Source: Own calculation based on DG EMPL's Labour Market Model
See Employment and Social Developments in Europe 2011, Chapter 5: Active Ageing (p. 225)

Potential employment growth in the GLOBAL context

Two scenarios concerning female activity rates (age 15-64):

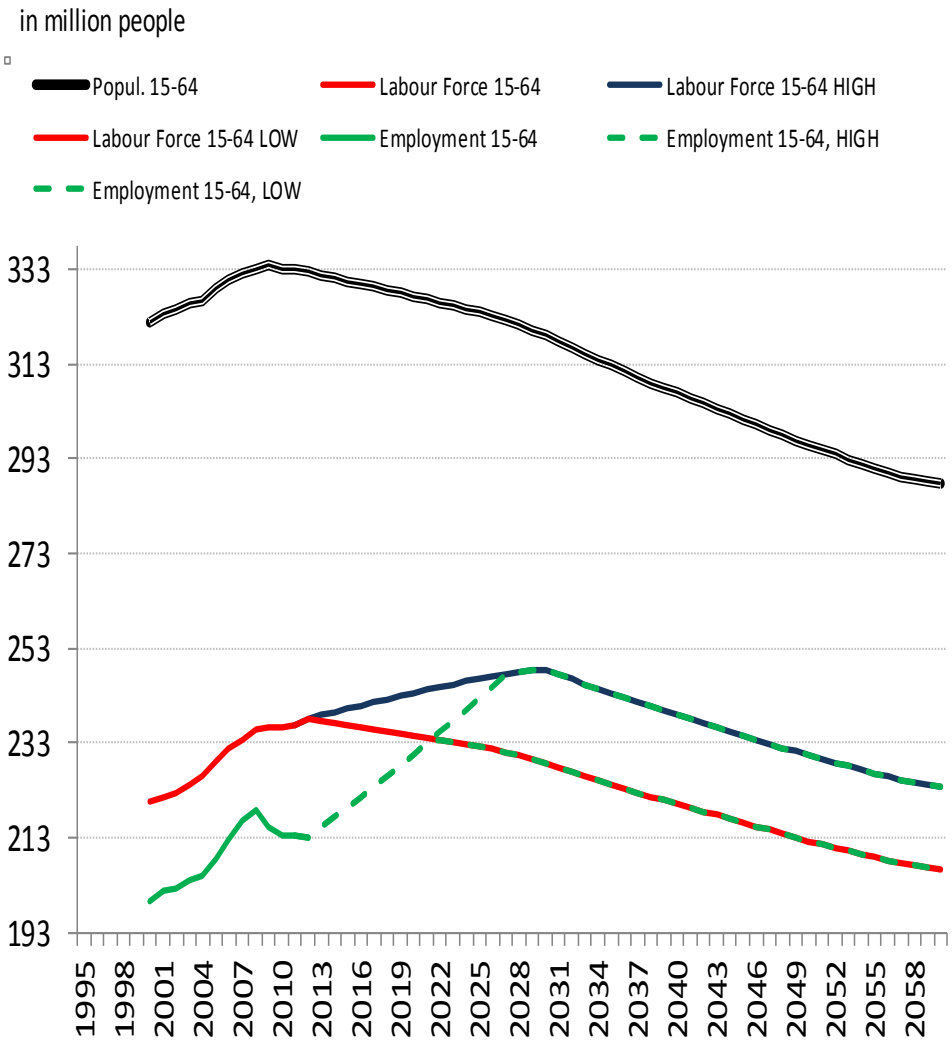
LOW activity:	No further progress (constant at today's level)
HIGH activity:	Female activity rates catch up to male ARs by 2030

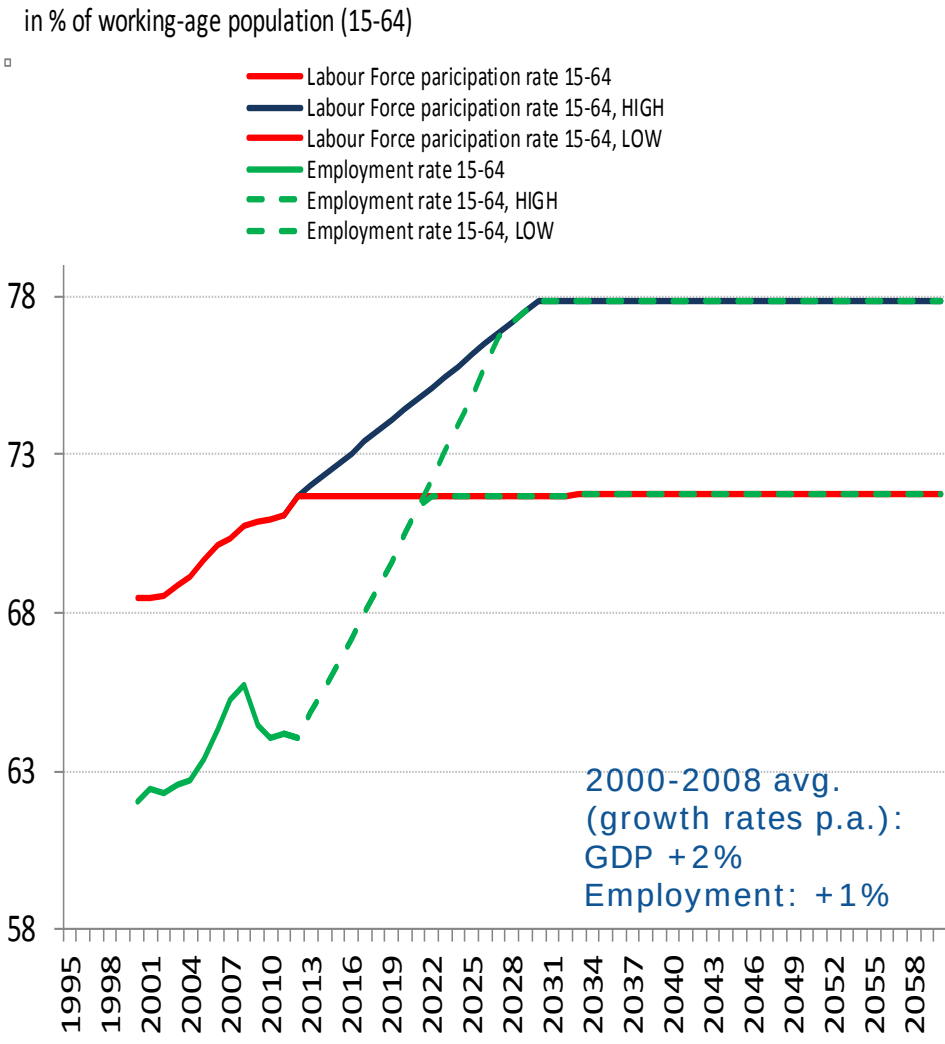
Input data: UN population projections / World Bank labour market data

EU28, Active Population and Employment

.. In the LOW and the HIGH activity scenario

Assumed (envisaged) employment growth: 1 %



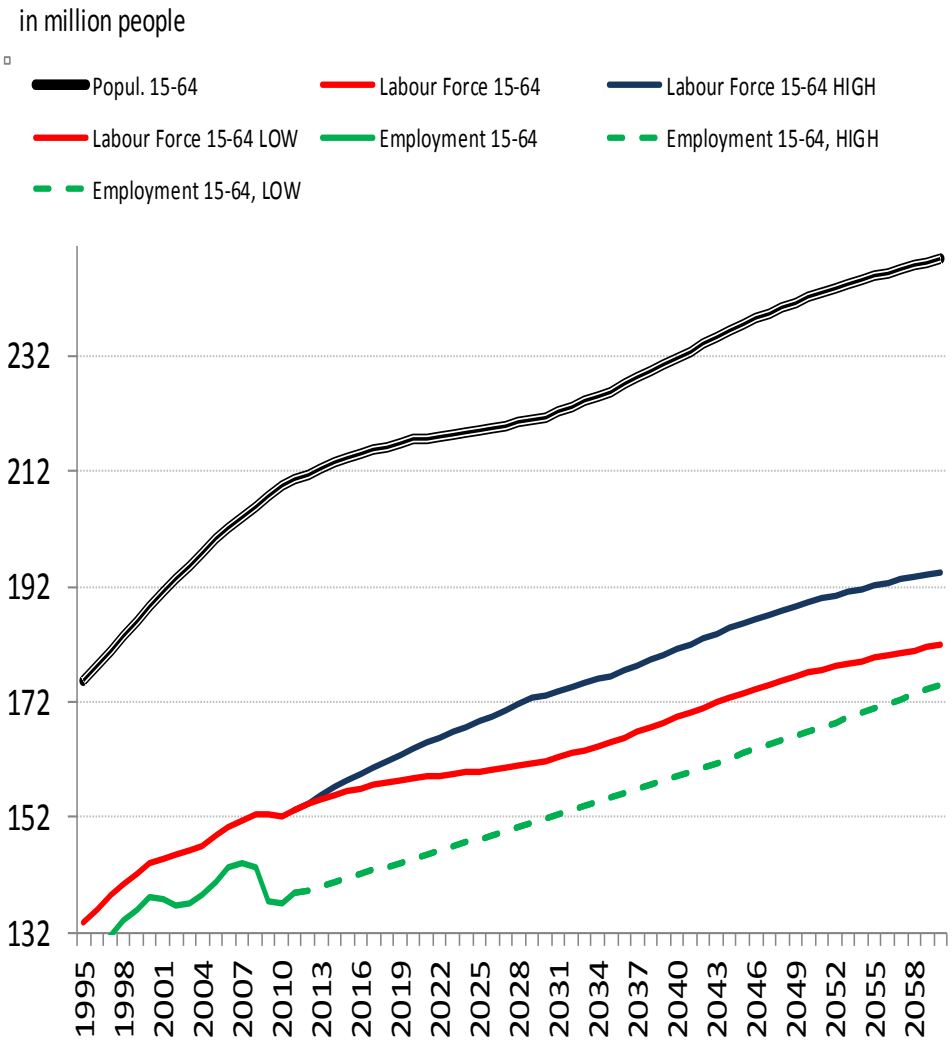


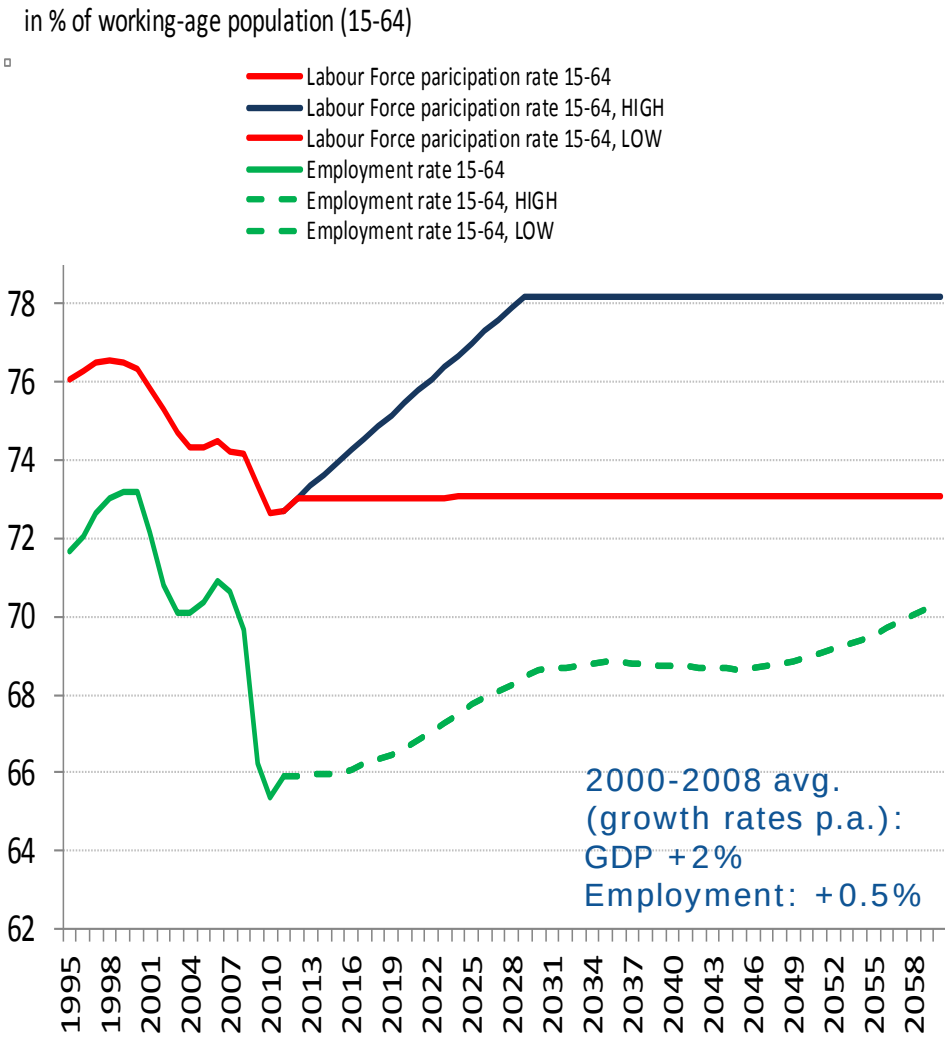
Own projections based on UN population prospects, 2012 revision, medium variant (except EU: Eurostat Europop2010, convergence scenario); World Bank labour market data (employment and participation rates)

USA, Active Population and Employment

.. In the LOW and the HIGH activity scenario

Assumed (envisaged) employment growth: 0.5 %



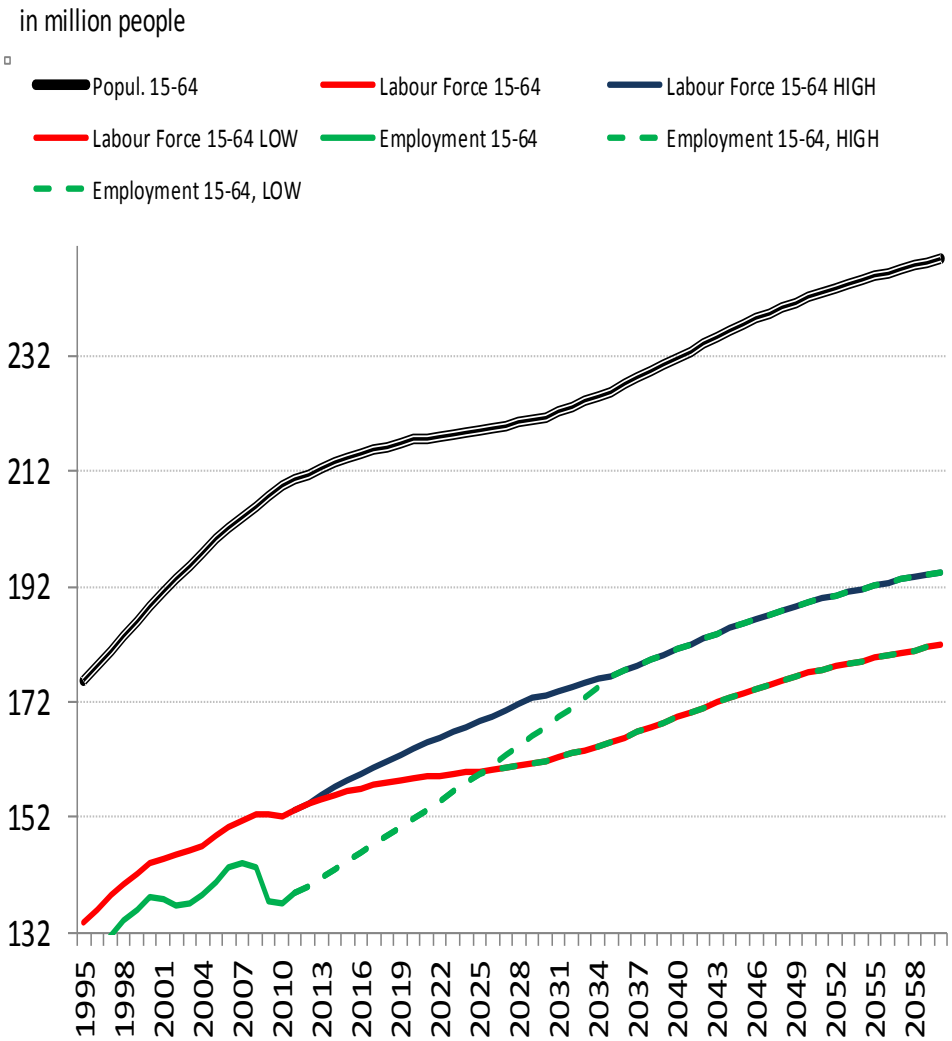


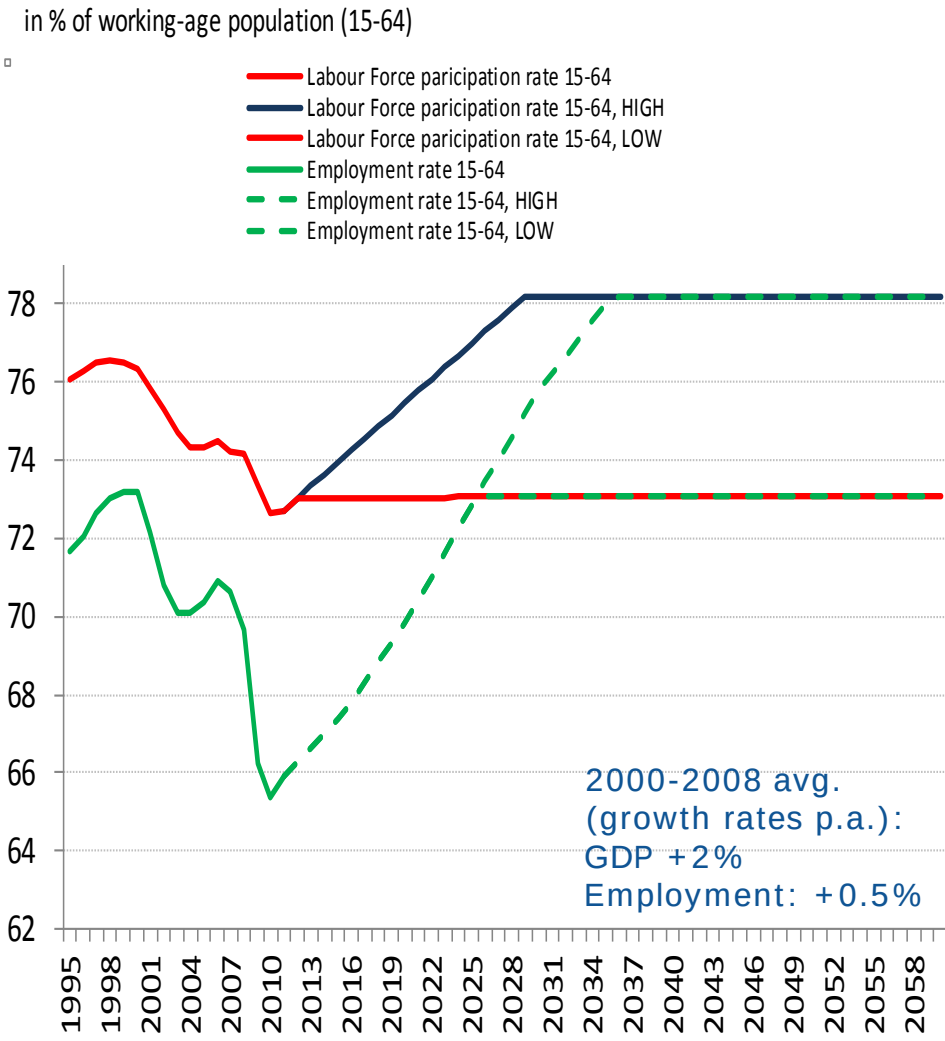
Own projections based on UN population prospects, 2012 revision, medium variant (except EU: Eurostat Europop2010, convergence scenario); World Bank labour market data (employment and participation rates)

USA, Active Population and Employment

.. In the LOW and the HIGH activity scenario

Assumed (envisaged) employment growth: 1 %



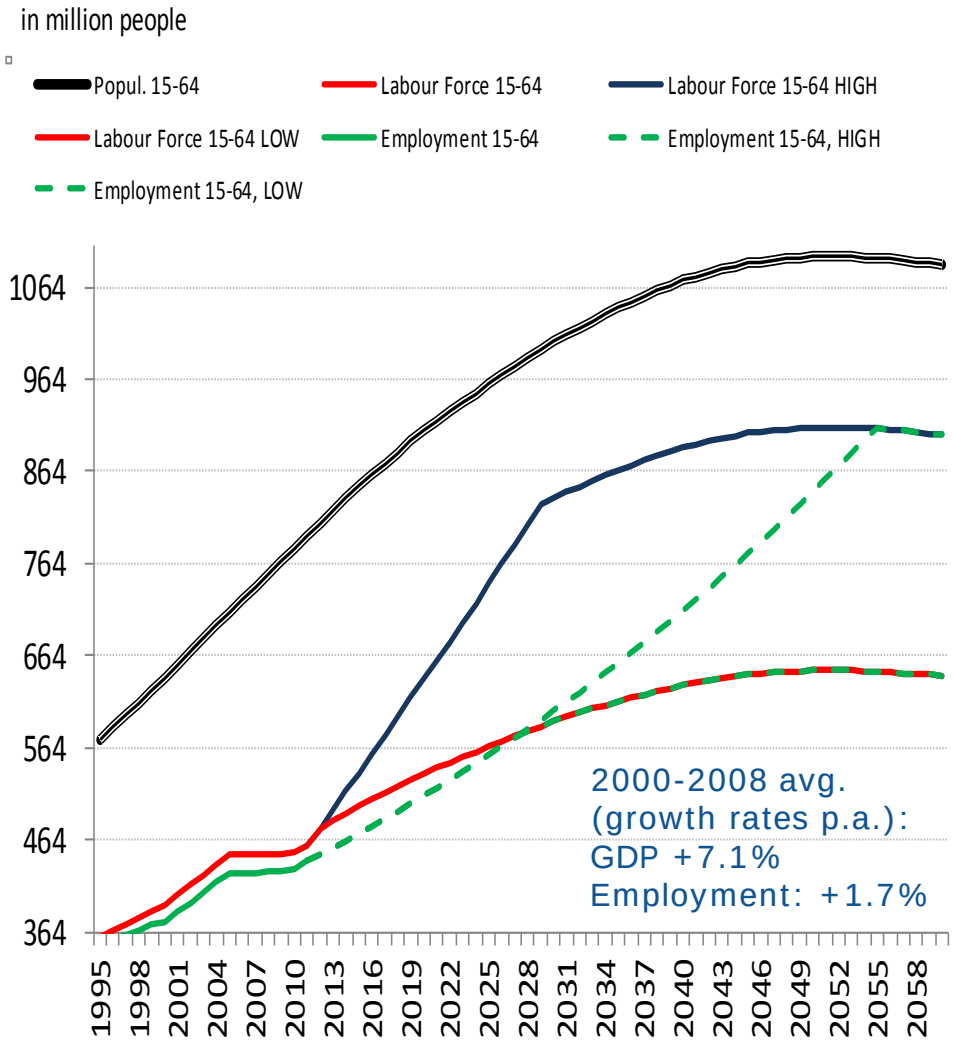


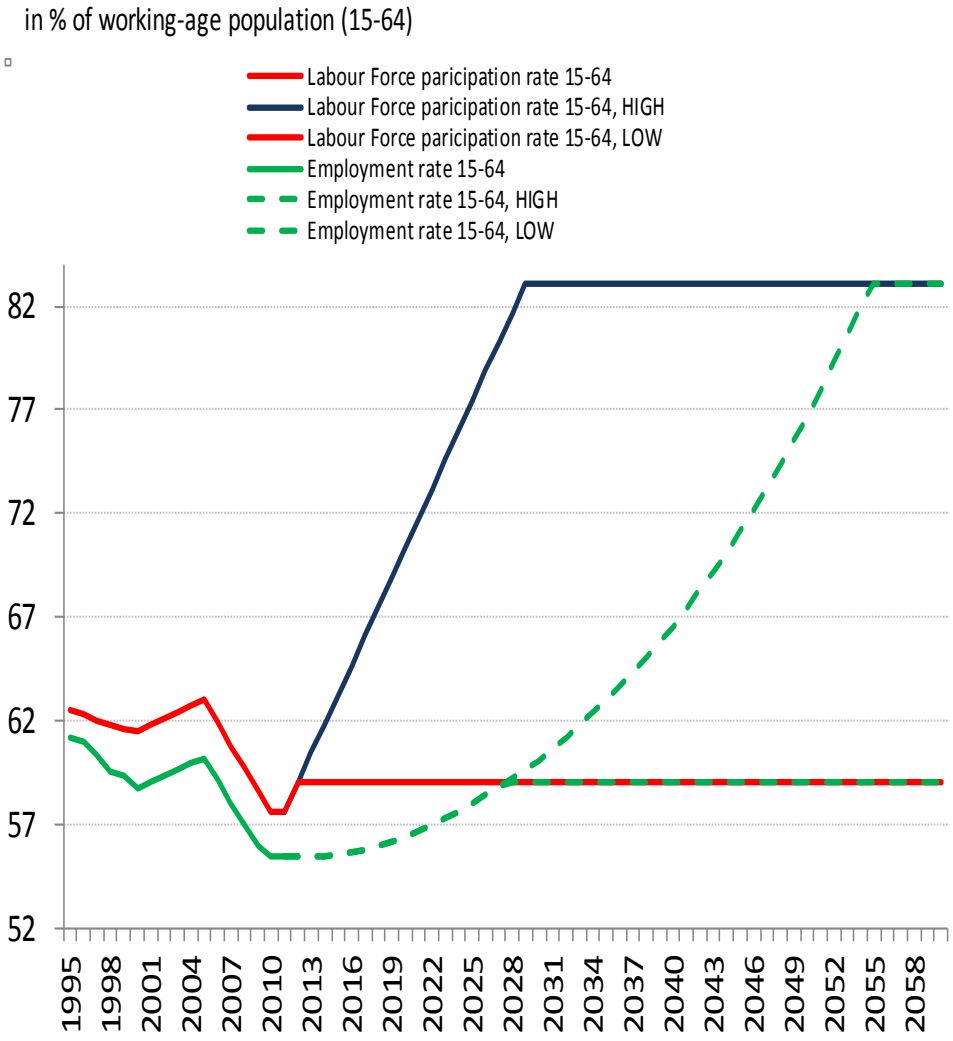
Own projections based on UN population prospects, 2012 revision, medium variant (except EU: Eurostat Europop2010, convergence scenario); World Bank labour market data (employment and participation rates)

India, Active Population and Employment

.. In the LOW and the HIGH activity scenario

Assumed (envisaged) employment growth: 1.7 %



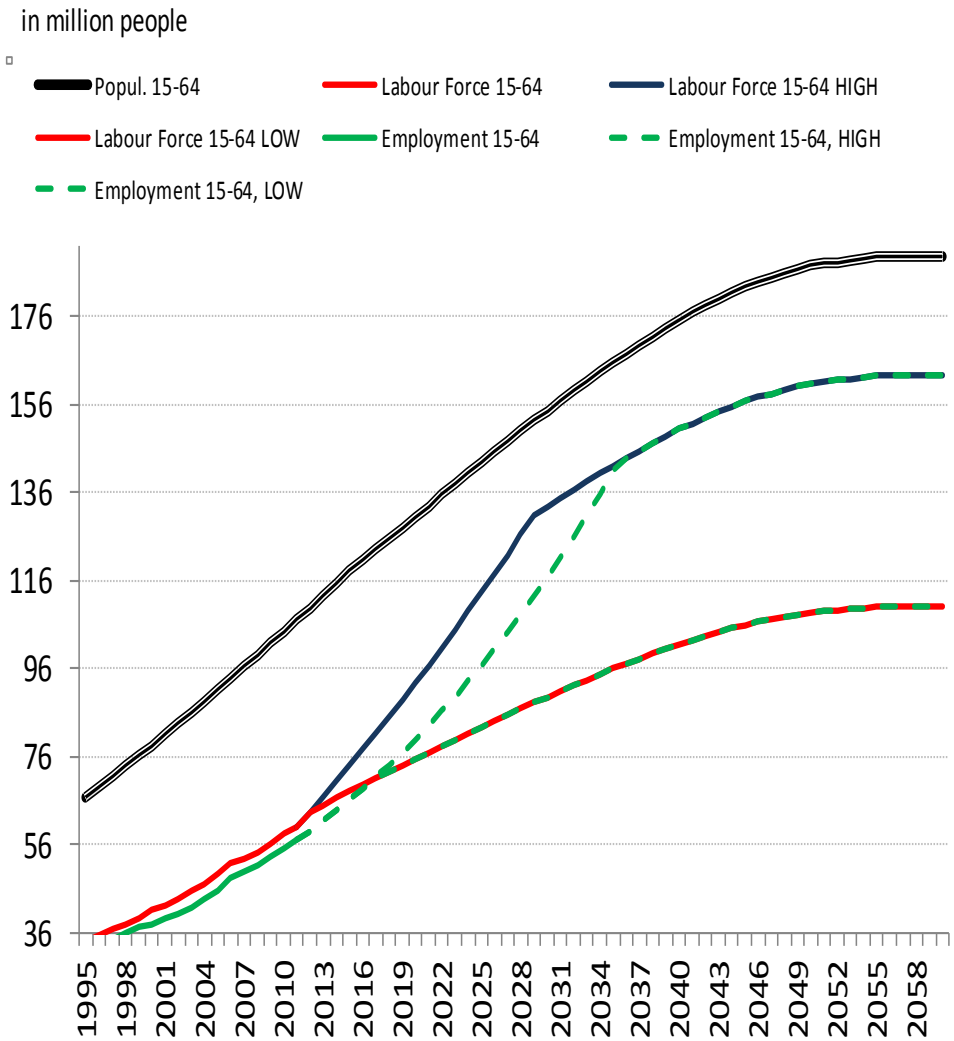


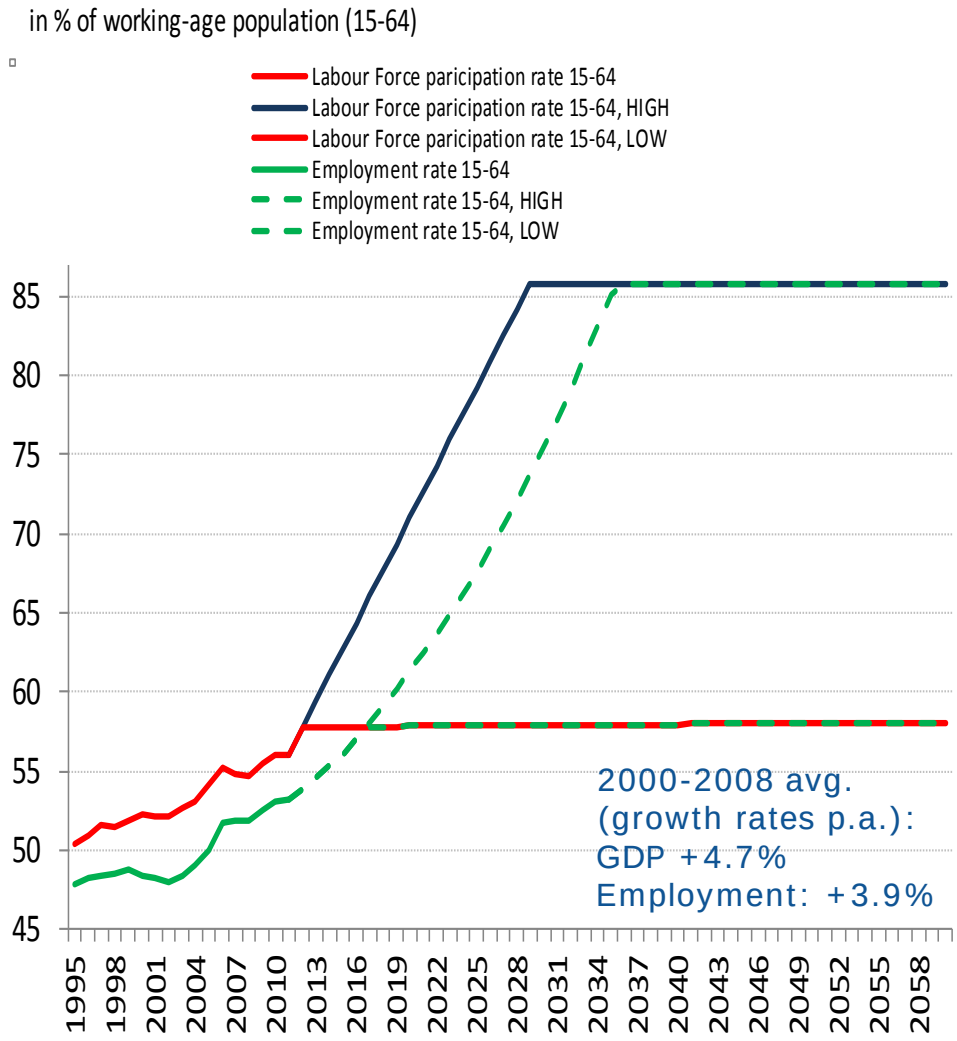
Own projections based on UN populaiton prospects, 2012 revision, medium variant (except EU: Eurostat Europop2010, convergence scenario); World Bank labour market data (employment and participation rates)

Pakistan, Active Population and Employment

.. In the LOW and the HIGH activity scenario

Assumed (envisaged) employment growth: 3.9 %



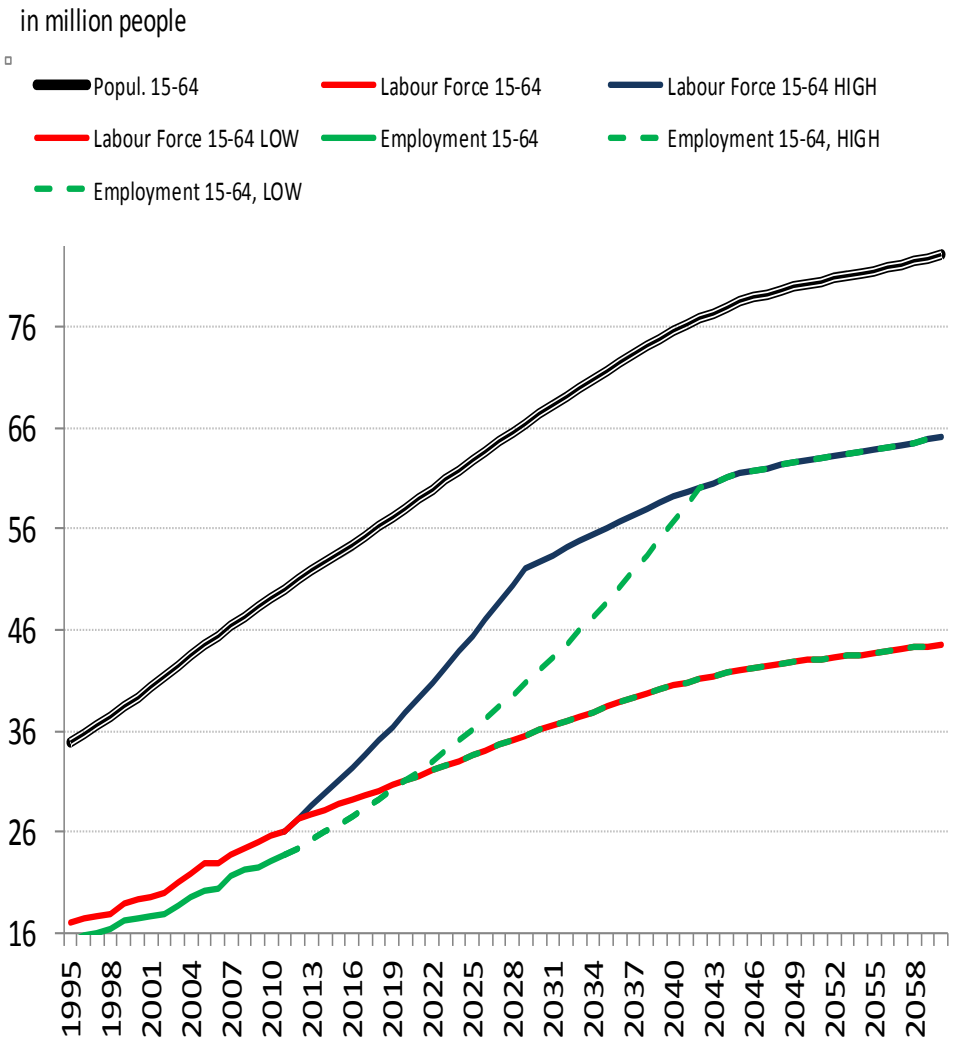


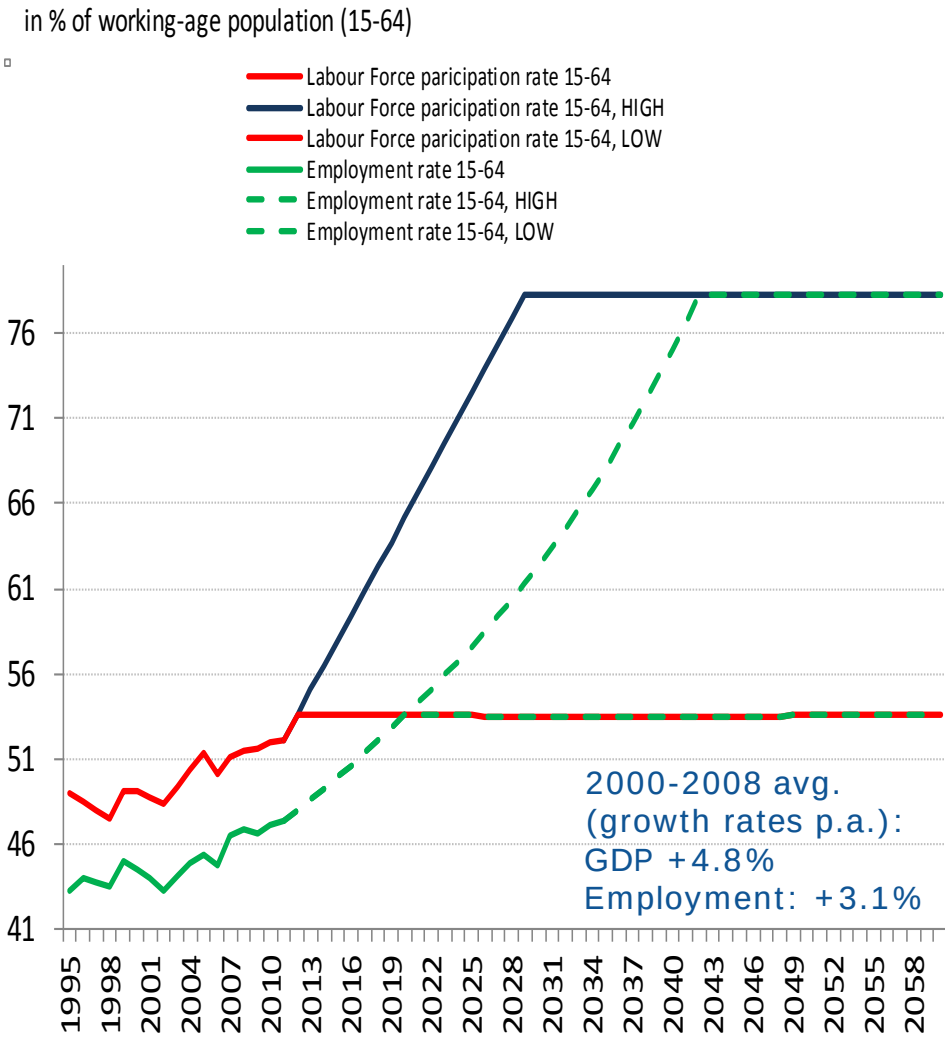
Own projections based on UN populaiton prospects, 2012 revision, medium variant (except EU: Eurostat Europop2010, convergence scenario); World Bank labour market data (employment and participation rates)

Egypt, Active Population and Employment

.. In the LOW and the HIGH activity scenario

Assumed (envisaged) employment growth: 3.1 %



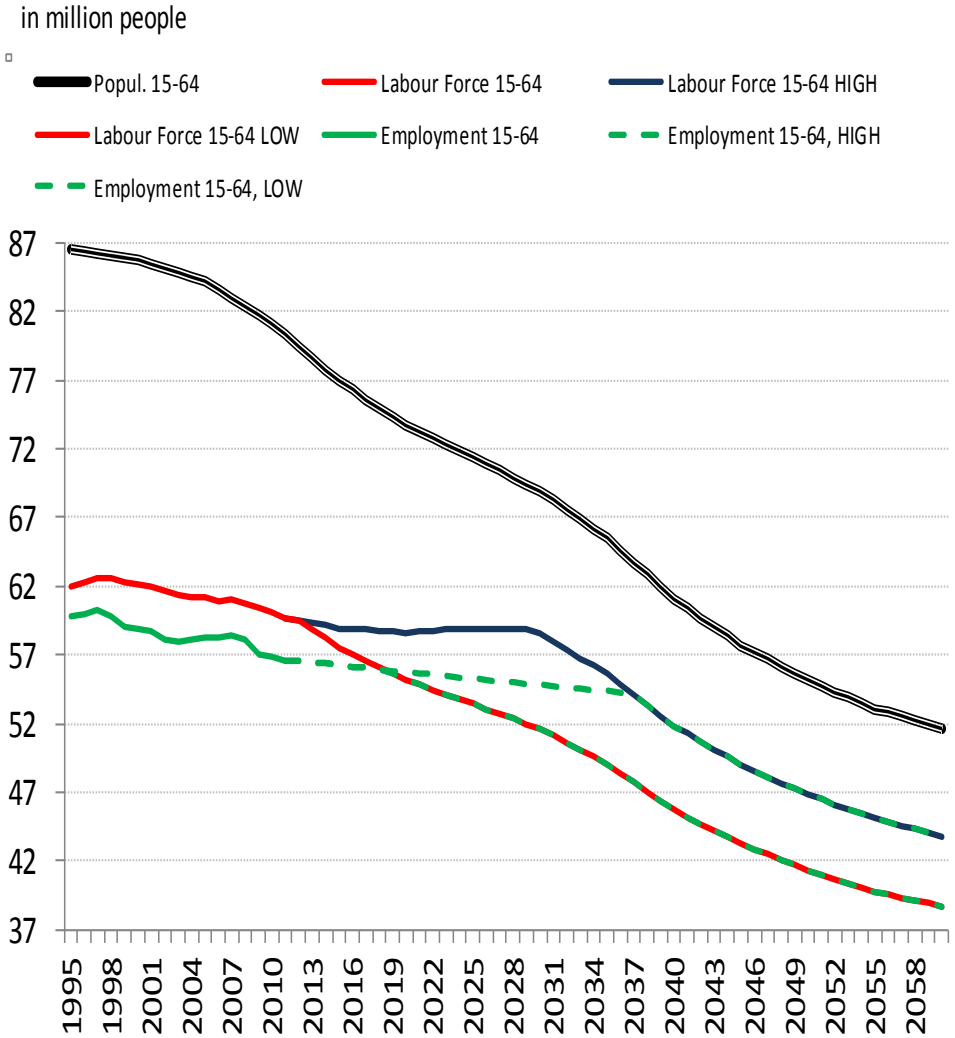


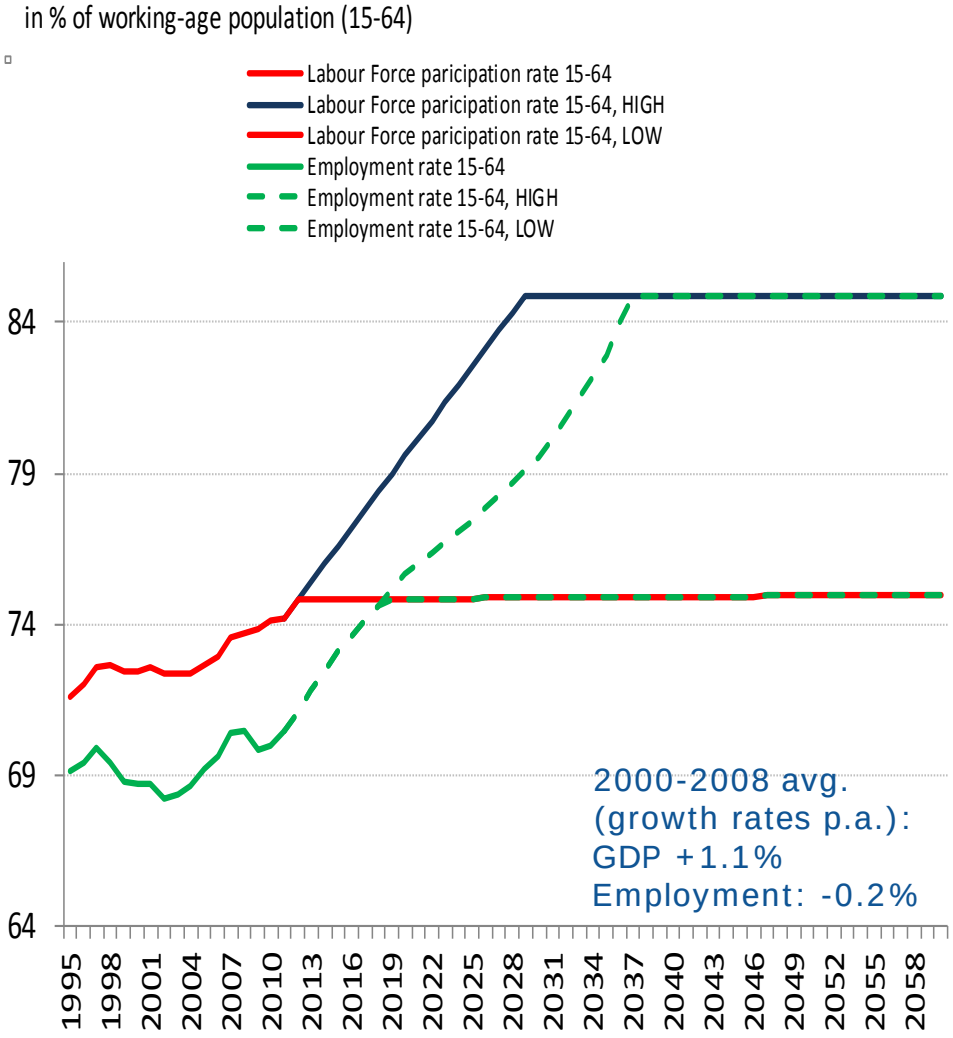
Own projections based on UN populaiton prospects, 2012 revision, medium variant (except EU: Eurostat Europop2010, convergence scenario); World Bank labour market data (employment and participation rates)

Japan, Active Population and Employment

.. In the LOW and the HIGH activity scenario

Assumed (envisaged) employment growth: -0.2 % **(!)**



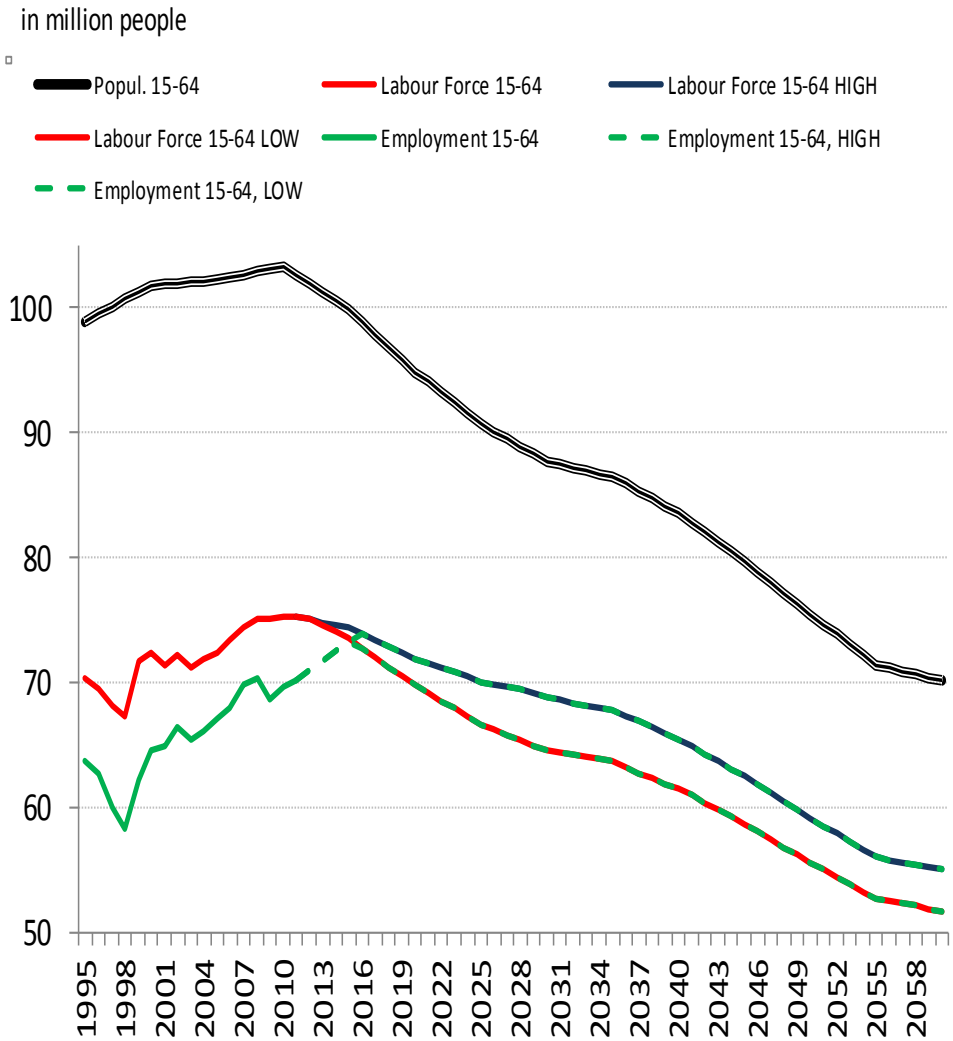


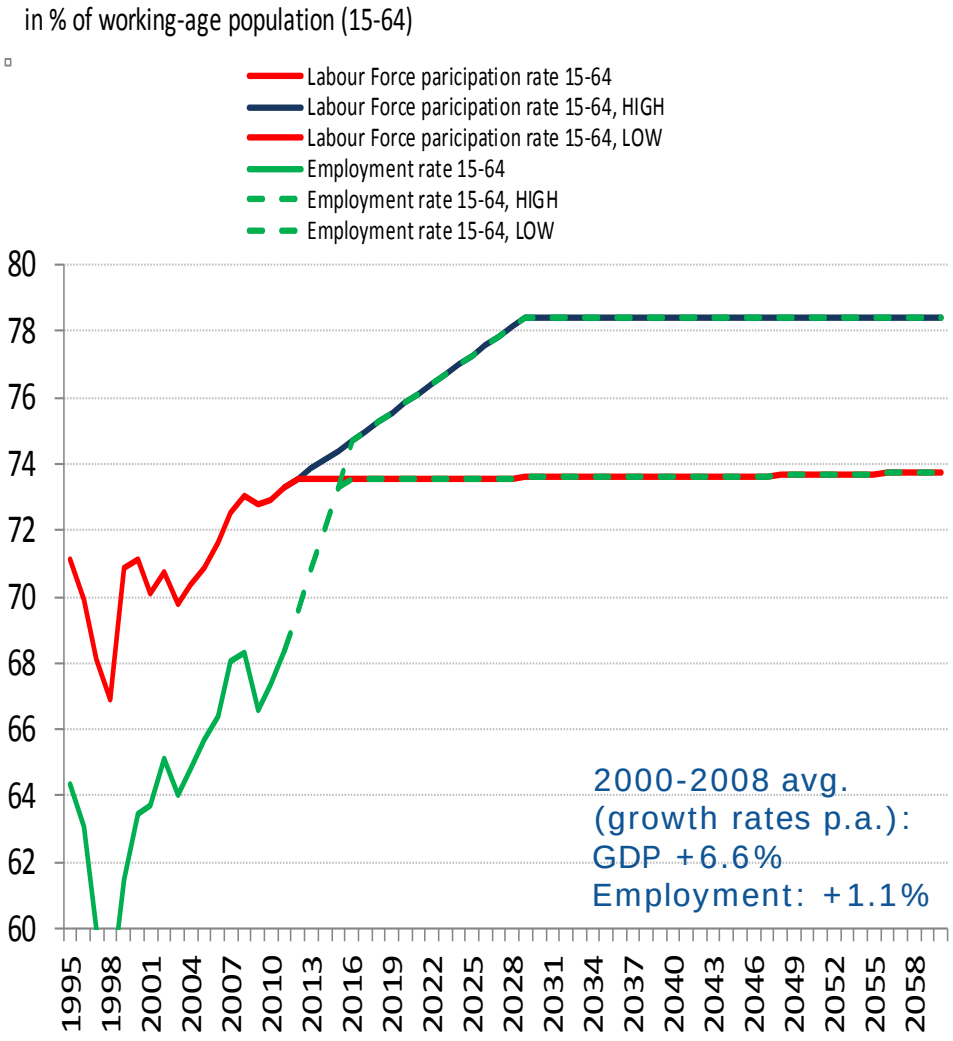
Own projections based on UN population prospects, 2012 revision, medium variant (except EU: Eurostat Europop2010, convergence scenario); World Bank labour market data (employment and participation rates)

Russia, Active Population and Employment

.. In the LOW and the HIGH activity scenario

Assumed (envisaged) employment growth: 1.1 %



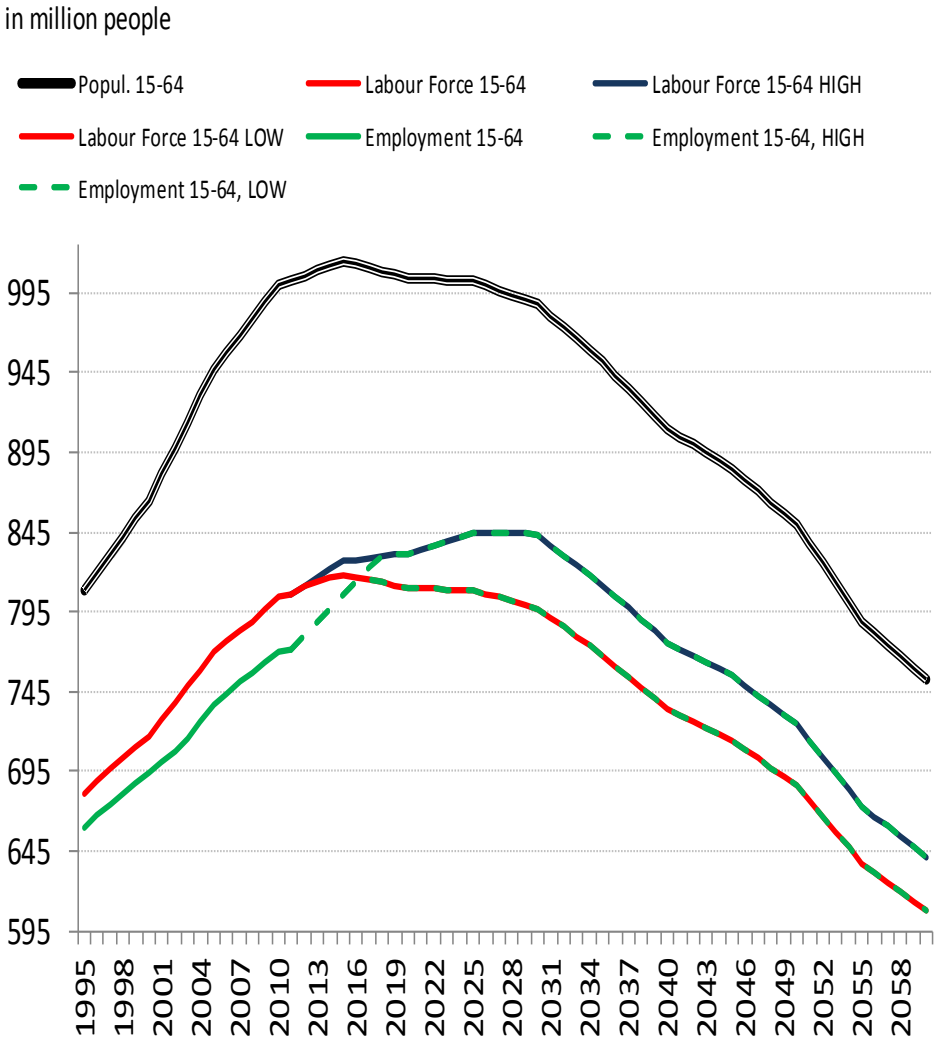


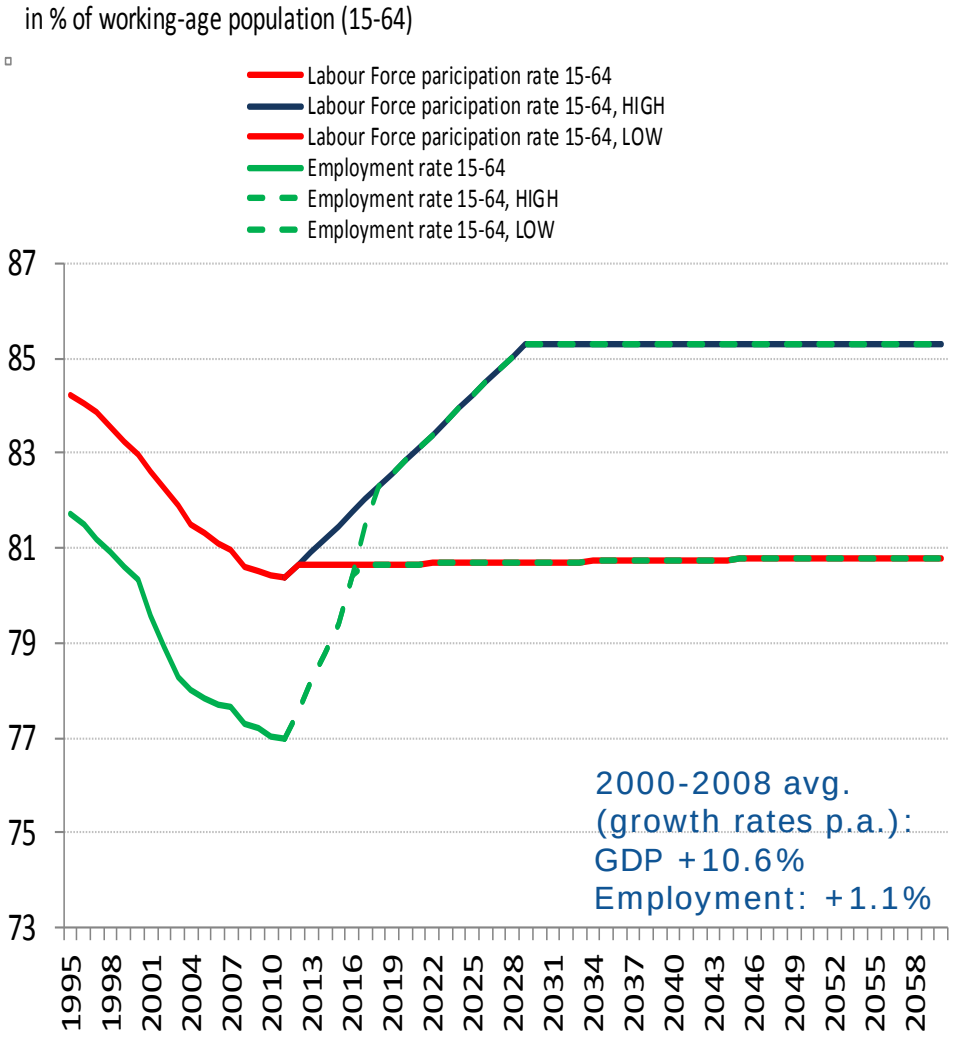
Own projections based on UN population prospects, 2012 revision, medium variant (except EU: Eurostat Europop2010, convergence scenario); World Bank labour market data (employment and participation rates)

China, Active Population and Employment

.. In the LOW and the HIGH activity scenario

Assumed (envisaged) employment growth: 1.1 %





Own projections based on UN population prospects, 2012 revision, medium variant (except EU: Eurostat Europop2010, convergence scenario); World Bank labour market data (employment and participation rates)

Conclusion (3)

- **Some of Europe's most essential main competitors are less restricted by <u>demographics</u> in their growth prospects**

- **Many less developed / developing countries have great growth potential through shifting <u>female labour market participation</u>**

Background:

"Growth potential of EU human resources and policy implications for future economic growth"
European Commission, Working Paper 3/2013
by C. Fotakis and J. Peschner

(available in DG EMPL's online publication catalogue)

jorg.PESCHNER@ec.europa.eu