# PEOPLE IN EUROPE

## DEMOGRAPHIC CHANGE: THE REGIONAL DIMENSION

*Trends and policy issues*

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# PEOPLE IN EUROPE

## DEMOGRAPHIC CHANGE: THE REGIONAL DIMENSION

## *Trends and policy issues*

***Executive summary***


Europe is entering into a period of accelerating population ageing. The existing evidence shows that the regions of the EU are unevenly affected by demographic trends. This asymmetrical demographic impact adds to an already diversified regional environment. As a consequence, different combinations of diverging and converging dynamics are created, calling for forward-looking policy adjustment to specific regional realities. That is the reason why the Commission is giving high priority to the analysis of the regional variations in the process of ageing. This report is a contribution to the Commission's and the Member States preparations of policies for the next century. The report addresses mainly four questions:

**1. When will the population in the EU regions start declining?** There is not a single answer. As Map 3 shows, strong regional differences exist. However, in a considerable number of regions the population stops growing already before the end of the century. The phenomena will extend to the majority of the EU regions which will see their population stagnating or declining before 2015. The younger generation, the 0-24 age group, representing 31,1 per cent of the population in 1995, will be reduced to 27 per cent in 2015, a decline of 11 millions. In some regions in Germany, Italy, Spain and France the younger generation will represent less than 25 per cent. The retired generation (65+) will increase, significantly and unevenly, throughout Europe. The growth of the very old (80+) is the strongest in terms of intensity and speed among the demographic trends reviewed in this report. In some regions of France, Italy and Spain the 80+ generation will represent between 7 and 9 per cent of the population (compared with 3,9 per cent as an average 1995).
As a consequence the average age of population will increase from 38,3 years in 1995 to 41,8 years in 2015. In some regions in eastern Germany, northern Italy, central France and northern Spain the average age will be between 44 and 50 years. The youngest population, between 34 and 38, is to be found in some regions in Portugal, Spain, UK, France and Ireland.

The increase in the size of the very old generation signify more need for medical treatment and health care, different housing services, mobility facilities and other public infrastructure.

**2. How will the labour market be affected?** In the labour market, the demographic dimension becomes

particularly important with the arrival of the first baby-boomers in the age of retirement. After a strong growth of the working age population over the last two decades, the 1990s mark a turning point leading towards a period of demographic contraction. The working age population has already started to decline, or will start to decline before 2000, in a number of regions in Spain, Portugal, Italy, Greece, France UK, Germany and Sweden. A further great number of regions will have a decline in the working age population between 2000 and 2015, especially France, Germany, Ireland and the Scandinavian countries. Given the intensity of the demographic trends, particularly after 2005, these regions could find themselves in a situation of contracting and rapidly ageing labour force. On the opposite side several regions with weaker economic structures, particularly in Southern Europe, may continue to see their working age population growing over the next decade. The risk of regional polarisation constitutes an important challenge for policy makers.

However, the effect on the labour market of a decline in the working age population can be balanced by a higher participation rate among those in working age and by mobility. Over the next 20 years, in most regions, women will be the basic source of labour supply growth and policies for the reconciliation of family life and working life will be of growing importance. The same goes for policies that maintain the employability of the workforce during the whole working life. The need to maintain older workers in working life will call for a new approach to all matters relating to the link between age and labour market. The present forms of human resource management face the task to respond to this particular challenge.

**3. Could people be more mobile?** Labour mobility has both an occupational and a geographical dimension. While occupational mobility, training and retraining of the work force, is by far the most important factor for the adjustment to new economic conditions, improved geographical mobility will be vital for the further economic and social development and for regional balance and cohesion. The main categories of migration is a) flows into and out of the EU and b) flows between EU regions. This report is build on the assumptions, set by Eurostat, that the net annual external immigration at EU level will be, over the next 20 years, around 0,2% while inter-regional migration will range, among regions, from +10 to -10 persons per thousand habitants.

Geographic mobility between EU regions will become a more important factor during the next 10-20 years than it has been during the last 20 years, both from en individual point of view and from a labour market point of view. The nature of movements will be different from those in the 50s and the 60s. In the future people with skills and high skills will move more frequently, while unskilled workers will be less in demand. The increased participation of women in the labour market and the reduction of the gender imbalances will have an effect on geographic mobility, as mobility in many cases concerns two people with professional careers. Removing remaining restrictions to labour mobility and improving both the information on job opportunities and the incentives to mobility would help tackling emerging skill shortages, enhancing employment and economic growth.

**4. How to develop the tools for anticipating and policy making?** In order to provide a better understanding of the combined effects of the different trends at regional level the Commission will deepen the analysis and develop a multivariate analysis as a tool. It combines a number of indicators in order to build up a more pertinent typology of the situation in the various regions. This analysis will make it possible to form groups of regions with similarities with respect to such variables and study how different policies could be adjusted to the needs of regions with different demographic and social perspectives.

In the appendix I, regional polarisation accentuated by the asymmetric demographic evolution is examined more in detail, while in the appendix II the questions of the reliability of demographic scenarios is shortly discussed. Finally, in appendix III, there are tables presenting the data corresponding to the maps 2-12. More specifically, the tables present the 10 regions with the higher figures and the 10 with the lower ones for each of the maps.

**The central message coming out from this document is that the strong demographic changes Europe faces over the next decades and the diversity of demographic trends at regional level constitute an important challenge in a wide range of policy fields. Interaction between demographic and economic trends at regional level requires particular attention. The regional dimension becomes critical for the overall performance at national and even European scale.**

The Commission will deepen the analysis and the debate about this perspective, making it one central theme at a European symposium arranged by the Austrian Presidency and the Commission on employment, health, pensions and the intergenerational solidarity in the light of demographic changes.

## *Introduction*

*There is growing interest, both at the level of policy makers and amongst public opinion, on the medium and longer term implications of the demographic change. Research at national and international level indicates that demographic trends constitute a crucial factor for a wide range of policy fields.*

*Over the last years, research made at national and international level has focussed mainly at the national level. However, examining the demographic phenomenon only at the aggregate level may prove insufficient since the regions, in most Member States, are far from being uniform in terms of economic, demographic and social characteristics.*

*As we will see in the following analysis, the interaction between the demographic trends and economic realities each region is faced with, could be a contributing factor to regional divergence challenging its economic and social cohesion.*

*In its Agenda 2000*[1] *, the Commission has already recognised the significance of the demographic trends referring in particular, to the importance of the shift in the age structure of the working age population.*

*This paper*[1] *aims to introduce the regional aspects of the demographic ageing, as one important dimension of the overall issue. It is, in that sense, a contribution to Commission's concern towards preparing policies for the next century.*

[1] *COM(97) 2000 final*

[2] *This paper has been produced by DG V . The data employed have been provided by EUROSTAT . The statistical analysis as well as the figures and tables have been elaborated by Prof. Géry Coomans.*

## *Chapter 1*:

# When will the population in EU regions start declining?

### 1.1 The demographic trends at regional level.

The persistently low fertility rates combined with substantial gains in life expectancy over the last decades, are leading the European regions towards a phase of asymmetrical demographic contraction that might characterise the next 30 to 50 years .

The regional figures employed in this document are established by Eurostat on the basis of scenarios taking account of the past trends at regional level for each one of the three main demographic components: fertility rates, life expectancy and migration.

Important changes in one or more of these variables may generate a sequence of different demographic events. For instance the baby boom in the first post-war period gave rise at a later stage between 1965 and 1980 to a rapid increase of the working age population. This increase, reinforced by the rapid growing female participation, has played a significant role in the rapid expansion of the labour supply. In that sense the decade of the 90s mark a turning point leading towards a period of demographic contraction[3] ; the persistently low fertility rates are leading the European regions towards a phase of demographic contraction that might characterise the next 30-50 years. At the same time the substantial gains in life expectancy over the last decades will contribute to an ageing of the population.

The recent trends in respect to fertility rates and life expectancy are shown in ***Map 1*** and ***Map 2***. The question of migration is treated in chapter 3. It is observed that there are important variations from region to region on each of the demographic variables. The consequences for the total population in each of the regions is shown in ***Map 3***. In a considerable number of regions the population stops growing before the end of the century. The phenomenon will extend to the majority of EU regions before 2015

The demographic dimension is gaining increasing attention also in the area of economic analysis. Important demographic changes can modify the size and structure of population and can hence affect independently both the demand and the supply side of the economy. In the past, population trends were often undermined in economic policy in the context of an analytical framework essentially dominated by static tools and short-term analysis.

The analysis of demographic change is all the more important since the ageing trend has been developing over a period characterised by sluggish economic growth and increasing difficulties in the labour market.

This explains the particular attention devoted to the implications of ageing in the labour market and to social protection. In fact, changes in the size and age composition of the population may imply important quantitative and qualitative changes in the working age population who make up the labour force. It may also signify important changes in the balance between the active and non-active population which is critical for the

[3] *The point was raised by Commission's 1997 Demographic Report providing also an introductory analysis on the implications of demographic change at regional level.*
*For a more analytical presentation of the demographic trends in the EU, see also G.Calot, J-C. Chenais et al:"Le vieillissement démographique dans l'Union Européene à l'horizon 2050"Paris, Oct.1997. Study financed by DG V, European Commission.*

sustainability of most social protection systems in Europe.

It is also important to note the substantial differences between regions in terms of pace and intensity of the phenomenon. These aspects are briefly presented in the following analysis.

## 1.2 Main regional characteristics

The implication of demographic change at the regional level can be better understood by examining the evolution of age and cohorts of the population in terms of ***stocks*** and ***flows***.

The comparison of stocks, between the beginning and the end of the reference period, allows for comparisons between regions while the speed of the change (flows) gives a measure of the intensity of the demographic change within each region.

The first group of maps include the following four variables:

- The average population age
- The young cohort (0-24 years)
- The older cohort (65+ years)
- The very old cohort (80+ years)

The choice of variables reflects a focus on questions related to:

- human resources development,
- the labour market conditions,
- intergenerational solidarity,
- health and care,
- family policy and other societal issues.

In ***Maps 4-7,*** for each of the four variables, three geographical representations are provided presenting the initial situation (stocks) in 1995 (upper left), the final situation (stocks) in 2015 (upper right) and the speed of the evolution (flows) over the reference period 1995-2015 (at the bottom).

1.2.1 The average age of population

Projections of the average population age for the period 1995-2015, show marked differences among regions, although the average age increases everywhere. ***Map 4*** shows the changes in the average age of the population for each region between 1995 and 2015. A significant increase is observed with the average age increasing from 38,3 to 41,8 in 20 years. In 2015 there will be few regions where the average age is less than 40 while several regions will be above 44. The map in the bottom of the page refers to the speed of change of the average age. The average increase between 1995 and 2015 is 3,6 years, but there are important variations between the regions ranging from 0,3 to 7,8 years. The faster the speed of the change, the greater the need for adjustment of public policies for labour market, social services, housing, infrastructure etc.

1.2.2 The younger cohort (0-24 years)

***Map 5*** shows changes in the size of the younger cohort as a percentage of the total population for each region. Here again, a strong trend can be observed, the decline of the younger population reducing on average from 31,1% to 27% in 20 years. In 2015 there will be practically no region where the part of the young cohort is higher than 30% while more than 15 regions are below 25%.

The map at the bottom of the page refers to the speed of decline of the younger age cohort. Although the average reduction between 1995 and 2015 is 10%, there is an important variation between the regions ranging from positive changes of around 30% to negative changes of more than 45%. It should be mentioned that the positive changes are limited to areas where ageing has been already relatively advanced as well as in some greater urban areas of northern Europe. The implications of these trends on the labour market will be examined later, in chapter 2.

1.2.3 The older cohort (65+ years)

***Map 6*** shows the size of the older cohort as a percentage of the total population for each region. We observe a significant increase of

the older population which on average increases from 15,4% to 19,1% in 20 years. In 2015 there will be few region where the part of the older cohort is less than 15% while most regions are above 20%.

The map at the bottom of the page, refers to the speed of growth of the older cohort. The average increase between 1995 and 2015 is 30%, but there are important variations between the regions ranging from decrease of around 10% to increase going even beyond 150%.

1.2.4 The very old cohort (80+ years)

***Map 7*** shows the size of the very old age cohort as a percentage of the total population of each region. We observe a significant increase of the very old population increasing on average from 3,9 % to 5,2% in 20 years. In 2015 there will be few regions where the part of the very old cohort is less than 3% while several regions will be above 7%.

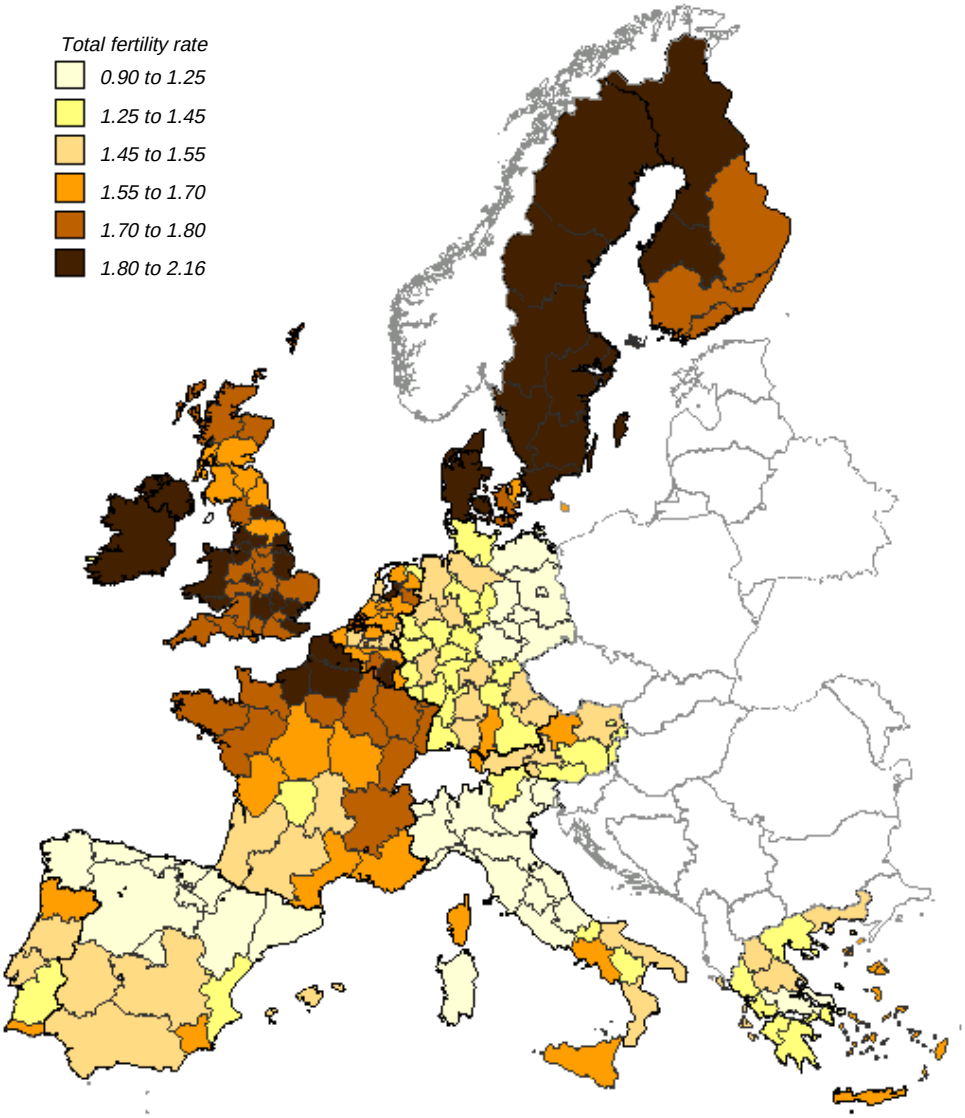
The map at the bottom of the page refers to the speed of growth of the very old age cohort. The average increase between 1995 and 2015 is 39%, but there are important variations between some extreme cases of limited decrease to several cases of increase approaching 200% (25 regions with an increase higher than 75%). It is particularly interesting to note that the growth of the very old (80+) will be the strongest, in terms of speed among the demographic trends reviewed.

***Recent work in the field shows that most of the medical expenditure is related to the last year of life. The increase in size of the very old age cohort could then signify more need for medical treatment and public health care, different housing services, mobility facilities and other public infrastructure resulting in increasing public expenditure.*** The administrative level in charge of these policy areas is different from Member State to Member State. However, no matter whether the responsibilities are of local regional, national competence, the authorities in charge would have, in the future, to rely more for their decisions to the developing demographic trends rather than to the current demographic situation.

Finally, the increasing needs in care implies that the health and care sector is of particular importance not only in terms of an increasing cost burden but also in terms of the potential for future employment expansion. Elderly people are most affected by the loss of autonomy. Increasing demand for good and services for the old, such as daily care, may become an important source of local job creation.

However, increase of the older cohorts may raise new challenges for local societies. Family relations and other forms of intergenerational solidarity may be challenged particularly there where the trend is faster and the social protection standards are relatively lower. The population ageing and unemployment could continue in several regions to contribute to increasing dependency. ***In the future an effort should be made to limit early leaves from the labour force by affecting more jobs and full working life prospects. Furthermore we will need more and better social protection, including child care and old age care, to those who need it.***

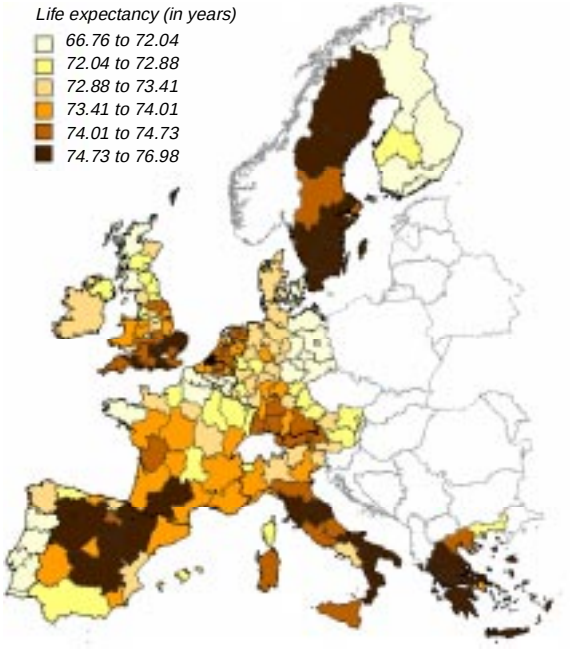
*Map 1* : **Total fertility rate 1990-1994**




**EUR15 NUTS2**
*Source : Eurostat*

*Map 2.a* : **Life expectancy at birth**

***MEN* - 1990 - 1994**

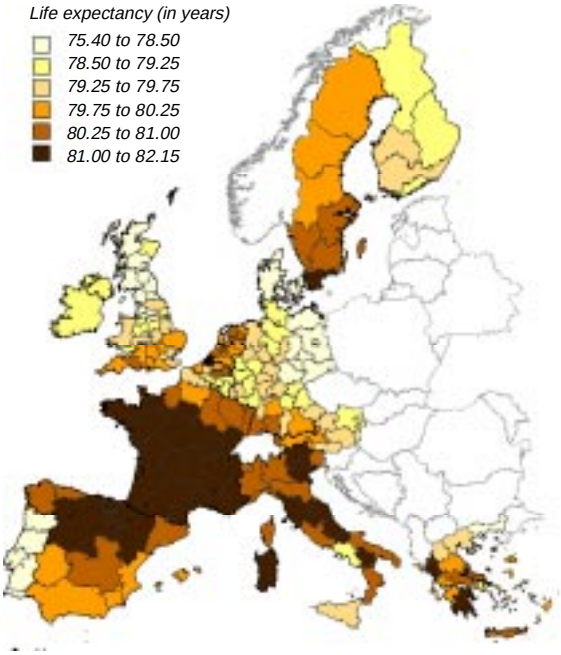



*Map 2.b* : **Life expectancy at birth**

***WOMEN* - 1990 - 1994**

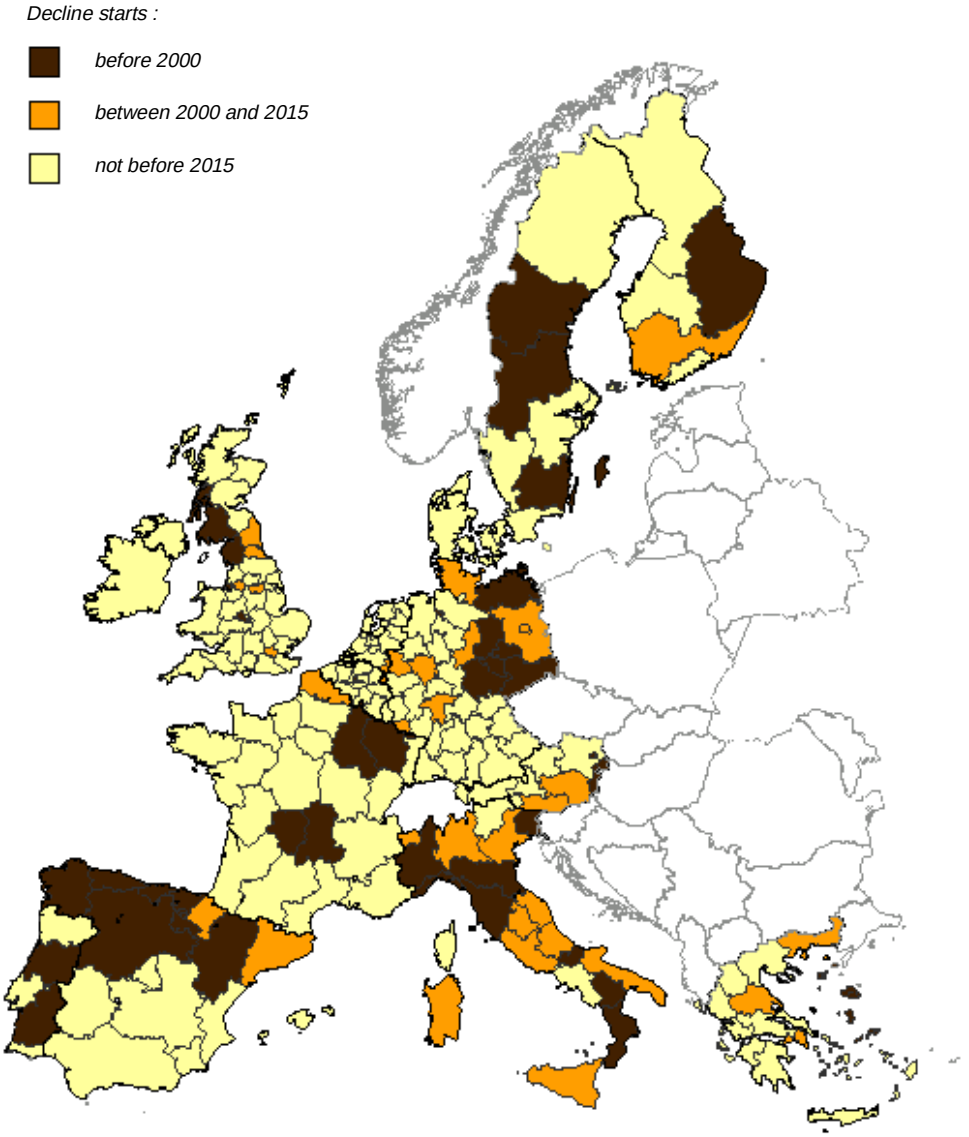
**EUR15 NUTS2**

*Source : Eurostat,*



*Map 3* :

## When does population in the EU regions start declining ?

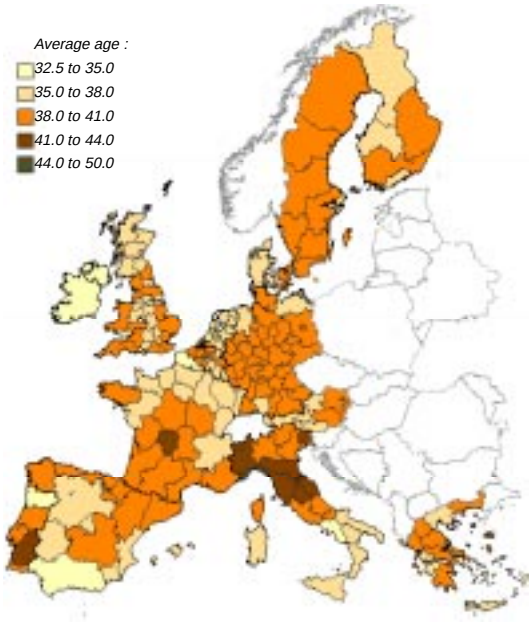



**EUR15 NUTS2**

*Source :*
*Eurostat, Demographic Projections 1997 - Baseline scenario*

## *Map 4* : The average age of population

*The starting point in 1995*




*EUR15 average : 38.3 year*

*The situation in 2015*

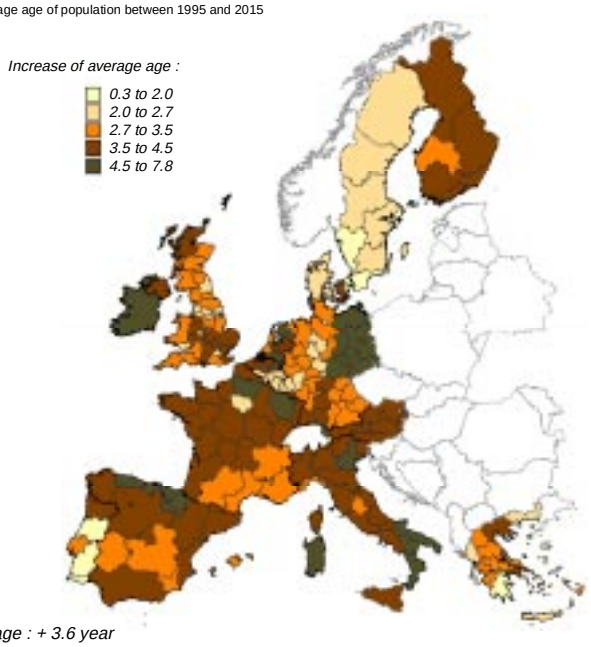
*EUR15 average : 41.8 year*

**EUR15 NUTS2**

*Source : Eurostat, Demographic Projections 1997 - Baseline scenario*

*The speed of change*

Increase in the average age of population between 1995 and 2015

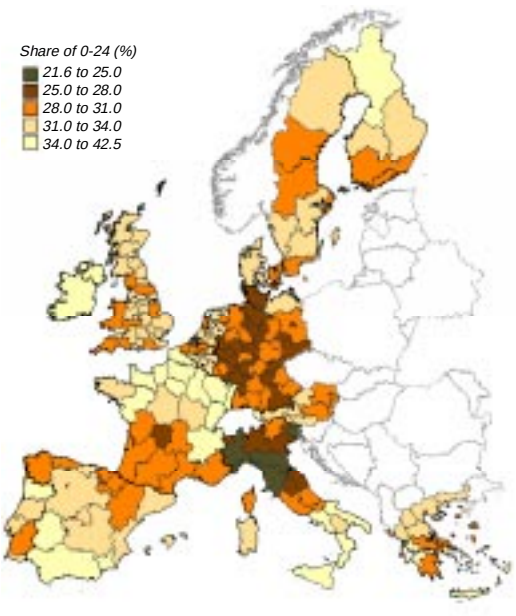



*EUR15 average : + 3.6 year*

## *Map 5* : The younger cohort

**The 0-24 age group as % of total population**

*The starting point in 1995*




*EUR15 average : 31.1 %*
*(115.6 millions)*

*The situation in 2015*

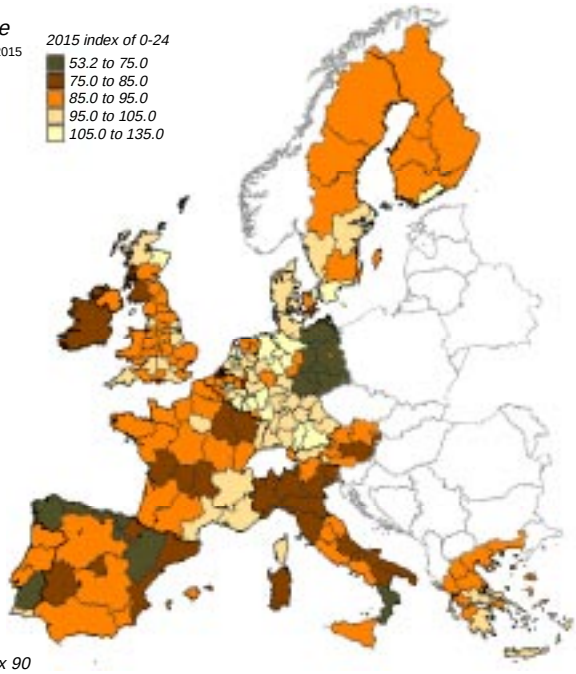
*EUR15 average : 27.0 %*
*(104.4 millions)*

**EUR15 NUTS2**

*Source : Eurostat, Demographic Projections 1997 - Baseline scenario*

*The speed of change*

Number of people aged 0-24 in 2015 (index : year 1995 = 100)

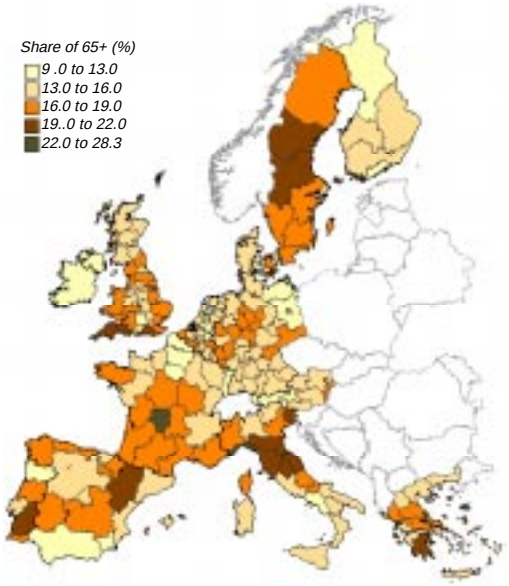



*EUR15 average : index 90*

## *Map 6* : **The older cohort**

**The 65 and over age group as % of total population**

*The starting point in 1995*




*EUR15 average : 15.4 %*
*(57 millions)*

*The situation in 2015*

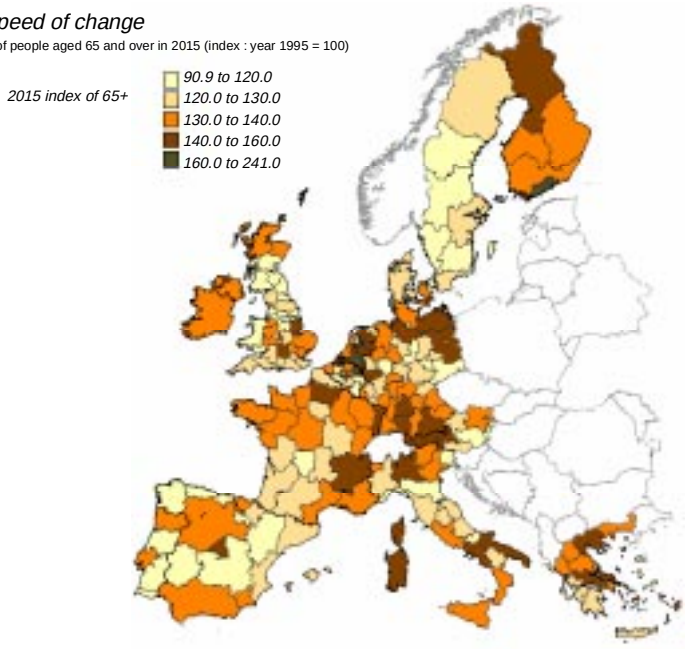
*EUR15 average : 19.1 %*
*(74 millions)*

**EUR15 NUTS2**

*Source : Eurostat, Demographic Projections 1997 - Baseline scenario*

*The speed of change*

Number of people aged 65 and over in 2015 (index : year 1995 = 100)

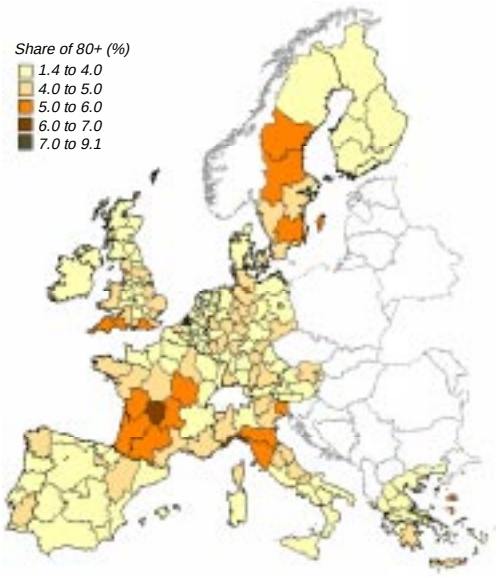



*EUR15 average : index 130*

## *Map 7*: The very old cohort

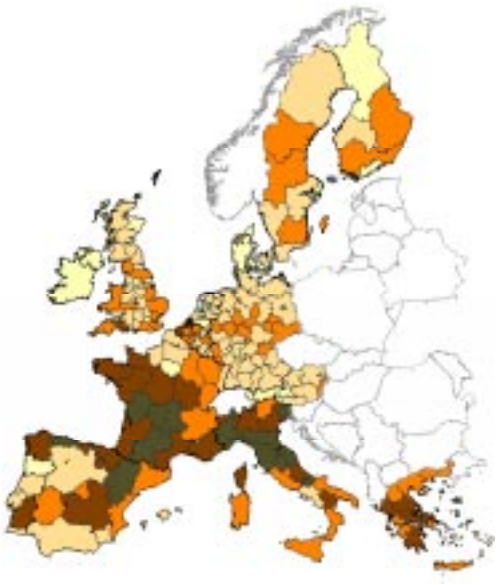
**The 80 and over age group as % of total population**

*The starting point in 1995*




*EUR15 average : 3.9 %*
*(14 millions)*

*The situation in 2015*



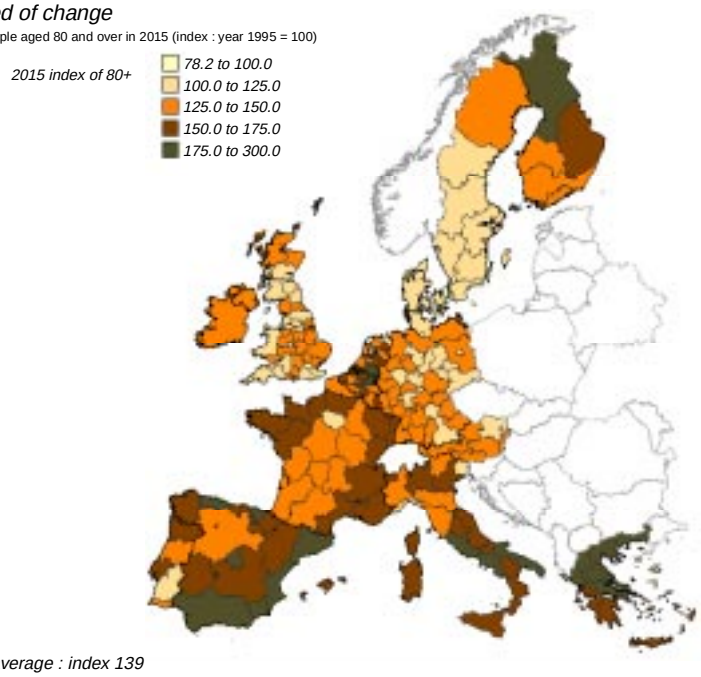
*EUR15 average : 5.2 %*
*(20 millions)*

**EUR15 NUTS2**

*Source : Eurostat, Demographic Projections 1997 - Baseline scenario*

*The speed of change*

Number of people aged 80 and over in 2015 (index : year 1995 = 100)




*EUR15 average : index 139*

# *Chapter 2:*
# How will the labour market be affected?

## *2.1 Regional labour market conditions*

The demographic dimension becomes particularly important for the labour market with the arrival of the first baby-boomers at the age of retirement. It affects the working age population, i.e. the age group 15-64, about 246 million and the labour force, i.e. those in the age group 15-64 that are employed or unemployed (about 68 per cent of the working age population in the EU or 168 million).

The working age population, that increased substantially over the last two decades, will grow much slower in the next ten years. Between 1995 and 2005 the working age population will continue to increase by approximately 4,5 millions, while in the next decade, 2005-15, the working age population starts declining by almost one million[4] .

These developments will vary in time from region to region. ***Map 8*** shows when the working age population will start declining in the regions. Some regions will have a decline in working age population already before 2000, others will face a decline before 2015, some regions will not be affected by a decline before 2015. ***Map 9*** shows the projections of working age population changes in 1995, 2005 and 2015 in the form of net entries rate.

[4] *It should be kept in mind, that there is a crucial difference between setting up projections of the working-age population and the labour force. Both the working age population and the labour force are affected by changes in the* ***size*** *of working age population. However, labour force is also strongly affected by the changes in the* ***age structure****. Different age cohorts have notably different activity rates. In general, middle age cohorts have significantly higher activity rates. Ageing implies that their size will start decreasing in the next 20 years. In the absence of important changes in cohorts behaviour this may lead to substantial decreases in the labour force even when the size of the total working age population remain more or less stable.*

The labour force is depending on the number of people in working age and the activity rate of working age population. The activity rate for the last five years has been rather stable, around 68 per cent, with falling rate for men and increasing rate for women. According to Eurostat scenarios the labor force could see a further increase in the labour force of approximately 7 million over the period 1995-2005, which implies an increase in the activity rate. However, in the subsequent decade 2005-2015 a drop of 2 million is expected. This is an important change given that the labour force over the past decade increased by as much as 9,7 million persons.

***On the one hand, several economically strong regions face the prospect of a relatively fast demographic decline of their labour force, over the next decades.*** Given the intensity of the demographic trends, particularly after 2005, these regions could find themselves in a situation of contracting and rapidly ageing labour force. Under these conditions a gradual reduction of the youth unemployment and even of total unemployment will largely depend on the ability of the regional labour markets to make a more efficient utilisation of the available human resources. They should be prepared to face the challenge of skill shortages and mismatches resulting from a significantly slower renewal of the labour force against a background of faster depreciation of skills and higher competition.

***On the other hand, several regions with weaker economic structures, particularly in Southern Europe, may continue to see their working age population growing over the next two decades (see map 9 and the corresponding tables in the appendix III). The risk of regional polarisation constitutes an important challenge for the policy makers.***

## 2.2 Specific policy issues

### *2.2.1. The access of the young to the labour market*

As already mentioned in the introduction, the substantial reduction of the younger cohorts will progressively lead to a new situation for the young people in the labour market. However, as seen in ***Maps 10 and 11,*** presenting regional total and youth unemployment respectively, this largely depends on the degree of flexibility of the regional labour markets which in turn reflects the social, institutional and organisational characteristics that each region is faced with. ***These figures show that, in most cases, youth unemployment within the Member States variates rather modestly, in comparison to the important differences seen between Member States. Given that the younger generations across Europe are relatively more homogeneous in terms of behaviour compared to the older ones, this differentiation at national level may be attributed to a great extent to the national policy framework.***

The extent to which each region could benefit from this development in order to fight unemployment will depend primarily on its economic strength but also on the institutional and policy framework the region is faced with at regional, national and Community level.

### *2.2.2. The gender issue*

The same phenomenon of national patterns of behaviour as in the case of youth unemployment can also observed, though to a lesser extent, with respect to women's share of employment (***Map 12***). These differences in behaviour may reflect different societal backgrounds, although, as in the case of the young, the national policy frameworks may also contribute to this variation.

***Over the next 20 years, in most regions, women will be the basic source of labour supply growth. Mainstreaming policies, both macro and micro level would require further reinforcement.***

In addition, trends in the demography of families will further increase in importance. There is a significant progress in women's sharing of working life responsabilities, but only few signs of progress in men sharing family responsabilities. Threfore there is a risk, not equally distributed among regions, that ageing could increase family charges for women and consequently could raise constraints to their increasing presence in economic and social life. Helping the reconciliation of family life and work both for women and men could prove an efficient strategy not only for promoting activity within regions that might face labour shortages but also for combating the drop in fertility rates, improving the quality of child care and responding to the growing needs for daily care services for older people[5] .

### *2.2.3 Maintaining older workers in work*

However, although the expected changes in the age structure of the working age population could create a more favourable environment for combating youth unemployment, the risk of unemployment may increase for the older part of the labour force. The size of the older cohort of working population is expected to increase significantly as a result of the demographic trends but also because it is rather improbable that the recourse to early retirement schemes could be sustained in the future. ***The need to maintaining the older workers in work longer and rapidly increasing number of older workers will call for a new approach to all matters***

[5] *The need for further promoting policies along these lines has been stretched in the Council resolution of Dec. 15, 1997 referring to 1998 Employment Guidelines.*

***relating to the link between age and labour market. Promoting both the employability of the older workers and the adaptability of the firms to an ageing working population, will be needed.***

Furthermore, the labour market is moving steadily away from the traditional industrial or public service stereotype of stable full-time jobs towards more competitive, more flexible and highly individualised forms of employment. That implies that the older workers might be more exposed to long-term unemployment when their level of qualification is depreciated since they are relatively less flexible in terms of geographical and skill mobility. New approaches on work organisation, life-long learning and further measures to maintain employability and productivity throughout the active life will be required. In addition, the older workers should not be neglected in training and career development and opportunities for learning should be offered throughout the working life, there where they are mostly needed.

***Regional variations observed both in terms of working age population trends and local labour market conditions add an additional parameter to this policy issue. They call for higher levels of geographical and skill mobility. They will further require that the development of employment services and life-long learning structures take account of future needs at regional level.***

### *2.2.4. The implications for human resources development*

The issue of human resources development requires, by definition a prospective approach since most of the reforms in this field need a relatively long period of preparation before becoming operational.

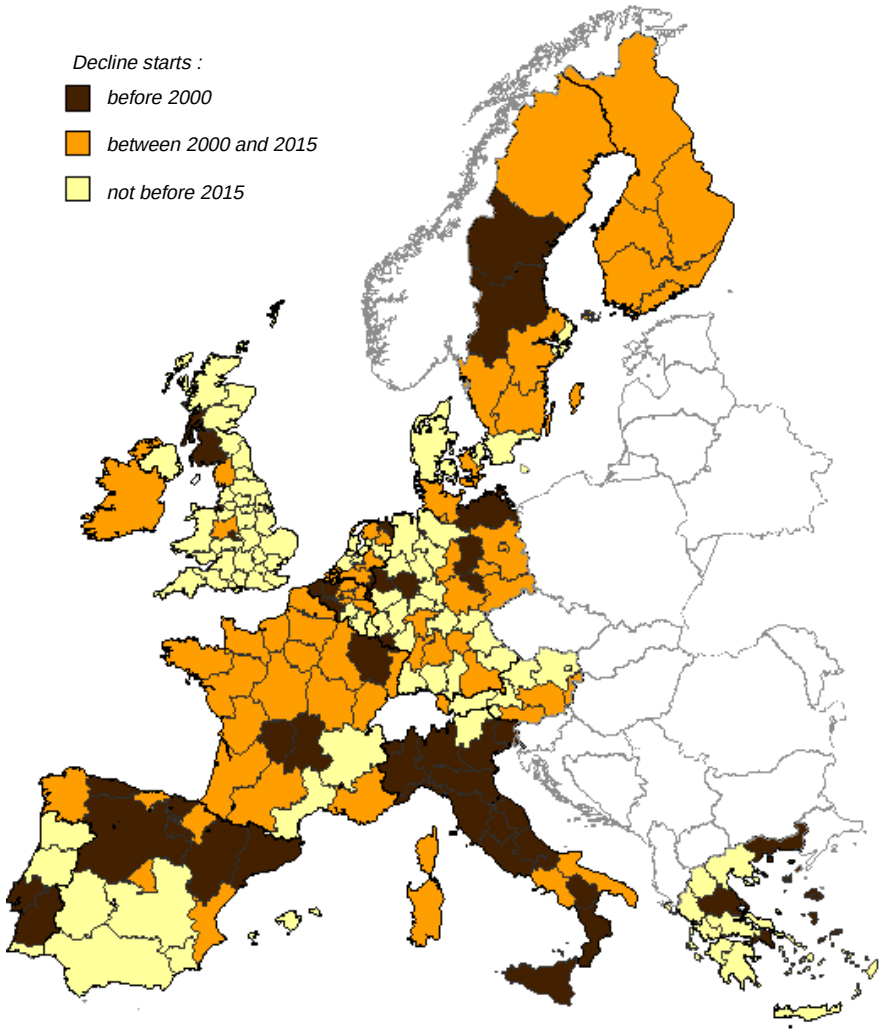
In the coming years, the diminishing number of new entries in the labour market will reduce the existing possibilities of labour supply to adjust itself to the demand for new skills through the new generations coming in the labour force. This new difficulty is reinforced by a faster depreciation of qualifications and skills due to technological progress and the increasingly competitive global environment. Both education and vocational training will have to meet the requirements for higher quality standards taking advantage of the idle resources made available due to the drop in size of the younger generations. This need for more efficient utilisation of resources also implies taking account of a highly diversified regional situation.

Furthermore, recent trends show that job creation is generated more and more by SME's, independent employment and other forms of flexible employment. The big industrial firms experience important structural transitions opting progressively for less blue collars, a smaller number of highly qualified executives and more flexible forms of employment including outsourcing, subcontracting, temporary employment etc. ***These new forms of employment are, in general, more sensitive and more demanding in terms of human resources development. In addition, statistics show that the older people find it more difficult to adapt themselves to this more flexible working environment. Given, the demographic trends, but also the need to maintain the older part of the labour force at work, the existing structures of human resources management and development face the task to respond to this particular challenge.***

*Map 8* :

# When does working age population start declining ?

15-64 age group



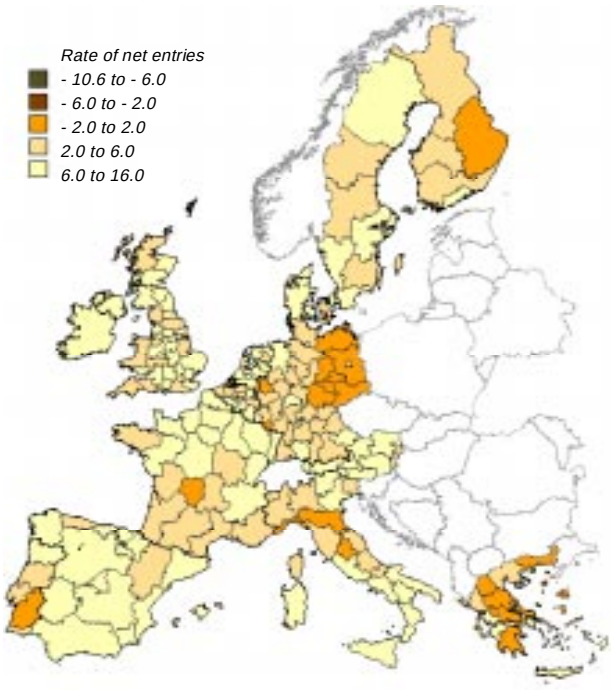

*EUR15 : peak in 2011*

**EUR15 NUTS2**

*Source :*
*Eurostat, Demographic Projections 1997 - Baseline scenario*

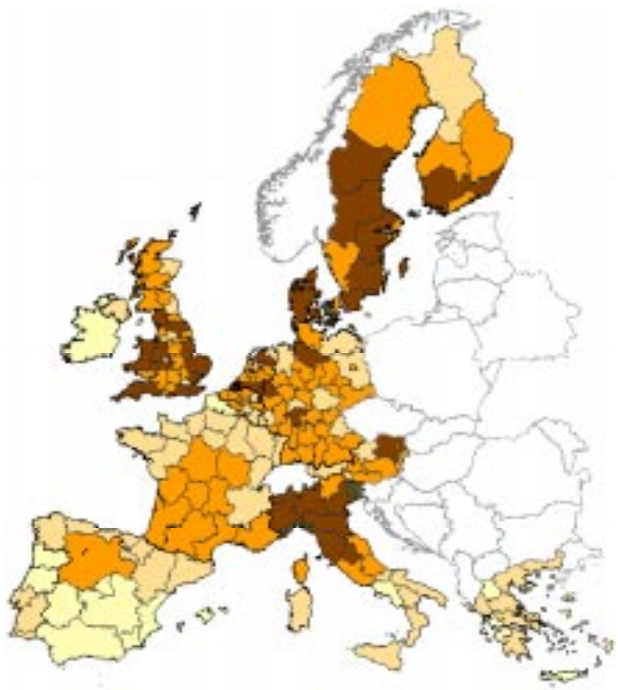
## *Map 9* : **Changes in the working age population :** 20-29 age group less 55-64 age group, as % of 20-64 age group

***In 1995***




*EUR15 average : + 7.1 %*

***In 2005***



*EUR15 average : + 1.7 %*

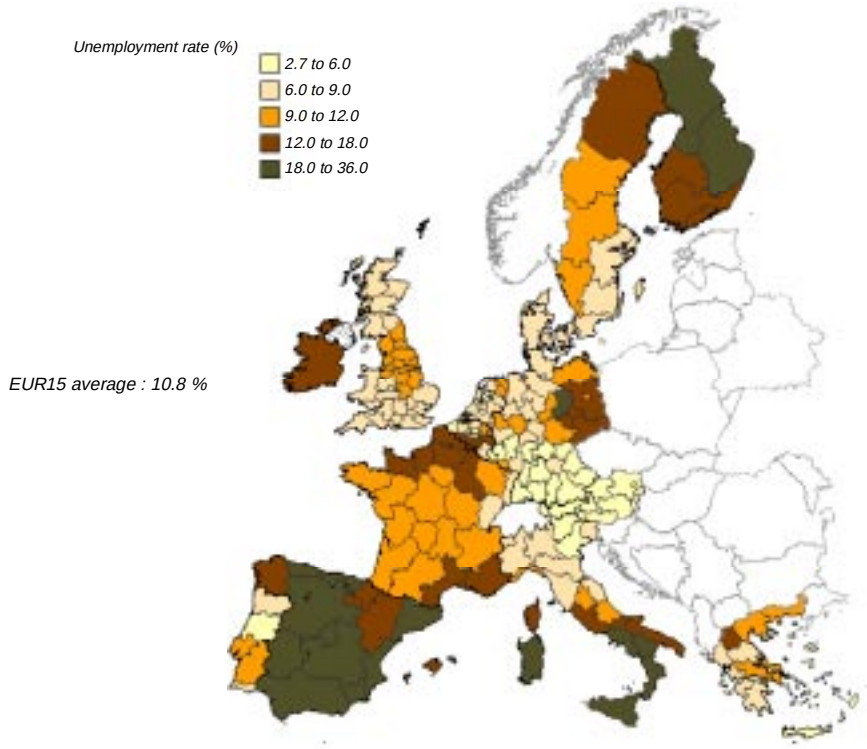
***In 2015***

*EUR15 average : - 1.7 %*

**EUR15 NUTS2**

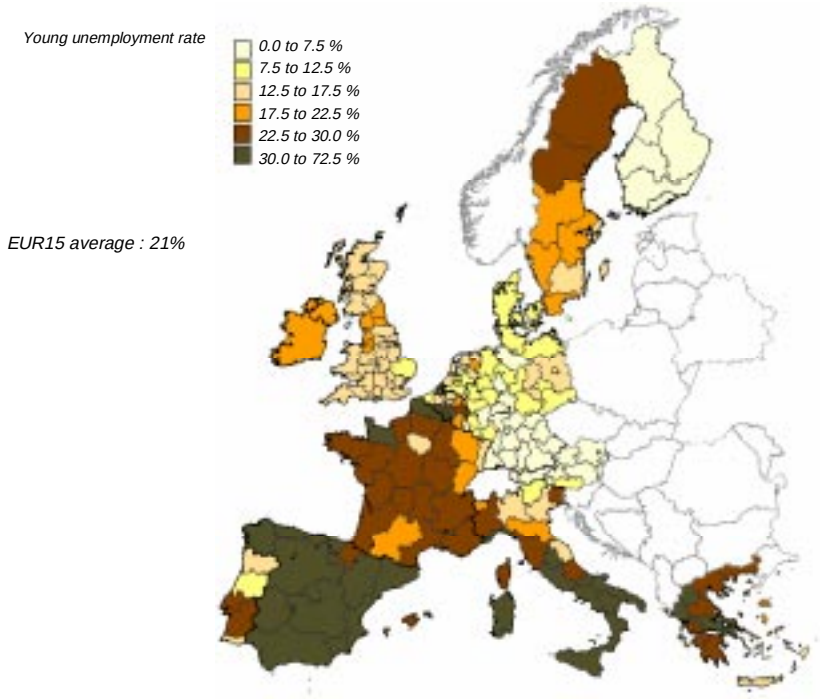
*Source : Eurostat, Demographic Projections 1997 - Baseline scenario*

## *Map 10* : **Unemployment rate in 1995**



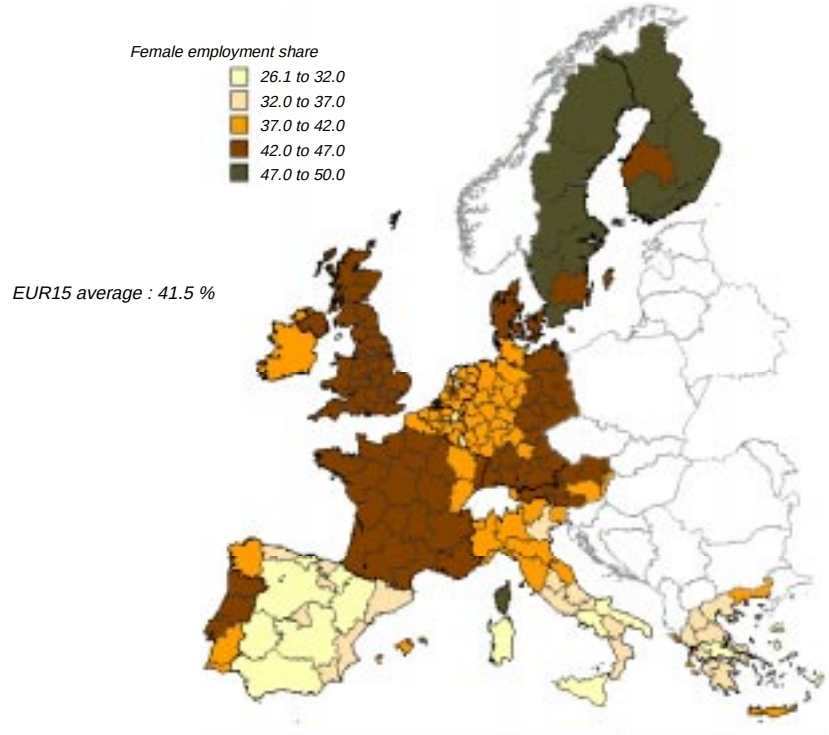

*EUR15 NUTS2*
*Source : EUROSTAT, Base Regio*

## *Map 11* : **Young unemployment rate (15-24) - 1995**



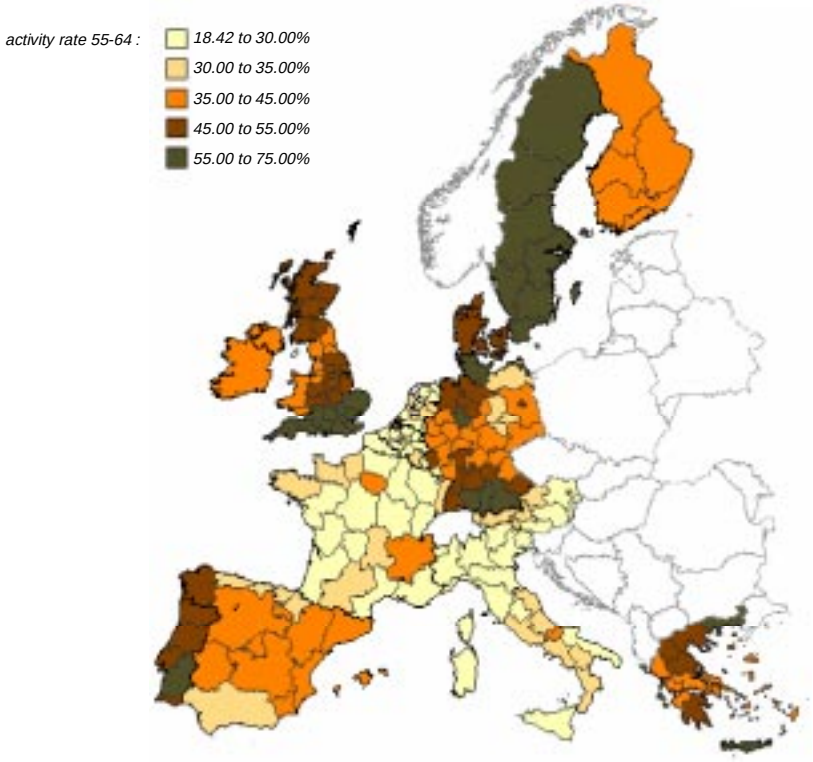

*EUR15 NUTS2 except UK NUTS1*
*Source : EUROSTAT, Base Regio*

*Map 12* : **Female employment share in 1995**




*Map 13* : **Activity rate of the older (55-64) in 1995**

*EUR15 NUTS2 except UK NUTS1*
*Source : EUROSTAT, Base Regio*



# *Chapter 3: Could people be more mobile?*

### *3.1 Mobility and migratory trends*

The reversal of demographic trends which so clearly differentiate Europe's regions naturally raises the question of mobility. Increased labour mobility is one way to deal with regional imbalances. Mobility has both an occupational and a geographical dimension. Occupational mobility - training, retraining of the workforce - is the most important factor for adjustment to new economic conditions. However, geographic mobility plays also an important role. There are two types of migration:

- **Migration flows into and out of the EU.** Although this kind of migration cannot compensate for demographic ageing, at the EU level[6] , it has an important regional impact particularly to certain frontier regions and the more prosperous areas offering more employment opportunities (mainly urban areas). This report is based on Eurostat scenarios providing that the net immigration will be practically unchanged, that is less than 0,2 per cent per year.

- **Migration flows between EU regions.** Despite the important progress made in the liberalisation of free movement of persons over the last decades, Europeans tended to move less than in the early post-war period. Geographical mobility between Member States is limited to 0,1 per cent a year. Nevertheless, the scale of labour mobility between regions is bigger, about 1,5 per cent a year, not so different from mobility in the US. Furthermore, across the Union a significant number of commuters (3,5 per cent of employees) regularly travel quite long distances from their home in one region to their places of work in other regions. Thus, about 5 per cent of the workforce as an average is mobile, in one way or the other, with big variations between regions.

### *3.2 Future trends and implications*

The role of mobility will increase in importance during the coming 10-20 years. One should take into account the emerging needs due to the demographic change. Statistic figures show that older people tend to be less mobile than younger people. Mobility motives and trends are often not compatible with the regional labour market needs. **Map 16** shows the recent trends in interregional migration of the age cohorts entering and leaving the labour market. The young generations seeking better education opportunities and more choice in terms of type of employment and lifestyle are strongly attracted by the metropolitan areas. However big cities are most often faced with higher unemployment. In contrary, the older generations opt for semi-urban and coastal areas where the quality of living is higher. Due to these trends metropolitan areas are less affected by the ageing trend. In some cases, migratory trends towards large metropolitan areas have led to rejuvenation. Rural areas are faced with quite opposite trends. In most cases, the ageing pattern has been accelerated by interregional migration.

The demographic trends require the definition of policies promoting mobility of all factors. A mix of measures removing institutional restrictions and other rigidities could promote labour mobility. People with skills and high skills will be more mobile, while unskilled workers will be less in demand.

[6] *see Commission Report "The Demographic situation in the EU in 1995" p18*

Moreover, it is expected that in the near future, the socio-economic and institutional environment will be more favourable for geographical mobility. On the one hand, growing economic integration together with improved economic performance will certainly contribute to this trend. On the other hand, fast technological change and particulartly the expected progress in telecomunications, networking and transport will help improving the allocation of human resources without geographical mobility.

The increased participation of women in the labour market and the reduction of the gender imbalance will also have an effect on geographical mobility, as mobility in many cases concerns two people with professional careers. A mix of measures could further promote skill and geographical mobility. Removing remaining institutional restrictions and other ridgidities to labour mobility and improving the information on job opportunities and the incentives to mobility would help tackling emerging skill shortages, enhancing employment and growth.

The framework for managing and promoting this broader definition of mobility is variable and justifies a combination of micro- and macro-economic approaches, to be adjusted regionally on a case-by-case basis. Measures in favour of local development are also equally important. ***The mobilisation of reserves in the labour supply could be, a source of economic vitality and local development, particularly for regions in demographic decline. It will therefore be necessary to consider what human resources policies are suited to regional economies.***

# *Chapter 4: How to develop tools for anticipation and policy making?*

### *4.1 Facing the demographic challenge*

The existing evidence shows that the regions of the EU are unevenly affected by demographic trends. This asymmetrical demographic impact adds to an already diversified, in terms of economic performance, regional environment creating a number of different regional typologies.

As a consequence, different combinations of diverging and converging dynamics are created calling for forward-looking policy adjustments to specific regional realities. For several regions the demographic decline combined with sustained levels of economic growth could, over the next decade, offer a chance for a substantial reduction of youth unemployment while the reduction of total unemployment may require responding to emerging structural challenges brought about by demographic and economic trends.

The same reasoning also holds true with respect to human resources development. In the field of education, the substantial reduction in size of the younger cohorts provides the opportunity for concentrating efforts towards qualitative improvements. Moreover, the smaller size of the new entries in the labour market and the faster renewal of knowledge indicate the increasing importance of life-long learning.

In addition, regional economic and social behaviour, is also conditioned by decisions taken at national and supra-national levels. Further efforts may be required to meet the needs at regional level. The regions, the Member States and the Union as a whole could achieve higher levels of utilisation of their productive factors, if they address the policy issues raised by the regional diversity. Providing a mix of more flexible and regionally minded policies will ease regional weaknesses, improving the competitive position of the disadvantaged regions. The regional environment can then further improve with targeted structural policy measures stimulating investment and economic activity where is needed most.

Economic policies, start taking account of the implications of the demographic change. In this context, the Agenda 2000 includes already provisions helping the regions to prepare themselves. One area of particular importance is human resources. Addressing the arising policy challenges require adopting a prospective approach. This implies more emphasis in identifying the needs over the next decades. The regions need to be assisted in their effort to develop a long term strategy in the area of human resources including provisions for appropriate and decentralised life-long learning structures adapted to the changing profile of their working age population and meeting the needs of their labour markets.

Finally a particularly important dimension of regional demographic trends refers to the strong and uneven pattern of growth of the very old segment of the population. This development represents an important challenge not only for health care and family policies but also a potential source of new jobs at local level.

The Commission will deepen the analysis and the debate about the demographic perspectives and their policy implications, making it one central theme at the European symposium “A society of all ages” organised by the Austrian Presidency and the Commission. Issues like employment, health, pensions and the intergenerational solidarity will be addressed in the light of the demographic changes. The

regional dimension will also be one of the key issues.

### *4.2 Next steps in research*

This initial analysis will be followed by some further enhancements. More specifically, within Europe's regional diversity, it is possible to distinguish groups of regions with common demo-economic characteristics. The analysis reinforces the idea of regrouping regions with similar situations under common policy objectives as part of a "case by case" strategy on Europe's regions.

In order to provide a better understanding of the combined effects of the different trends at regional level a multivariate analysis appears as a suitable tool. It combines a number of indicators in order to build up a more pertinent typology of the situations in the various regions.

This analysis will be carried out using different series of variables such as the average annual increase in jobs and the average employment rate recorded over the past, the size of the demographic contribution to the labour force, etc.

The analysis will make possible to form groups of regions with similarities in respect to the above variables or combinations of them. In this context one could find clusters of regions with strong demographic decline and clusters of regions where demographic change leaves margins of manoeuvre for restoring internal balances through appropriate structural policy measures. One could also find regions facing labour shortages and regions where demographic decline will require significant increases in activity in order to benefit from job creation levels observed in those regions. Results could further promote and stimulate debate within the European Institutions.

# ***APPENDICES***

*Appendix I*

## *Demographic ageing and the challenge for structural change in the regional labour markets.*

In chapter 2, we refer to the risk of increasing structural difficulties in the regional labour markets, resulting from the rapid demographic trends, that may affect overall economic performance in the next decades. The following simulation aims to provide a demonstration of these effects even in the case that the employment growth will be moderate.

More specifically, the question to which this exercise attempts to provide an answer is the following: How much will the regional employment rates have to change, between 1995 and 2015, in order to reply to the labour market needs in a hypothetical future labour market environment described by the following assumptions:

1. the working age population (15-64) will grow according to EUROSTAT baseline demographic scenario,

2. the annual growth of employment for each one of the Member States may take values somewhere between a moderately optimistic ***high hypothesis*** based on Commission's medium-term projections (1996-2000) extended up to 2015 (see table besides*)* and a pessimistic ***low hypothesis*** of zero employment growth throughout the period in question. These two hypothesis create a sufficiently wide range covering the most plausible scenarios of future employment evolution.

In the absence of reliable regional forecasts on regional employment growth, it is also assumed that all regions within each Member State will follow the average national pattern in

| **Long term scenario 2000-2015** | | | |
|---|---|---|---|
| | GDP | Employment | Productivity |
| Belgium | 2,4 | 0,7 | 1,7 |
| Denmark | 2,4 | 0,5 | 1,9 |
| Germany | 2,6 | 0,6 | 2,0 |
| Greece | 2,9 | 0,9 | 2,0 |
| Spain | 3,0 | 1,0 | 2,0 |
| France | 2,5 | 0,7 | 1,8 |
| Ireland | 3,0 | 0,8 | 2,2 |
| Italy | 2,5 | 0,7 | 1,8 |
| Luxemburg | 2,4 | 0,7 | 1,7 |
| Netherlands | 2,3 | 0,6 | 1,7 |
| Austria | 2,5 | 0,6 | 1,9 |
| Portugal | 3,0 | 0,8 | 2,2 |
| Finland | 2,8 | 1,0 | 1,8 |
| Sweden | 2,5 | 0,7 | 1,8 |
| United Kingdom | 2,3 | 0,6 | 1,7 |

terms of employment growth as described by assumption 2. Although this assumption reduces the degree of realism of this exercise, it helps isolating the demographic effects at regional level.

***Map 14a*** shows the initial situation in 1995 and the final situation corresponding to the two hypotheses high and low. It is observed that the EUR15 average employment rate is going down only by as little as 0,8 percentage points (from 59,6% to 58,8%) while the regional variations are small. Surprisingly even under these very low assumptions, provided by hypothesis 2, there are regions that demonstrate worth-noting increases in their employment rates.

Taken the high scenario, we observe a particularly sharp change of the average EU employment rate going up by as much as 8,2 percentage points (from 59,6% to 67,8%).

Following the findings of this exercise, an important number of European regions would need to attein extremelly high employment rates sometimes higher than 80%.[7] As it can be seen

[7] *Despite the serious difficulties in the labour market*

in the table for map 12a (see Appendix III) more than 25 regions in the EU had already atteint in 1995, employment rates higher than 70%. Under these conditions, this could signify that those regions achieving high GDP growth rates and thus higher productivity will probably perform better than the the corresponding national average (assumption No 2) in terms of employment growth.

In the context of this exercise, comparing the increase of the working population needed to the available reserves lead to the conclusion that mobility in these regions will play a crucial role. This will apply in particular to those regions attaining a level of economic growth higher than the corresponding national average and /or to those regions where the rate of employment has already achieved levels exceeding, in several cases, 70%.

Finally the last **Map 14b** shows the annual (average) speed of the employment rate change required to meet the needs of the regional labour markets under the two hypotheses. In addition, it compares them to the corresponding actual figures for the period 1985-95.

In comparing the figures of the past with the two scenarios for the future, the reader should bear in mind that the employment rates of the period 1986-95 take account of both economic and demographic variations at regional level, while, future scenarios assume that all regions within each Member State will follow the average national pattern in terms of employment growth. Hence, it is expected that the regional variations within the Member States will be more important than the ones resulting from this simulation. Although, over the last decade there have been strongly diverging trends, as it can be seen in ***Map 15***, it would be very risky to attempt any extrapolation of these trends in the future.

Under these limitations, it is obvious that this exercise does not have any forecasting aspirations, however it illustrates the increasing importance of the demographic factor in the labour market under a wide range of plausible scenarios of future employment evolution. It is observed that under the high hypothesis a considerable number of regions (with employment rates already above 70%) will need increases of employment rates exceeding 10% over a period of only 20 years. This would be hardly feasible, although some resources might be more efficiently utilised by shifting from part-time to full-time jobs.

Although this simple exercise does not allow to draw a complete and precise picture of the future trends, it clearly indicates the interaction between demographic trends and the regional labour markets suggesting strong changes and structural challenges both for the regions and the EU as a whole.

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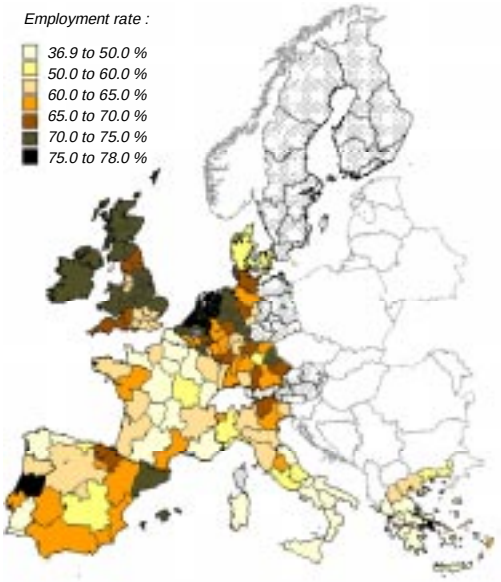
*over the last decade, the European regions in their majority have experienced a positive, yet, modest, growth of their employment rates. This growth (particularly in Irland most UK regions, Nederlands, Flanders and Central Portugal) reflect a relatively satisfactory GDP growth associated with increased female participation and growth of part-time and other flexible forms of employment. Nevertheless, the regions already attained a high employment rate will have increasing difficulties to satisfy the important increases required in the future by the high hypothesis.*

## *Map 14.a* : **Employment rates**

*Employment as % of population in the 15-64 age group*

**The starting point in 1995**

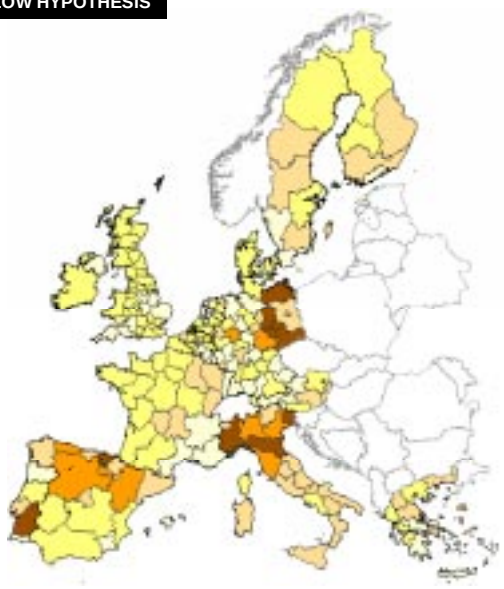



*EUR15 average : 59.6 %*

*EUR15*
*Source : EUROSTAT, Base Regio*

*The situation in 2015*
*Employment rates at constant 1995 level of employment*

**LOW HYPOTHESIS**



*EUR15 average : 58.8 %*

**HIGH HYPOTHESIS** *Employment rates with increasing level of employment (see text)*

*EUR15 average : 67.8 %*

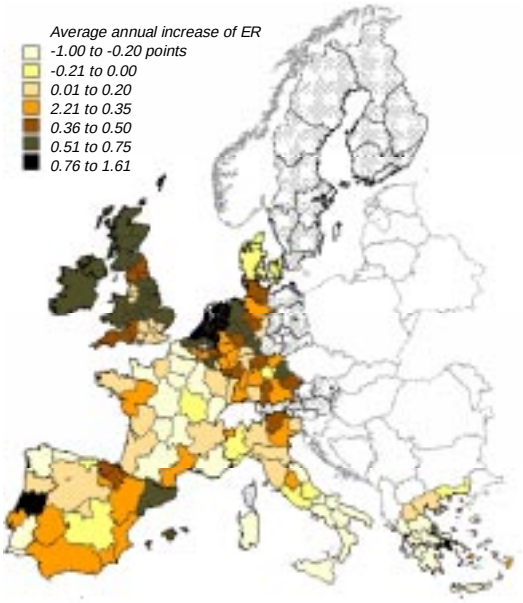
**EUR15 NUTS2**
**except UK NUTS1**
*Source :*
*Eurostat, Demographic Projections 1997*
*- Baseline scenario*

## *Map 14.b* : Average increase of employment rate

*1985 - 1995**

**1985 - 1995***

* Except ES + PT : 1986 - 1995;
FR82 + most of GR : 1988 - 1995



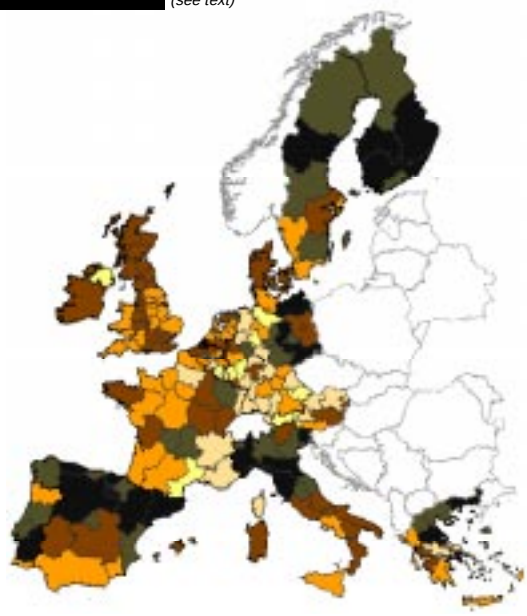

*EUR12 average : 0.22*

*1995 - 2015*

**LOW HYPOTHESIS** *At constant 1995 level of employment*

*EUR15 average : - 0.04*

**HIGH HYPOTHESIS** *With increasing level of employment (see text)*

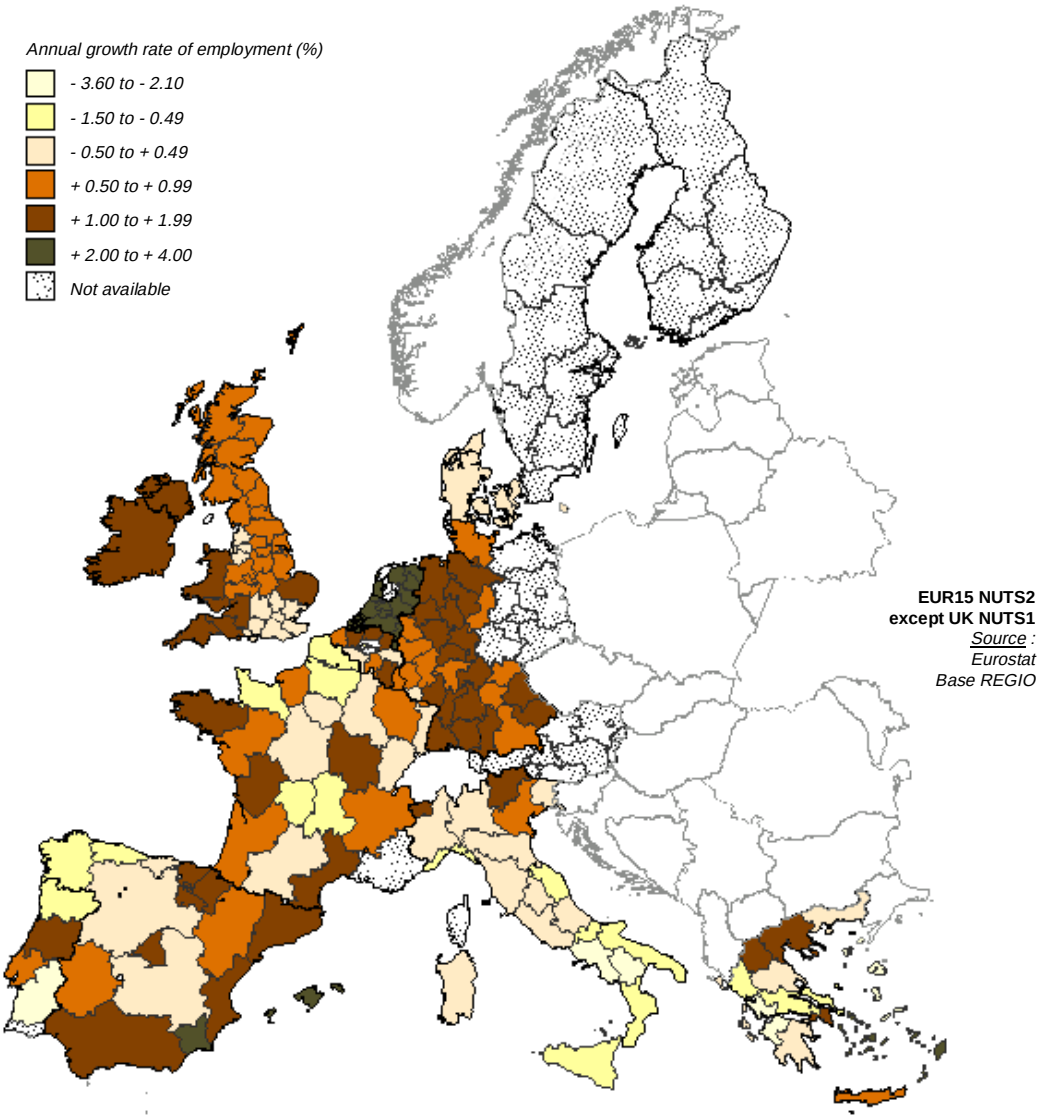


*EUR15 average : + 0.41*

**EUR15 NUTS2**
**except UK NUTS1**
*Source :*
*Eurostat, Base Regio*
*Demographic Projections 1997*
*- Baseline scenario*

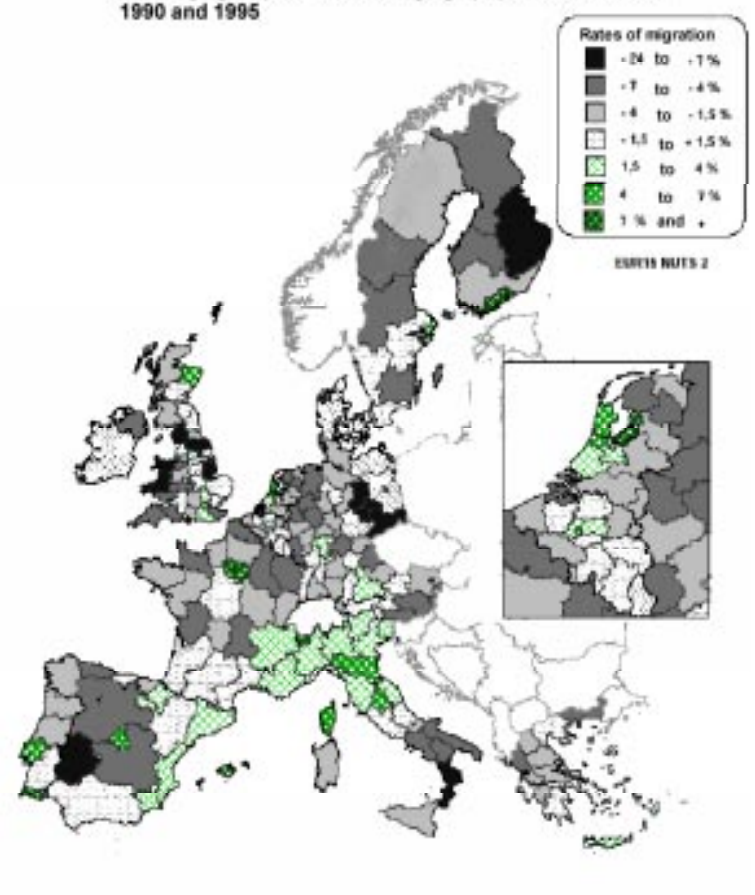
*Map 15* : **Average rate of employment growth**

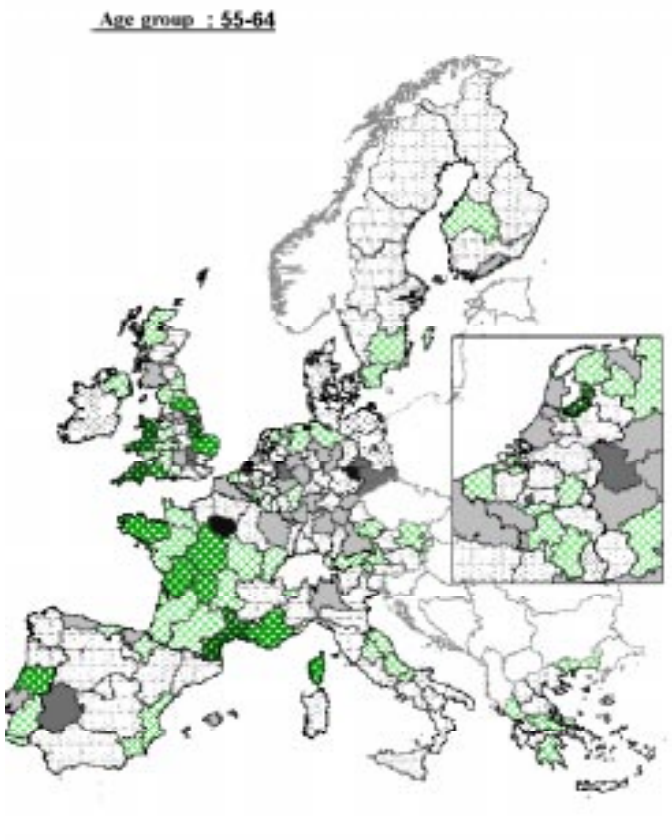
***1985-1995*** ***- except ES, PT : 1986-1995 and GR: 1988-1995***




*EUR15 average : + 1.3 %*

Map 16: Rates of interregional migration of the younger and older age group of the working age population between 1990 and 1995



## *Appendix II:*

### ***Regional Demographic Scenarios: Are they reliable ?***

*By definition any scenario about the future is based on a number of assumptions on which the reliability of the scenario depends. Regional population scenarios do not escape from this rule. The longer the time horizon used, the larger the errors might be; furthermore, the smaller the region considered, the bigger the projection inaccuracies might be.*

*Statistical measurement problems in the base population may also cause some over or under estimations of future population size and composition. The relative population errors are generally more important for the two ends of the population-age structure : the babies and the oldest old. Assumptions on future fertility may sometimes lack precision affecting the accuracy of the projected number of young children. In the medium and longer run, the number of teenagers and adults could also be affected. However as far as the working age population is concerned for the period 1995-2015, both these sources of possible errors can be practically excluded since the population in question is already born and does not relate to the very old as well.*

*Eurostat regrouping at NUTS II level does not always reflect the real regional situation. Some regions are very large including a variety of different local situations while others are very small.*

*Furthermore, unforeseen developments in mortality trends, may, though to some lesser extent cause errors in forecasting the future number of elderly people.*

*Unexpected changes may be another source of demographic scenario problems. Internal and external migration may primarily lead to misjudgements concerning the size of those aged around 20. After some years also the numbers of those aged 30 and over could be affected.*

*Finally, some further difficulties, beyond the demographic and statistical risks of error, should also be taken into account.* ***The importance of the ageing trend for the policy making is due to the changes in people's behaviour associated with the age, rather than to the biological or the demographic ageing per se****. Yet, behaviour of the different age-specific groups is changing from generation to generation reflecting changes, of economic, technological, institutional or societal conditions*[8] *. These generation effects on behaviour introduce a strong element of uncertainty concerning future generations behaviour that should be addressed with a lot of precaution when dealing with forecasting over a relatively long period .*

[8] *A typical example of "generation effect", is the change in women's attitude towards participation in the labour force. What was initially a trend concerning mostly the younger women is extending , as the years pass, to the older women cohorts. A study on " The impact of ageing in the size, structure and behaviour of working age population and policy implications for the labour market" dealing with these issues is under way by a consortium of European Research Institutes under the leadership of Pr. R. Lindley (University of Warwick). The project is financed by DG V and is expected to be completed by October 1998.*

***Nevertheless, taking account of all these risks, it can be reasonably argued that the intensity of the trends observed regarding the ageing process narrows considerably the possibility of a serious mistake as far as the major trends are concerned, as they are presented in chapter 1.***

*Appendix III*

*Tables*