

DG EMPL - CAD A/21817
Date: 26-09-2005
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Dear Madam,
Dear Sir,

The Alliance for Health and the Future is pleased to submit its response to the *Green Paper on Demographic Change*. We have also enclosed our response in electronic format your convenience

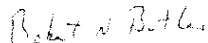
If you require further information please do not hesitate to contact the Alliance Secretariat in Brussels:

Teemu Lehtinen
Rue des Deux Eglises, 20
1000 Brussels
02 227 61 70

Yours faithfully



Baroness Sally Greengross, UK
Co-Chair Alliance for Health & the Future
CEO International Longevity Centre



Robert Butler, MD-USA
Co-Chair Alliance for Health & the Future
President and CEO International Longevity Centre



Françoise Forette, MD-France
Co-Chair Alliance for Health & the Future
CEO International Longevity Centre

Alliance for Health & the Future

Response to the Green Paper
“Confronting demographic change:
a new solidarity between generations”

"An ageing population free of disability and disease, productively engaged in society is desirable, achievable and a goal toward which we must steadfastly apply ourselves. Contrary to popular belief, old people are not expensive. In fact, research shows that healthy old age brings with it enormous economic and societal benefits. Therefore, conquering the challenges presented by the ageing of society should be viewed as a victory for individuals, communities, business and governments the world over."

Professor Robert Butler
Professor Françoise Forette
Baroness Sally Greengross

Co-Chairs, Alliance for Health & the Future

Who we are

The Alliance for Health & the Future is a "think-and-do tank", established to raise widespread awareness to catalyse behavioural changes that will generate greater well-being and productivity throughout life. We are based in the International Longevity Centre, a not-for-profit, non-partisan, research, policy, and education organisation. Our mission is to help societies address the issues of ageing European populations and longevity positively and constructively. More information is available on our website at: www.healthandfuture.org

Preliminary comments

The Alliance for Health & the Future (the Alliance) welcomes the opportunity to respond to the debate launched by the Commission's Green Paper on "Confronting demographic change: a new solidarity between generations".

In particular, the Alliance is pleased to note that the Commission is adopting an innovative approach, i.e. moving away from the exclusive question of cost to consider the issue of demographic change in a global way. This is perhaps the greatest innovation of the Green Paper. We wholeheartedly support this idea. Over the past century, life expectancy in the developed world has risen by approximately 30 years. Yet in that time, no government or sector of industry has pursued a multi-disciplinary or systematic inquiry into the social and economic consequences of this unprecedented demographic change. Neither has anyone developed an action plan that responds to this change. To fill this gap the Alliance intends to work with governmental and non-governmental organisations, academia and companies from a range of industries, to develop a 'lifecycle' approach to policy making.

While it is true that many of the issues associated with demographic change fall under the Member States' competence, we believe that they require action at EU-level. As it is often the case, Europe's role is to be at the forefront and help governments identify and adopt innovative and audacious reforms. This requires the EU to invest in research to base its strategy on accurate information, make use of all possible channels to help Member States share information and best practices and exploit all EU legislative and non-legislative instruments.

The Alliance strongly believes that non-action is not an option. Demography is a key factor in the overall prosperity of nations, their political, diplomatic and economic strength as well as their ability to equip their citizens with the tools to live longer and healthier lives. Europe cannot afford to be left behind the USA, China and other emerging regional powers and the current trends of decreasing or stagnating populations in several European countries need to be reversed in order to ensure that we have a sustainable, balanced population in the future.

For all these reasons the Alliance strongly supports an EU-level action combining research and understanding of the impacts of economic, health, social and enterprise policies. This would contribute significantly to Europe's Lisbon agenda goal of becoming the world's most competitive economy.

Our detailed response to the reflection document follows:

1. Challenges of European demography

The Commission is right to raise the dual challenges of demographic change in Europe. The combination of increased longevity and low birth rates will indeed have a major impact on our future everyday lives: the organisation of work and businesses, urban planning, design of homes, public transport, and voting behaviour.

Fertility rates

Fertility rates in all countries are below the replacement level, and this problem needs to be urgently addressed. Indeed, the fact that people are living longer is a major achievement but, to ensure that society is not overburdened, Europe needs more children. Several studies have shown that many young couples are not having as many children as they would like.

One obvious reason is the ability of women to combine work and family life in a society where the individual is increasingly valued for his or her economic role. Therefore, the ability to manage these two aspects of their life, which is intimately linked to gender equality, is a major determinant for women in deciding the number of children they have. This issue will be discussed further below.

More generally, it must be acknowledged that society has dramatically changed over the last fifty years and the family model has not been spared. In particular, the shift towards later parenthood has reduced the timeframe during which women procreate. In addition, the explosion of single-parent families and the precarious structures sometimes arising from these, do not favour extended families. Other elements include: the size of living accommodation, day care systems, financial incentives and taxes. Surprisingly, the Commission has not discussed medical issues related to low fertility rates at all, although we know that these are also important.

Therefore what can be done to increase fertility rates in Europe?

One starting point could be to look at public policies targeting families. Do they have a positive, negative or no impact? Can we identify best practices? The issue is very complex and requires extensive research to be carried out. In fact, a first look shows different results cross-country: France has for several decades put in place a pro-natalist policy which offers generous financial benefits, including tax deductions for child care, and has maintained high fertility rates. It also provides full financial coverage of fertility treatment. Germany, on the other hand, offers a high level of financial support for families, yet it has seen its birth rate declining.

Public policies supportive of the family can have a positive impact, but mixed results suggest that they are not a sufficient condition to ensure high fertility rates. Other elements that we would wish to discuss in more detail include gender equality and balance between family and work life.

EU role:

- *EU to research the impact of public policies supportive of the family on the level of fertility rates and identify best practices to be shared between Member States.*

Work/family life balance and gender equality

Gender equality is an absolute necessity on the road to tackling demographic change and reaping the potential benefits to the national economies. It needs to be recognised that the relationship between fertility levels and gender equality is a complex one, with several factors confounding the relationship. However, it needs to be clearly stated that work does not prevent women from having babies. In fact, according to several pieces of research, including the Commission's own data (graph. 8), countries with a relatively high gender equality level do also have a higher fertility rate. Overall, what should be encouraged are progressive social policies that offer women the choice to continue working while having children, and which takes full consideration of the financial aspects involved in these choices. Also, it is important to encourage the participation of women in the labour market to decrease the dependency ratio.

Indeed, it is unrealistic to ask them to have more babies, take care of their children and parents, and also to work more and for longer simultaneously. Therefore, policies should seek to offer women with increased opportunities to reconcile work and family life. This implies greater gender equality.

One key element to encourage women, and men, to have more children is flexible work arrangements. This form of work needs to become more accessible for those who want to take advantage of it, and those who do should not be discriminated against. At the same time, the use of parental leave should be equally accessible to women and men. This would prevent employers from discriminating against women because they know that after their pregnancy they will leave the workplace for several months.

In addition to better equality at work, Member States should develop adequate and affordable structures for children and the care of older people. It is clear, for example, that the cost of day care prevents women from entering the labour market particularly if they are employed in low-paid jobs. Other measures could include: lower VAT for the care of children and elderly, reduction of the tax burden on families, affordable and adequate housing.

The Alliance recommends that Member States invest in families as this will allow the entire society to reap the benefits over the long term. Suitable public policies with a profound reorganisation of work based on flexibility and gender equality is a good starting point to help women and men reconcile work and family life, and therefore to have larger families.

EU role:

- *Continue to promote gender equality via legislative and non-legislative instruments;*
- *Monitor implementation of current EU legislations on gender equality and put pressure on Member States to take necessary action;*
- *Share best practices between Member States.*

2. New solidarity between generations

Creating a new type of societal pact between generations will be key for success. Europe must not allow the solidarity between young and old to crumble or suffer due to short term advantages which could be gained by either of the two groups. We need to find a way to avoid an emerging conflict.

From costs to opportunities

The Commission's vision on the role of older people in the "generation mix" is not complete. While it is asking the right types of questions from the retirement age to active ageing, pensioner mobility, engagement in the voluntary sector and participation in economic life, it still considers the ageing population more as a cost than as an opportunity. Little, if any, analysis is made of the positive overall impact of healthy and active life expectancy and GDP. This is where the Alliance thinks that a paradigm change is needed and it is carrying research in this area.

The Alliance believes that this traditional approach is particularly visible in the way that the Commission interprets the outcome of the Kok Report and in the way it considers the demographic dependency ratio (ratio of the population aged 0 to 14 and over 65 to the population aged between 15 and 64 years which will rise from 49% in 2005 to 66% in 2030) to be evidence of serious economic risk for the EU.

This inter-generational solidarity will require strong emphasis on the benefits that young and old can bring to each other. The Alliance considers that a society where all generations can live together is a very rich society.

An inclusive society for all

The perception of older people is generally negative as they are often considered as a burden on society. This trend is likely to be reinforced by the increased number of elderly and very elderly people. We therefore run the risk of moving towards an 'ageist' or 'age discriminatory' society where only young people are considered as an invaluable resource. We should avoid this and rather work towards an inclusive society which would make a place for everyone and foster the notion of whole citizenship for all generations alike. This calls for the elimination of age barriers to participation in all aspects of society, and of ageism or age discrimination in our societies.

1. Improve the employment of young people

In this competition between ages, the area of employment is obviously key as individuals are increasingly being considered for their economic value.

First of all, there is no indication that the employment of older people deprives young people from jobs – the so-called 'lump of labour' fallacy. On the contrary, it is a sign of a dynamic labour market. Countries with a high participation rate of those aged 55-64, as in Sweden, Denmark or the UK, also have lower than average overall unemployment rates. One obvious reason is that they do not occupy the same sort of jobs: older people often occupy high level jobs or jobs that at least require a certain degree of experience that only years can bring. In addition, despite high unemployment rates in Europe many jobs are still available, but they

are not taken by Europeans either because they are considered unacceptable to them or because they require specific qualifications. Therefore, there is still room for young people to find jobs but they need to be helped in their quest. Moreover, different generations may benefit from working together, and the presence of older workers as mentors may enable younger workers to seek out more adapted career paths through guidance and career planning. Several companies have favoured such Human Resources strategies for their employees.

The entry of young people in the labour market is an important factor in their decision to start a family. Currently, in many European countries young people have been pushed towards university studies but not all jobs require such high level education. This has also led to a shift towards later parenthood which was identified earlier as one of the main elements explaining decrease in fertility rates. Therefore, there is a need to revalue manual jobs and develop courses based on apprenticeship and technical skills. In addition, the Alliance believes that 'work literacy' should be part of the 'lifecycle' approach. Young people need to be put in contact with the professional world early on and they should learn more about different types of careers, where to look for employment, how to apply, etc. A comprehensive education based approach should empower young people to make informed decisions.

Two other important factors which play a role when deciding whether or not to found a family are the salary level and work stability. Young people often start with low salaries and short term contracts. There is a need to adopt innovative human resources policies to address these issues. The Alliance believes that salary schemes based on age and seniority are sometimes obsolete. Wages and salaries should reflect individuals' capacity to do the job at hand rather than merely their age or seniority. This will allow for a more equitable distribution of resources within labour markets and not favour one generation of workers over another.

EU role:

- *Youth Pact should be designed to support the objectives of employment and social inclusion of people of all ages;*
- *The European Employment Strategy (EES) should promote employment of people of all ages;*
- *The European Social Fund should finance pilot projects to support the objectives set in the EES;*
- *Best practices should be identified and shared between Member States.*

2. Promote active ageing

The dependency ratio, i.e. the proportion of the population aged under 18 and over 65 compared to the working population (15-64 years), will increase from 25 % in 2002 to 30 % in 2015 and 40 % in 2030. The number of people aged over 80 will increase very significantly, to 20 million in 2015 and 27 million in 2030. This means that even if the Lisbon target for the employment rate (i.e. 70 %) is reached in 2010, the actual labour force will decline as the population of working age shrinks.

However, the Alliance would like to stress the limit of the dependency ratio as an indicator of the burden of dependency. If we want to measure the number of dependants who must be supported by each participant in the labour force, then the relevant statistic is the ratio of labour force participants to non-participants. Many persons aged between 18 and 64 either choose not to participate in paid employment or are unable to do so for various reasons. This is not reflected in the dependency ratio. If we choose this last ratio it then appears crucial to encourage people to remain at work longer to sustain the best of the European social systems and avoid labour shortages.

The Alliance also would like to stress that active ageing should not only be limited to work otherwise it should be called productive ageing. Active ageing should also apply to health where prevention and health literacy should help people to live longer and healthier lives.

The misperception surrounding ageing has led people to believe that they can not work after a certain age. However, it is clear that people live longer and healthier lives and are able to work longer. The question is, therefore, how can we match the fact that people are living longer lives and are capable of working for longer?

The Alliance has carried out extensive work to determine the obstacles to employment of older workers and has identified four:

1. incentives to early retirement;
2. reluctance of employers to keep and employ older workers;
3. workers' reluctance to stay at work if they see no benefit in doing so; and
4. working conditions which are not adapted to older workers.

The Alliance strongly promotes the idea that all forms of early retirement, including widespread use of employment and disability benefits for people over 50, should be discontinued if not fully justified. In addition, mandatory retirement age should be replaced by an indicative retirement age and removed altogether after a few years. In practice this would give people the opportunity to work up to a minimum age and then continue if they desire to do so.

We mentioned above the issue of wages which are based on seniority and discourage employers from keeping older people at work. Some countries are already applying the system of decreasing salaries which better fit the needs of people throughout their life span which is also likely to encourage the adoption of more flexible forms of work to accommodate the lifestyle of older workers.

Lifelong learning is currently the privilege of the highly educated. The employment rate for those aged 50-64 is higher for those with superior education than for those with only primary education. The average employment rate for those aged 50-64 in Sweden is 79% with 89% for superior education and 69% for primary education. In other words, active ageing goes hand in hand with education. To enhance the employability of a greater number of older workers, lifelong learning should apply to all workers without regard to their level of education.

Finally, Europe should promote progressive retirement schemes that would allow people to prepare for active life after work. The management of the drawing to an end of working life is as important as the management of one's work-life itself. If people are given the possibility of working part time towards the end of their careers, they can prepare for retirement more easily. Some countries have started using such systems and they seem to encourage people to live their life after work more dynamically.

It is clear that, in addition to all the measures suggested above, active ageing will require a profound cultural change. Older people have changed: they live healthier and longer lives and they can therefore participate actively in society and bring value to all.

EU role:

- *The European Employment Strategy (EES) should address the specific question of the employment of older people;*
- *The European Social Fund should be used to finance pilot projects to support the objectives set in the EES;*
- *Best practices should be identified and shared between Member States.*

3. Healthcare and long-term care

The Commission and Member States are very keen to promote the idea of active ageing as a means to tackle the demographic challenges. Whilst the Alliance totally shares this idea, we would encourage both the Commission and Member States not to focus purely on work.

As mentioned above, the Alliance strongly believes that the 'lifecycle' approach should be extended to cover the whole age-span of an individual from education/school to work life and retirement. This should include aspects such as:

- Citizenship and financial literacy classes for young people;
- Investments in career planning and life long learning processes;
- Investments in technological infrastructure across the continent to facilitate learning, working and communications irrespective of geographical location and age;
- Health literacy.

Because health is such an important element in ensuring that people remain active for longer, it is disappointing that the Commission put so little emphasis on this issue in its Green Paper. The definition of active ageing developed by the WHO does recognise the health dimension: '*active ageing is the process of optimizing opportunities for health, participation and security in order to enhance quality of life as people age*'.

The Alliance believes that the Green Paper on demographics should include health policy considerations. Europe is already engaged via the Health Community and Research programmes in actions to support prevention policies and health promotion, research in non-communicable diseases which are the main cause of mortality, and gather indicators on

healthy lifestyles. These activities need to be better incorporated in the discussions on demographics. In addition, Member States need to ensure that the very elderly have access to high level quality and affordable care. The Alliance has carried out research based on a study of age discrimination and measures to achieve age equality in eight European countries. This research shows that older people do not benefit from equal access to healthcare and that work need to be done in *promoting age equality* in health care delivery.

The Alliance has collected a large body of evidence indicating that there is a direct link between longevity and economic well-being. More needs to be done to help policy makers understand the relationship between improvements in the health of the population and a nation's wealth. We are convinced that governments and health services can benefit from an understanding of the health and productivity of their populations, and of the impact that this will have on their economies and competitiveness.

EU role:

- *Extend use of the Open Method of Coordination in the area of health and long term care;*
- *Carry out research on the link between longevity and economic well-being.*

3. Role for the European Union

While we suggest that there are several issues related to the demographic challenge better addressed at the European level, local authorities in the Member States should also have a role to play. We are particularly thinking of encouraging and facilitating partnerships between the financial services sector, employers, schools and parents, the public sector, voluntary organisations, and trade unions, in order to ensure financial literacy is taught from an early age.

The Alliance encourages the Commission and the European Union to consider methods to improve its **internal coordination and to ensure a transparent horizontal approach** to the question of ageing and demographics. We would also wish to draw attention to a global approach which requires input from all interested parties.

The Commission has already recognised that obesity is one of the key health determinants in the 21st century. In order to tackle this issue, a **multidisciplinary platform of stakeholders**, from business to policy makers and civil society has been formed. The Alliance recommends that the Commission considers developing a similar approach to the question of demographic change including representatives from education to business, healthcare to think-tanks, academics to policy makers. We believe that such a platform could provide an innovative and well-rounded approach and develop concrete proposals which the Commission, Member States and the European Parliament can take on board.

The Alliance also believes that enlarging the use of the **open method of coordination** to cover demographics, ageing and socio-economic issues in so far as they do not fall under the Union's competences could prove beneficial. The main reason for such an approach would be to guarantee a proper exchange of best practice, experience and ideas on different approaches which Member States are using to tackle the demographic challenge in Europe. Combining this exchange with the recommendations of the proposed European platform on demographics, we believe that the European Union can best seek comprehensive and global answers to the issue.

Baroness Sally Greengross, UK
Co-Chair Alliance for Health & the Future
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Robert Butler, MD-USA
Co-Chair Alliance for Health & the Future
President and CEO International Longevity Centre

Françoise Forette, MD-France
Co-Chair Alliance for Health & the Future
CEO International Longevity Centre

Alliance for
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ALLIANCE FOR HEALTH AND THE FUTURE
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