



# Contribution to the European Commission's Green Paper on 'Confronting demographic change: A new solidarity between the generations' (COM 2004 95 final)

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## Introduction

These comments pertain to those areas where the Foundation has recently carried out research which has a direct bearing on the subject of the Commission's Green Paper. The views expressed in this paper draw upon the following sources:

- developmental and conceptual work from the Foundation; and
- results from the Foundation's EU-wide programme of surveys and research.

As the Foundation has recently extended its monitoring activities to cover the new Member States, as well as Bulgaria and Romania, the scope of coverage has thereby been enhanced.

The aim of this paper is to present ideas for policy and practice that respond to the issues raised in the Green Paper. In addition, it is hoped it will contribute to a deepening of the debate on demographic ageing.

The Foundation welcomes the European-level debate on demographic trends and their impact. As well as obvious issues such as migration and geographical mobility, these trends are profoundly influencing labour supply and demand, economic costs and opportunities, the role of the family and social protection systems, and general quality of life for Europe's citizens. A measured and well-grounded European debate will contribute to the development of appropriate policies and perspectives, to anticipation and management of change – not only by governments, but also by the social partners, non-governmental organisations and citizen groups.

## The challenge of a low birth rate

A key focus of sustainable family policy in several of the EU15 countries is related to the twin objectives of increasing fertility and the employment rate of women. A recent German government initiative on family policy based on the report of the Ruerup Commission (2003) takes up this twin-fold approach, which is also supported by the May 2004 report of the High Level Expert Group on the future of social policy in an enlarged European Union (European Commission, 2004). The Expert Group identifies three main components of future EU social policy – the extension of working life for all, an increased female employment rate and policies to allow European couples to have the number of children they want. In addition to the mainstream policy proposals on these issues, it suggests measures to increase the availability of proper housing for families and more support for societal dialogue on a fairer distribution of household work and care responsibilities between couples.

The argument for a new direction for family policy based on a plurality of various forms of partnership is supported by new empirical evidence. This demonstrates an unexpected reversal of the direction of association between traditional aspects of union, or partnership, formation and fertility. In 1975, traditional union formation had a positive influence on fertility outcomes: then, a high marriage rate, a low divorce rate and a low proportion of births out of wedlock had a direct correlation with a high overall fertility rate. By 1999, the direction of relationship between all three indicators had changed: now, a low marriage rate, a high divorce rate and a high percentage of children born out of wedlock are associated with higher fertility rates in Europe. This change marks a major turnaround, which is closely combined with the so-called 'reproductive paradox' between 'weak' (Scandinavia) and 'strong' (southern Europe) family-centred welfare systems in Europe. In contemporary Europe, countries with strong family-centred welfare regimes have a significantly lower fertility rate than countries with weak formal family links (Saraceno, 2004). Thus, family policy has to be aware of the high relative importance of partnership formation and stability for fertility outcomes.

Similarly, there is a clear positive relationship between fertility and two other factors – an early transition from the parental home into one's own home, and a successful transition from education into secure employment without going through youth unemployment or precarious employment. These factors create an important policy challenge for more indirect measures of family policy. Appropriate measures within labour market, educational and housing policies should create an institutional framework to support successful and earlier transitions.

Public policy, in general, would appear to have a greater indirect influence on decisions taken about family life than do specific family policy measures. Based on Eurobarometer studies, it emerges that, for the citizens of the EU15 Member States, preferences for various policy measures to support family and children reaffirm the basic rationale of the European employment strategy – namely, that the reduction of unemployment and the increase of the employment rate is the best social policy for all, including families with children. In addition, citizens in the EU15 stress the importance of flexible working hours and available childcare provisions. In contrast, the citizens of the new Member States (NMS) have different priorities – they would like to see government initiatives to increase child-related income and reduce child-related costs.

### **Better quality care for children and the elderly**

An important way of supporting families and improving their work-life balance and fertility rates is to provide high-quality and affordable care facilities for children, the elderly and people with specific needs. Different countries have different policies. The Foundation is currently conducting two relevant studies to explore these issues.

One study looks into how six different countries in the EU25 provide out-of-school care for children aged 5–12. It involves research on the creation of formal employment in 'affordable, high quality childcare' for children aged 5–12. These arrangements include day care centres, before- and after-school facilities in private, public and third sector settings, and other regulated services. The development and impact of measures (in both public policies and private sector initiatives) will be examined to support sustainable and formal job creation in care services for school-aged children. The debate on modernisation of care systems in Europe will also be addressed. Existing information on childcare services and gaps in the enlarged EU will be examined and measures at national, regional and local levels will be identified to create sustainable employment in childcare.

The second Foundation study in progress is about how labour supply can be increased in the care sector, with special attention given to people with dependent care needs – typically the sector of home care for older people. It also looks at how employment in this sector can be made formal and more permanent. Initial findings in the EU15 show that in all countries surveyed, demand for social care services exceeds the supply of resources available, particularly in terms of the supply of labour. Against this background, many initiatives in the public, private and voluntary sectors have been established to promote labour supply in the care sector. The project is currently exploring in particular the situation in the new Member States. A consolidated report will be published in early 2006, with specific policy recommendations on how to increase labour supply in the formal care sector.

The *First European Quality of Life Survey*, carried out by the Foundation in 2003 (Fahey et al, 2004), points to the fact that 10% of Europeans in the EU25 find it difficult to fulfil their family responsibilities ('several times a month'). The survey shows that both women and men in Europe have severe difficulties in balancing their work life with their family life. In particular, families with young children have considerable time pressures. According to the Foundation's analysis, lone parents are the group expressing the lowest satisfaction with family and life in general. Lone parents are also the group most at risk of low income and poor working conditions, as well as housing problems and low social participation outside the household. A proportion of this group faces social exclusion, which is of particular concern since there is evidence that the children growing up in these households often inherit these social problems of low education and employment.

## The impact of migration

Migration, like fertility, poses a considerable policy challenge for the EU. The goals of economic growth and economic convergence between regions in Europe can only be supported by high levels of labour mobility, in addition to new trade relationships and the movements of capital and public investments under EU regional policy. In addition, high levels of labour migration create economic and social challenges (e.g. the integration of unskilled workers) and opportunities (e.g. cultural and social enrichment contributing to entrepreneurship, innovation and employment) in the receiving societies, as well as sometimes depleting the human capital resources of the sending societies. The growth of marginalised ethnic minorities within the advanced societies of the EU represents one form of the possible social strain that can result from labour migration. The dilemma here, then, is that while labour mobility may be good for economic growth and cohesion across the EU regions as a whole, it may put pressure on social cohesion at the local level within national societies if not accompanied by a holistic approach of integration.

The Foundation's 2002 study of migration intentions from the acceding and candidate countries calculated likely migration flows based on respondents' answers to a number of questions about their future movements (Krieger, 2004). Using composite indices and focusing especially on the 'firm intention to migrate', the report concluded that the volume of labour migration to the EU15 after enlargement was likely to be small, amounting to about 1% of the population stock in the then 13 acceding and candidate countries (ACC13) within the next five years under conditions of free movement. This represents an emigration of around 1.1 million from the 10 central and eastern acceding and candidate countries (i.e. excluding Malta, Cyprus and Turkey).

The study indicated that the potential 'flood' of migration as a consequence of EU enlargement is unlikely to materialise. Furthermore, the impact of such migration as does occur is likely to be mitigated by a high incidence of short-term migration and of return migration. Other research indicates that particular receiving countries could, nevertheless, be strongly affected (e.g. Germany and Austria) since the target country destinations of migrants are unevenly distributed.

The sample numbers of those identified as having a likely migration potential were small and therefore only provide broad indications. But there is a real risk of a significant 'brain drain' from the countries involved. Potential migrants are mostly likely to be young and better educated. In most of the ACC13, migration among the young could be as high as 2%–5%, and in Bulgaria and Romania that figure could rise to 10%. Among those with third-level education, similar, or even higher, levels of migration could be expected. Remarkable also is the trend towards an increasing 'feminisation' of migration.

## Flexible organisation of working time

The Communication describes the need for a new approach to the working life cycle, characterised by a more adaptable and flexible organisation of working time over the life course.

Many companies have realised that offering flexible solutions to working time and work organisation is an important factor when it comes to recruiting and retaining the most talented and desirable employees. Smaller enterprises especially and those in the public sector cannot compete on the basis of salaries and benefits for highly qualified employees. On the other hand, as Europe is making progress towards a knowledge society, the availability of highly skilled, adaptable and creative employees constitutes a competitive advantage for innovative and successful companies.

Case examples identified by the Foundation's European Monitoring Centre on Change (EMCC) show that offering flexible working hours, teleworking, generous parental leave and part-time work are all ways to compensate for a limited room to manoeuvre on the level of salaries and benefits. Young women, and increasingly men, are looking for and

requesting these types of incentives when approaching prospective employers. The case examples also show that once these offers are taken up by some employees, there is a knock-on effect on other employees in the company, as well as on competitors in the sector.

## **Fostering age diversity in companies**

The challenge of recruiting and retaining the best can also lead to the development of more favourable conditions for older workers. Companies in sectors with a low image, like the steel industry, which start to suffer from skills shortages, have developed comprehensive career development programmes that include provisions for enabling and motivating older employees to stay with the company longer. The argument is that these measures demonstrate the company's commitment to a working-life approach, which is motivating for young recruits while at the same time helps to keep the acquired expertise of older employees in the company.

Fostering age diversity in a company can also be motivated by consumer demand. Companies in the services sector, especially in financial services, have realised that with an increasing average age of their customer base, the age structure of their customer relations personnel has to adapt and reflect this change. An exclusive focus on recruiting young people and the extensive use of early retirement schemes in restructuring can actually decrease the competitiveness of companies in the financial services sector and in other sectors where face-to-face customer relations are essential.

The role of the social partners and social dialogue has been documented in a series of Foundation studies. The first stage consisted in collecting initiatives and providing illustration intended as a practical tool for all those concerned with developing practice or supportive policies to combat age barriers in employment. The project on *Active strategies for an ageing workforce* (1997) considered recruitment and training measures in collective agreements and their contribution in helping to rectify the disadvantages experienced by older workers.

An EIRO comparative study on *Industrial relations and the ageing workforce* (2000) reviewed measures to combat age discrimination in employment. It examined the general employment situation of older workers in the EU and Norway; government measures, whether statutory or otherwise, to combat age discrimination and promote the employment of older workers; the approach taken by the social partners; and the views of governments and social partner organisations on age discrimination provisions of the EU Directive. The social partners are directly concerned by working conditions: the impact on the ageing workforce has been examined in 2003 through the study on *Age and working conditions in the European Union* (Molinić, 2003). Another study conducted in 7 countries documents measures taken to raise employment rates of older workers, set up more flexible working hours, improve health and safety, and develop access to lifelong learning (Peulet, 2004).

## **Developing a life course approach**

European policies need evidence-based advice grounded in reliable empirical data and innovative analytical concepts, which are based more on comparative process than cross-sectional analysis. Responding to these criteria, the Foundation, together with some forward-looking decision-makers in government and social partner organisations around Europe, has rediscovered the usefulness of an analytical life course approach and of an integrated life course policy with regard to the reorganisation of time, income and social security provision over the life course.

This life course approach is seen as a new instrument to increase our understanding of the complex and dynamic processes on the labour market and the long-term interrelation with the social security system over the whole work-life biography. Such an approach allows the development of more sophisticated and targeted policies to cope with new and

diverse work biographies through a restructuring of working-time arrangements and related income and social security provisions.

On the European level, the first report (2004) of the High Level Working Group on the Future of EU Social Policy argues strongly from a life course perspective. It suggests more flexible work biographies, better combination of work, training and care, the promotion of mobility and the proper management of transitions over the life course. In addition, it argues for an extension of working life and adaptation of social security provision to the newly emerging work biographies.

The transitional labour market approach supports a life course perspective in its proposals to avoid negative transitions and to support positive transitions over the life course. Among other things, it argues for a shift from a system of unemployment insurance to one of employment insurance and for a new logic of social security systems leading to a more collective sharing of risks for transitions. Furthermore, the OECD, in its analysis and policy recommendations on work-family balance (2001), stresses the importance of a more integrated life course approach, summarised as follows: 'Given that women continue to invest more of their time in childcare and household activities, at ages which are traditionally of key importance for building up a career, it is vital to work for greater flexibility over the life course, loosening the link between age and career progression, and valuing a wider range of employment pattern (work biographies) for both men and women.'

## **A new market for older people**

The implications of population ageing for economies and competitiveness are profound. Demographic changes will affect different sectors of the economy. The existence of a large market of ageing consumers (and a smaller market of young ones) will affect product and service design, which will, in turn, affect research and development, innovation, marketing and profitability in certain sectors.

In the EMCC series of *Sector Futures*, examples of the impact of demographic trends for growth and competitiveness are clearly shown for different sectors. In the health and social services sectors, provision, profit and products are heavily influenced by the process of ageing, as well as by the existence of larger numbers of older people requiring health and social care. In the transport sector, the future needs of the ageing population for mobility are likely to influence the pattern of transport provision and movement. At present, people entering their 60s have grown up with increasing mobility, particularly by car, and more recently by air. Therefore, it is likely that they will continue to demand higher levels of mobility for longer than previous generations. Meeting those demands in a safe, accessible and sustainable way will have implications throughout the transport industry.

## **Family support for older people**

The Eurobarometer survey reveals a remarkably high level of informal care-giving throughout Europe (Alber and Kohler, 2004). One in four respondents in the NMS and the 3 candidate countries (CC3), and over one in five in the EU15, reported that they have 'extra family responsibilities because they look after someone who has a long-term illness, who is handicapped or elderly'. There are no clear signs that the expansion of services in the EU15 has eroded family care. Indeed, the distribution of care activities in the EU15 countries contradicts the idea that informal care and publicly provided community care are opposites or replace each other. Services need to develop as a support, not an alternative, to family care.

The Eurobarometer survey asked whether people would consider it a good or a bad thing if in future years working adults would have to look after their elderly parents more than nowadays. In the NMS and CC3, about four out of five respondents would consider it 'a good thing' to strengthen family responsibility by looking after elderly parents; only



four countries report less than 70% who share this view. In contrast, more citizens in the EU15 express scepticism about extended family responsibilities – possibly because they have alternatives.

In the EU15, four countries (Sweden, Denmark, Finland and the Netherlands) deviate from the general pattern of majority support for family care across generations. Finland and Sweden stand out as the only EU countries where a majority of the younger generation are *against* extended family responsibilities. In contrast, the southern European countries emerge with a strong advocacy of family support among the younger generation. In general then, Europeans across the generations usually tend to be united in favour of extended family support. In most countries, there is no indication of a coming generational conflict between the likely recipients and providers of care.

Finally, it seems clear that, across Europe, the idea of sending elderly people to residential care facilities is highly unpopular. In 12 of the 13 NMS and in the CC3, more than 80% of the respondents prefer social services that allow elderly people to remain in their own homes. The citizens of the EU15 prefer home care over residential care to an almost identical degree.

It is not clear whether the citizens of the NMS make their preferences for family support because they want to or because they have to, given the limited range of available opportunities. Beyond this uncertainty, the findings suggest that the strength of family care can continue to sustain the welfare state. However, it will also put a heavy dual burden on working people – especially in the NMS and CC3, who already have to struggle to make ends meet – as they face a growing challenge to combine paid and unpaid work.

### Policy implications

The EU Employment Policy Guidelines have highlighted the care issue as an important element influencing the ability of workers to remain in and to return to employment. However, our picture of developments to support the working carers of older people is poor and incomplete.

Workplace developments to support the carers of older people include:

- policies – for work organisation and working time, particularly for different forms of flexible working hours and flexible location, such as home-working;
- services – typically for information, advice and referral, but also including support to develop community services, transport for dependent relatives and some workplace-based care provision;
- benefits – such as preferential rates for long-term care insurance that cover the older person or cash compensation for time taken off to care.

Despite these developments, company-sponsored services and benefits are not widespread in Europe, where the emphasis has been on working time and organisation, good communication and explicit management support, rather than the development of special eldercare initiatives. The main strategy to enable workers to combine their employment with caring is some form of flexitime arrangement. Success depends on support from senior managers and for clarity of information on schemes and eligibility conditions.

It is also clear that the existence of supportive policy statements should not be misunderstood to represent meaningful options in practice. Public policies may serve to increase awareness and recognition of the contribution and rights of working carers, even when they offer little direct support with either employment or care tasks. Among policy measures,

those that enable carers to take time off, albeit unpaid, are important. Nevertheless, take-up of these leave entitlements appears to be low and there may be concerns about how employers and colleagues will react when leave is taken.

Direct financial support to carers may come from a range of benefits, including specific allowances or continued payment of social benefits during leave. In general, the introduction of allowances directly to carers is not relevant to working carers since those in employment are not eligible for such allowances.

## The role of the European Union

Some of the findings of the Foundation's *European Quality of Life Survey* seem to confirm that it could be difficult to develop an EU family policy. The survey shows that there are great differences in the role of families across Member States, particularly in the new Member States. The data show that these differences may increase with possible future enlargements of the EU, e.g. the accession of Bulgaria and Romania, and Turkey. Within the EU25, there are quite different welfare models in place, defined to a large extent by the role of the family in the country. However, it could be useful for the EU to consider having a role in exchanging information on good practice and innovative initiatives across the Union. Such a role may be useful for European policy-makers considering how to formulate future EU family policy, e.g. based on broad recommendations balancing societal, family and business needs. The Foundation will continue to provide such information on good practice and innovative initiatives (particularly among companies) and will undertake further research to enlarge the knowledge base on changing work-life biographies and their effect over the life course on income, employment, social security provision and work-life balance.

The EU can contribute further to the development of appropriate policies to address demographic ageing through supporting the life course approach. Four suggestions to further develop EU policy initiatives can be identified:

1. The EU employment and social policy should systematically integrate a life course approach to support the reform and implementation of the Lisbon agenda.
2. The EU should increase the awareness of political and private actors on life course effects by introducing a 'life course proofing' of policy initiatives on quality of work, work-life balance, working time, lifelong learning, care for children and other dependants, quality of life, equal opportunities, social inclusion and the modernisation of social security provisions.
3. The EU should initiate a debate on the importance of life course policies in the various policy arenas. It should also promote an exchange between Member States using innovative policy developments (e.g. in the Netherlands and Sweden).
4. Social partners should integrate life course effects and work-life balance policies into their negotiations at all appropriate levels, from the European social dialogue level to collective bargaining at national and sectoral levels down to negotiations at company level.

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