

**GREEN PAPER “CONFRONTING DEMOGRAPHIC CHANGE: A NEW SOLIDARITY
BETWEEN THE GENERATIONS”****UNICE RESPONSE****Executive summary**

European employers welcome the debate launched by the green paper. In their view, demographic ageing is one of the biggest challenges facing European economies and societies today. The magnitude of this challenge and its urgency were well analysed in the report by the High Level Group on Mid-term review of the Lisbon strategy. This analysis should be borne in mind in the context of this green paper and its follow-up.

While there are common elements in the issues to be tackled in the 25 Member States on the ingredients of the policy mix can only be decided in Member States. The role of the EU should be to act as a catalyst for action in the context of the European strategy for growth and jobs and to organise exchanges of experiences on solutions found in EU countries.

Nevertheless, UNICE wishes to express its deepest concerns about the fact that the green paper approaches this crucial issue exclusively from the perspective of individuals and does not take sufficient account of companies' needs. This could shift the burden of meeting the cost of demographic ageing exclusively on to companies and would be highly damaging for growth and employment. The Commission also fails to properly identify the responsibilities of other players such as public authorities, individuals, social partners, etc.

Furthermore, in the green paper there is a bias towards overemphasising work-life balance policies as a means to deal with demographic ageing. In UNICE's view, pension and health care reforms and measures to discourage and progressively remove incentives for early exit from the labour market and providing incentives to stay longer on the labour market are also crucial.

European employers welcome the inter-generational approach taken in the green paper. It can improve the overall functioning of labour markets for the entire workforce as opposed to policies by categories of workers which do not allow sufficient differentiation according to individual needs.

The ageing population also requires a working life-cycle approach which aims at creating the necessary flexibility to address the changing demands of individuals during their working life. This should not be confused with the inter-generational approach which implies devising policies having in mind their impact on various age groups simultaneously. Three issues are of crucial importance in such an approach: lifelong learning, reconciliation of work and family life and flexible retirement to extend working life.

Concerning reconciliation of work and family life, the green paper seems to put an accent on leave arrangements as a privileged recipe to achieve this aim. In UNICE's view, leave arrangements are only one of the tools available and have to be considered carefully. They should be designed in a way that does not undermine the long-term participation of women in the labour market since this would run counter the EU objective of increasing employment rates. As advocated in the European social partners' March 2005 "Framework of actions on gender equality", other tools play an important role such as childcare facilities and all-day schools as well as availability of mutually acceptable flexible working arrangements. Generally speaking, reconciliation of work and family life in a life-cycle approach is best achieved through non-legislative measures.

**GREEN PAPER “CONFRONTING DEMOGRAPHIC CHANGE: A NEW SOLIDARITY
BETWEEN THE GENERATIONS”****UNICE RESPONSE****I. Introduction**

1. On 16 March 2005, the European Commission published a green paper “Confronting demographic change: a new solidarity between the generations”.
2. The green paper identifies major demographic challenges for European societies such as rising life expectancies, falling fertility rates and the ageing workforce, and describes their impact on Europe’s prosperity, living standards and relations between the generations. In doing so, the green paper takes an inter-generational approach and addresses a broad range of issues, for example retirement schemes, long-term care for elderly, integration of young people, work-life balance, equal opportunities, childcare, working time, work organisation, and immigration.
3. The Commission recognises that many of these issues are the responsibility of the Member States. Nevertheless, because the impact of demographic change concerns Europe as a whole, the Commission wishes to open a debate on how to tackle these challenges and on the possible role the European Union could play.

II. On the analysis

4. Europe is faced with an unprecedented economic and social challenge due to demographic change. The magnitude of this challenge and the urgent need to address it was well acknowledged and described in the report by the High Level Group on Mid-term review of the Lisbon strategy. This analysis is more valid than ever and should be borne in mind in the context of this green paper and its follow-up.
5. European employers welcome the debate launched by the green paper. While there are common elements to be tackled in the 25 Member States, the ingredients of the policy mix to address this issue can only be decided in Member States. For example, in the green paper there is a bias towards overemphasising work-life balance policies as a means to deal with demographic ageing. UNICE agrees such policies are an important ingredient, but it should be borne in mind that they are already well advanced in certain countries and further extension would not help in dealing with this issue. The EU can play a useful role by acting as a catalyst for action in the context of the European strategy for growth and jobs. It can also be instrumental in promoting a genuine debate on these issues, a debate which is currently weak in certain countries and in organising exchanges of experiences on solutions devised in the various EU countries.
6. Nevertheless, from the outset UNICE wishes to express its deepest concerns about the fact that the green paper approaches this crucial issue exclusively from

the perspective of individuals and does not take sufficient account of companies' needs. For example enterprises across the EU, often through discussions between social partners, have found a variety of ways, for ensuring that employees can combine work and family life. However, the answers given vary greatly from enterprise to enterprise and individual to individual. Policies aimed at reconciling work and family life can only work effectively if they take account of business, consumer and team needs.

7. Devising solutions which take into account almost exclusively individual needs and which are not be mutually acceptable for both individuals and companies could shift the burden of meeting the cost of demographic ageing exclusively on to companies. This would be highly damaging for growth and employment. Moreover, the Commission not only seems to ignore companies' viewpoint, but also fails to properly the responsibilities of other players such as public authorities, individuals, social partners, etc.
8. With regard to the consequences of demographic ageing on economic growth, UNICE would summarise the adverse effects as follows.
 - pressure on public finances leading to increased taxation and rising labour costs: the old-age dependency ratio will dramatically increase going from slightly under 27% in 2000 to almost 50% in 2050. Moreover, the size of the burden differs from country to country with a dependency ratio varying in 2050 from 27% in Denmark to 61% in Italy. Furthermore, by 2050, the working-age population (15–64 years) is projected to be 18 % smaller than now. With more people drawing on the pension and health care systems and a lower share of active people to support higher age-related public expenditure, the financial sustainability of pension and health systems will be under pressure. This pressure cannot be solved by increasing levies and taxes on companies and workers without further undermining growth and employment, nor by increased debt, as these would result in higher interest rates undermining investment.
 - decreased labour market participation: by 2030, more than one in three persons of working age in the EU will be over age 50 compared with one in four today. If the current pattern of low levels of employment among people aged over 50 does not change, the overall employment rate would further drop due to a purely mechanical effect.
 - a rising discrepancy between the evolution of productivity and labour costs: the evolution of worker productivity, which tends to decrease after the age of 50-55 is often not reflected in wage formation systems which are still predominantly based on seniority. Europe's weakness compared with its main competitors in terms of productivity could be aggravated and this could undermine Europe's competitiveness.
 - an aggravation of the skills gap: the process of skills renewal through the entry of young people into the labour market will decrease, while the pace of technological change will increase. Today, 80% of the workforce will have acquired their education and training more than 10 years earlier, while 80% of the technology used at work is less than 10 years old. This has important implications for the ability of companies to compete in the global economy which increasingly depends on workers' skills.

III. On the role of the different players

9. In UNICEF's view, it is essential to clearly distinguish between the responsibilities of various players concerned: public authorities, social partners, individuals, companies, etc., as well as between various levels: European, national, local or company level.
10. Concerning the EU level, coherence and improved synergy between existing policies and processes is crucial. The following policy tools are of particular relevance:
 - integrated guidelines for growth and jobs comprising the Broad Economic Policy Guidelines and the Employment Guidelines;
 - open method of coordination on pensions and health care;
 - coordination process on education and training;
 - structural funds, including ESF.

Furthermore, the EU level should pursue intense monitoring and evaluation of progress made in national implementation and act as a source of inspiration for solutions through exchanges of experiences between Member States.

11. Regarding the articulation between the EU and the national level, policies agreed under the Lisbon strategy for growth and employment provide the right ingredients to face the challenges of demographic ageing as well as the challenges of globalisation and technological change. The key is bridging the delivery gap in Member States. Against this background, it is essential that all the stakeholders involved work in a constructive way to genuinely facilitate implementation of necessary reforms to match the challenge of demographic ageing.
12. With respect to the role of social partners, the overall responsibility for putting in place framework conditions to deal with the consequences of demographic ageing lies with the public authorities. For example, eliminating unnecessary constraints stemming from the regulatory framework can contribute to improving labour market flexibility and integrate more people into the labour market. Nevertheless, social partners can bring a useful contribution since they are well placed to find flexible solutions reconciling economic and social needs of labour market players and devise concrete arrangements that benefit both companies and employees.
13. At the EU level, the following European social partners' initiatives in particular are relevant:
 - legally binding agreements on, respectively, parental leave, part-time work and fixed-term contracts;
 - voluntary agreements on telework and work-related stress;
 - two frameworks of actions: one on lifelong development of competences and qualifications and one on gender equality;
 - joint reports on national social partners actions to implement the European employment guidelines addressing issues such as young people, reconciling work and family, older workers and ageing workforce.
14. Furthermore, European social partners also agreed in their joint work programme 2003-2005 to explore possible joint actions in the field of ageing workforce and to produce a joint declaration and/or awareness-raising campaigns with a view to promoting young people's interest in science and technology.

15. Increased availability of labour from third countries can be part of the response to the demographic challenge. It can contribute to alleviate both longer term and shorter term shortages on labour markets and consequently ease the pressure on economic growth. However, the entry of third country nationals for employment purposes needs to be properly managed, including from a social integration viewpoint. Moreover, it cannot be the solution to demographic ageing, which requires a much broader policy answer.

IV. On the inter-generational approach

16. European employers welcome the inter-generational approach taken in the green paper. This is the only approach which can improve the overall functioning of labour markets for the entire workforce. Failing that, any measure targeted at a particular group will be detrimental to other categories of workers. Moreover, young people or older workers are not homogenous categories. Policy responses by categories of workers do not allow sufficient differentiation according to individual needs and are therefore unlikely to provide adequate solutions.

17. In UNICEF's view an inter-generational approach comprises the following key components:

- sound public finances with progressive removal of public deficits to avoid shifting the burden of present policies on the next generations, hence the urgent need to cut the public debt ratio and to reform pension and health care systems to make them financially sustainable in the face of demographic ageing,
- improving the efficiency of education and training systems in order to give real access to life long learning opportunities to workers of all age groups;
- improving the functioning of labour markets to integrate more people on the labour market throughout the population spectrum (young and older workers)
- offering a favourable context to both young and older entrepreneurs willing to take risks in order to create wealth and jobs;
- modernising social protection systems to remove unemployment and poverty traps. For example, some countries have reduced the level of and tightened the conditions for granting social benefits to young people because its overly generous regime had the perverse effect of trapping young people in unemployment.
- increasing the employment rates of older workers in particular by:
 - discouraging and progressively removing incentives for early exit from the labour market; despite positive steps in some countries, such regimes remain too widespread, and
 - providing incentives to stay longer on the labour market, notably by ensuring that social security systems encourage people to work longer.
- adapting framework conditions so as to encourage companies to employ and keep older workers.

V. On the working life-cycle approach

18. The ageing population also requires a working life-cycle approach which allows people to meet changing demands of individuals during their working life. The working life cycle approach aims at creating the necessary flexibility to address these changing individual needs. It should not be confused with the inter-generational approach which implies devising policies bearing in mind their impact on various age groups simultaneously. Yet, the Commission seems to make an amalgam between these two distinct approaches, in particular in the section “A global approach to the working life-cycle”.
19. Three issues are of crucial importance in a life-cycle approach to working life:
 - Lifelong learning,
 - Reconciliation of work and family life
 - Flexible retirement to extend working life.
20. Lifelong learning is a necessity for individuals, which have to maintain and improve their competences to remain employable and adapt to labour market changes. Today, participation in lifelong learning tends to be proportionate to the level of prior education. Moreover, the number of young qualified people entering the labour market will decrease in future years. It is therefore crucial that individuals acquire the necessary basic skills before leaving education systems and are encouraged to take responsibility for upgrading their competences throughout their working lives.
21. This implies that tailor-made support tools such as guidance and financial incentives are devised to support individuals and companies. Make learning more attractive, flexible and relevant to labour markets should be a priority in each Member State. This is the joint approach taken by European social partners in their framework of actions on development of competences adopted in 2002.
22. Concerning reconciliation of work and family life, the green paper seems to put an accent on leave arrangements as a privileged recipe to reconcile work and family life. In UNICE’s view, leave arrangements are one of the tools available and have to be considered carefully. European Social Partners concluded a framework agreement on parental leave in 1995. However, the leave arrangements should be designed in a way that does not undermine the long-term participation and position of women on the labour market. This would run counter the EU objective to increase employment rates. Moreover, a multiplication of leave arrangements could lead to higher costs for the social security schemes and can increase pressure on their financial sustainability.
23. European social partners have tackled this issue in the EU social dialogue and in March 2005 adopted a “framework of actions on gender equality”.
24. The framework of actions stresses that a key tool for reconciliation of work and family life is the availability of childcare facilities and all-day schools. Yet, such facilities are insufficient in many Member States.
25. Another important element is to identify possibilities for non-linear career development paths in companies, which allow workers to alternate periods of higher professional involvement and periods of greater family responsibility. The availability of flexible working arrangements is a necessary pre-condition to allow this to happen. Nevertheless it is essential that such flexible working

arrangements are mutually acceptable for both companies and employees. They cannot be imposed on employers and will only meet their objective if they are mutually beneficial and tailored to the needs of individual employers and workers.

26. Generally speaking, reconciliation of work and family life in a life-cycle approach is best achieved through non-legislative measures.

VI. Conclusion

27. To conclude, in UNICEF's view the demographic ageing is one of the biggest challenges facing European economies and societies today and needs to be urgently addressed. While there are common elements in the issues to be tackled in the 25 Member States deciding on the ingredients of the policy mix to address this can only be done in Member States. The role of Europe should be to act as a catalyst for action in the context of the European strategy for growth and jobs and to organise exchanges of experiences on solutions devised in the various EU countries.