



Adapt social systems to an ageing population

BACKGROUND

Europe's workforce is ageing and will soon start shrinking. Under current projections, the size of the working-age population will fall by 15% or almost 50 million people by 2060. This will have an important negative impact on public finances and social systems. With fewer people contributing to social protection systems and more depending on it, there will be ever greater pressure on public spending, especially on pensions and health care, undermining the sustainability of our welfare systems. A situation emphasised by the current economic crisis and deteriorating public finances. Member States therefore need to step up their efforts to reform social systems in order to meet the demographic challenge, for example by finding an appropriate balance between work and family life.

Reform pension systems to encourage people to work longer

Low participation of older workers is a major component of the inefficient use of available labour in the EU and will soon prove untenable in the face of demographic ageing. Considerable progress has been achieved over the past decade in raising the employment rate of older workers. However, at 45.6% in 2008 and taking into account the impact of the economic crisis on labour markets, it is clear that it will be difficult to achieve the Lisbon target of 50%. Respecting the fact that this is a national responsibility, BUSINESSEUROPE calls on the EU to intensify the impetus for reforms at national level aimed at discouraging and progressively removing incentives for early exit while raising the effective and/or legal retirement age.

Encourage the development of private pension provision

The further development of second- and third-pillar pension schemes is key to alleviating the ageing pressure on public expenditure. It is therefore important to put in place attractive framework conditions to invest in such schemes. Above all, policy-makers should avoid imposing provisions which could significantly increase the costs of operating occupational pension schemes in Europe, a message actively promoted by BUSINESSEUROPE in the discussions on the European Commission's proposal for a Directive on supplementary pension rights and discussions on solvency rules for pension funds.

Modernise social protection systems to remove unemployment and inactivity traps

In many Member States, serious financial disincentives still exist for people to enter, remain and progress on the labour market. In order to fully utilise Europe's untapped labour force potential, policy-makers should tackle unemployment and inactivity traps by designing tax and benefit systems in such a way that they provide adequate income support while not discouraging work. A smooth interplay with efficient and cost-effective active labour market policies is essential to yield maximum results. BUSINESSEUROPE advocates the need for modernisation of social protection systems at national level, complemented at EU level by exchanges between member states in the framework of a streamlined Open Method of Coordination.

Contain non-wage labour costs to increase labour demand

In the face of demographic ageing, ensuring the sustainability of European social systems requires high levels of employment. High non-wage labour costs have an important negative effect on the demand for labour and hence on employment levels. In the short-term, enlarging the financing base for social security systems and reducing social security contributions by employers and employees will help to create jobs and facilitate economic recovery. In the medium and long term, it is crucial to maintain high levels of employment in the face of demographic ageing and globalisation.