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EUROPEAN COMMISSION SEMINAR: “THE IMPACT OF THE CRISIS ON MEMBER STATES ABILITY TO RESPOND TO THE CHALLENGES OF DEMOGRAPHIC CHANGE”**Parallel session 2: More and better jobs while working longer****ADDRESS BY REBEKAH SMITH, ADVISER FOR SOCIAL AFFAIRS**

Among the long-term challenges facing Europe, demographic change is perhaps the most serious threat to our future well-being. The fact that we are living longer in Europe is a good thing. This is the result of significant economic, social and medical progress. However demographic ageing brings challenges: fostering intergenerational solidarity, ensuring adequate and sustainable pensions, dealing with pressure on public budgets and the key challenge - supporting more elderly people, with less people in employment.

Since the 1950s the European workforce has been growing year by year. This has been one of the key factors for economic growth. Now we will see a change. From this year onwards, the workforce in Europe will stop growing. Even worse than that – it will start shrinking. There will be a decline of the working-age population, with a loss of over 3 million potential workers already in this decade. Not to mention a loss of over 50 million by 2060. This will be combined with an increased number of pensioners. This will impact on the ability of the state to provide adequate and sustainable pensions, it will increase pressure on the working population and it will have a negative impact on economic growth.

These questions arose long before the economic crisis, but the crisis has made the challenges created by an ageing population more acute. Although there is a fragile economic recovery and some labour markets seem to be stabilising, unemployment is still rising in most member states. EU average has now reached the 10% mark. There is also increased pressure on public finances. But this situation gives Europe an opportunity. Policies to address the impact of the crisis in the short-term, can also help us prepare for the effects of an ageing society. In these circumstances, to ensure more jobs and longer working lives has even more significance.

Firstly, turning to increasing employment:

This is the most important objective in terms of dealing with the impact of the crisis. It is also vital in preparing Europe for an ageing population. It should be a key component of the EU2020 Strategy. Some general measures are necessary to ensure higher employment. These include reform of labour markets and modernisation of welfare systems. Dependency on benefits should be reduced, and active labour market policies



supported to encourage people into work. In addition, investment in skills and training is vital to ensure that skills needs on the labour market are matched by the supply of a relevantly skilled workforce.

To compensate for the drop in the working age population, Europe needs to exploit the full potential of its labour force. One way is by raising the employment rate of older workers (55-64). In 2008 the EU average employment rate of older workers was 45.6%. This is an improvement and in some countries it is as high as 70%. However, other countries are still lagging behind, for example at 29%. Member states need to make more efforts in this field. Boosting training and investing in education and skills during the entire working life is particularly important for older workers, to ensure active ageing and continued employability.

Employers have a responsibility to ensure that job opportunities exist for older workers. This requires appropriate framework conditions on the labour market including reduction in non-wage labour costs, so that companies are able to grow and create jobs. To support employment of older workers, companies will have to adapt work organisation. This will require flexibility both on behalf of employers and workers, as well as a focus on well-being at work through health and safety measures.

Tackling demographic change cannot only focus on older workers. The full potential of the labour force will only be exploited if young workers (under 25) are part of the equation. The economic crisis has hit young workers hard, with unemployment figure of just over 20% in the EU. In some member states this figure is as high as 40%. Implementation of flexicurity principles should help to reduce periods of unemployment for young people, by helping their transition back onto the labour market. This also includes ensuring that they have the appropriate skills to continue to be active on the labour market.

Exploiting the full potential of the labour market also means ensuring high levels of productivity. With a lower number of people actually working, it is essential to ensure that those who are working are more productive.

Secondly, turning to ensuring longer working lives:

Reforms by member states in this area have been effective, particularly in raising the default/legal retirement age. This is indispensable; however the key is ensuring that the effective/actual retirement age also increases. The difference between the default and effective retirement age differs from country to country, however in nearly all member states the actual retirement age is lower. Member states are encouraged to make further efforts in this area, through measures to incentivise older workers onto the labour market and to increase their ability to stay on the labour market. Alongside this, BUSINESSEUROPE encourages further efforts to remove incentives for early exit from the labour market.



To conclude:

BUSINESSEUROPE emphasises the need to ensure that the full potential of the labour market is exploited, to deal with the impact of an ageing population. This means having a framework which encourages people to be active on the labour market; adopting measures to increase employment of older and younger workers; and discouraging early exit from the labour market.

In order for companies to create and supply jobs, appropriate framework conditions must exist. The competitiveness of companies will be essential not only in ensuring that Europe deals with the effects of the economic crisis, but also in making sure that we are fit to deal with the challenge of demographic change now and in the coming years.
