

EUROPE'S DEMOGRAPHIC FUTURE

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1. EUROPE AND JAPAN AS PIONEERS IN DEMOGRAPHIC DEVELOPMENT

The world's population nearly quadrupled in the course of the past century. And it still grows by about 230,000 heads per day, moving up to 9.4 billion in 2050 (Population Reference Bureau 2009). It has always been clear that at some time in some region of the world this trend of unsustainable demographic development would reverse. This role has now fallen to Europe, Japan and South Korea. However, in contrast to Japan and South Korea, Europe records considerable immigration from other regions of the world, and can therefore be considered a pioneer in a demographic trend that sooner or later will reach many countries around the globe.¹

Within Europe, Germany is at the forefront. The low total fertility rate of around 1.4 children per woman has meant that over the last 35 years, children have replaced only two-thirds of their parents' generation. Furthermore, since 1972, Germany has not seen a single year in which the number of newborns exceeded the number of deaths. The lingering population decline has only been masked by high immigration surpluses offsetting the natural losses – at least that was the case until 2003. Since then, the overall population of Germany has been shrinking – so far by more than half a million. The Statistisches Bundesamt (Federal Statistical Office) expects that the nation will have twelve million fewer inhabitants by 2060 – a loss that is the equivalent of losing the population of eastern Germany with the exception of the capital Berlin (Statistisches Bundesamt 2009). Germany, along with Ukraine and Romania, leads the league of European countries with populations set to contract. With a fertility rate of 1.4, it is only a small step ahead of Europe as a whole, where on average 1.5 children per woman are born.

In 1957, when the European Union was founded, every single one of today's 27 EU member states had fertility rates above 2.1 children

¹ All statistics in this paper (if not indicated otherwise) are based on Kröhnert, Hossmann and Klingholz (2008).

per woman. Today, ten out of 27 EU nations already report an excess of death over births. Before mid-century, when the baby boomers will have died, a great number of nations will see dwindling population numbers, and by 2030, most Central and East European regions, including eastern Germany, will face serious population losses. These will be most severe in remote rural areas with weak economies. Stability or even growth can be expected only in and around the capital regions of Central and Eastern Europe, where most of the post-communist foreign investment has happened, and where most of the new jobs were created after the end of communism. The rural regions of countries with low fertility will shrink: Spain will shrink in the north and Italy in the south. On the other hand, countries with high fertility, like Norway, the UK, and France, might be able to offset these losses in their less-developed areas because of a growing overall population.

According to common population projections, the EU will have lost some 50 million of its current inhabitants by the year 2050 through an excess of deaths over births – that is 10 percent of today's population, or roughly the populations of Poland and Greece combined. Most European countries will only be able to achieve population growth, or even stability, on the basis of immigration. In fact, the natural losses will almost certainly be compensated for by an equal number of immigrants over the next four decades.

Despite low birth rates, the EU-27's total population will remain more or less constant until mid-century according to the Eurostat baseline scenario projection (Eurostat 2008): From today's 500 million, population will peak at 520 million around 2035 and decline afterwards. As non-EU countries like Ukraine or Belarus are not likely to gain enough immigrants to compensate for the low fertility, Europe in total will almost certainly shrink. Europe's demographic share will also decline as all other continents continue to grow: the Americas and Asia will grow by about 30 percent; Africa's population will have doubled by 2050. As a result, some scholars expect "massive shifts in economic and military potential" and "significant security challenges to Europe over the next two decades" (Goldstone 2008).

2. DIFFERING FERTILITY LEVELS

These population developments, however, do not necessarily mean that Europe is on the road to ruin. Rather, it means that its societies face

multiple challenges which differ widely from country to country, and even more so from region to region. Especially remote rural areas in Central and Eastern Europe might get more or less depopulated over the next decades. In detail, demographic trends follow different paths in the different European countries, one reason for this being that fertility levels are distributed unevenly across the continent. Not a single one of the EU-countries has a fertility rate above 2.1, the rate needed to ensure a growing population over the long term. Only in small and poor Kosovo, which is not a member of the EU and is a relic of former Yugoslavia, is the fertility rate higher (2.7). While nearly all countries in Central, South and Eastern Europe report around or below 1.4 children per woman, the figure in Europe's fertility belt between Finland, Norway, Sweden, UK, Ireland and France is between 1.9 and 2.0.

Interestingly, there is almost no middle ground of fertility in Europe and, even more interestingly, the fertility gaps between the different nations can be clearly traced along the national borders, making it highly plausible that the different fertility levels can be explained by different national family policies.

Declining birth rates worldwide are associated above all with the changing role of women in society. Since the 1960s, European women have gained equal access to education and they have made good use of it. In most European countries young women are better qualified than their male counterparts. It is unsurprising that these women want to use their education to help them get a job and earn an independent income. Some demographers argue that prosperity and increasing personal freedom leads a society into a 'demographic-economic paradox' (Birg, Flöthmann and Reiter 1991): The further a society is developed in economic terms, the fewer children its women will tend to have. According to this theory, population decline is the price to be paid for modernization and prosperity. But today there is no statistical proof that the demographic-economic paradox is true. A negative correlation between fertility and female employment was true in Western Europe only until the 1980s. Before that, countries with high female labour force participation had the lowest birth rates and vice versa. Today the reverse is true: In Western Europe – as in all the world's industrial nations – there is a positive correlation between female labour force participation and fertility rates. In high-fertility countries, like Sweden, Norway, Iceland and Denmark, far more women are employed than in low-fertility countries like Italy, Greece, Spain, and even Germany (Kröhnert and Klingholz 2008).

In simple terms, where parents have the chance to easily combine family life with a job, and where high-quality childcare facilities and full-day schools are the standard, the fertility rate is high. Moreover, it is the Calvinist countries that record the high birth rates, perhaps because the Calvinist work ethic expects all members of a society – women and men – to contribute to it through work. These countries, therefore, invested earlier than other countries in equal education for men and women. And they realized the need for consistent and modern family policies to prevent the fertility rate from dropping.

3. AGEING CONTINENT

As people in all European countries several decades ago used to have more children, and life expectancy has continued to rise, the older generations make up an increasing proportion of the total population, resulting in markedly ageing societies all over Europe. At the same time, the working population, the labour force, is declining rapidly, meaning that overall production might decline as well. The median age of the European population, which stood at 31 in 1950, had reached 38 in 2005 and is set to rise to 48 by 2050. Put another way, Europe's population is ageing by roughly two days a week, so that elderly people will soon outnumber young people. Europe will reach the peak of its ageing process around 2045. After that, the baby boom generation will leave the population pyramid and Europe will turn a new page in its demographic chronology. Until then, it will be necessary to adapt pension and health care systems to the large increment of elderly people.

Most European countries will see a decline in their workforces over the next several decades – mainly very-low fertility nations such as Germany, Italy, and Poland. High fertility nations such as France and Ireland, by contrast, can expect the numbers of their working-age populations to remain unchanged; but their populations will grow over time, so that the relative share of their labour forces will be reduced.

In all of Europe, the number of people over age 60 is set to rise by more than 50 percent between 2004 and 2030. The size of the working-age population (those aged between 15 and 64) stood at 333 million in 2008, and it will shrink to 328 million in 2025, and to 294 million in 2050. At today's labour force participation rates, the number of people in the actual workforce will drop from 238 million in 2008 to 207 million in 2050. Without immigration the number would drop to

169 million. At the same time, these countries will face the challenge of keeping productivity high in order to remain competitive on a global level. Even so, the fast-growing economies in Asia and Latin America are likely to surpass Europe in economic productivity.

4. RISING NUMBERS OF MIGRANTS

Today, Europe's prosperity is making it increasingly attractive for people from other regions of the world. Nearly all of the EU countries, as well as its associated members of Iceland, Norway and Switzerland, have growing immigrant populations. In 2006 there were some 30 million foreign nationals living in the EU-27+3 nations – that is close to 6 percent of the overall population. First- and second-generation migrants who have already assumed citizenship in their new home countries are estimated to account for roughly the same share. Together, these citizens with a migration background make up 12 percent of the entire EU-27+3 population. Even before 2004, all 15 original EU member states had become countries of immigration. Recently, the most attractive nations for migrants have been countries that themselves have a long emigration record: Spain, where the number of non-nationals grew almost eight-fold between 1990 and 2006; Italy, where the figure tripled; and Ireland, where it doubled.

The origins of most migrants to Europe have either a historical or geographical basis. The largest group of immigrants in Greece, for example, stems from neighbouring, poverty-stricken Albania. In Portugal, Spain and France the largest groups are made up from people of former colonies. In Germany the biggest group of foreign nationals, attracted in the post-war economic boom phase, are originally from Turkey. Today, 2.8 million people of Turkish background live in Germany (Woellert *et al.* 2009). An even bigger number of migrants – 4 million – are descendents from former German *Aussiedler* (Bade *et al.* 2007) who had migrated to Eastern Europe and Russia between the 14th and 19th century. These emigrants are granted German citizenship on their return. In absolute terms, Germany has by far the largest foreign-born population, followed by France, the UK, Spain, and Italy. In relative terms, the very small countries of Luxembourg and Liechtenstein have the largest stock of immigrants, followed by Switzerland. In Germany, first- and second-generation migrants account for 19 percent of the population, but – due to higher fertility

rates among migrants – already close to one-third of the under-ten-year-olds come from migrant families. Similar figures are reported in France.

All European countries have problems integrating their migrants adequately into society. Most immigrants have poor qualifications, and their children tend to follow the same trend. This has served to colour the public's perception of this population group, a fact that makes it difficult for European governments to justify further immigration of qualified migrants to fill the gaps in the labour market.

5. NO SOLUTIONS – ONLY ADAPTATION

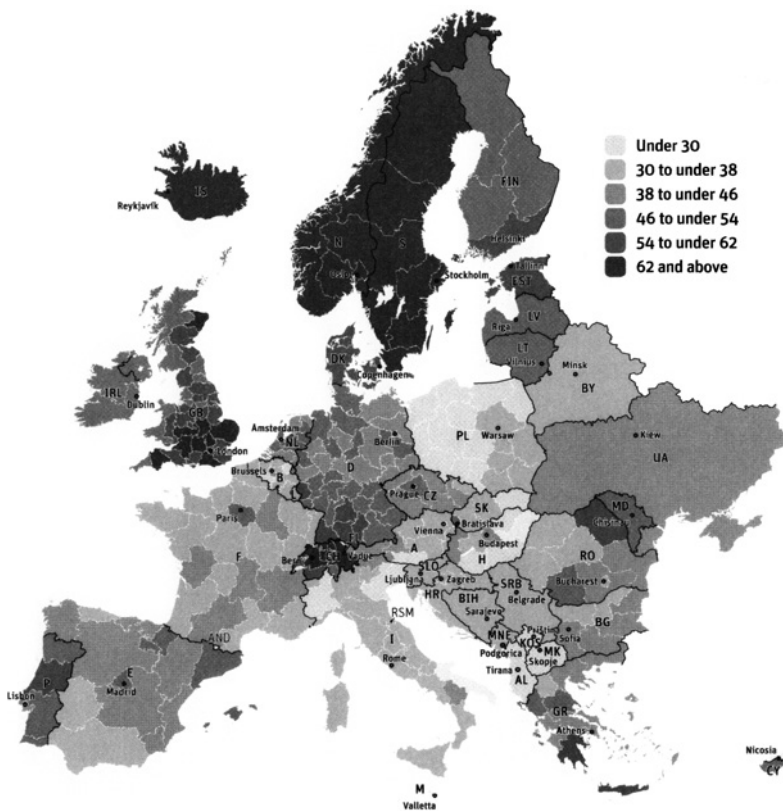
All these demographic trends – ageing societies, shrinking populations, and insufficiently integrated migrants – will cause problems, and there is no magic solution. There is only one way out: Europe's populations and governments will have to learn to deal efficiently with the coming changes in order to prevent them from growing in scope.

These challenges harbour great chances for reform and renewal: As Europe will have fewer young people to generate higher productivity in the future, member nations can compensate for the demographic losses only by providing more and better education. The continent's most important resources – its minds and talents – will be valued even more highly in the future. But individual European countries differ considerably in terms of the progress they have made in the transformation from industrial to knowledge-based societies. Some countries invest more efficiently in education, science and technology than others, and have many highly qualified workers, a fact that directly translates into higher productivity and income. The prosperous societies of Switzerland and the Scandinavian nations are clearly the leaders in this field. More than 40 percent of Sweden's workforce is active in science and technology. Over half of these workers are university-trained. In every OECD-PISA study comparing international education, Finland's schools have shown their excellent capacity, making it the backbone of the nation's successful 'Nokia' economy.

While education is the central answer to Europe's demographic problems, it is also a necessary precondition for another policy option: working longer. In more than half of the EU nations the retirement age is currently below 60, and for women it is even lower. As a consequence, the employment rate in the age group 55–64 is as low as 40 percent.

In many European countries life expectancy (today it is on average 77 years for men and 82 years for women) continues to rise by three years per decade; and for some Europeans, the length of their retirement will soon exceed that of their working life.

This trend is not sustainable and the luxury of early retirement would bankrupt all pension systems. The old arguments for early retirement programmes, which date back to a time when the baby boomers were entering the job market, seem to rest on a mistaken premise, namely that they would alleviate unemployment among young people. But if one takes a closer look at the basic statistics,



Source: Eurostat (2008).

Figure 1 Share of working people as a percentage of the overall population between the ages of 55 and 64, 2006

it becomes clear that the lowest overall unemployment rates are to be found in countries and regions where employment rates for the age group 55–64 are highest (cf. Figure 1). In these countries (mainly Norway, Sweden and Switzerland), people aged 55 and older apparently are so productive that they create more jobs than they displace. But if, for demographic reasons, companies start to employ more elderly persons, they will necessarily have to invest more in skills-enhancement. This is exactly what these countries already do today, and what other countries still have to learn. Participation rates in skills-enhancement programmes (4 percent in Portugal and 6 percent in Italy, as opposed to 32 percent in Sweden) show that the economic usefulness of elderly people is widely underestimated in many countries. As a consequence, the demand for lifelong learning will grow fast.

Gender equality in family, work and pay is another issue. The economy needs women no less than it needs children. And it will, for purely economic reasons, have to ensure that family and job are compatible, on equal terms, for both partners. Again, there are good examples in Europe of how to achieve much higher female labour force participation. Women work in greater numbers in countries in which many people aged 55 or older also work. Qualified women in the labour force make these economies even more productive and competitive. Interestingly, these countries show disproportionately high fertility rates, thus proving that modern family policies make sense for not only economic reasons.

These shining examples of Europe's competitiveness are good news: Europe, with its huge number of cultures, concepts and ideas, already has a good number of models for dealing with demographic change. Some nations are better prepared than others, but if they learn from each other, the continent would be not only a pace-setter in the process of demographic change, but also a pioneer in dealing with problems that, sooner or later, the rest of the world will also face.