Europe’s Demographic Future
Growing Imbalances
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Low fertility rates, aging populations, and a growing number of migrants from other countries and world regions—these are factors that are set to change the face of Europe in the course of the coming decades. The stage was set for this development decades ago, but the zenith of aging in European societies will be reached only in 30 to 40 years. It is very unlikely that Europe’s population will grow much further, and shrinkage, the inevitable consequence, could soon set in.

By comparison, the fertility rates in all other world regions—excepting Russia—will ensure that their populations continue, at least for the time being, to grow. But the population is aging even in Africa and other less developed regions of Asia and Latin America, and in many places fertility rates are already declining. Demographic change is thus a global phenomenon, and Europe merely has a pioneering role to play in it.

All European nations have begun to address the challenges entailed by demographic change, and in its Lisbon Strategy the EU has spelled out the goals: More education, more innovation, more sustainability are the keys Europe needs to bolster its international competitiveness. If these goals are in fact implemented, if the individual countries concerned improve their family policies, develop the policies needed to steer immigration and to better integrate immigrants, enhance the education of their populations, reshape their social systems with a view to demographic givens, and reorganize their public finances accordingly, then Europe could become a pioneer in coming effectively to terms with demographic change—and ultimately emerge strengthened from the crisis.

Growing imbalances

While the population of the EU continues, for the present, to grow—the signs for Europe as a whole point unmistakably to population decline. Of all the major world regions, only Russia is set to lose larger shares of its population. In both of these regions fertility rates are appreciably below the level required for stable population development. Developments in Europe’s “hinterland”, from western Asia and the Middle East to North Africa, are on completely different track. All of these regions are growing, and their populations will, in part, remain far younger than those of the old continent. Indeed, Africa is likely to double its demographic weight by 2050.

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Source: United Nations

* Projection
OVERALL ASSESSMENT

Where do we find the most pronounced effects of demographic change? Why is it that youth unemployment is especially high in certain regions? In what countries or regions is the job situation so poor as to induce people to emigrate? Based on a total of 24 indicators, the Berlin Institute has analyzed and assessed the sustainability of 285 European regions. Green means good prospects, while the red indicates problems for the regions in question, and the deeper the red, the more problematic the situation is. Even a first, cursory glance at the map reveals a marked east-west disparity.

The present study assesses the sustainability of 285 European regions on the basis of 24 demographic, economic, social, and environmental indicators. All EU countries as well as Iceland, Norway, and Switzerland, all three of them non-member states, have been included in the study. The diversity of the data that went into the making of the present assessment ensures that we have come up with a differentiated picture: In addition to economic performance, the factors that count here include e.g. population age composition, employment levels for young people, women and older persons, investment in research and development, but also pollution of the atmosphere with carbon dioxide, a climate gas. The sustainability of Europe’s regions depends in important ways on all of these factors.

The study spells out the implications of demographic change, showing that individual countries are not only affected in very different ways by it but that these countries also deal quite differently with the challenges it poses. All countries are faced with problems that they need to solve. Many have good ideas. But none is in possession of a magic formula.

It is that that makes Europe, with its diversity of cultures and sensibilities, a marketplace of ideas, of successes and failures, that everyone would do well to have a good look at.

The best scores were given to regions in northern Europe, which also have high fertility rates, and the field is led by Iceland, a small, exceptionally prosperous, and highly developed nation. The capital cities of Stockholm and Oslo did particularly well in this connection. Six of Switzerland’s seven regions are ranked among the Europe’s ten best. All these regions are typified by relatively stable demographic structures as well as by high aggregate value added, good education levels, and impressive employment levels — also for older persons. Ireland and the UK also rank high, as do the Benelux countries, France, Germany’s southern regions, Austria, and some regions in northern Italy and northeastern Spain.

Just about all of the regions that scored on the lower end of the scale are remote rural regions, e.g. in southern Italy or Greece, and regions in Bulgaria, Romania, and Poland that have been hard hit by radical structural change. These regions are affected by an array of negative demographic phenomena: very low fertility rates, massive outward migration of young people, and the marked aging of the remaining population that this entails — and to make things worse, the latter is as a rule not particularly well off in social terms.

If we look at the map presenting the overall ranking, we cannot fail to notice a clear-cut east-west divide. What this shows is that in eastern European countries the transition from a planned to a market economy is far from complete. But it also shows how important it is to get started with reforms as early as possible. To cite an example, the Baltic nations, the first countries of the Soviet Union to declare their independence and seek orientation in western Europe, have already caught up with the weaker regions there. The same goes for the Czech Republic and Slovenia, which, even in the context of the East Bloc, were relatively highly developed and wasted little time in getting to work on reforms when the opportunity came. Other countries, like Bulgaria and Romania, both new EU member states that were plunged into a decade of political and economic crisis when the Iron Curtain was lifted, necessarily lag behind on reforms.

In addition, many countries themselves have a marked north-south divide: In the north (Sweden, Finland, the UK) and in Germany the southern regions tend to be better off in relation to the other regions in their countries.

Very generally speaking, Europe’s successful regions are located in an oval area extending from Stockholm and Oslo though London, Paris, and the Alemannic region, including Switzerland and southern Germany, to western Austria. Germany continues to bear the marks of the old border demarcating the East-West political systems. The boundary separates Germany’s needy east from its more prosperous west, and here in turn the south ranks appreciably higher than the north. Despite the massive subsidies that have been pumped into Germany’s new eastern states, the latter have not yet been able close the gap on the west. While the capital regions of most countries — the headquarters of major corporations that attract young and qualified persons — tend as a rule to be among these countries’ most dynamic and youngest regions, Rome and Berlin in particular have at best an average ranking. The Czech Republic and Slovenia, indeed even the capital regions of Hungary and Slovakia, have better prospects for the future than eastern Germany.
Low fertility rates and open intra-European borders amount to a recipe for massive demographic shifts. Since the end of the Iron Curtain most central and eastern European countries have reported a regular plunge in their birth rates. In addition, millions of workers have left some of the countries of the former East Bloc in search of jobs in the west. But processes of irreversible aging and creeping demographic shrinkage are also making themselves felt in countries that have reported low fertility rates for years now, in Germany and Austria, in Spain or in Italy.

At present the effects of persistently low birth rates are clearly visible in peripheral rural areas in which, in earlier times, large families were the rule. These regions have always supplied the growing, low-population conurbations with the young people they needed. But even in peripheral regions, in northern Spain as in southern Italy, in eastern Germany as in large parts of Romania or Bulgaria where fertility rates have fallen well below 2.1, the level needed to maintain population stability over the longer term, remote areas no longer have any means to stem outward migration — they are simply drained empty.

On the other hand, countries with higher fertility rates and sustained immigration, e.g. France, Ireland, or Norway, continue to have enough inhabitants to stabilize population levels even in regions that were earlier beset by rural exodus. Indeed, some such regions even continue to grow.

Nowhere in Europe is there reason to believe that today’s fertility rates, on average 1.5 children per woman, will rise much above 2.1. Only countries, like Ireland, that have a relatively young population could continue to grow for a time by natural means. Wherever the low numbers of children born in the past have grown to the age of potential parenthood, these new parents would have to have far more than 2.1 children to compensate for the shrinkage process that set in long ago — and there is no reason to expect this to happen.

Accordingly, most European countries will be able to achieve population growth, or even simply stability, only on the basis of immigration. Many western European nations, and in particular Ireland and the UK, have replenished their labor markets with workers from Poland and Latvia, and Romanian and Bulgarian job seekers have migrated to Spain and Italy, and their populations are growing. Indeed, the countries of central and eastern Europe themselves now see immigration as their only viable option. Here they generally look further to the east. But these countries too, Ukraine, for instance, or Moldavia, themselves lack sufficient young people. In the future more and more migrants will thus have to come from non-European countries.

In its prognoses for the period up to 2030 Eurostat, the European statistics office, assumes that three quarters of all European regions will have no alternative to immigration as a means to counteract population decline. Given the migration on which the projections are based, the EU-27 would be likely to grow by roughly four percent by 2050. Without an influx from abroad the population would shrink by roughly 50 million, to a figure of some 450 million — a figure equivalent to the populations of Poland and Greece today.

The impacts of fundamental demographic changes in Europe will differ very substantially from region to region. Eastern Germany will continue to be one of the major losers, and the populations of Romania and Bulgaria, parts of Poland, and the non-EU countries further to the east will continue to shrink. The economically strong regions of western Germany will experience population growth, while the weaker regions are faced with the prospect of further shrinkage. The Benelux countries will remain relatively stable, with the Netherlands, in any case densely populated, even experiencing population growth. The central European region extending from southern Sweden and Denmark through western Germany to northern Italy, Austria, and Slovenia, is expected to have the stable economic development needed for a similarly stable, though aging, population.

Small countries like Luxembourg or Cyprus are set to grow because the special economic role they play in Europe has a beacon function for job seekers. And counties with relatively high fertility rates, like France, Norway, Iceland, and Iceland, will need to continue to build new schools and kindergartens. The UK, Finland, and Sweden show stable development at a high level. This can be said only for a limited number of regions in Spain and Italy, and only if immigration continues. Italy and Germany would need the highest net rates of immigration to maintain their working-age population at a constant level.
Population projection 2004 to 2030, in percent

- under – 18
- – 18 to under – 12
- – 12 to under – 6
- – 6 to under 0
- 0 to under 6
- 6 to under 12
- 12 to under 18
- 18 and above

(Source: Eurostat, United Nations, national statistics offices; data for Belarus, Ukraine, Moldova, Croatia, and Serbia available only at national level)
In 1950 the median age — i.e. the age used to divide a population into older and younger halves — of the European population was 31 years. In 2005 the figure had reached 38, and projections indicate that it is very likely to rise to 48 by the year 2050. What this means in effect is that Europe’s population is aging at a rate of roughly two days per week, and soon the continent will have more over-65-year-olds than under-20-year-olds.

Longer life means, on the one hand, the realization of a dream of mankind, and all the more so in that most Europeans reach old age in a surprisingly good state of health. On the other hand, though, what we now find is a growing group of pensioners and a diminishing younger population that is expected to provide for the elderly on the basis of contribution-based pension systems, and in keeping with the “intergenerational contract.” The post-war baby boom, which affected all European nations to one extent or another, plays an important role here. This phase of relatively high fertility in the 1950s and 1960s generated, in nearly all European countries, cohorts far larger than the ensuing generations.

Throughout Europe, aging shows very marked differences from region to region. To cite an example, the share of over-75-year-olds in the Italian region of Liguria, already 13 percent, the highest figure in all of Europe, is set to rise to 18 percent by 2030. The eastern German region of Chemnitz, on the other hand, a region hard hit by the emigration of young people, is set to see its share of over-75-year-olds nearly double, from ten to 19 percent. The figure is also set to rise in Ireland — but only from 4.5 to 8.5 percent.

**Ireland: Set to remain young**

25 years ago Ireland’s population pyramid was comparable with that of a developing country. Then, however, fertility rates started to decline there as well — though without reaching levels below 2.0. What this means is that Ireland’s coming generations are likely to remain as populous as they are today.

**Germany: Set to continue aging**

Nowhere else in Europe have fertility rates fallen so massively as they have in Germany. Today, those born after the 1960s “baby bust” already constitute a thinned-out parental generation that itself has few children. The consequence: The population continues to age.

**Bulgaria: On the road to senescence**

The more or less constant fertility rate that Bulgaria experienced in the communist era plunged by nearly 50 percent in the 1990s. Since this means that the country will lack potential parents in the future, Bulgaria is faced with the threat of an extremely aged population — and presumably growing old-age poverty as well — by the year 2030.
LOW FERTILITY IS NOT A NATURAL LAW

On average, women have fewer than 2.1 children in all of the countries of the EU, from Finland to Cyprus and from Portugal to Romania. However, fertility is distributed very unevenly from country to country: While Polish women have an average of no more than 1.3 children, the figure for Iceland, Ireland, and France is roughly 2—a disparity of over 60 percent.

The declining birth rates reported in the course of the past decades are closely linked with the changing role of women in society. Since the 1960s women have had equal access to education, and in many countries women today are better qualified than their male contemporaries. These women are interested in pursuing careers and earning incomes of their own; and they have appreciable numbers of children only in countries that enable both parents to reconcile job and family.

It makes absolutely no demographic sense to cling to traditional family structures, on the contrary: The more equality given for both men and women in working life, the more children are born. Over half of the children born in Sweden, Norway, and France, all three countries with high birth rates, are born out of wedlock—in Iceland, the country with Europe’s highest fertility rate, the figure is as high as 65 percent.

The state can influence the fertility of its population by providing financial support for parents. But how such funds are spent is just as important as their volume. Countries with high fertility rates invest substantial sums in the family-friendly infrastructure needed to enable both partners to work.

Continent with low birth rates

Few European nations have a fertility rate of at least 1.7, the level at which population could be kept stable with the aid of moderate immigration: France, the UK, Belgium, the Netherlands, and the Scandinavian countries. In eastern and southern Europe we find broad expanses with low fertility rates. The only option these countries have to escape demographic shrinkage is major immigration. The only the Balkan countries with relatively high fertility rates are Albania, Montenegro, and Kosovo. That situation, though, could change rapidly when these countries adapt their economic and social structures to those in the EU.

(Source: Eurostat; Data for Belarus, Ukraine, Moldova and Serbia available only at national level)
COMPETITION FOR THE BEST MINDS

The process of European integration is boosting mobility throughout the continent. In 2006 alone, over 100,000 Romanians migrated to Spain, 50,000 Poles to Germany. Close to 12,000 Germans in turn tried their luck in Switzerland. 38,000 Britons left their rainy island to seek refuge on Spain’s sunny coasts.

Europe has a centuries-old history of migration. War and economic crisis, for instance, have induced people to flee their home countries. Boom phases have triggered labor migration. As early as 2004 all 15 original members of the EU had become immigration countries. Today people are attracted mainly to countries that were, not long ago, themselves emigration countries: Spain, for instance, where the number of non-Spanish inhabitants increased nearly eightfold between 1995 and 2006. Or Italy, where the immigrant population has tripled, or Ireland, where it has doubled. Finland and Portugal report over 80 percent more immigrants than they had in 1995. In 2006 there were some 28 million nonnationals living in the 27 member states of the EU — roughly six percent of the overall population. First- and second-generation migrants who have assumed the citizenship of their new home countries are estimated to account for roughly the same percentage.

Migration is a phenomenon that comes about wherever there is an economic, political, or social differential between region of origin and region of destination. Because Europe’s borders are largely open, and cheap flights have made for a mobility hitherto unknown in Europe, the entire continent appears to be on the move. Hundreds of thousands of young eastern Europeans have migrated to the UK and Ireland. Tens of thousands of elderly Britons or Germans have opted to spend their retirement in southern France, Greece, or Spain. In addition, non-European people are streaming to the continent in search of a better life — most of them from Africa, where the population continues to rise sharply and living conditions are so difficult that people are willing to take the life-threatening risk of journeying to Europe.

While migration must always be seen as a boon in demographic terms, it has positive economic effects only if migrants are able to find gainful employment and thus to contribute to national income in the same way that natives do. European countries have a twofold migration problem: Millions of immigrants are poorly integrated, and they often pass their deficits on to their children. This has served to color the public perception of this population group. Still, it is precisely the highly developed countries that have a growing need for well-qualified workers, and we can observe the development of lively competition for the best of them — engineers, scientists, and doctors, but also joiners, nurses, and automobile mechanics.

The better qualified a migrant is, the more choices he or she has between countries and regions with differences in their conditions of admission, job situations, income opportunities, social systems, or regional quality of life. Compared with classic “emigration countries” like the US, New Zealand, Canada, or Australia, Europe has not been particularly successful in attracting qualified non-European migrants. The people flooding into Europe are, on average, less well educated than the native population.

Most attempts to woo qualified people away from their jobs are aimed at attracting them from one European country to another — that is, if such people do not opt straight away to move overseas. And the countries that stand to benefit are as a rule those that offer the best working conditions and earnings. For the continent as a whole, though, this is a zero-sum game. While countries of destination like the UK or Ireland gain new inhabitants in this way, it is countries of origin, like e.g. Latvia or Poland, that feel the pinch when they lose increasing numbers of qualified workers. In 2005 and 2006 even Germany — for the first time since 1969 — lost more German citizens to emigration than it gained. Apart from the US, a classic immigration country, it is Austria and above all Switzerland that have proven most attractive for German emigrants in recent years.

But countries that have attracted qualified immigrants can never be sure that they will stay. The opening of Europe’s borders has led, relatively rapidly, to a leveling out of wage differentials, and this means that more and more migrants with sought-after qualifications move on to other countries — or back to their native countries as soon as the economic situation there has improved. Those interested in keeping well-qualified immigrants for the longer term are forced to offer them more than jobs — what they seek is a long-term perspective, for their families as well, and a sense of being welcome.
The new Great Migration

In 2006 Spain attracted the most immigrants, while Poland and Romania lost especially many of their inhabitants. The map presented here is incomplete in that it does not cover temporary labor migration in these countries. Not does it include immigration from non-EU countries. The presentation is meant merely as a snapshot for 2006. Migration flows may change within a brief period of time.

Selected migration flows within Europe, on balance, for 2006 (Italy: 2005)
(Source: Eurostat)
The individual European countries differ considerably in terms of how far they have progressed in the transition from the industrialized to the knowledge society. And there are also major regional differences within these countries: In the Inner London region, for example, in 2006 some 43 percent of 25- to 64-year-olds had a university diploma. In the Portuguese Azores, on the other hand, only eight percent of the same age group had an equivalent qualification in the same year. In Europe unemployment is in large measure a question of education: University graduates are less likely to be unemployed than people with low education levels, and unskilled workers account for a particularly high share of the long-term unemployed.

The process of demographic change has made education even more important than its was, with aging and population decline depressing both the absolute number of persons gainfully employed and their percentage of the overall population. What this means is that every individual is required to become more productive if Europe’s aging population is to support the growth in wealth that is expected. That makes it clear that skills and qualifications must be provided at all levels of education. Education provides jobs

Education provides jobs

There is a major need for well-qualified workers in all of Europe — and this demand will continue to rise. In most of Europe’s economically highly developed countries the percentage share of employed persons with a university or technical college degree is already higher than the share of workers that have no more than a basic school education. It is only in Malta, Portugal, and Spain that low-skills workers continue to be the largest group of employed persons.

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societies are to remain competitive and able to shoulder the financial burdens imposed on them by their social tasks.

The efforts undertaken by the European nations to improve the qualification levels of their younger generations differ greatly from country to country. To cite an example, in France 18 percent of 45- to 54-year-olds have a university degree. Today 39 percent of their children, today aged between 25 and 34, already have the same qualification. In Ireland the figure has improved from 22 to 41 percent. In Germany, however, which in any case has a low percentage of students for an industrialized country, this figure has even declined.

One special challenge facing European societies is immigrant qualifications. In virtually no European countries do second-generation migrant children come even close to the school performance levels of people without migration background—even though the former were born in their new home country. In Germany, Austria, and the Netherlands, for instance, children of migrants even have, on average, educational levels lower than those of persons who have just immigrated.

Since 1990 the end of the Iron Curtain and the political and economic integration of Europe have set the stage for an increasingly free movement of persons, goods, services, and capital. This new mobility creates huge pressures: on businesses now forced to face competition with companies beyond their national borders; on states, whose businesses and taxpayers are now able to switch to countries that offer more favorable framework conditions; and on people who, in part at least, are forced to leave their home countries to seek to earn their livelihoods elsewhere.

People tend to move from economically weak countries to more prosperous countries—at present for the most part from east to west. In return, there are capital flows from west to east, from north to south. Investors are attracted to places where the key conditions for investment are right. What they seek is not only low wages, favorable tax rates, and new markets but also political stability and legal certainty. And prospects of accession to the EU have proven uncommonly conducive to meeting both needs.

The process of transformation at first cost the countries of central and eastern Europe millions of jobs. This development reached its nadir only in 2003. By then the new EU members had lost a total of twelve million jobs—a drop of 23 percent compared with 1989. Only when they had joined the EU did the situation begin to improve. However, European integration is anything but a social welfare project for poorer member states—and all stand to benefit from integration. On balance, the number of persons gainfully employed in the original 15 EU countries has risen by 15 percent since 1989. If we include all 27 of today EU member states, we find that today the number of persons gainfully employed in Europe is roughly seven percent above the level reported for 1989. Never before have so many people in Europe found gainful employment.

Employment Record

Job motor EU

At present over 220 million people are gainfully employed in the 27 EU countries—seven percent more than in 1989, when the Iron Curtain was lifted. While the 15 core EU countries have reported an uninterrupted rise in employment since the mid-1990s, the new member states overcame their lean spell only in 2003, following a period of economic decline. Since then employment figures have risen. Today more people are gainfully employed throughout the European Union than ever before.

Development of employment figures in the EU-15, the twelve member states that have acceded since 2004, and the EU-27, 1989 to 2007, in percent (1989 = 100 percent)
(Source: The Conference Board and Groningen Growth and Development Centre)
EUROPE’S POTENTIALS

Just as we may say that rising commodity prices may prove to be a boon as well as a curse, in that rising prices may set incentives for saving and innovation, we may state that demographic change is not tantamount to the decline of the West. European populations will continue to age, perhaps even to shrink, and European countries will have to look more and more to immigration as a means of closing the demographic gap. This will inevitably entail conflicts. But the demographic crisis will also encourage us to view long-neglected problems in a new light, and to tackle them with an entirely new creativity.

For it has now become clear that the healthcare and education systems of many European countries are in need of fundamental reforms, that migrants are often poorly integrated, and that the tax policies in place in many countries work to the financial detriment of people with children. The process of demographic change has not created these problems. But it has exacerbated them. Demographic developments have forced us to take an economically tinged view of all those problems that have until now been discussed under aspects of justice. After all, a situation in which all children are not given equal educational opportunities cannot be called just — just as little as a situation in which immigrants are discriminated against in the labor market. But the justice debate has seldom done much to change this state of affairs. Looked at in economic terms, poorly educated young people tend to end up as costly welfare cases, unemployed migrants are a burden on the welfare state, and low birth rates undercut the labor market. The much-deplored economization of social and societal problems may thus induce societies to concretely tackle problems and mobilize resources that have until now lain fallow. It is here that we find the opportunities offered by demographic change: The old continent’s most important resource — its minds and talents — will be valued more highly in the future.

In addition, gender equality when it comes to family, job, and pay stands to benefit from demographic change. The economy needs women no less than it needs young blood. Society therefore, and for purely economic reasons, has no choice but to ensure that family and job are reconcilable for both partners on the basis of equality and that both sexes have equal career opportunities. Both the model of the single male breadwinner and all of the tax and social arrangements designed to support it are, for this reason alone, wholly out of date.

Family policy now ranks high on the political agenda of nearly all European countries, and they in turn look for guidance to countries like France or the Nordic nations, which have many years of experience in this field. The recent slight rise in birth rates reported in Germany is due in part to a turnaround in German family policy. But is it certainly also due to the circumstance that a long-forgotten issue is once again up for discussion. In countries like Germany children had virtually gone out of vogue. The noise caused by children was seen as a disturbance of the peace, indeed as sufficient grounds to terminate the leases of offending parties.

Children may be a necessary condition for stable social systems and productive economies — but first and foremost they mean great happiness for their parents. Societies without sufficient numbers of children are poor in the truest sense of the word, they lack the glimpse of the future that only children can enable us to take. The fact that today children are perceived for their own sake may well be the greatest lesson we stand to learn from our lack of children.
Europe at a glance

The study presents and discusses the particularities of and regional differences between all 27 EU countries as well as Norway, Switzerland, Iceland, and selected non-member states in eastern Europe.
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