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Demographic trends in Europe: turning challenges into opportunities

Report[1]
Committee on Migration, Refugees and Population
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Summary

While the global population is on the rise, having recently reached a new milestone of 7 billion, Europe's population is proportionally diminishing. Council of Europe member states currently make up 12% of the world's population, expected to decline to 9% by 2050. By the same time, more than a third of the European population will be over 60 years old.

Despite declining fertility rates and the ageing of its population, Europe still has the opportunity to compete and remain economically and politically influential within these new dynamics. Member states are therefore invited to encourage innovation and technology, to increase investment in "human capital" and to treat migrants in particular as a major asset. Through implementing family-friendly policies, providing better opportunities for education and lifelong learning, encouraging active ageing, combating age discrimination and optimising human well-being, Europe's citizens will be able to realise their full potential.

1. Reference to committee: Doc. 12146, Reference 3652 of 12 March 2010.

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A. Draft resolution[2]

1. The demography of Europe is changing. This phenomenon affects all Council of Europe member states. People are living longer and having fewer children. With increasing mobility and immigration, European societies are becoming more diverse and immigrants are becoming part and parcel of them.

2. Demographic trends in Europe must be seen in the global context of population dynamics. In a world where population growth is associated with economic growth and well-being, Europe has to urgently develop necessary policies and strategies to cope with changing demographics in order to maintain its power and influence in the world. It is important to transform demographic challenges into opportunities so as to ensure sustainable economic growth and international security, and that the values of democracy, human rights and the rule of law remain relevant not only in Europe but in the rest of the world.

3. On 31 October 2011, the world population reached the new milestone of 7 billion people. Within the framework of a growing world population, the current population of the Council of Europe area is 800 million, representing about 12% of the world population. This figure is expected to drop to about 9% by 2050. China will also see a fall in its population while India will see a large increase. Within Europe, there is a wide diversity in demographic trends, with Germany and Russia experiencing population decline, and France and the United Kingdom experiencing a boom in population – largely as a result of migration.

4. As the world's population grows, it is also ageing, in particular in developed countries. By 2050, the world population of those over the age of 60 is projected to triple, reaching 2 billion people. Europe has the highest proportion of older people and this will remain so for decades – more than one third of Europe's population is expected to be over 60 by 2050. This will require major policy and a shift in attitudes towards age.

5. However, the Assembly remains concerned that, in a number of eastern European member states, low life expectancy continues to be a problem, especially for men. Measures and policies to decrease mortality in those countries will need to include measures aimed at improving health systems and working conditions and reducing daily stress, but also involve steps to convince people to adopt healthier lifestyles.

6. People are the wealth of nations. Nonetheless, it is not only the number of people that is important, it is also the skills, abilities and state of health of those people. In 21st-century Europe, political goals should not be defined in terms of population size, but rather in terms of "human capital" available for producing the best possible quality of life for everyone. Within this paradigm shift, Europe needs to invest more in its "human capital" and improve their skills and opportunities in order to make sure they are well educated, well equipped, and well integrated to take on the challenges presented by an ever more globalised – and populated – world.

7. With the best "human capital", coupled with experience, Europe should be in a good position to lead revolutions in innovation and technology. This is where its comparative advantage lies. This will contribute to increased productivity and economic growth inside Europe and also give the continent the ability to remain influential in the rest of the world. By leading in these fields, Europe will also be able to influence growth in developing countries such as China and India.

8. Compared to other regions of the world, Europe still provides a high quality of life, good education and social services for its people. This should be maintained, especially in a context where our countries are facing serious economic problems that require the introduction of austerity measures. Such measures should be designed with utmost care as they may have significant and unintended consequences for the future demographics of Europe.

9. Policies to improve the "human capital" in Europe should be complemented with appropriate family policies, which provide individuals and families with an environment where they can freely organise their lives and decide on the number of children they would like to have. It is important to recognise that fertility decisions are not taken in a social vacuum. Public policies to enhance a family-friendly society, once introduced and sustained over time, can have a positive impact on fertility levels.

10. The Assembly believes that migration, although not a permanent solution to demographic challenges, can be a major asset. Migrants need to be encouraged to be active citizens of their societies and this is a two-way challenge involving migrants and their host communities. The European labour market needs to attract qualified labour from outside of Europe, but the need for external unskilled labour will also remain high.

2. Draft resolution adopted unanimously by the committee on 30 November 2011.

11. Social cohesion is the primary factor in ensuring productivity and the conditions necessary for the well-being of people in diverse societies. Economic growth, innovation and productivity can only happen in societies that are socially coherent, respectful and collaborative. For this reason, European governments must take every measure to promote diversity in their countries and build on its positive effects.

12. The Assembly believes that one of the key strategies for coping with a declining labour force is to increase labour force participation rates amongst traditionally lesser-used or excluded groups, such as women and older people. The increasing participation of women has been one of the most positive factors leading to growth in the European work force and member states' economies. However, substantial disparities remain between countries in terms of participation of women. As people live longer and healthier lives, older people have valuable experience and can continue to be productive by participating in the job market if they are provided with the right lifelong learning opportunities.

13. The Assembly is aware that confronting the demographic challenge will be a long-term task. This task can be fulfilled if Europe is committed to promoting demographic renewal, higher rates of employment and longer working lives of better qualified and more productive workers. Europe also has to be open to receiving and integrating migrants and ensuring social cohesion, which includes ensuring equity between generations and providing adequate social security.

14. In light of the above considerations, the Assembly calls on the member states of the Council of Europe to:

14.1. take demographic changes into account in their political choices by introducing the necessary policies and developing strategies to cope with changing demographics;

14.2. introduce policies to provide the best education and training opportunities to ensure the highest quality of "human capital";

14.3. foster inter-generational solidarity and development, in particular by:

14.3.1. promoting active ageing in such a way as to make use of the full potential of older persons, including their continued labour force participation;

14.3.2. promoting lifelong learning opportunities for all generations, including on the professional and social use of new technologies;

14.3.3. combating age discrimination against both women and men, by ensuring full access to training programmes and employment;

14.4. support science, innovation and technology to increase productivity and contribute to economic growth;

14.5. encourage demographic renewal by:

14.5.1. developing policies that help parents raise their children, including financial and fiscal measures;

14.5.2. developing policies that promote a better work-life balance, including adequate arrangements for childcare, and for supporting elderly and frail people;

14.5.3. developing policies that reduce the economic precariousness of young parents, combining flexibility and economic security (flexicurity);

14.6. promote integration and diversity by:

14.6.1. developing policies which help to reduce migrant unemployment and make the best use of the potential offered by migrants, including through their participation in the social, economic, cultural and political life of the host countries;

14.6.2. enhancing the atmosphere of mutual respect and tolerance between migrants and the population of the host countries;

14.6.3. fostering policies aimed at integrating and increasing the language skills and the educational level of migrants, their children and, in particular, migrant women;

14.7. promote a more inclusive job market by:

14.7.1. enhancing gender equality and equal opportunities, allowing women to fully participate in economic and political life;

14.7.2. combating discrimination against women in society and in employment.

15. The Assembly also invites relevant international organisations to:

15.1. support member states and other stakeholders in further developing active ageing and in raising awareness of the need to mobilise the full potential of an ageing population and to help combat age discrimination against both women and men;

15.2. exchange best practices on active ageing;

15.3. help develop migration management systems which aim to safeguard and enhance the rights of migrants and ensure their active participation as equal citizens of their societies;

15.4. support member states in creating a knowledge base on demographic trends, and ensure that this is kept up to date through ongoing research and monitoring where necessary;

15.5. co-ordinate and facilitate comparative studies and the exchange of information on these matters.

B. Explanatory memorandum by Ms Memecan, rapporteur

1. Population change as a policy challenge

1. Population change has a large impact on European society and is set to become an even more important driver of social change. Ongoing trends in fertility, mortality and migration are rapidly changing the size, composition and distribution of Europe's population. Due to increasing longevity and sustained low fertility, Europe's population is ageing rapidly, which challenges the sustainability of public finances and pension and care arrangements. Living longer, healthier and with smaller families also brings opportunities to society, children, parents and relations between generations.

2. Population growth is slowing down across the continent and the growth rate of the working age population is declining, bringing new challenges for labour markets, sustainable economic growth and well-being. The mobility of Europeans across the continent brings prosperity and contributes to economic growth in some regions, but may challenge this in others, as population decline becomes a reality for a growing number of Europe's regions. Europe's population is also becoming more diverse as a consequence of international migration, which can help spur economic growth but can also put a strain on social cohesion and deplete the human resources of migration-sending countries.

3. The world's population has now reached the 7 billion mark and the population of the Council of Europe member states amounts to slightly over 800 million inhabitants. The world population will continue to grow, mainly due to fast population growth in the poorest countries. Due to the stabilisation of population growth in Europe, its share in the total world population will gradually decline from its current 12% to a projected 10% by the year 2025. By the year 2050, the projected population of the Council of Europe member states will still be slightly over 800 million and its relative share in the world population will have decreased to about 9%.

4. In contrast, by 2025, China will have eight giant cities each with a population of 10 million or more. Some predict that it will overtake the United States as the world's biggest economy by 2020. In the 2011 BrandZ Top 100 Most Valuable Brands List, almost half of the newcomers to the list were Chinese brands. India is a growing economic power, soon to be the most populous country in the world. Other less populous countries, such as Brazil, are taking more prominent positions on the global stage with large youth populations and booming economies. Africa is emerging as a new global stronghold that provides ample investment opportunities.

5. However, challenges remain for each region. Due to family planning policies of recent decades, China will face demographic challenges similar to Europe. There will be fewer people of working age to support a growing ageing population and huge pressures on the welfare system. Three quarters of India's population – 930 million people – live on less than US$2 a day. The poor are faced with rising food prices and worries about food and energy security. Education is a major problem,[3] with only one child in five able to recognise numbers up to 100 and half being illiterate. Sixty-six out of every 1 000 children born in India die before reaching the age of five – the same rate is four per 1 000 in Germany.[4] In Africa, a rapid population increase linked to deep poverty in ecologically fragile, landlocked countries such as Chad, Niger, Ethiopia and Mali presents serious threats. These countries are poor and intensely vulnerable to climate change and food shortages. More importantly, there are serious political obstacles in the way of Africa fulfilling its promise as the last emerging investment frontier. As a column in the *Financial Times* declared this year, "there remains a profound mismatch between the aspirations of its people and the calibre and integrity of those leading them".

6. The challenge of soaring populations will increasingly be concentrated in the poorest countries and regions. Most of these regions and countries are confronted with debilitating crises of governance and an overwhelming challenge to improve the lives of large concentrations of poor people.

7. In the face of this, Europe still provides one of the highest quality of life indexes in the world; it is an economic powerhouse, it has the best-educated and healthiest population and some of the best-performing democracies. In terms of "influence" in the world, which can be measured by a number of indicators, including culture, government, education and business, Europe still leads globally. European universities host large numbers of international students, and European brands, such as IKEA, Vodafone and L'Oreal continue to top lists of most valuable brands in the world. It has a normative appeal unlike any other region or country in the world. Europe is the carrier of values of political freedom, individual liberty and government effectiveness.

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3. Report by Pratham, a non-governmental organisation in India.
4. UNICEF statistics 2011.

8. In the context of a changing demography, maintaining this quality is imperative for Europe's well-being and influence. This report will aim to provide the demographic picture, coupled with measures to better equip Europe and its people for the future.

2. Drivers of population change: fewer children, longer lives and volatile migration flows

2.1. Fertility

9. Most Europeans have a preference for small families. Since the last decades of the 20th century, Europe has witnessed strong declines in fertility rates which were caused by changes in the number of children that were born to parents, as well as changes in the timing of births. Due to a host of interlocking social and economic changes, such as increasing labour force participation of women and rising levels of education, "late and low fertility" went hand in hand and became characteristic for a growing number of countries, although the pattern was far from universal. For central and eastern European countries, the socio-political changes and the accompanying economic hardship and insecurity of the late 1990s also played a role, as did, according to some authors, the demise of pronatalist family policies.[5] In the late 1990s almost half of European countries experienced very low fertility rates (the average number of children per woman – the total fertility rate or TFR – was 1.3 or lower). From the beginning of the 21st century, a gradual recovery of the sometimes very low fertility rates started in many countries, which was at least partly attributed to economic recovery in several countries, but also to the fact that parents did not postpone childbirth to even higher ages.

10. Today European women have on average 1.5 children. This fertility level is well below the so-called "replacement level" of 2.1 children, which means that in the long run the generation of parents will not be completely replaced. Fertility sustained at below-replacement level, as is characteristic for most parts of current day Europe, is a clear indicator of imminent population decline. The highest fertility levels are recorded for France, Iceland and Turkey, where women (on average) have about two children. The lowest fertility levels are found in Moldova, Poland and the Slovak Republic with a fertility level of about 1.3 children per woman. Higher fertility levels are currently more common in northern and western Europe, while lower fertility has become the typical pattern for southern and eastern Europe. Turkey is the exception with one of the highest fertility levels of 2.1. In the most recent period (2005-2009), fertility rates have slightly increased in most countries.

11. The impact of the world economic crisis of 2008-2009 on fertility is not yet reflected in these data. Recent studies indicate that recessions often lead to postponement of pregnancy, especially of first births, which may later be recuperated when economic security recovers. Fertility tends to react to the ups and downs of the economy, where high unemployment and job instability are important reasons for parents to postpone having children. The impact of recessions on fertility also depends on social and institutional arrangements: governments can try to moderate the impact of the crisis for families, for instance through special employment and family policies.

12. Evidence on the current recession suggests that it has indeed had an impact on European fertility and has changed the recent upturn to stagnation and decline. A study by the Vienna Institute of Demography shows a steep decline in fertility rates in Spain in 2009-10 and a stagnation in most European countries. Spain's population growth increased during its housing-fuelled boom, from 1.07% in 2000 to 1.82% in 2007, only to collapse to 0.36% in 2010, with population growth expected to be negative this year. The study has found that educated young women in many rich countries have delayed having children because of the global recession and may on average wait a further five to eight years if governments slash public spending. If employment and economic security recover, fertility levels may also recover. But as the recession is followed by a sustained period of massive cuts in public spending in many countries to reduce budget deficits, this may also have a negative impact on social and family policies and this could further influence fertility decisions of parents. By analogy with the notion of the "double-dip recession", some authors do not exclude a "double-dip fertility decline" if social and family-related expenditures are cut and monetary support to parents with children declines.[6] While some measures are needed to cope with the financial crisis, the consequences that these might have on families and the future population of Europe should be carefully assessed.

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5. See van Nimwegen N. and van der Erf R. (2010), "Demography Monitor 2008. Demographic trends, socio-economic impacts and policy implications in the European Union" (Netherlands Interdisciplinary Demographic Institute Report 82), KNAW Press.

6. Sobotka T, Skirbekk V. and Philipov D. (2011, June), "Economic recession and fertility in the developed world", *Population and Development Review* No. 37(2), pp. 267-306.

13. The decision to have a child or children is a decisive life choice for parents. The recent swings in fertility support the notion that fertility decisions of parents are not taken in a social vacuum but are susceptible to socio-economic and other conditions. In the developed world, there seems to be a stigma attached to having more than one or two children. A recent article in the *Guardian* quoted activists denouncing the Beckham family for having a fourth child. Their behaviour was deemed irresponsible in a world with limited resources. This is of course an extreme example. It is known that as countries develop and people have more education and learn about family planning, they tend to have fewer children and fewer accidental pregnancies. Keeping the human dimension at the core, especially with regard to the rights of women, the promotion of family planning measures should be continued – especially in developing countries where more and more children are born into poverty and deprivation at a time of depleting resources. Women should be protected, educated and empowered in their reproductive rights and choices, and men also need to be educated in these rights and choices. Just as people have the right not to have children in a declining population, individuals and families should have the right to decide freely on the number and timing of their children. Turkish Prime Minister, Recep Tayyip Erdogan, has consistently encouraged families in Turkey to have three children – this is his own opinion and he should be free to express it.

14. Policy discussions should not focus solely on fertility. In fact, fertility policies themselves never operate in a vacuum, and without the right environment they might not even achieve any positive results – unless they are strongly enforced, which is against the principle of reproductive rights. Policies to promote fertility should be part of the wider cultural, economic and social context and should be considered within a broad package of family policies, benefits, workplace regulations and tax systems.

15. Although it is difficult to establish causal links between family policies and childbearing, evidence from the Nordic countries suggests that specific policies have had a certain pronatalistic impact. It is important to note that, when introduced, these policies did not target increasing fertility, but rather family policies and employment policies were linked to the primary objective of allowing couples to combine family formation with work. The increase in fertility was a secondary effect.

16. Most well known is the effect of the so-called “speed premium”, a unique feature of the Swedish parental-leave system introduced in 1980 which allowed mothers the same benefit as for their previous child if they had another child within a given period, even without returning to work between the births. As could be expected, this has encouraged mothers to have their next child sooner.

17. Another finding from Sweden is that women are more likely to have another child if the father took parental leave with the first child, suggesting that features encouraging an active participation from the father in childcare may stimulate fertility. A positive effect is also evident for mothers who took extended leave, but only for the propensity to have a third child. Interestingly, higher third-birth rates among women who made use of extended leave in connection with special cash benefits for childcare have also been found for Finland and Norway.

18. A report prepared by the Rand Foundation found that in Sweden neither high-quality childcare nor extensive parental leave on reasonable economic terms appears to be individually responsible for the relatively high fertility rates in the late 1980s. It appears that the combination of policies targeted at equal responsibilities for men and women as wage earner and care provider, and at the welfare of children, was essential for supporting family formation and the quality of family life. The research also finds that encouraging women’s participation in the labour force can have a perverse effect on fertility, since some women might choose their career over childbearing. However, Sweden provides a counter to this generalisation: employment policy and family policy have gone hand in hand. During the 1970s and 1980s, Sweden created the conditions in which the adverse effects of family formation from labour participation were minimised and equally shared between both parents. These conditions enabled relatively high fertility and high female labour participation to coincide, which was unique in Europe.

19. The accumulated evidence from past research thus supports the notion that there are positive effects of welfare policies on fertility, but a generous family policy programme is no guarantee for a high fertility level. In the early 1990s, Sweden experienced a period of slack in the economy that soon led to a sharp rise in unemployment, and young people and people with low education were hit particularly hard. For the first time ever, there were also cutbacks in financial support to families. Subsequently, fertility declined from 2.1 children per woman in 1992 to about 1.5 in 1997. Thus, economic cycles and economic prospects also clearly have an impact on fertility, and rising unemployment has a negative influence both because of poorer income prospects for the present and, possibly even more important, because of a greater feeling of insecurity about the future.

20. However, macro-economic conditions may not necessarily have the same adverse effects on fertility in all countries. In Finland, for example, unemployment also rose very quickly and to higher levels than in Sweden in the early 1990s, but fertility remained at a relatively high level. Evidently, the recession did not have a noticeable influence on the childbearing behaviour of Finnish women. One explanation for the divergent fertility response in Finland and Sweden may be that the Finnish welfare state was able to retain most of its important functions during the recession.

2.2. Mortality

21. Europeans live longer than ever before and an increasing part of these longer lives is spent in good health. The continuing rise in life expectancy is perhaps the most consistent demographic trend and the upward trend continues in most countries. Increasing longevity reflects better health and living conditions and is achieved by major medical advances and investments in the health system. Increasing longevity is also a major driver of population ageing.

22. Today, a European woman may expect to live 79.4 years, while a European man has an average life expectancy at birth of 72.1 years. The difference in life expectancy between women and men is about seven years. This so-called gender gap in mortality is gradually closing in most countries due to the fact that men are catching up with women, but the gap is still very substantial in many countries. There are also very large differences in mortality across Europe, both for women and men. A girl born in Moldova, for instance, may expect to live 11 years less than a French girl. This gap in life expectancy is even wider (more than 18 years) for European men, Iceland having the highest life expectancy and Russia the lowest. The East-West divide in mortality levels is very persistent and addressing the regional (and socio-economic) differences in health and mortality may well be counted amongst the highest priorities for regional (health) policies. Health and mortality differences are also persistent across socio-economic groups, including ethnic groups.[7]

23. Behavioural factors such as harmful life styles, smoking, unhealthy diets and alcohol consumption play an important role in mortality differences, opening up, for instance, possibilities for preventive health interventions. It is likely that life expectancy will continue to grow further, although experts have different views about the pace of growth and the limits of life.[8] Optimists claim that the maximum life expectancy (as observed for the best performing groups) has been increasing in a linear way for more than a century and a half at the rate of six hours per day,[9] and there is no evidence that this will slow down. Others claim that while amazing advances have been achieved in the past, additional gains in life expectancy will be harder to achieve when causes of death are taken into account. Earlier gains in life years were won, for instance, by conquering infectious diseases mainly at younger ages. In the second half of the 20th century, the gains in life years mainly came from declining mortality from cardiovascular diseases in later middle age. Current and future gains in life expectancy should mainly come from reductions in mortality in old age. At advanced ages, mortality is usually not caused by one disease but attributed to several diseases (co-morbidity) and medical advances in treating one particular disease would lead to smaller gains in life years, as the patient may die from another disease.[10]

24. The more pessimistic view on gains in longevity stresses the importance of life style factors, where for instance sustained smoking and the emerging obesity pandemic, especially among the young, will slow down the increase in life expectancy. Nevertheless a continued growth in longevity is expected (and projected) by all experts. Also healthy life expectancy, the number of life years one may expect to live in good health, is expected to grow further. The period of life where frailty and ill health become dominant is gradually pushed to older ages.[11] The combined trends of adding more and more healthy years to life benefits an increasing number of older people and provides a window of opportunity for “active ageing”, thus illustrating the potentials of an ageing population.

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7. See for an overview Kunst A. et al. (2004, April), “Monitoring of trends in socioeconomic inequalities in mortality. Experiences from a European project”, *Demographic Research, Special collection 2, Determinants of diverging trends in mortality*, pp. 229-254.
8. de Beer J. (2006), “Future trends in life expectancies in the European Union”, Research Note, European Observatory on Demography and the Social Situation-Demography Network, Brussels, European Commission.
9. Oeppen J. and Vaupel J. (2002), “Demography. Broken limits to life expectancy”, *Science* No. 296(5570), pp. 1029-1031.
10. See de Beer, above footnote 8.
11. Vaupel J. (2010, 25 March), “Biodemography of human ageing”, *Nature* No. 464.

2.3. Migration and diversity

25. International migration has become one of the most dominant forces of population change and it is likely to increase in scale, reach and complexity over the next decades. Over the past decade, the estimated number of migrants worldwide has increased from 150 million around the year 2000 to 214 million today and it is expected to grow further to an estimated 405 million by the middle of this century (IOM 2011).[12] Demographic disparities such as high population pressure in migration-sending countries, population ageing and a declining work force in migration-receiving countries, the impact of environmental change, political and economic dynamics, technological changes and social networks are the main causes for the growth of international migration. International migration involves an ever wider diversity of ethnic and cultural groups, more women are migrating on their own or as heads of households, the number of people who are living or working abroad with an irregular status continues to increase and there is more temporary migration and circulation (IOM 2011).

26. The world economic crisis has temporarily slowed down international migration but appears not to have stimulated massive return migration. In the economic downturn, permanent labour migration decreased by 7% in OECD countries in 2009, following a decline of 5% in 2008. As was the case in 2008, free circulatory migration accounted for a large part of this decline and decreased by 36%, as did temporary labour migration, which decreased by 17% (OECD 2011).[13] But as countries are slowly recovering from the crisis it becomes clear that international migration is at a turning point and migration for employment reasons is expected to pick up again. The number of asylum seekers remained relatively stable during the crisis, while the number of international students continued to increase (OECD 2011). The long-term trend in international migration in OECD countries indicates the importance of this trend in a globalising world where it is worthwhile mentioning that according to estimates one in three international migrants in the world live in Europe (IOM 2011).

27. The permanent movement of migrants into the resident population varies markedly according to the country. Looking at selected OECD countries in 2009 for instance, Japan had the lowest permanent inflow of migrants, while Switzerland was at the other extreme of the spectrum with a high inflow. The remaining countries can be classified into a group of low-migration countries with inflows below the OECD average, like Austria, Belgium, France, Finland, Germany, the Netherlands and Portugal. The (above average) high-migration countries include Denmark, Italy, Spain and the United Kingdom (OECD 2011). The impact of international migration can also be illustrated for other countries, which again shows that net migration rates (the balance of immigration and emigration) greatly vary across Europe. As compared with the previous decade, net migration has increased in the most recent period, most notably in western European countries like Cyprus, Iceland, Ireland, Luxembourg and Spain. Central and eastern European countries saw a reduction of net emigration in recent years, but countries like Albania, Georgia and Moldova largely remain migration-sending countries.

28. Eventually the varying flows of international migration result in a population of migrant origin in the host country. In statistical terms, this population group is referred to as the stock of migrants, which represents the accumulated human capital that migration flows have brought to a country. Migrant population accounts for a third of the population in a country like Luxembourg, and a quarter of the population in Switzerland. In western Europe relatively large migrant populations (between 15 and 20% of the total population) are also residing in countries like Ireland, Austria, Spain and Sweden. In eastern and central Europe, Kazakhstan has a large migrant population of about 20%, while countries like Ukraine, Moldova, Belarus and Armenia have migrant populations of around 10%. Countries like Bulgaria, Romania, Poland and Hungary have relatively low proportions of foreign-born or non-nationals in their population, compared with countries like Switzerland or Luxembourg.

29. All the data illustrate that the impact of international migration touches every country, albeit to varying degrees. International migration triggers growing population diversity in the member states also because the composition of migration movements becomes ever more diverse. The growing numbers and diversity of migrant populations are a challenge for policy makers. Policies that enhance the integration of migrants and their children in the host society are key to social cohesion and the better utilisation of the human capital of migrants. As migrant remittances have become a major economic source, the countries of origin will also continue to benefit. Economic recovery will further stimulate international migration and labour needs due to population ageing and a declining work force will become stronger pull factors. Jointly with effective integration policies, the proper management of international migration flows may enhance the benefits of international migration for both migrant and receiving communities.

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12. International Organization for Migration (2010), “World Migration Report”.
13. OECD (2011), “International Migration Outlook”.

3. Population growth in Europe is slowing down: population decline becomes a reality

30. In 2011, the world population reached the new milestone of 7 billion people. But after the unsurpassed population boom of the 19th and especially the 20th centuries, the 21st century will see population growth gradually levelling off. Although the pace of world population growth is slowing down, it most certainly will continue to grow further. The latest population forecasts by the United Nations[14] indicate that around the year 2023 we may reach 8 billion inhabitants while, under average assumptions, the astonishing number of 9 billion inhabitants would be reached by 2041 and the population would still keep growing further.

31. The current population of the Council of Europe member states is 816 million, representing about 12% of the world population. As compared with the current global population growth rate of 1.1%, Europe's population is growing at a much slower pace of 0.2%. But in the long run, as of the year 2020, the overall growth rate for Europe will become negative.

32. Of all major world regions, population growth in Europe is the lowest and, contrary to world population, the population of Europe is projected to decline, albeit at a very gradual pace. Despite strong population growth in, for instance, Turkey, Europe will be the first region in the world where population growth will come to a halt. Today, Russia has by far the largest population in Europe (142 million) followed at a distance by Germany (82 million) and Turkey (73 million). Where Europe's relative share in the world population will gradually decline, the actual size of the European population will be more or less stable at 800 million and Europe will keep its third place as the most populous region, after India and China.

33. Populations grow through births and immigration and decline through deaths and emigration. Looking at these components of population growth we observe that for Europe as a whole natural increase (the balance of births and deaths) is becoming less important, while net migration (the balance of immigration and emigration) has become the main engine of European population growth. But as is the case with other demographic trends, population growth patterns differ widely across Europe. As we noted before, the highest levels of population growth are recorded in the northern and western parts of Europe. Apart from city states such as Andorra, the fastest growth was observed in Luxembourg, Ireland and Iceland. Among the fast growing countries, Turkey and Azerbaijan have the highest levels of natural population growth. The strongest population decline is recorded in Lithuania, Ukraine, Bulgaria and Latvia: here negative natural increase caused by low birth rates (typical for an increasing number of countries) is not compensated by a positive migration balance as is observed in many other countries. The overall trend at the national level shows a pattern of modest and halting population growth, mainly driven by migration, and gradually turning into negative growth. In principle, this pattern allows policy makers to prepare for and cope with these trends in a timely manner.

34. It should be noted, however, that at the regional level within countries, the trends are less smooth than at the national level where regional differences and territorial diversity can even out. At the regional level, the urgency to introduce policies which deal with population decline is perhaps even greater than at the national level, especially when taking into account that today in over a quarter of European regions population decline has already become a reality.[15] While population ageing and population diversity will indeed have an impact on all European countries and regions, different countries and different regions may not be affected in the same way. Some regions, mainly in Italy and Germany, will have a younger population and may see the impact of population ageing (for instance on the size of the working age population) being mitigated by the inflow of migrants. In other regions however, mainly in the United Kingdom, the outflow of (young) migrants may exacerbate the impacts of population ageing. It follows, for instance, that while mobility between regions (and countries for that matter), may help to solve shortages and surpluses on the labour markets in some regions, they may not be beneficial to all regions. Policies to stimulate mobility may even help to increase regional disparities.[16]

4. Population ageing: the European work force is also ageing

35. Population ageing is driven by declining fertility and increasing longevity. It implies changes in the age structure of the population where older age groups take prominence over younger age groups and the average age of the population rises. Of all world regions, population ageing is most advanced in Europe. The median age of the world population is 29.2 years.[17] Africa is the youngest continent with a median age of 19.7

14. United Nations, Department of Economic and Social Affairs, (2010 revision), "World Population Prospects".
15. This refers to regions in the so-called ESPON area including all EU member states, Iceland, Liechtenstein, Norway and Switzerland.
16. "Demifer - Demographic and migratory flows affecting European regions and cities", draft report, April 2010.

years, in North America this age is 37.2 years and in Europe 40.1 years. There are large differences across Europe in the timing and pace of population ageing. Two dimensions of population ageing need to be considered.

36. On the one hand, there is the share of the younger population which declines in the first phase of the ageing process as a direct result of low fertility rates. This "dejuvenation" phase, where the population pyramid becomes narrower at its base, has largely been completed in most, but not all European countries. The share of the youngest population (0-14 years of age) is lowest in Germany with 13.5% in 2010, while it is almost double in Turkey at 26%. As regards the social impacts of population ageing, a declining younger population has an immediate effect on, for instance, the educational system when smaller cohorts of pupils enter the schools. It should be noted, however, that higher educational participation rates may offset the gradual shrinking of the school age population, which is especially the case at ages beyond the compulsory school age. This means, for instance, that the size of the younger population is not linearly related to the magnitude of educational expenses.

37. On the other hand, there are also large differences in Europe at the top end of the population pyramid. Here an increasing share of the older population is usually related to, for instance, rising health care and social security costs. It should, however, be noted that older persons do not only receive care, but are also providing care and support to younger generations. Not surprisingly, the differences in the older age population (defined as 65 years of age or older) are to some extent the mirror image of the pattern in the younger population: Germany has the highest share of 65-plus population (20%), while Turkey has the lowest (about 7%). It is noteworthy that, looking at these two dimensions of population ageing, the usual East-West gradient is not dominant and younger and older populations can be observed across the continent. This implies that changes in the age structure affect the entire Council of Europe region, albeit with different intensities.

38. As more Europeans are living to older ages, the number of oldest-old in the population (75 years or over) is increasing as well. This so-called "double ageing" signals rising health care needs as frailty tends to set in around this age. In countries like France, Spain, Belgium and Italy about half of the older (65+) population belongs to the oldest-old.

39. To capture the social impact of population ageing, the younger and older population can be related to the population of working age (here defined as the population of 15-65 years of age) which supplies the majority of the workforce that is needed to sustain our well-being.[18] The demographic dependency ratio combines the so-called "green" pressure of the younger population with the so-called "grey" pressure of the older population and is an indicator for the overall demographic pressure. This pressure is lowest in countries like Moldova, Poland, Russia and the Slovak Republic (less than 40 "non-active younger and older persons" per 100 potentially active persons). The demographic pressure is highest (with values of 50 or over) in Belgium, France, Italy, the Scandinavian countries and the United Kingdom.

40. An important consequence of population ageing is the ageing of the European work force. The inflow of younger workers becomes smaller due to a smaller population base, but also because young Europeans stay longer in school and thus enter the labour market at older ages. The share of older workers in the work force is becoming larger not only as a result of demographic changes but also because the declining trend in the labour force participation of the elderly has reversed. In the context of pension reforms, early retirement schemes were abandoned or reduced and policies to activate older workers were introduced and the labour force participation of older workers increased.

41. The increasing labour force participation of women has a positive effect on the growth of the European work force. In recent decades, female employment during the so-called family phase of the life course also increased substantively as did the labour force participation of older women. The rising labour force participation rates of women, in combination with high participation rates for men, put additional strains on individuals and families. Finding a proper balance of work and family responsibilities is a major challenge for European families. Increasingly, family responsibilities may also include the care of older dependants; it should be noted, however, that intergenerational support is also provided from older generations to younger. Policies that facilitate a better combination of work and family care throughout the life course are called for

17. The median age splits the population into two equal parts: one half is younger than the median age and the other half is older.

18. It should be noted that these age limits are used for illustration only and should be treated with caution. Some younger populations, for instance, are economically active and others who are counted in the potential work force may be in school; older persons may be retired before the age of 65 while others may be active on the labour market at higher ages.

and could help to further increase female labour force participation. Policies to enhance active ageing can help to further mobilise the rich human resources of an ageing population, including the resources for intergenerational support and civic activities such as volunteering and other forms of social participation

42. In addition to the higher labour force participation of older workers and women, other untapped labour resources such as the resident migrant population can also be activated. Unemployment rates among migrants tend to be high for many groups and are generally higher than the unemployment rates of nationals. Policies to reduce migrant unemployment also benefit the social inclusion of migrants (IOM 2010). Migrant entrepreneurs are an important source of employment; currently some 12% of migrants in OECD countries are entrepreneurs and contribute to job creation, trade and innovation (OECD 2011). Labour migration may also help to counteract local or regional labour shortages, for instance through temporary labour migration and seasonal migration, but also through the migration of specific groups of migrants like knowledge migrants, construction workers or service providers. Making better use of migration requires proper migration management policies.

43. Investments in training and education in a lifelong learning perspective will improve the human capital of workers and make the work force more flexible and competitive. Better skills for all workers will also raise productivity in conjunction with innovative technologies. Training activities should include all segments of the work force, including older workers. Also, in view of the imminent shrinking of the labour supply in most European countries, it will pay off to invest in a better educated, higher skilled, more productive work force.

5. Maintaining quality and Influence

5.1. Education

44. The primary investment that should be made in order to ensure that Europe's people are equipped for the future is to provide them with the best education possible. Education systems need to be adapted to teach the basic skills that can be utilised in a fast-paced, ever-changing work environment. In a globally competitive, knowledge-based economy, having a skilled work force is necessary to ensure productivity and sustainable growth. In addition, the education provided must be of high quality and truly multicultural in order to suit the dynamic nature of our societies.[19]

45. According to the OECD, the financial crisis is likely to have changed the job market forever. Not only will people need to work longer, they will also need to keep improving their skills to stay in work. This means that talent pools will be necessary. Likewise, investment should also be made in programmes that target mid-career professionals aged 40 to 55 who can adapt to changing conditions of the job market and stay in the work force longer.

5.2. Innovation

46. Just like education, investing in innovation and research is a long-term objective for Europe to remain competitive and prosperous. Innovation not only generates growth, it can create products beneficial for the social good, cut costs of public investment and increase labour productivity. It is a key source of future growth for emerging economies. Europe must therefore encourage entrepreneurs, focus on innovation outputs, pay more attention to social innovation, protect intellectual property rights and strengthen its innovation networks around the globe.

47. Just like most of the policies discussed in this report, there is no one-size-fits-all approach to generate innovation in countries. There are, however, basic policy proposals that governments can apply to encourage this area of development. The OECD's five principles for innovation are: empowering people to innovate; unleashing innovation; creating and applying knowledge; applying innovation to address global and social challenges; and improving the governance and measurement of policies for innovation.

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19. A 2009 OECD/PISA survey showed that Korea and Finland's education systems have produced the best performing students in reading literacy among 15-year-olds. The next strongest performances were from Hong Kong (China), Singapore, Canada, New Zealand and Japan, demonstrating that most European countries must do much more to ensure that students are getting the most basic skills right. Similarly, only 37 universities in the Council of Europe area rank in the world's top 100 universities. Other than the United Kingdom, no country in the Council of Europe area has a university in the top 10. More investment should be put into higher education institutions in Europe. In addition to educating the young in Europe, this will also attract the world's best students, which would also influence and contribute to Europe's work force.

48. Empowering people to innovate relies on broad and relevant education, in addition to the development of wide-ranging skills that complement formal education. Universities and research centres need to be world-class in order to breed innovation and attract skilled innovators from around the world. These institutions need to be independent, competitive and flexible. Entrepreneurs can be crucial agents for innovation, turning ideas into commercial applications. Schools should include entrepreneurial education in their curricula.

49. Although more women than men obtain tertiary degrees, their participation in science, engineering and entrepreneurship lags behind. This is due to a combination of factors, including general obstacles to labour force participation, in addition to specific barriers in scientific institutions such as non-transparent hiring and promotion. Policies must tackle such discriminatory practices in order to unleash the creative potential of women to innovate.

50. Innovation requires international networks of knowledge and internationally mobile talent that contributes to the creation and diffusion of knowledge. To attract talent, governments can invest in public research to build absorptive capacity, open labour markets to foreign students for further training and ensure that the tax regime does not penalise mobile skilled workers. Migration regimes for the highly skilled should be efficient, transparent and simple.

51. Firms remain the pre-eminent means of innovation. This is especially true of new and young firms which exploit technological or commercial opportunities that have been neglected by more established companies. New firms account for a large share of patenting in OECD countries. Therefore the policy environment must foster the start-up and expansion of new firms in order to support innovation. In addition, analysis of Europe's fastest growing companies shows that companies founded by repeat entrepreneurs have higher turnover and employment growth than companies run by entrepreneurs who have never failed. We need to simplify and reduce start-up regulations and remove administrative hurdles.

52. Within the larger macro-economic framework, there is a lot governments can do to provide innovators and entrepreneurs with an encouraging and flexible environment. These include fiscal discipline and relatively stable inflation rates that help reduce uncertainty. Open markets, and therefore competition, encourage companies to innovate, develop new markets and stay ahead of the competition. Governments should also continue public investment for innovation as private investment is not sufficient on its own. We should remember that the Internet and the Human Genome Project were outcomes of such public investment.

5.3. A more inclusive job market

53. Europe has to use all the resources it has to hand and do so effectively. One way to do this is to create a more inclusive labour market that targets traditionally excluded groups – women, immigrants and older people. Specific policies need to be developed for these groups so they can be better integrated into the labour market, thereby expanding the economically active population and contributing to economic growth. Most of these have been discussed above.

54. Regrettably, Europe has a very high rate of unemployment among its youth, even among those who have higher education degrees. Countries like Spain, Italy and Greece had the lowest birth rates over the past decades, yet they had youth unemployment rates of 20% to 40%. On average, in OECD countries, the youth unemployment rate is more than twice that of adults, at 17.4%. Increasingly, young people feel lost in their prospects for employment. As Mr Angel Gurría, Secretary General of the OECD, told the Assembly in October 2011, youth must be given a better start in its working life.

55. Some policy measures may include introducing job-search assistance, hiring subsidies and remedial assistance for the most disadvantaged youth and providing opportunities for study and work. We must improve early childhood education and development and ensure that young people do not drop out of school. Achieving a better match between the skills acquired at school and those needed in the labour market is also crucially important.

6. Epilogue. Demography drives our future: investing in people to address population challenges

56. Like climate change, population change has many challenges. Europe's emerging demographic landscape and prospects will have a lasting impact on European society. But population change also brings opportunities. Addressing the population challenges and making the most of the opportunities that population change brings will include finding the best ways to tap the rich human resources and indeed unleash the full potential of an ageing and more diverse population and promote a society for all generations and both genders. Investing in people, such as in health and education, as well as promoting healthy and active ageing and intergenerational solidarity, and making the best use of population diversity and migration, will help to

address the challenges that confront Europe. These investments in the quality of life of Europe's citizens would also offset any concerns which might be caused by the declining relative share of Europe's population in a global perspective.

57. The rich variation in demographic trends and patterns in Europe is an asset for policy makers who can benefit from diverse experiences and exchange best practices. In that sense, Europe can be viewed as a laboratory where a wide range of demographic trends and policy responses can be observed and studied. In-depth studies to compare the experiences of countries, as well as the exchange of information on best practices, are needed to improve the evidence base of policies. The variety of the European demographic landscape is also a challenge as it implies different sets of policy responses in different contexts, understanding that one-size-fits-all policies do not exist.

58. Populations change because people change. Demographic trends are the combined result of the behaviour of people. Demographic trends are also persistent: population ageing and population diversity build up gradually and are here to stay. As the causes of demographic change are structural, it is difficult to change the course of demographic trends. International migration, for instance, cannot stop population ageing, although it can help to mitigate some of its effects. Pronatalist policies to stimulate the birth rate usually only have short-term effects and do not succeed in having a longer term impact. As it is difficult to turn demographic trends around, policies that aim to cope with and accommodate demographic trends become very important. Sustained policies that support families, create a family-friendly society, facilitate a better work-life balance, stimulate flexibility on the labour market, promote an equal gender balance and stimulate lifelong learning, are all examples of policies that need to be considered. The overall policy challenge of population change seems to be to optimise human well-being. Investments which boost the human capital of Europe's population will also enable Europe to maintain and even strengthen its role as a key global player.