Ageing workforce as a macro-economic challenge for the European Union and its Member States

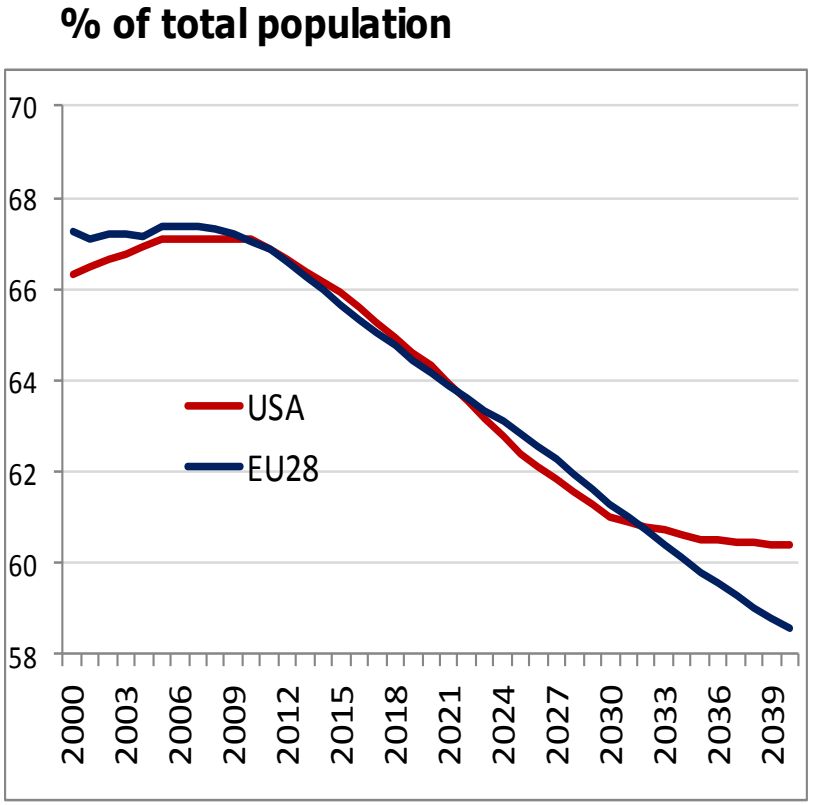
Jörg PESCHNER
European Commission,
DG EMPL, Employment Analysis

Riga - 16 September 2014

Europe…

.. will not be the only place where ageing will take place..

Working-age population here: age group 15-64



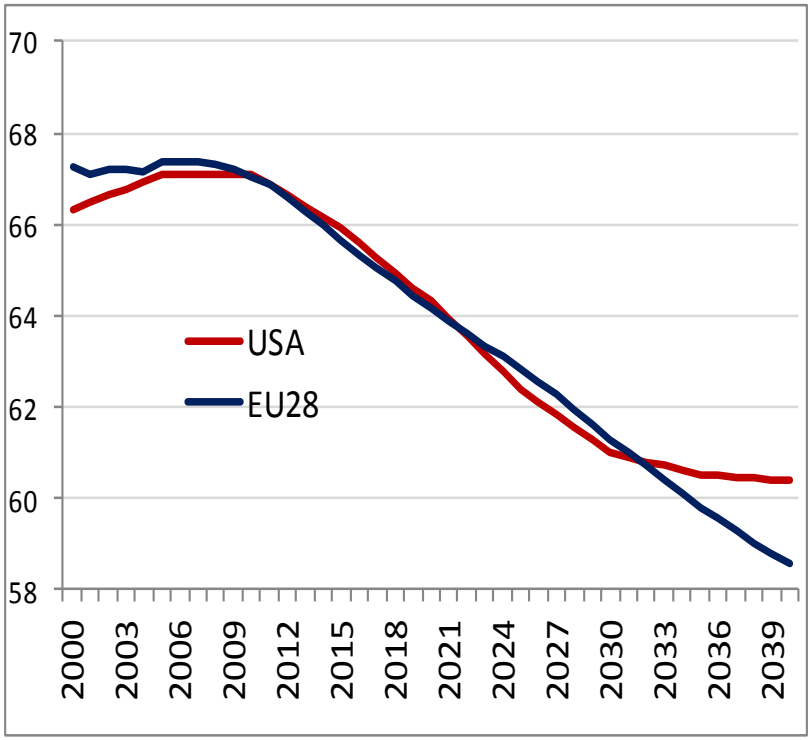
Sources: **UN World Population Prospects 2012 (medium variant) for the US, Eurostat Europop 2013 population projection (main scenario) for the EU**

Europe...

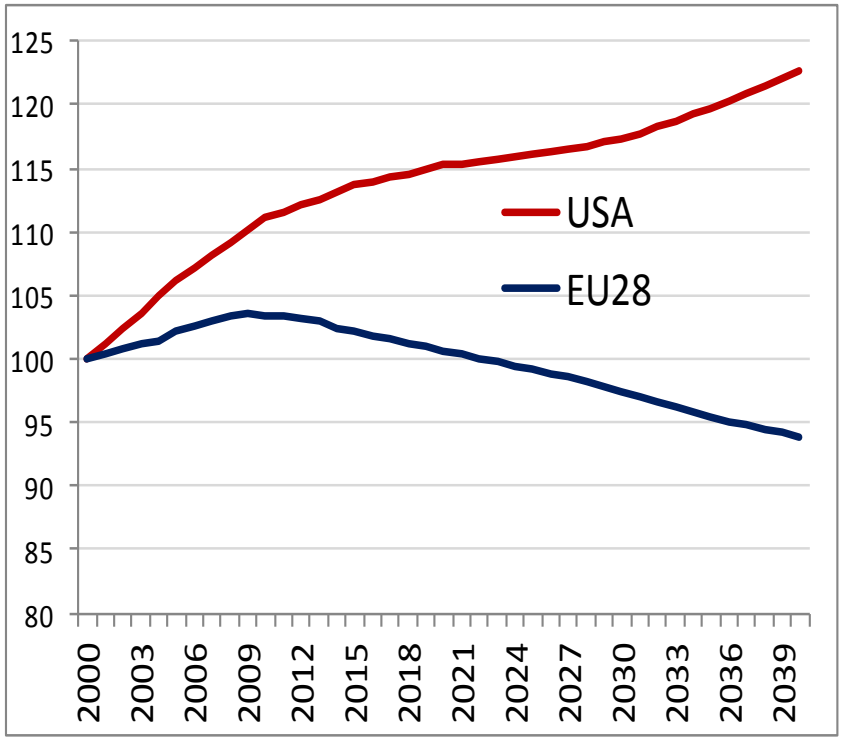
.. will not be the only place where ageing will take place..
.. but ageing pattern will be particular in Europe.

Working-age population here: age group 15-64

% of total population



2000=100

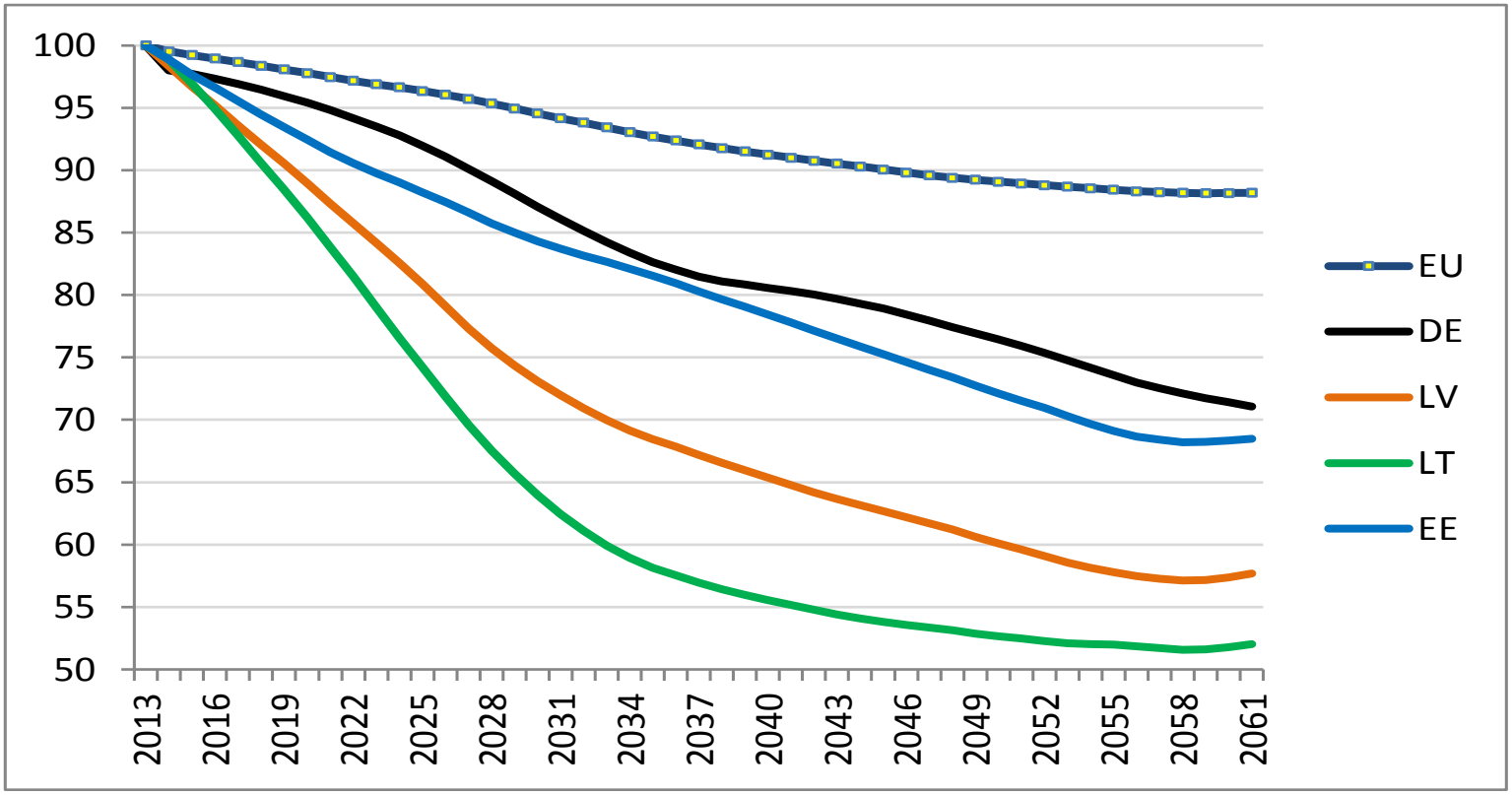


Sources: **UN World Population Prospects 2012 (medium variant) for the US, Eurostat Europop 2013 population projection (main scenario) for the EU**

Europe…

.. and especially in the Baltic Area.

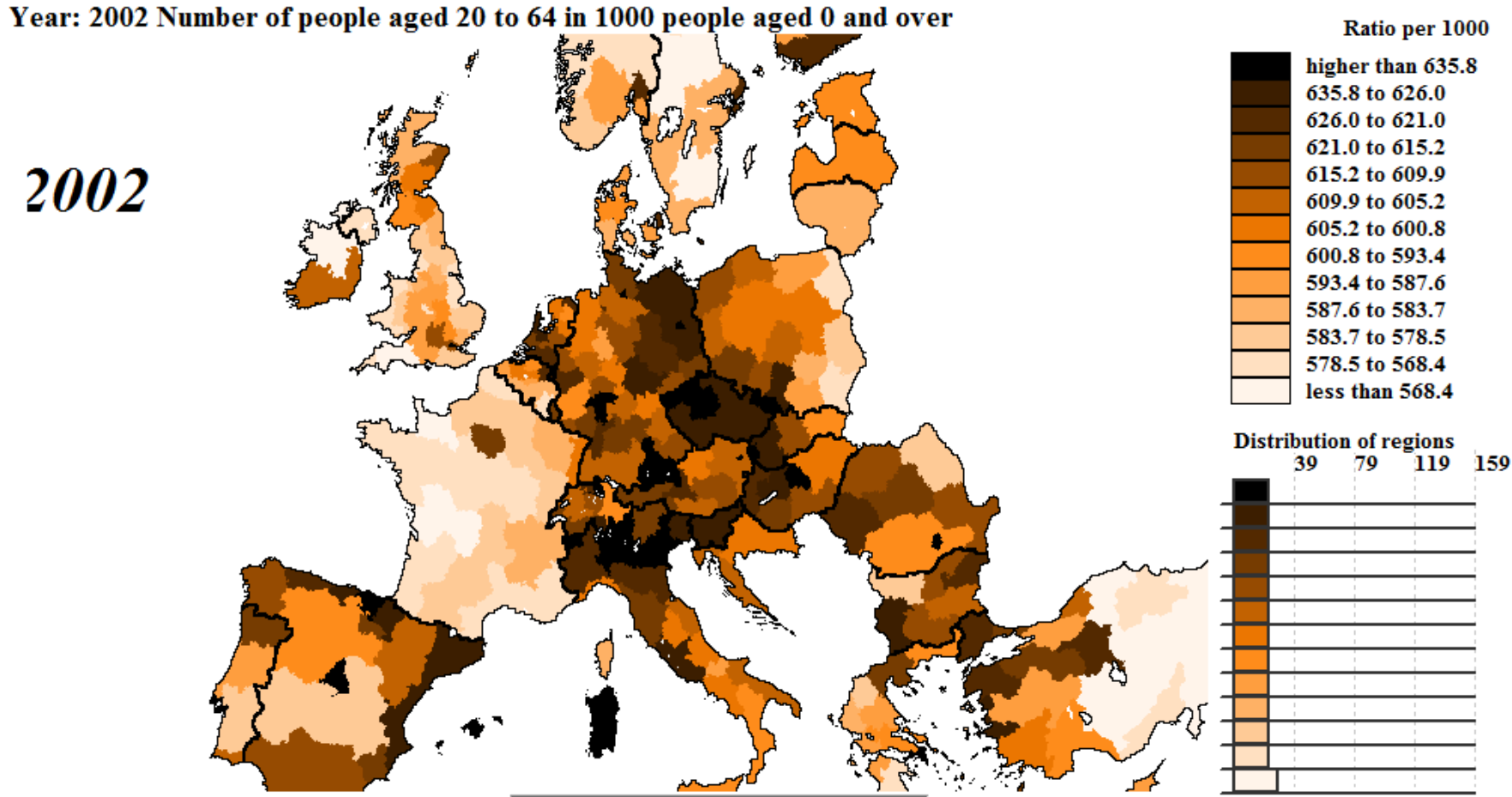
Working-age population here: age group 15-64; index: year 2013=100



Source: Eurostat Europop 2013 population projection (main scenario)

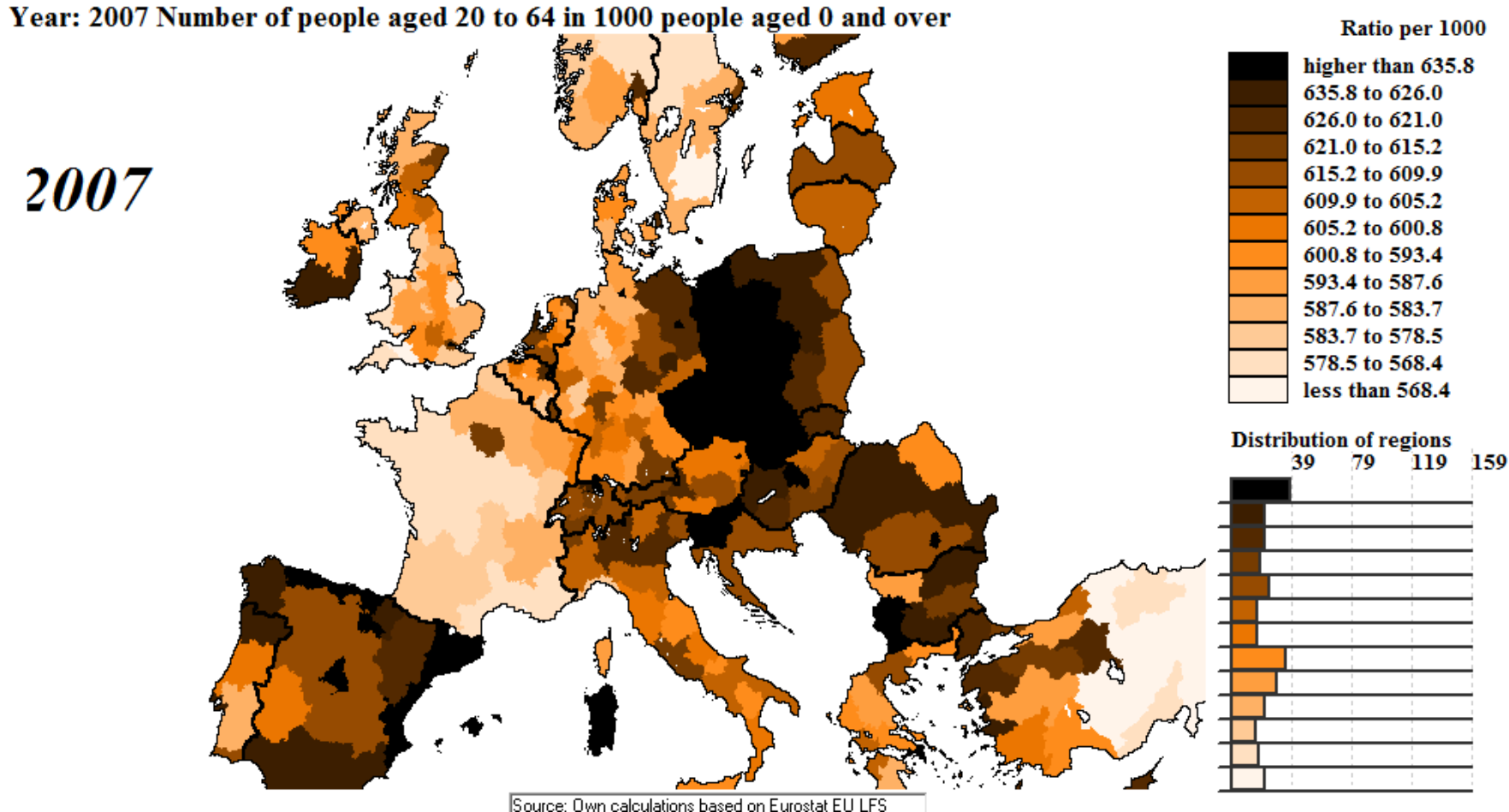
Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population

Source: LFS data, own calculations
based on DG EMPL's regional projection software



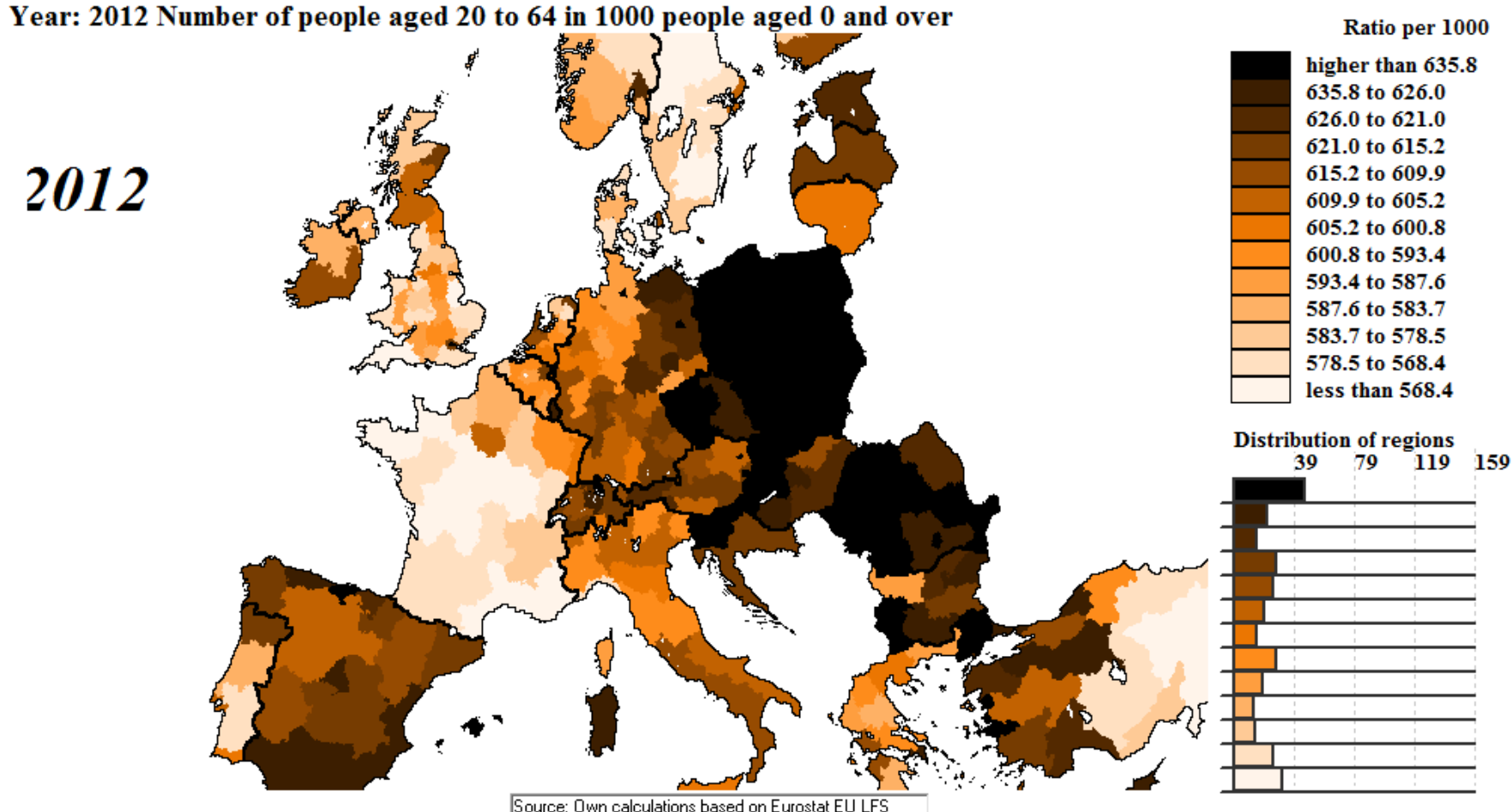
Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population

Source: LFS data, own calculations
based on DG EMPL's regional projection software



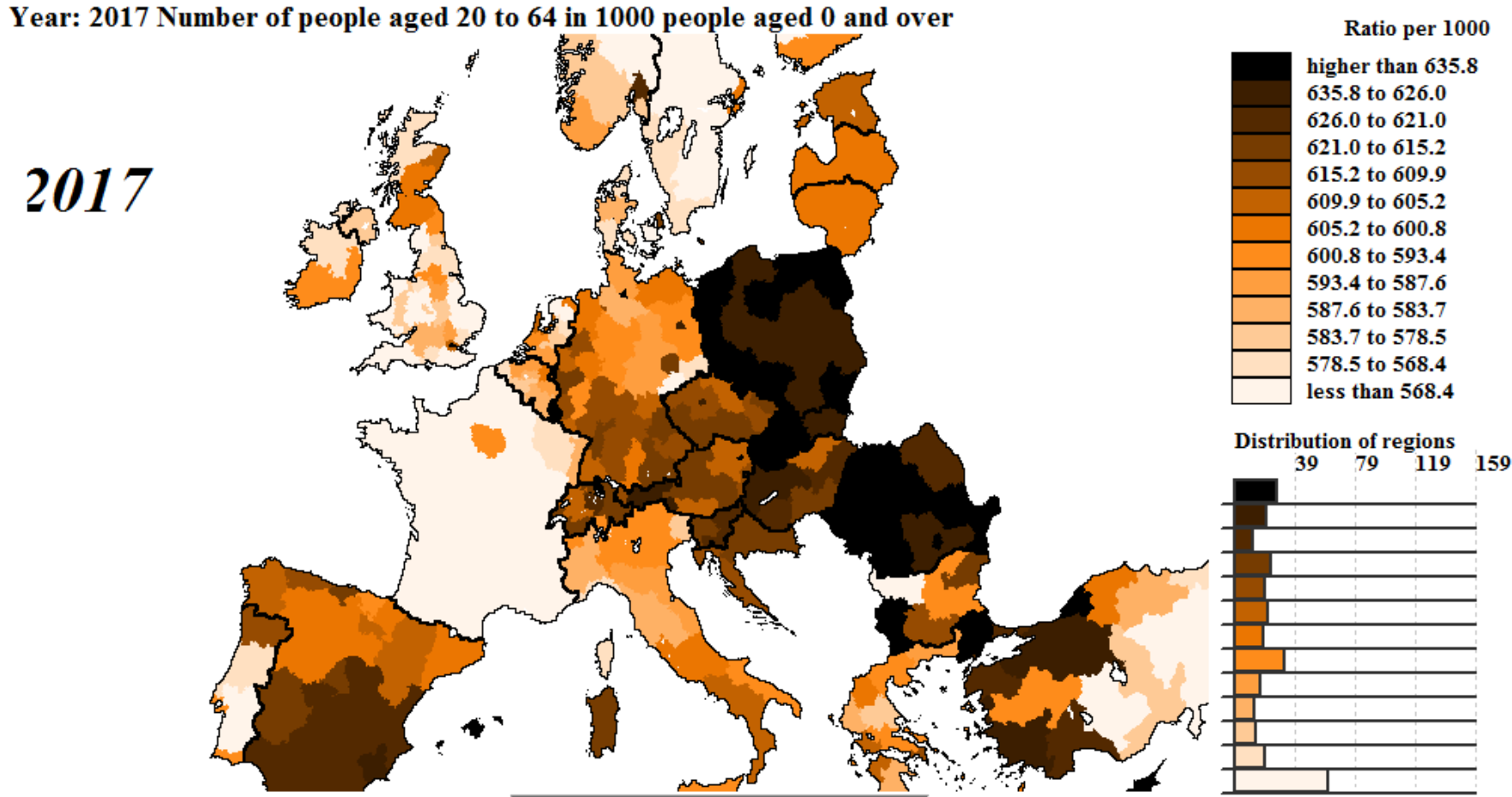
Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population

Source: LFS data, own calculations
based on DG EMPL's regional projection software



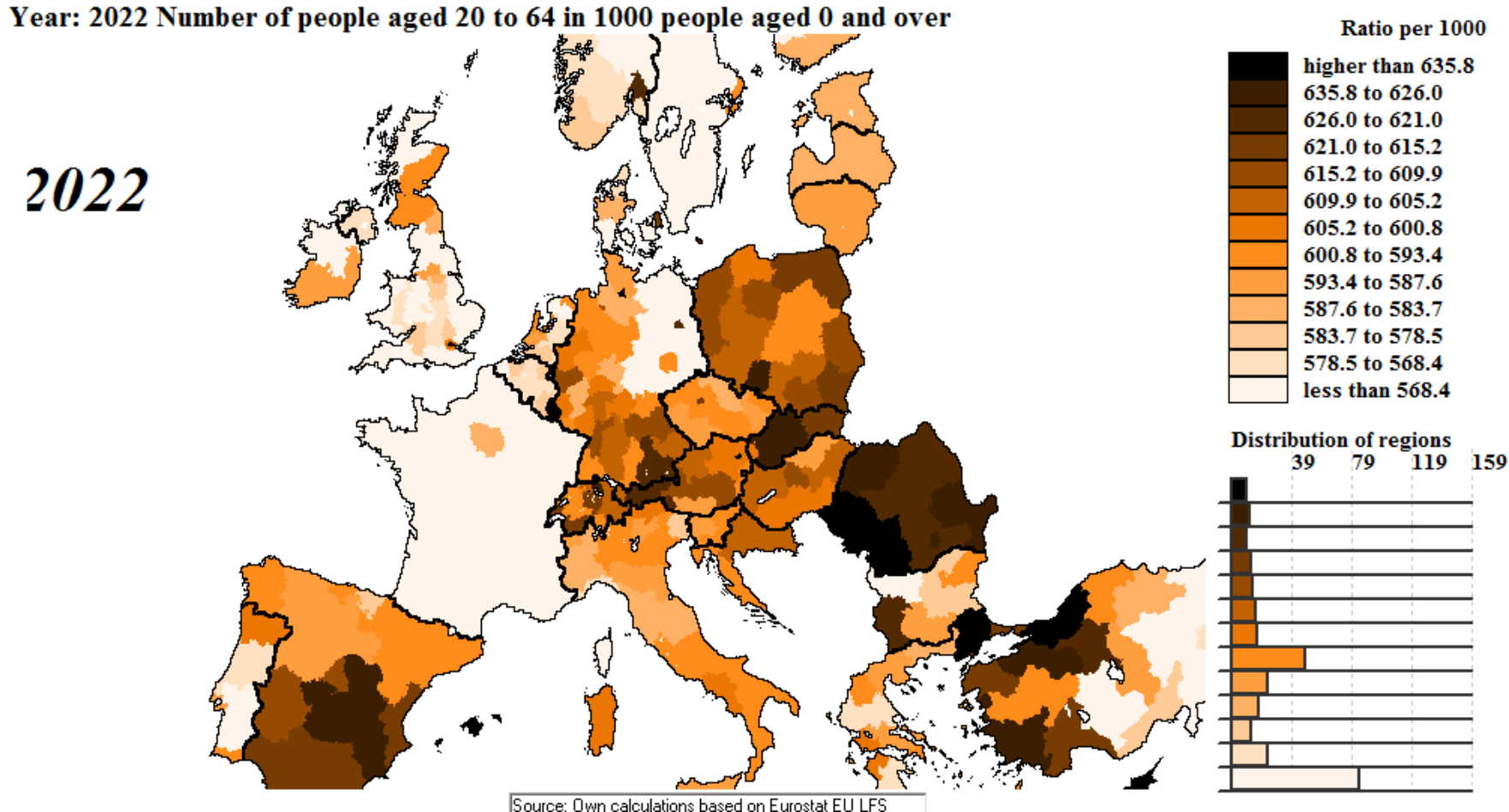
Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population

Source: LFS data, own calculations
based on DG EMPL's regional projection software



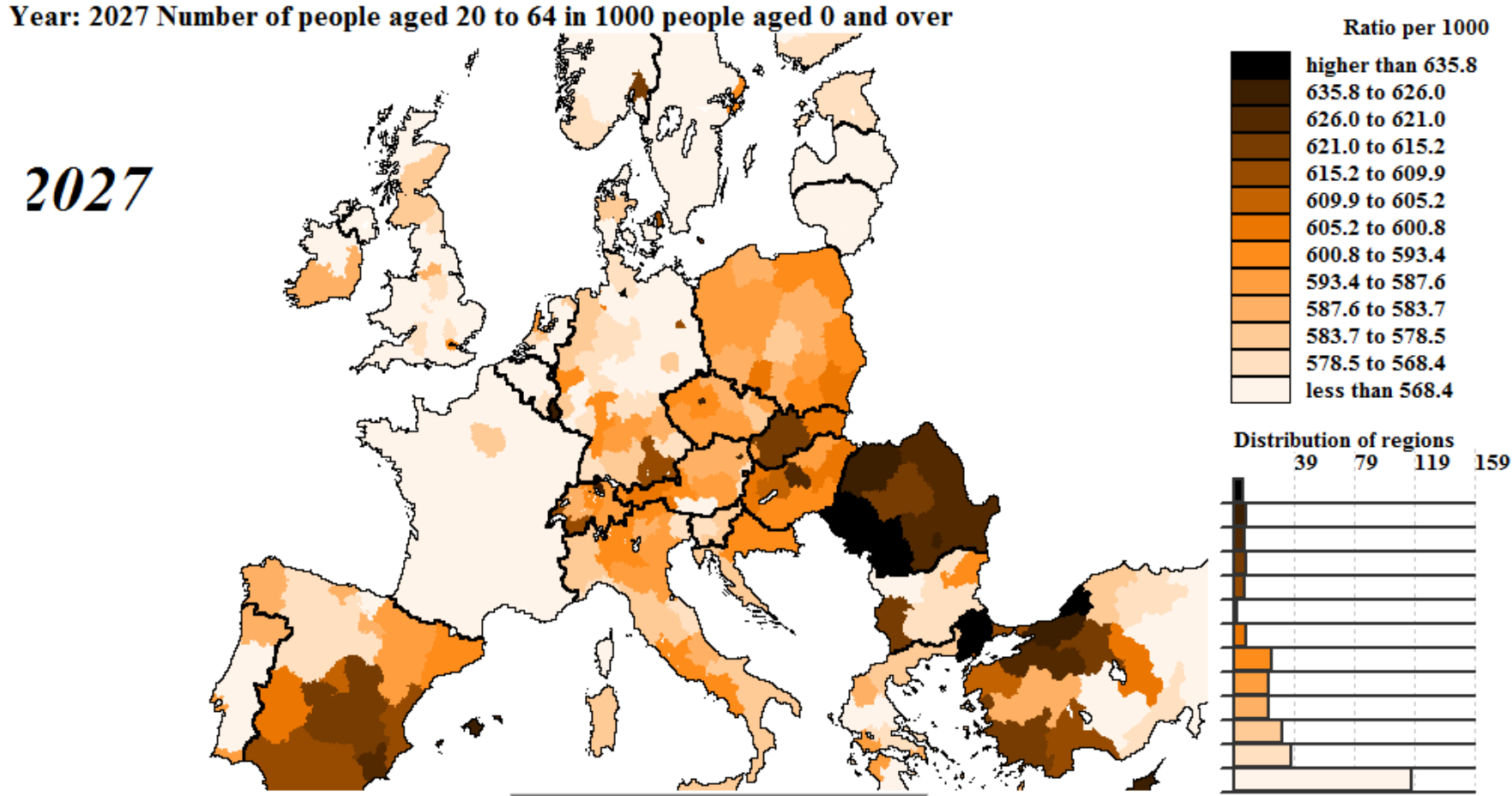
Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population

Source: LFS data, own calculations
based on DG EMPL's regional projection software



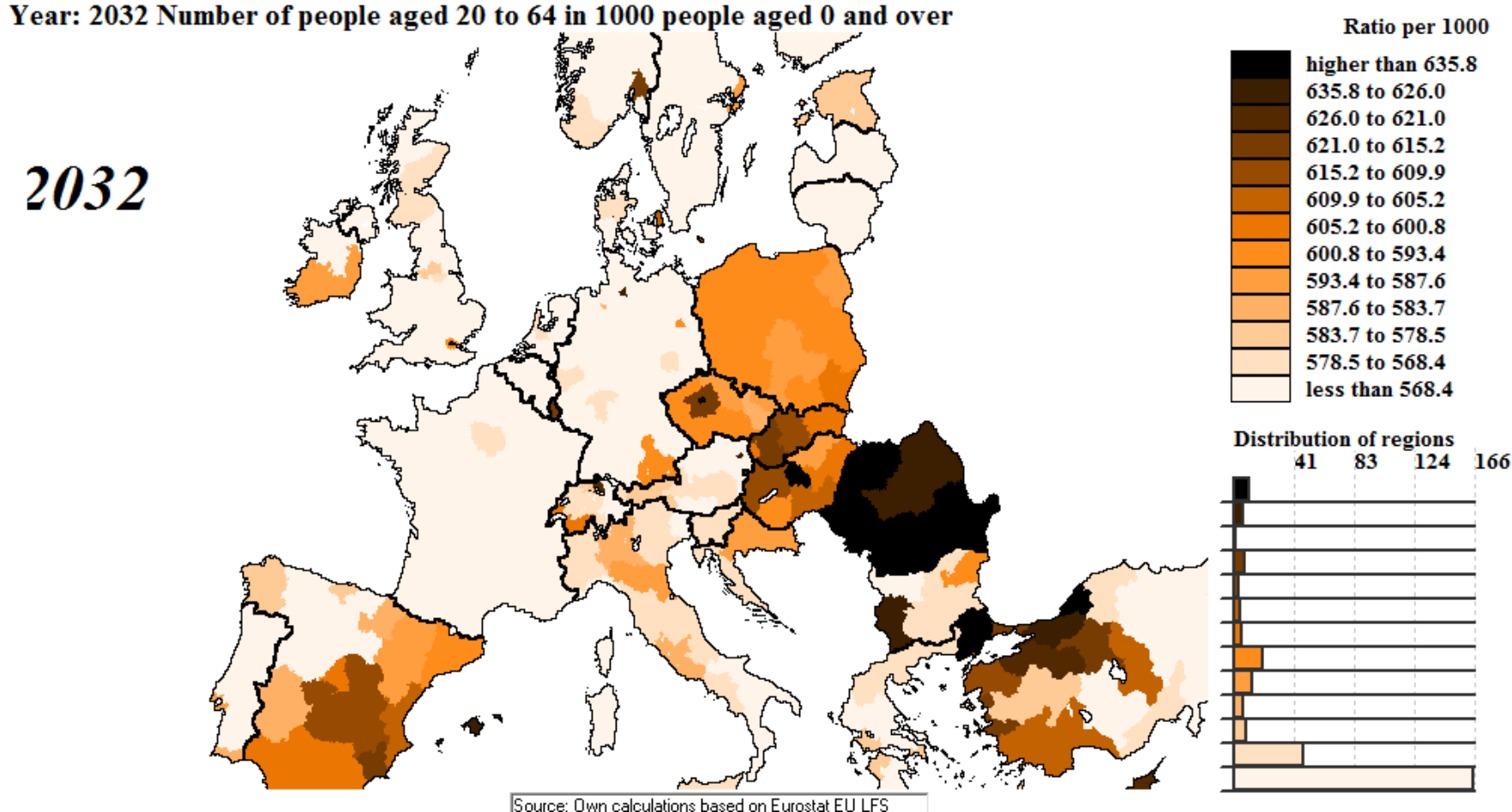
Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population

Source: LFS data, own calculations
based on DG EMPL's regional projection software



Shrinking Working-Age Population all across Europe: Share of people aged 20 to 64 in total population

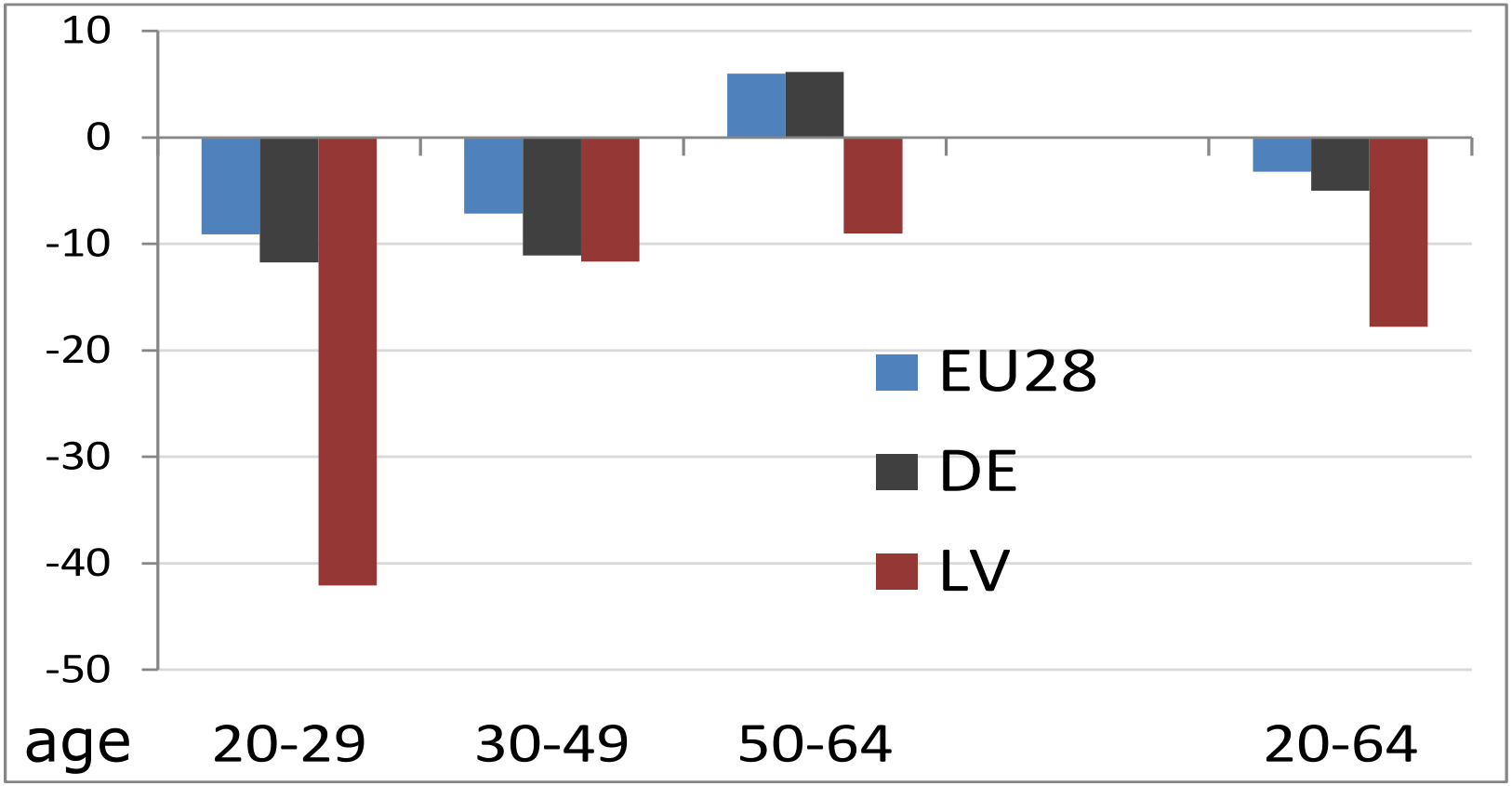
Source: LFS data, own calculations
based on DG EMPL's regional projection software



The good news:

More experienced workers in most of the EU – not in the Baltics!

Change of age structure amongst people aged between 20 and 64 years
(change **2024** compared to **2014** in %)

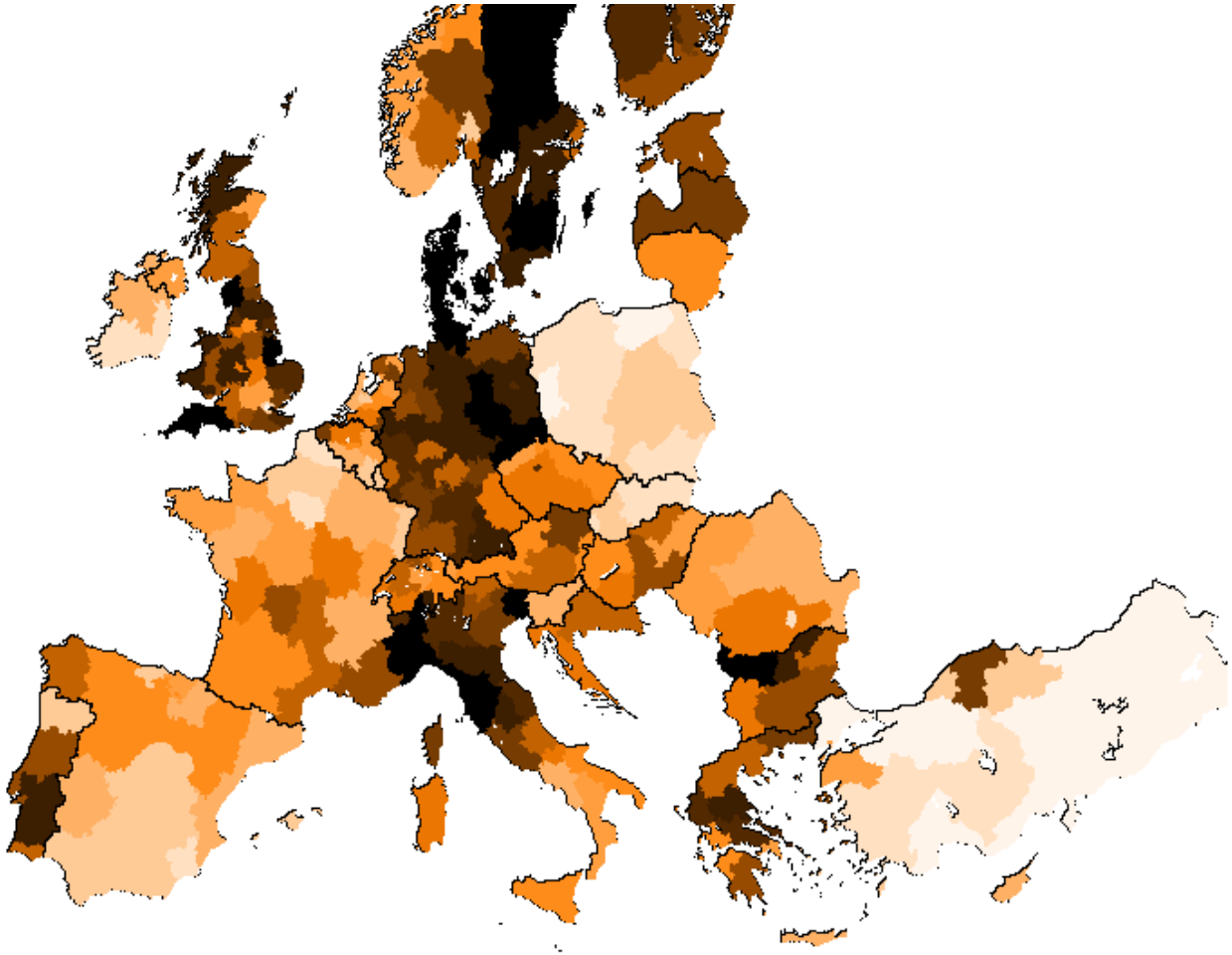


Source: Eurostat (Europop 2013 population projections, main scenario)

Higher share of experienced workers

... everywhere !

Share of people aged 55 to 64 per 1000 aged 20-64

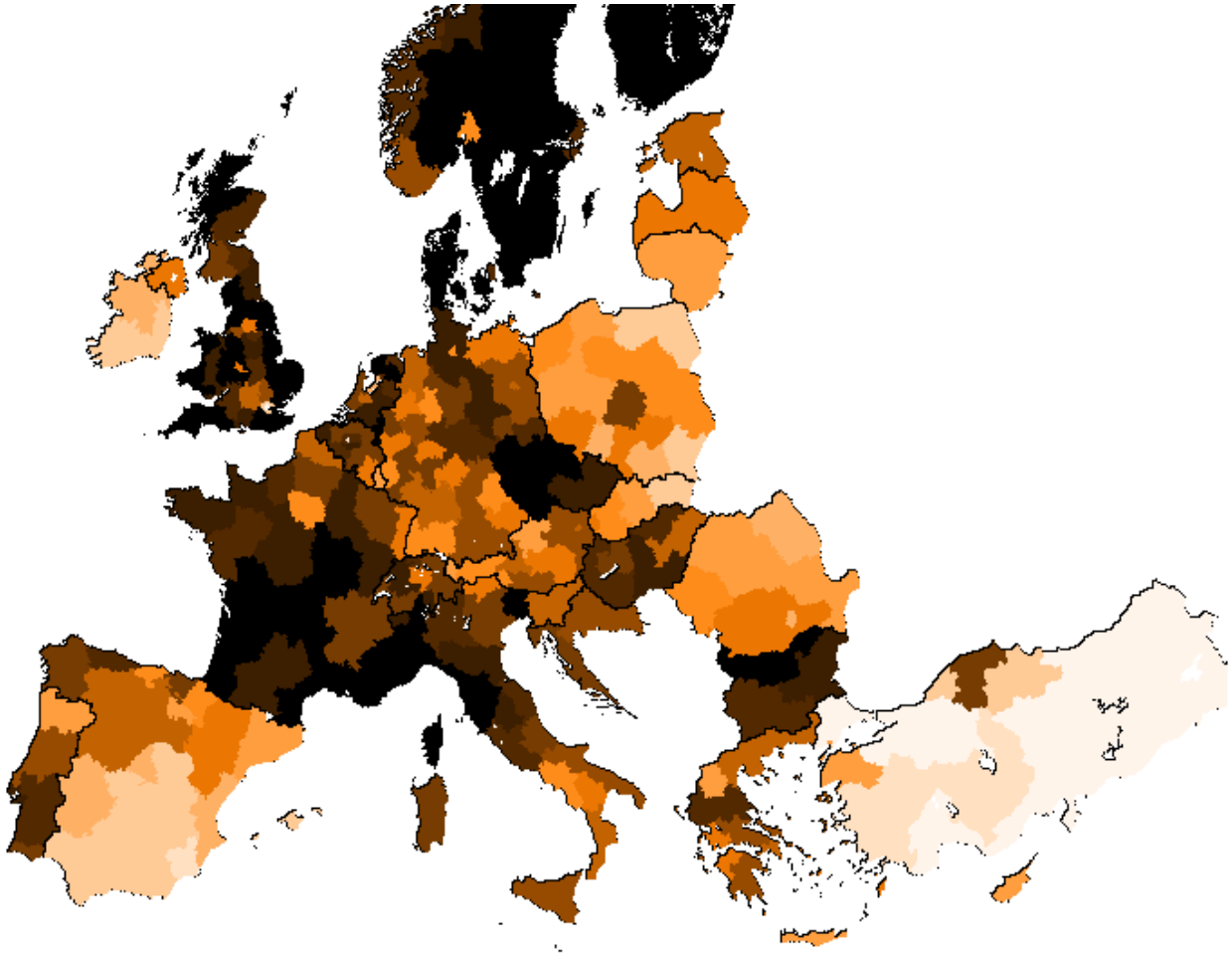


Source: LFS data, own calculations based on DG EMPL's regional projection software

Higher share of experienced workers

... everywhere !

Share of people aged 55 to 64 per 1000 aged 20-64

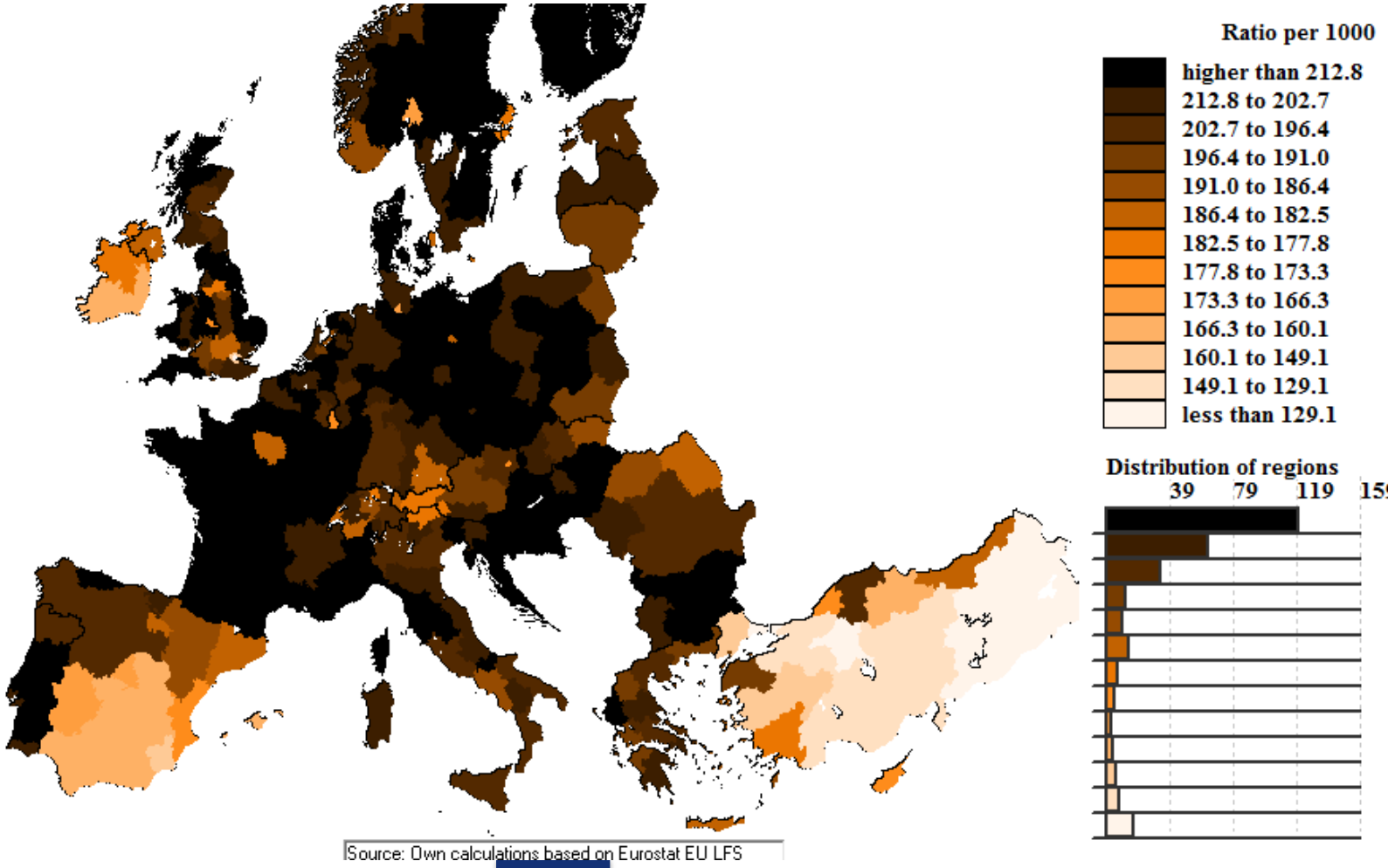


Source: LFS data, own calculations based on DG EMPL's regional projection software

Higher share of experienced workers

... everywhere !

Share of people aged 55 to 64 per 1000 aged 20-64

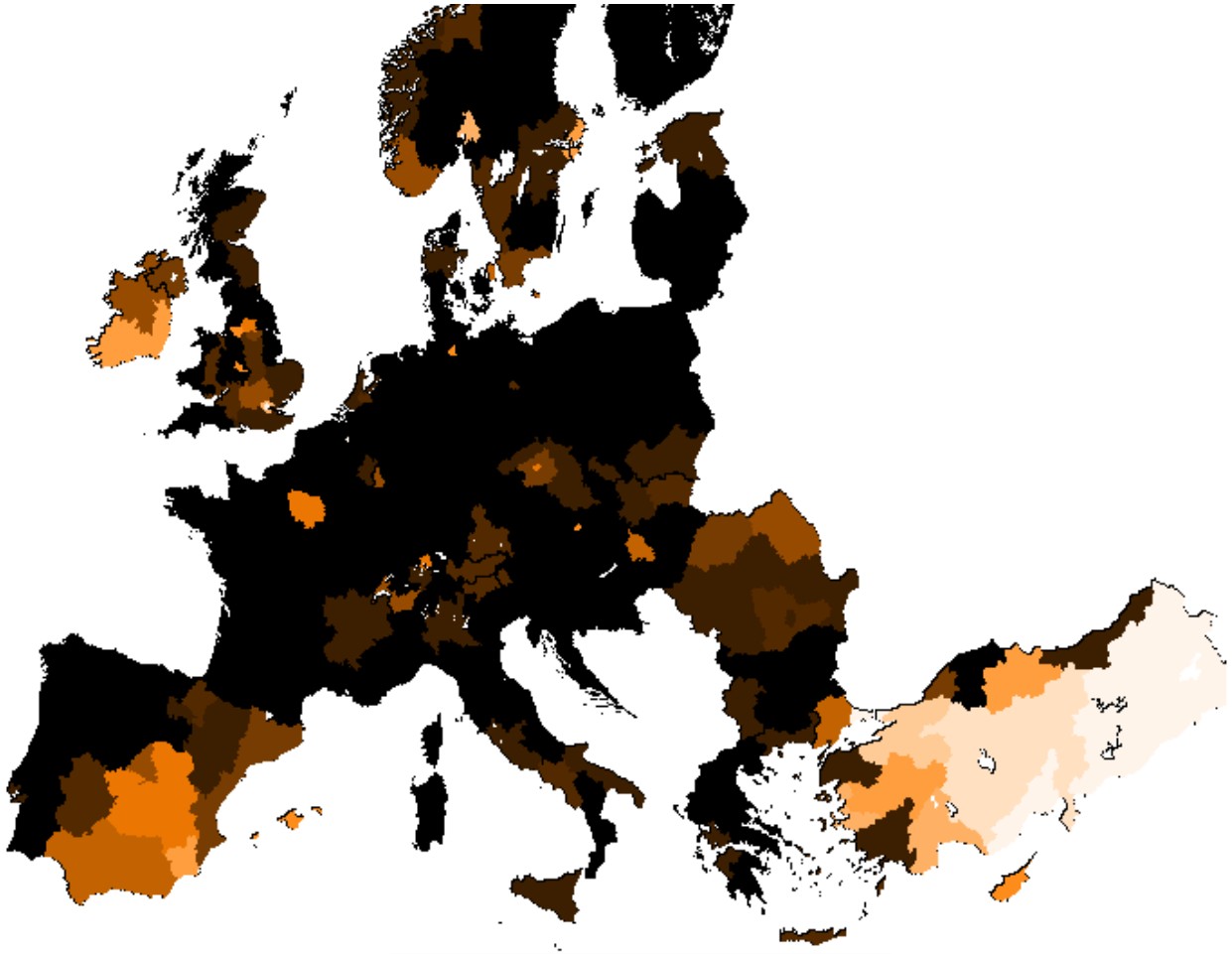


Source: LFS data, own calculations based on DG EMPL's regional projection software

Higher share of experienced workers

... everywhere !

Share of people aged 55 to 64 per 1000 aged 20-64

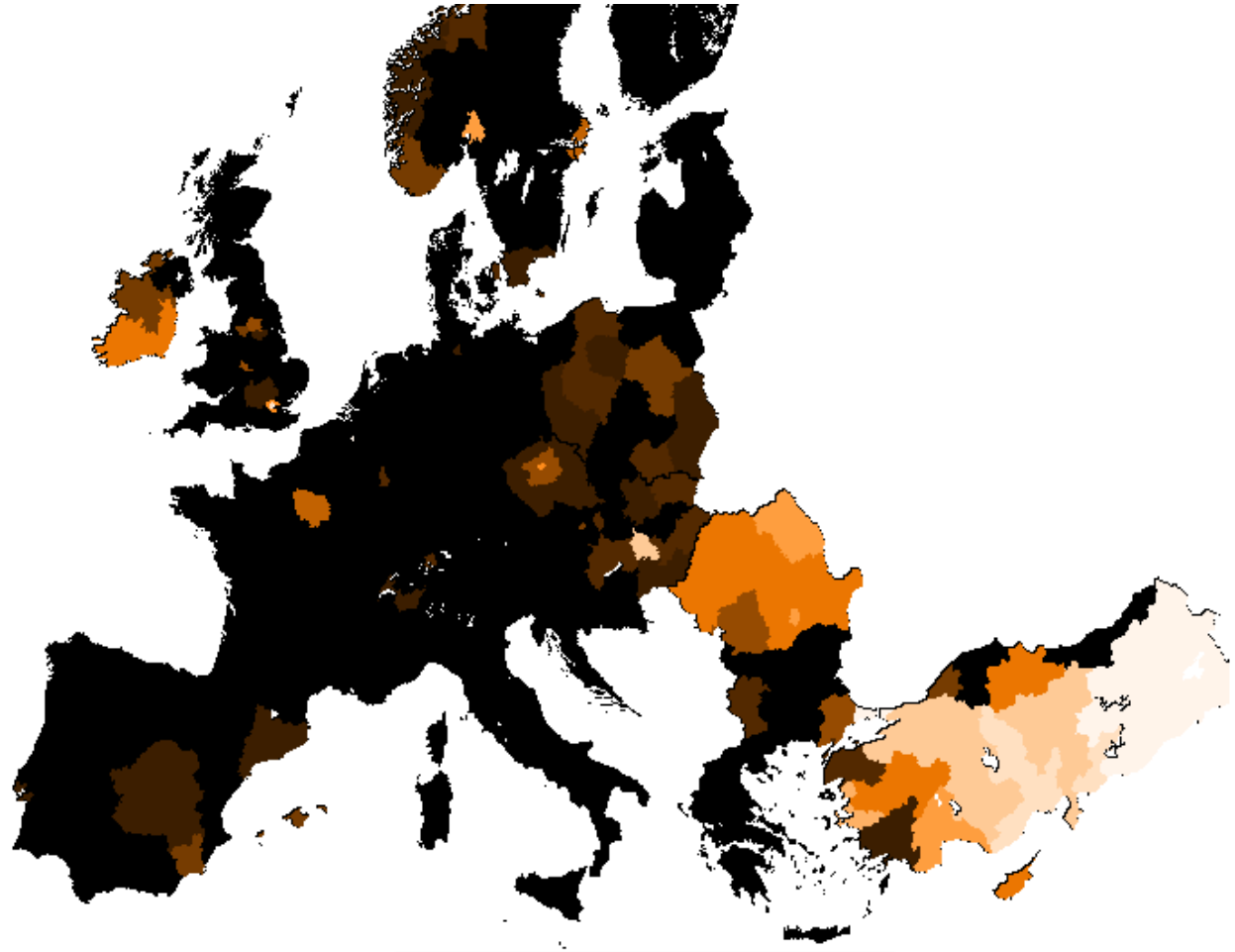


Source: LFS data, own calculations based on DG EMPL's regional projection software

Higher share of experienced workers

... everywhere !

Share of people aged 55 to 64 per 1000 aged 20-64

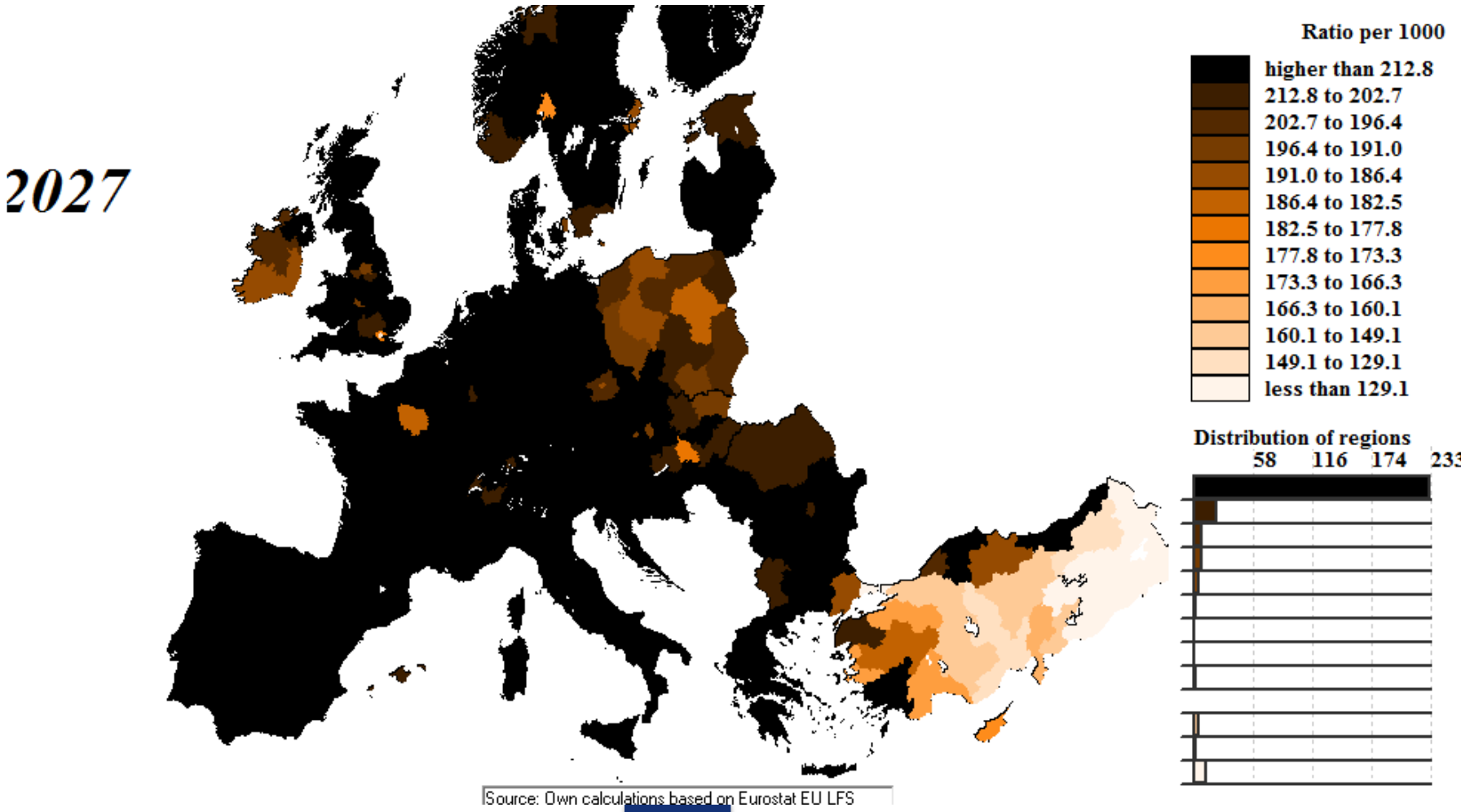


Source: LFS data, own calculations based on DG EMPL's regional projection software

Higher share of experienced workers

... everywhere !

Share of people aged 55 to 64 per 1000 aged 20-64

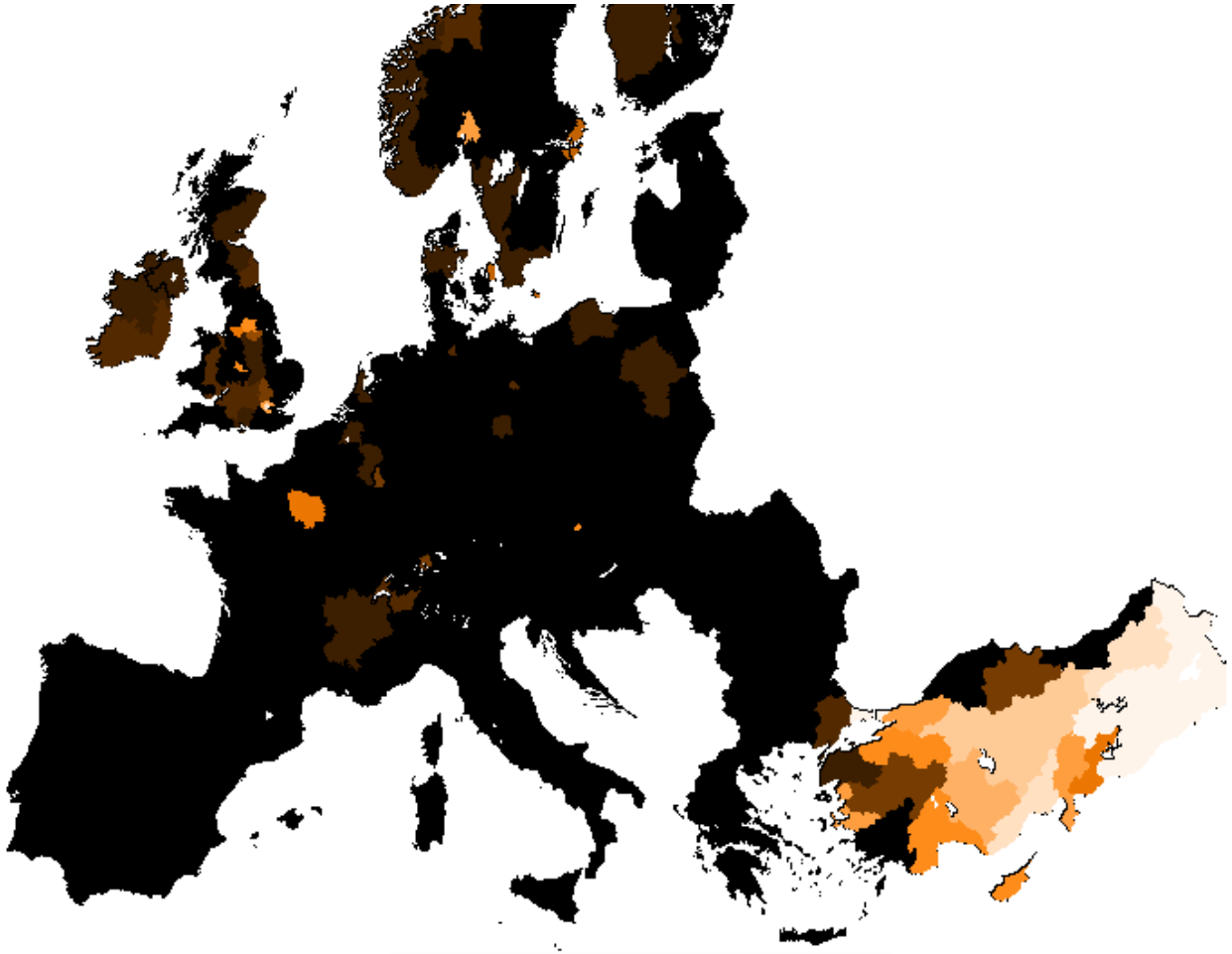


Source: LFS data, own calculations based on DG EMPL's regional projection software

Higher share of experienced workers

... everywhere !

Share of people aged 55 to 64 per 1000 aged 20-64



Source: LFS data, own calculations based on DG EMPL's regional projection software

Workforce ageing:

European Commission

➡ **Europe's future potential to maintain welfare…**

Annual average 2000 – 2008:

	EU27	DE	LV
Economic growth	2.0%	1.8%	7.2%
= Employment growth	1.1%	1.1%	1.4%
+ Productivity gains	1.1%	0.7%	5.8%

Source: Eurostat LFS, National Accounts

.. obviously depends on

- **activation policies,**
- **potential to accelerate productivity growth.**

Methodology

We define a range

(for the activity rate by age, gender, educational attainment level):

1. ***LOW activation scenario:***

   No further progress in increasing activity rates

vs.

2. ***HIGH activation scenario**:*

   - Female activity rates will catch up to male levels by 2030.

   - Older workers' activity rates shift by 20 p-pts. by 2030.

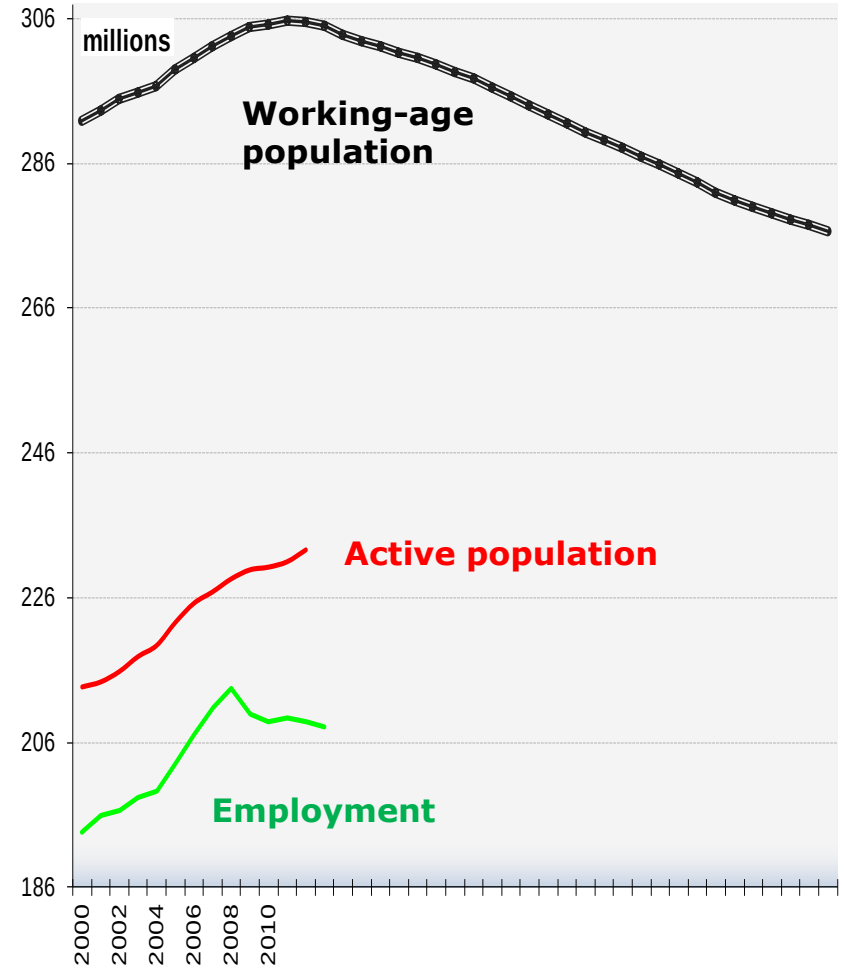
   - Further educational progress will trigger activity gradually.

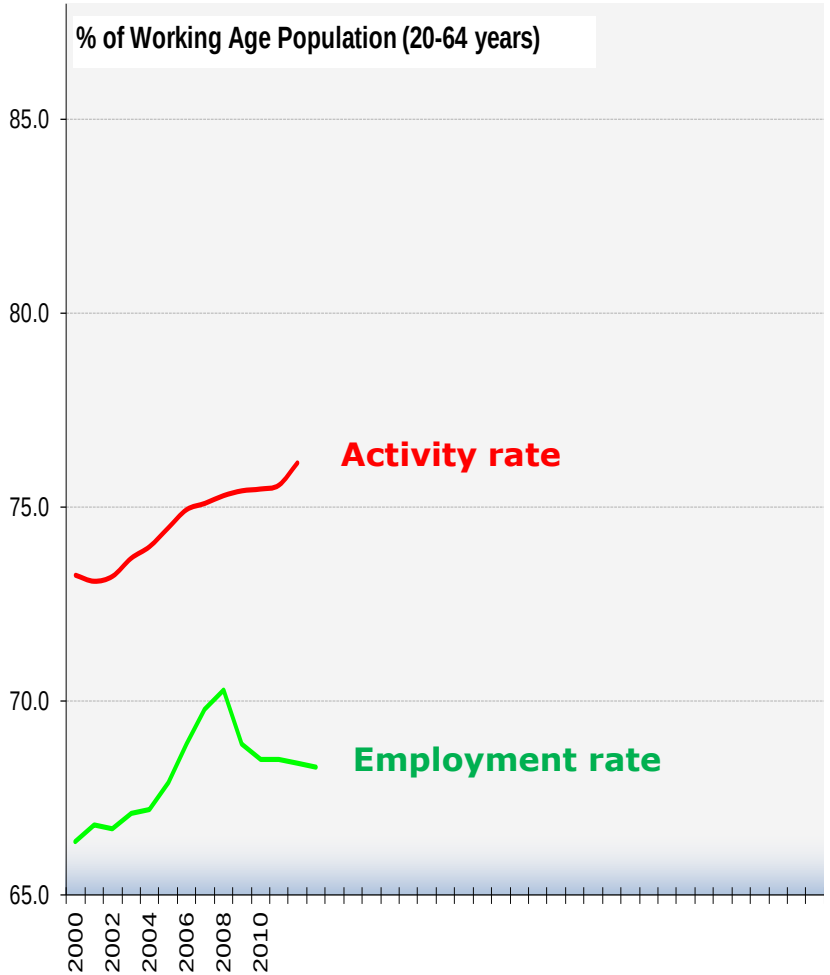
EU28

Potential employment paths

Working age popul. (age 20-64) | Active population Low activity scenario | Active Population, High activity scenario | Active Population, Education Effect | Past em-ployment

Workforce development, age group 20-64 years





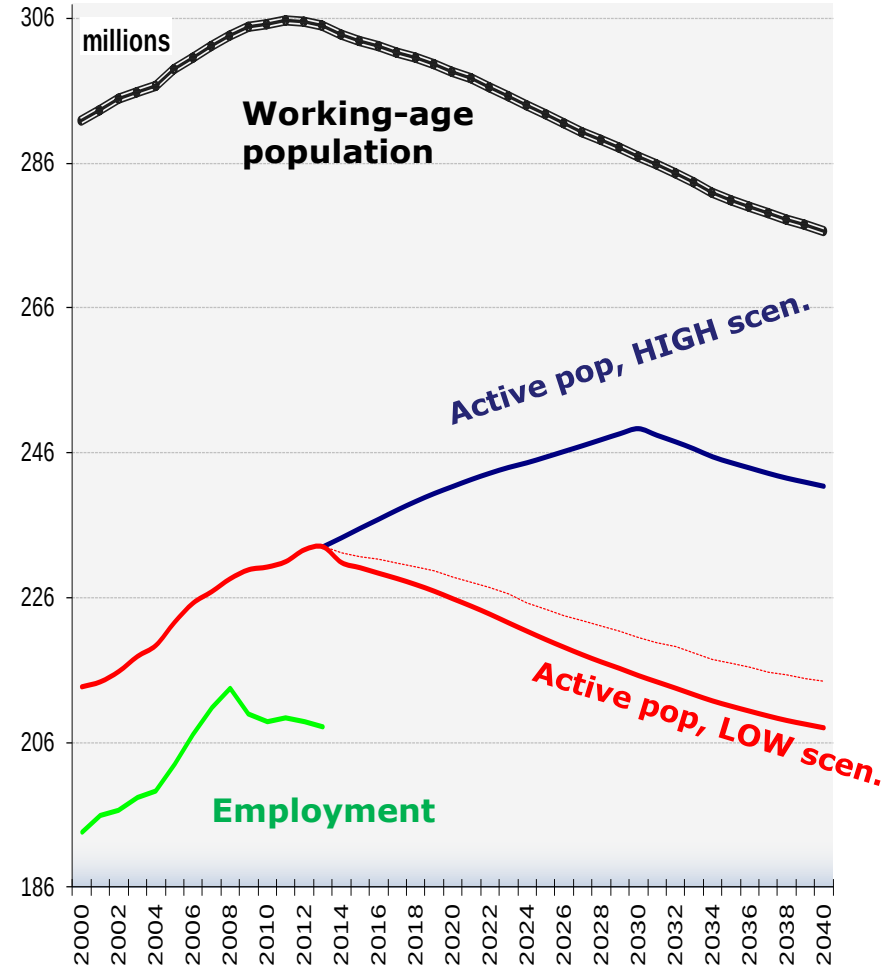
Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2013 population projection

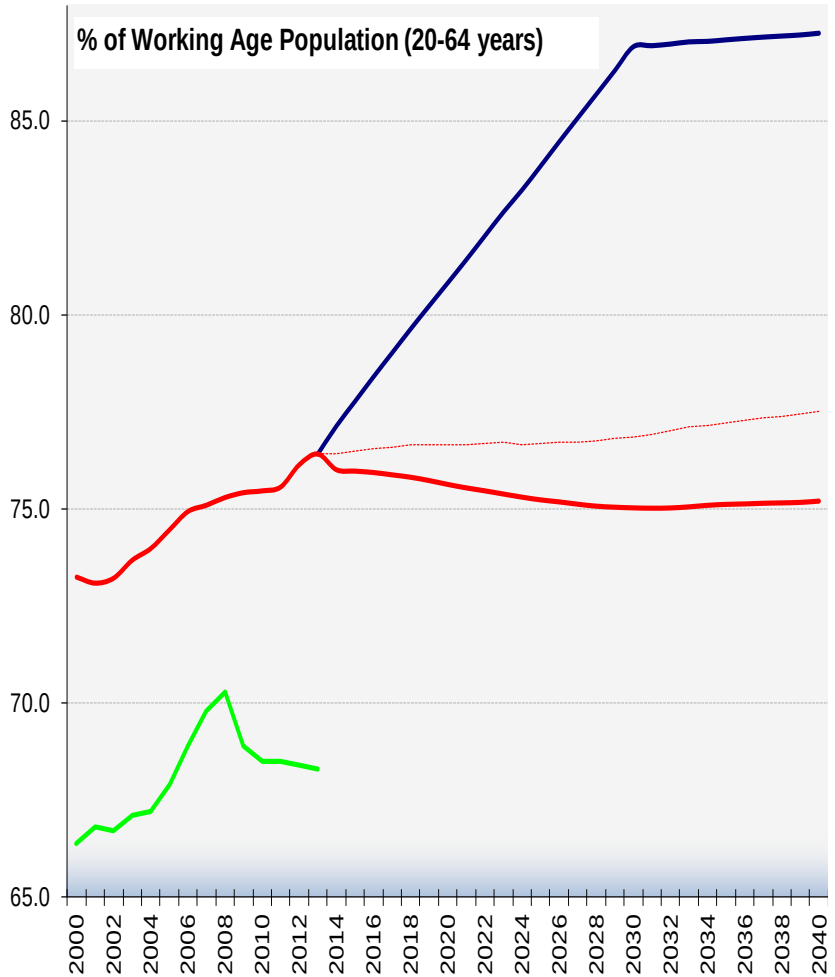
EU28

Potential employment paths

Working age popul. (age 20-64) | Active population Low activity scenario | Active Population, High activity scenario | Active Population, Education Effect | Past employment

Workforce development, age group 20-64 years



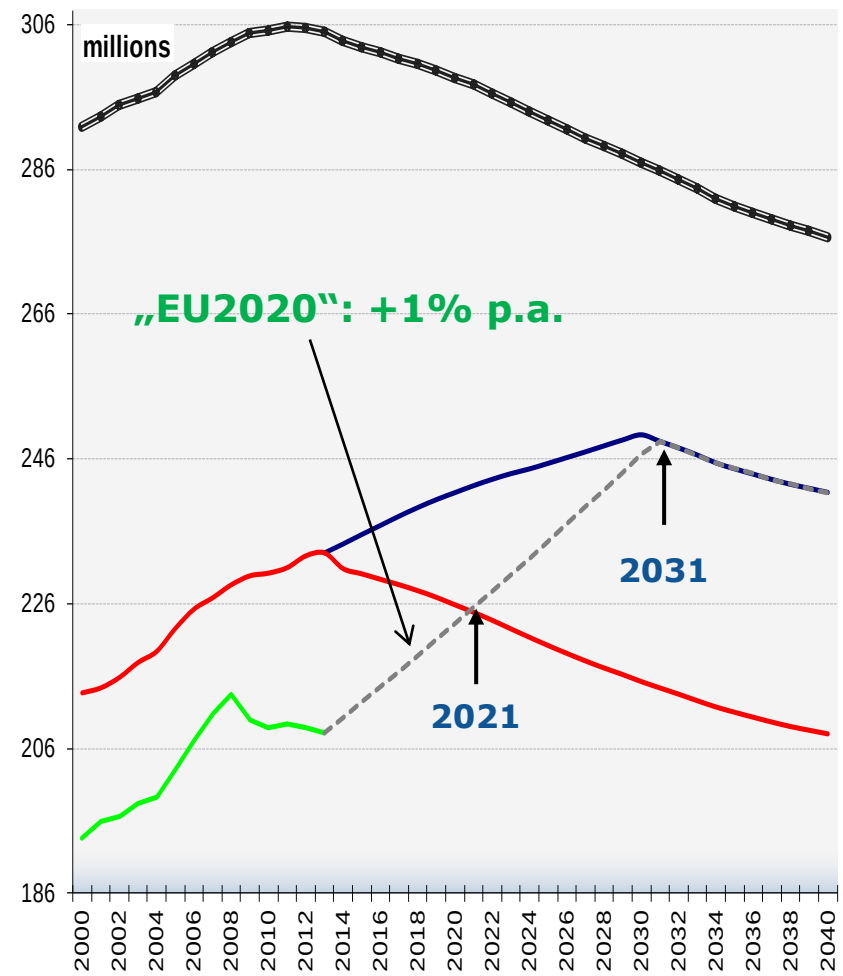


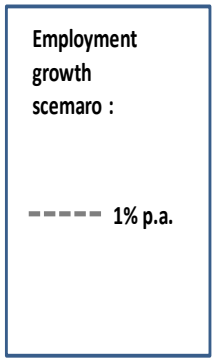
Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2013 population projection

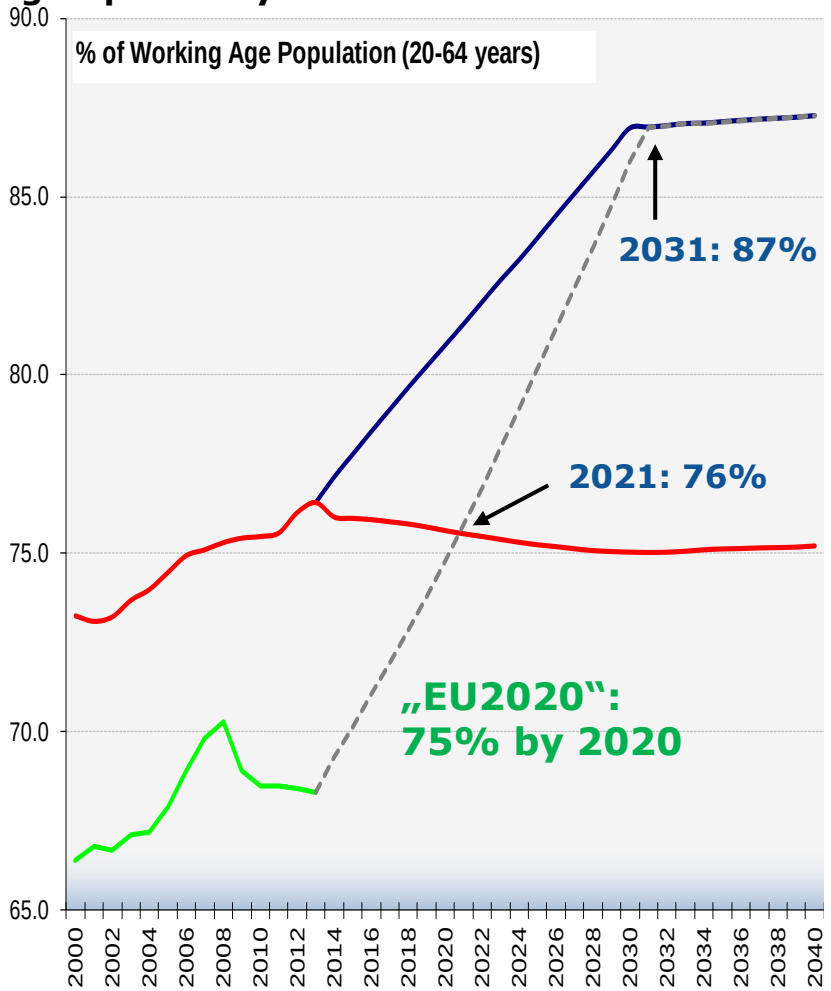
EU28

Potential employment paths

Workforce development, age group 20-64 years







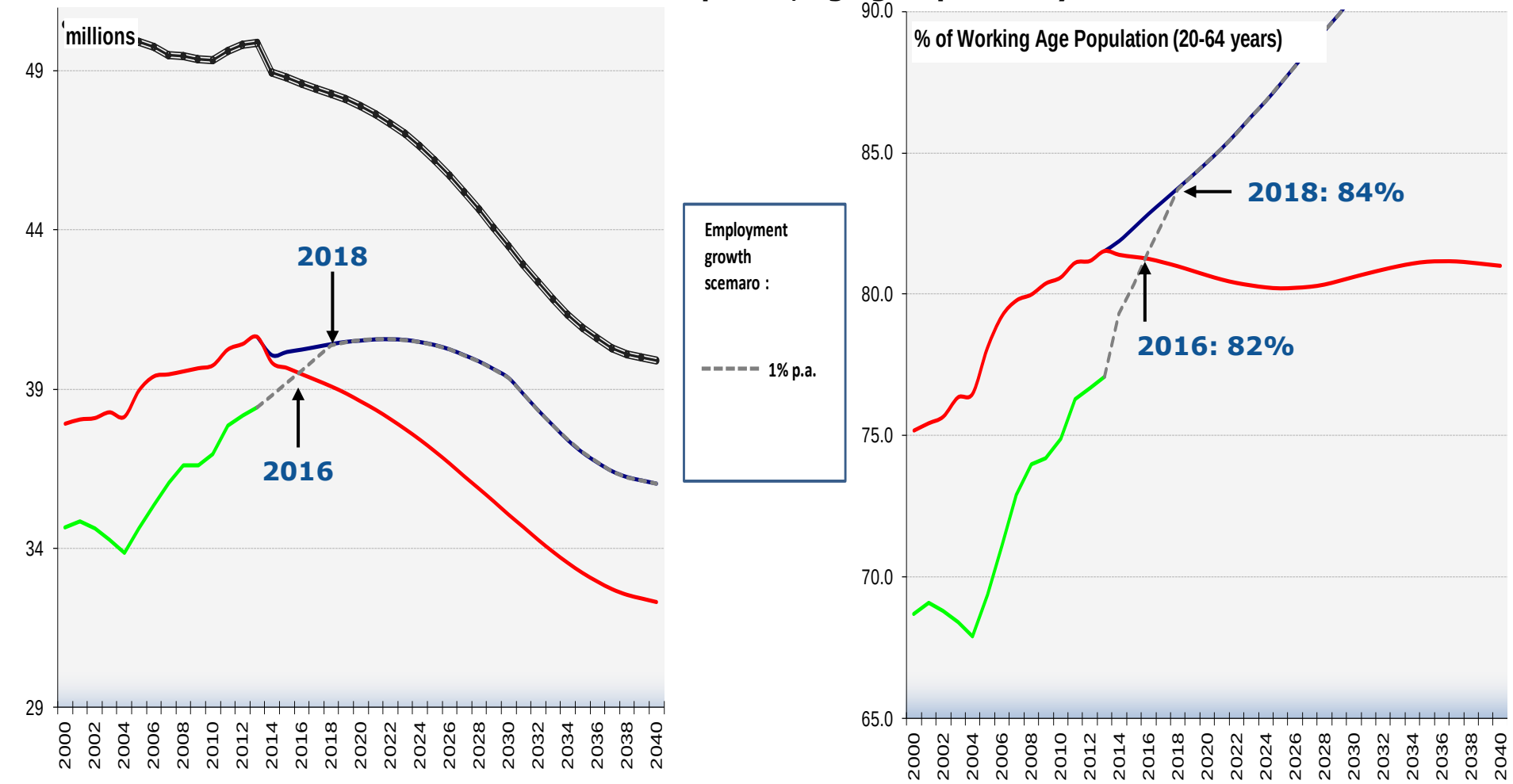
Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2013 population projection

Germany

Potential employment paths

Working age popul. (age 20-64) | Active population Low activity scenario | Active Population, High activity scenario | Active Population, Education Effect | Past em-ployment

Workforce development, age group 20-64 years

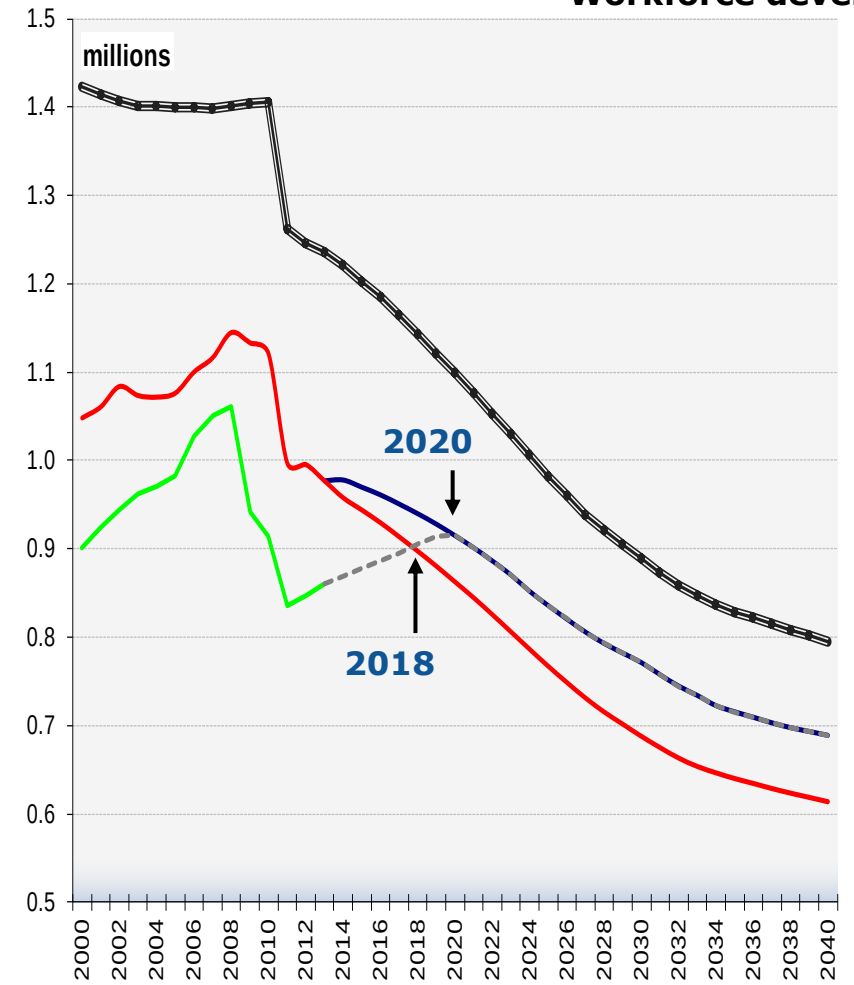


Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2013 population projection

Latvia

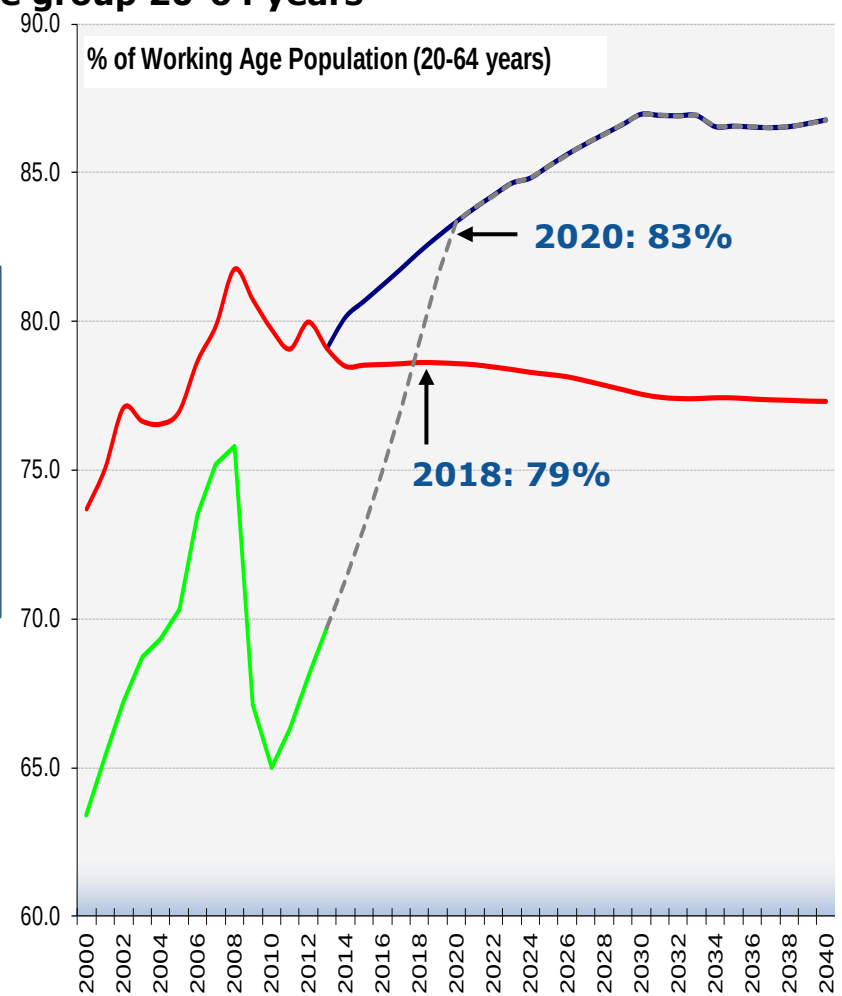
Potential employment paths

Workforce development, age group 20-64 years



Employment growth scemaro :

1% p.a.



Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2013 population projection

Conclusions (1)

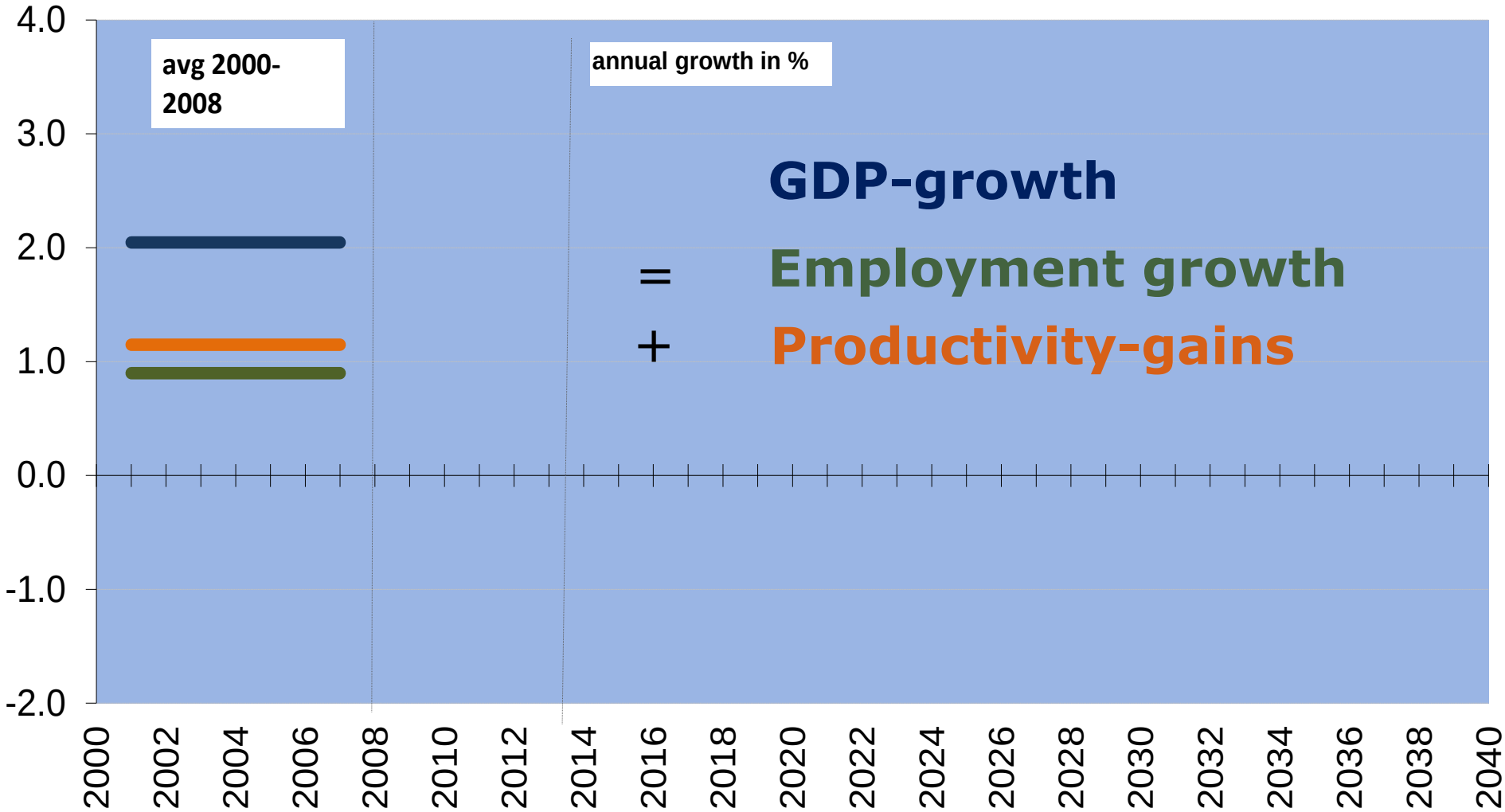
EU's employment growth turn negative around 2030 *at the latest*.

→ Impact on Europe's growth potential?

EU28

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

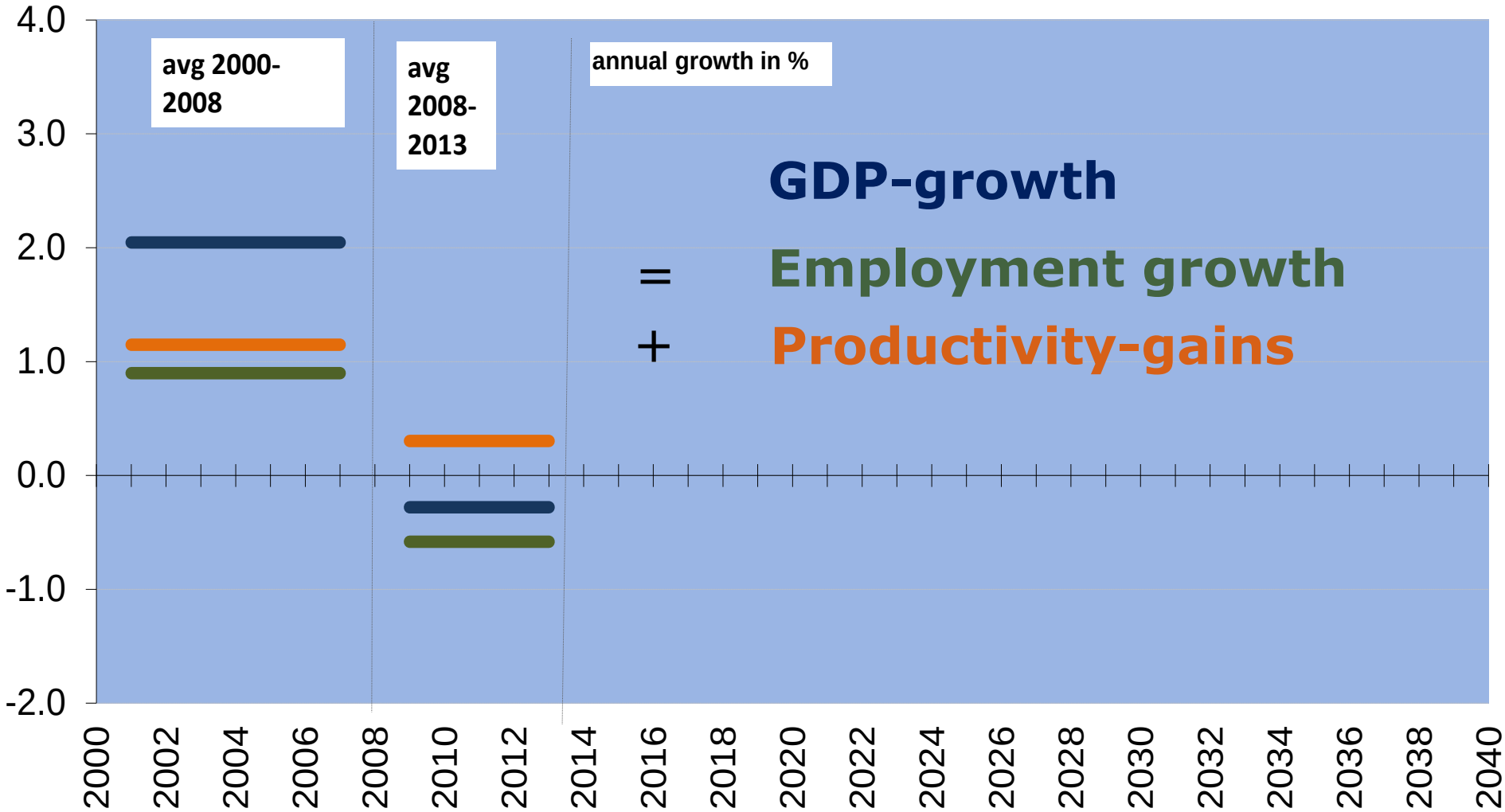
Potential employment growth paths



EU28

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

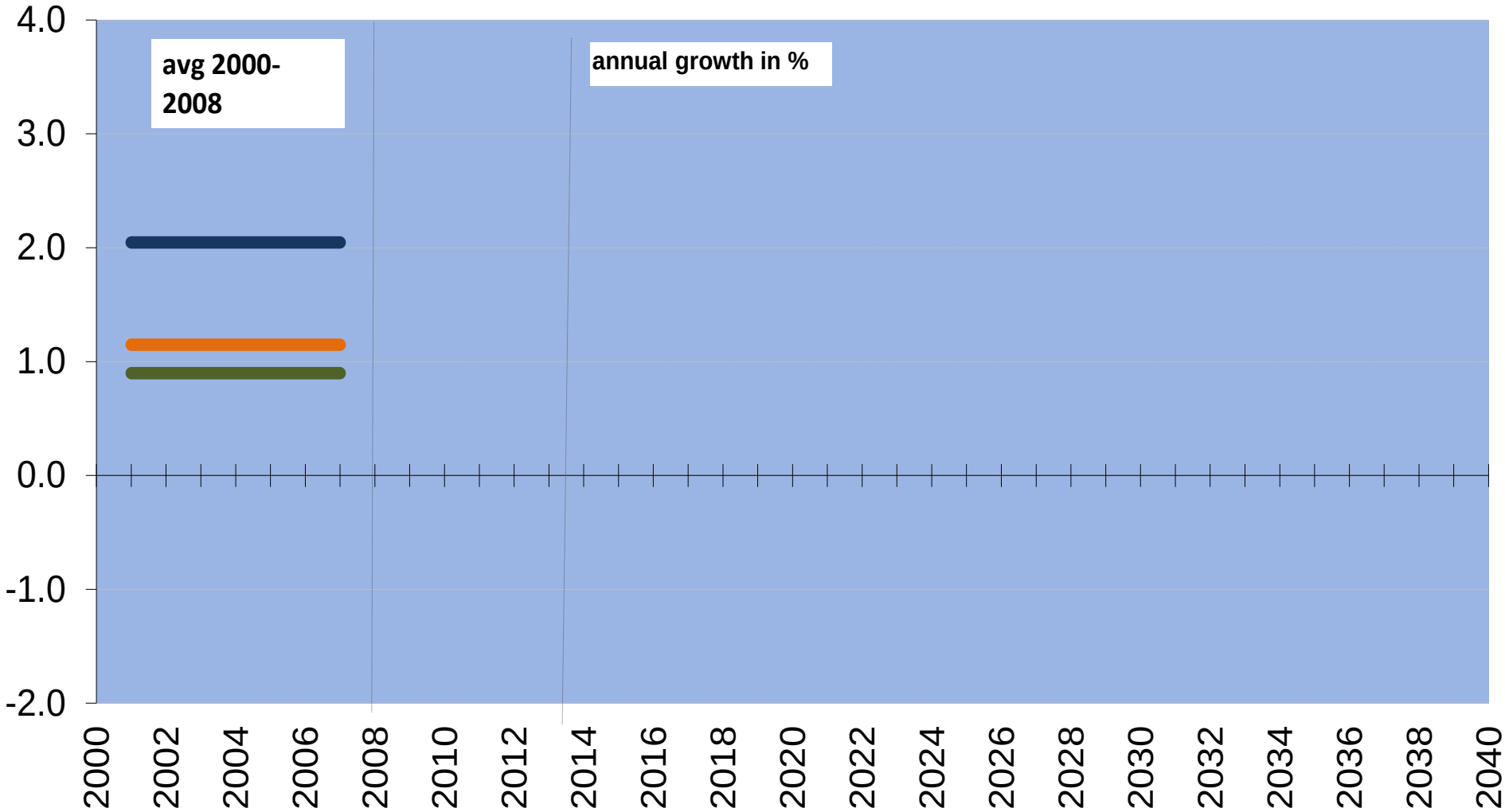
Potential employment growth paths



EU28

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

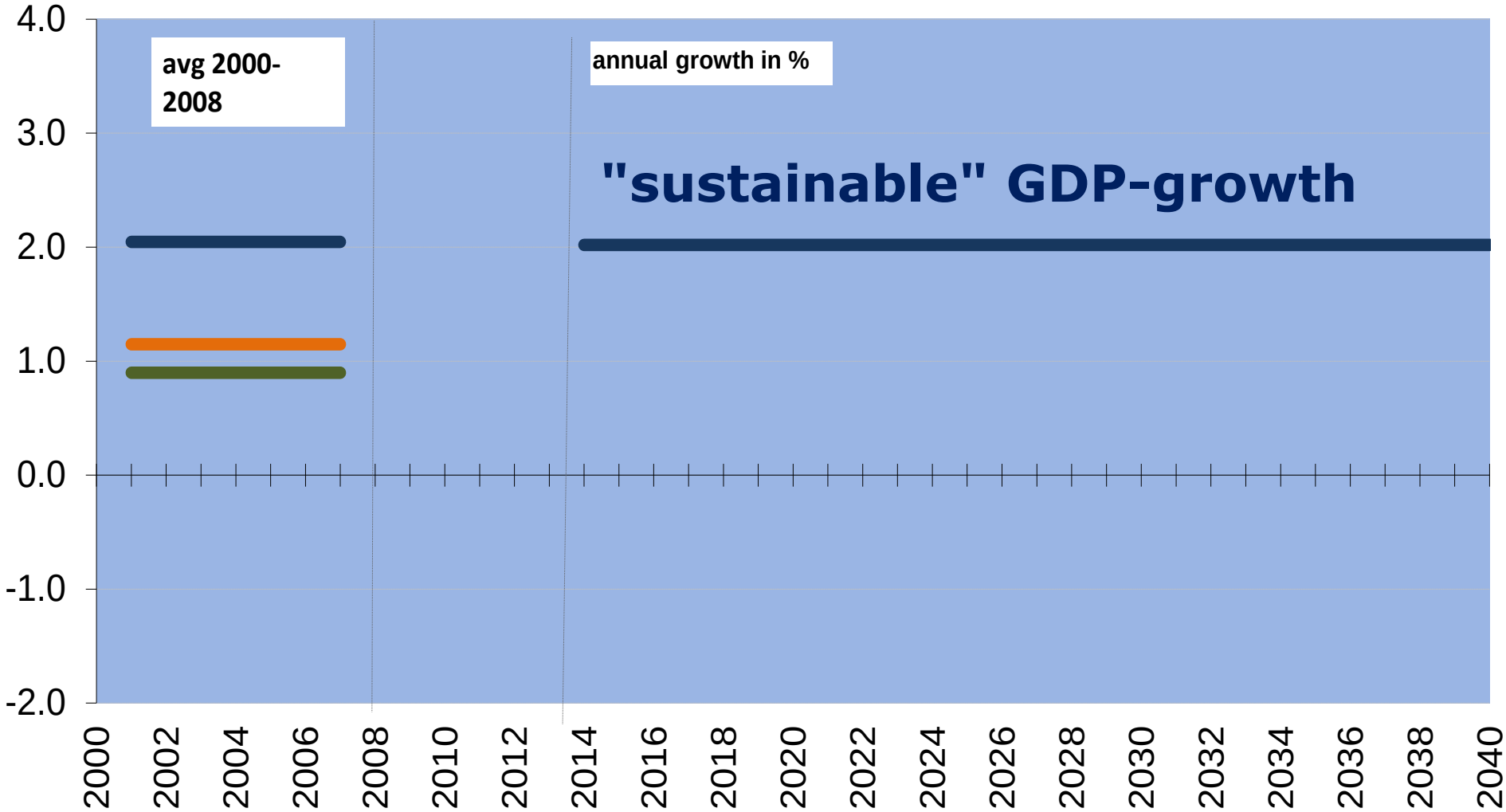
Potential employment growth paths



EU28

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

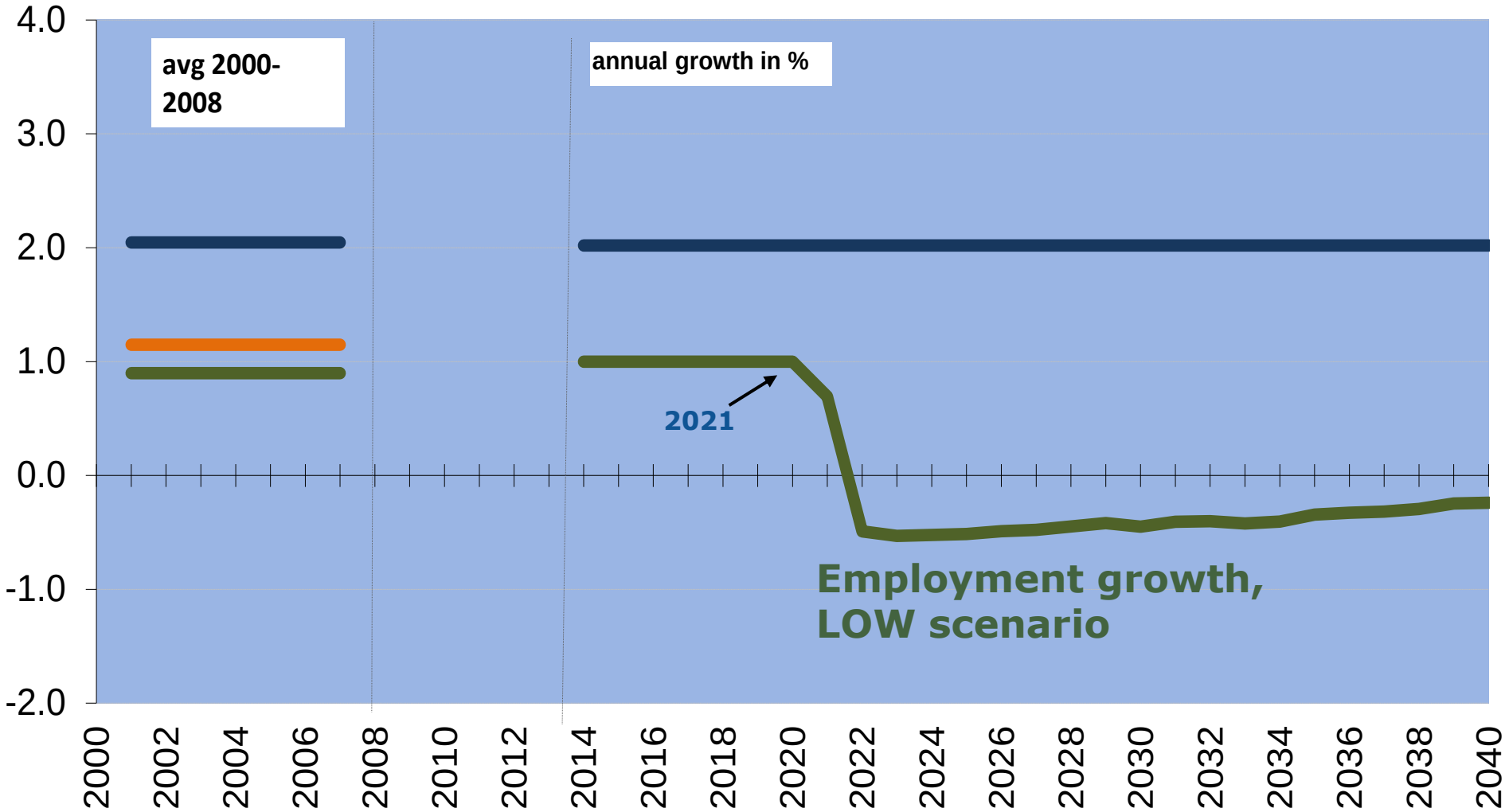
Potential employment growth paths



EU28

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

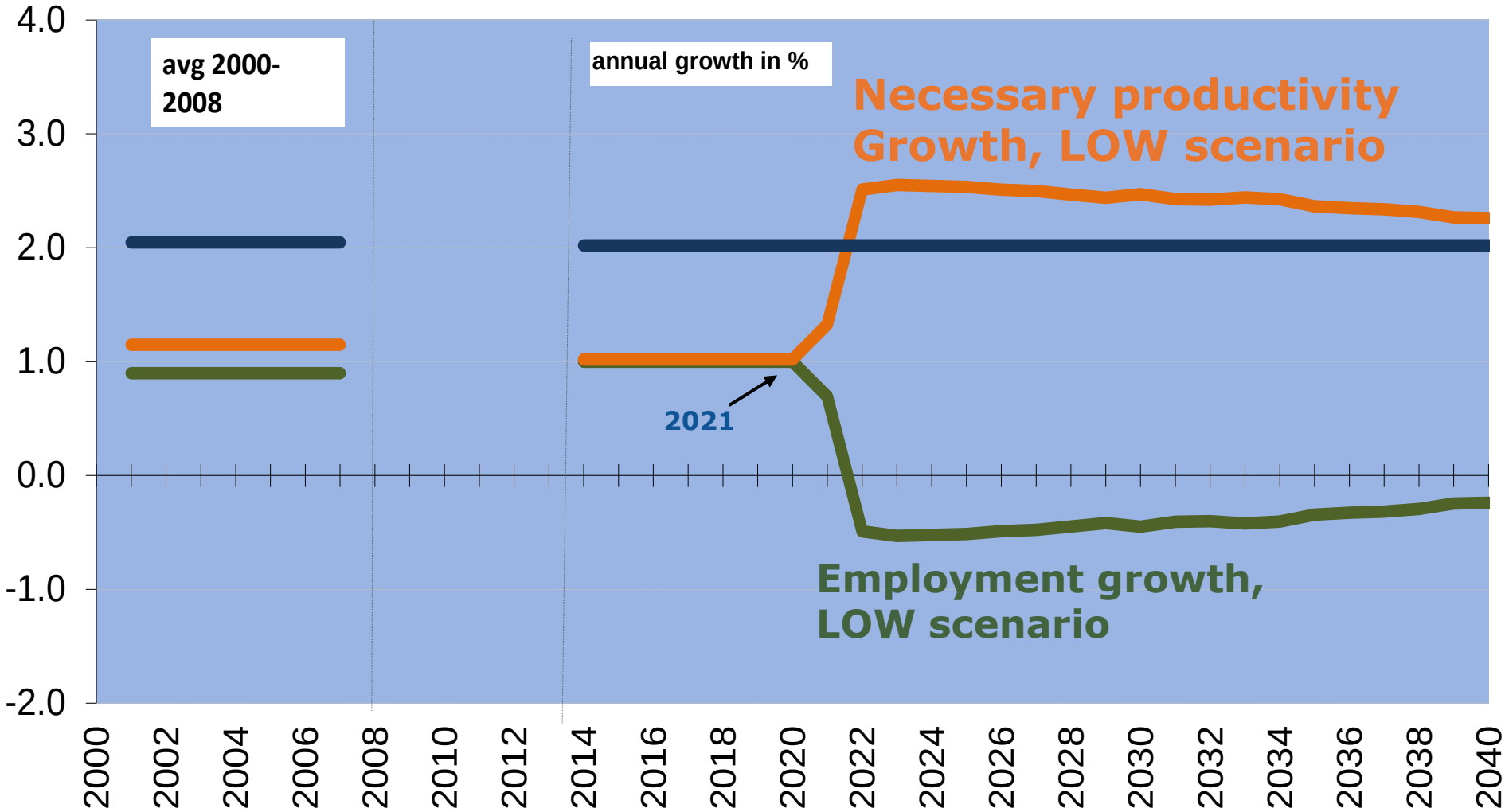
Potential employment growth paths



EU28

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

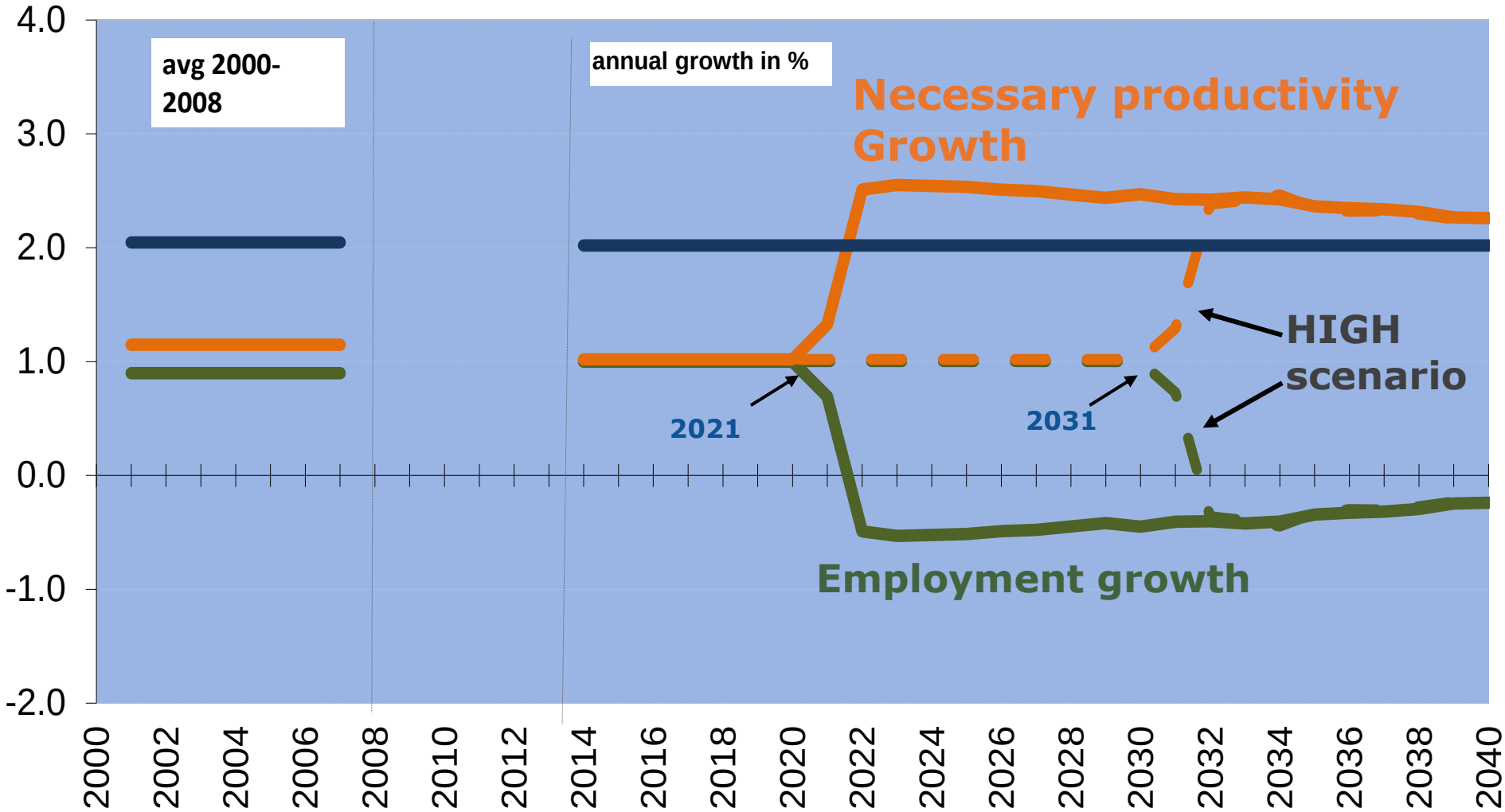
Potential employment growth paths



EU28

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

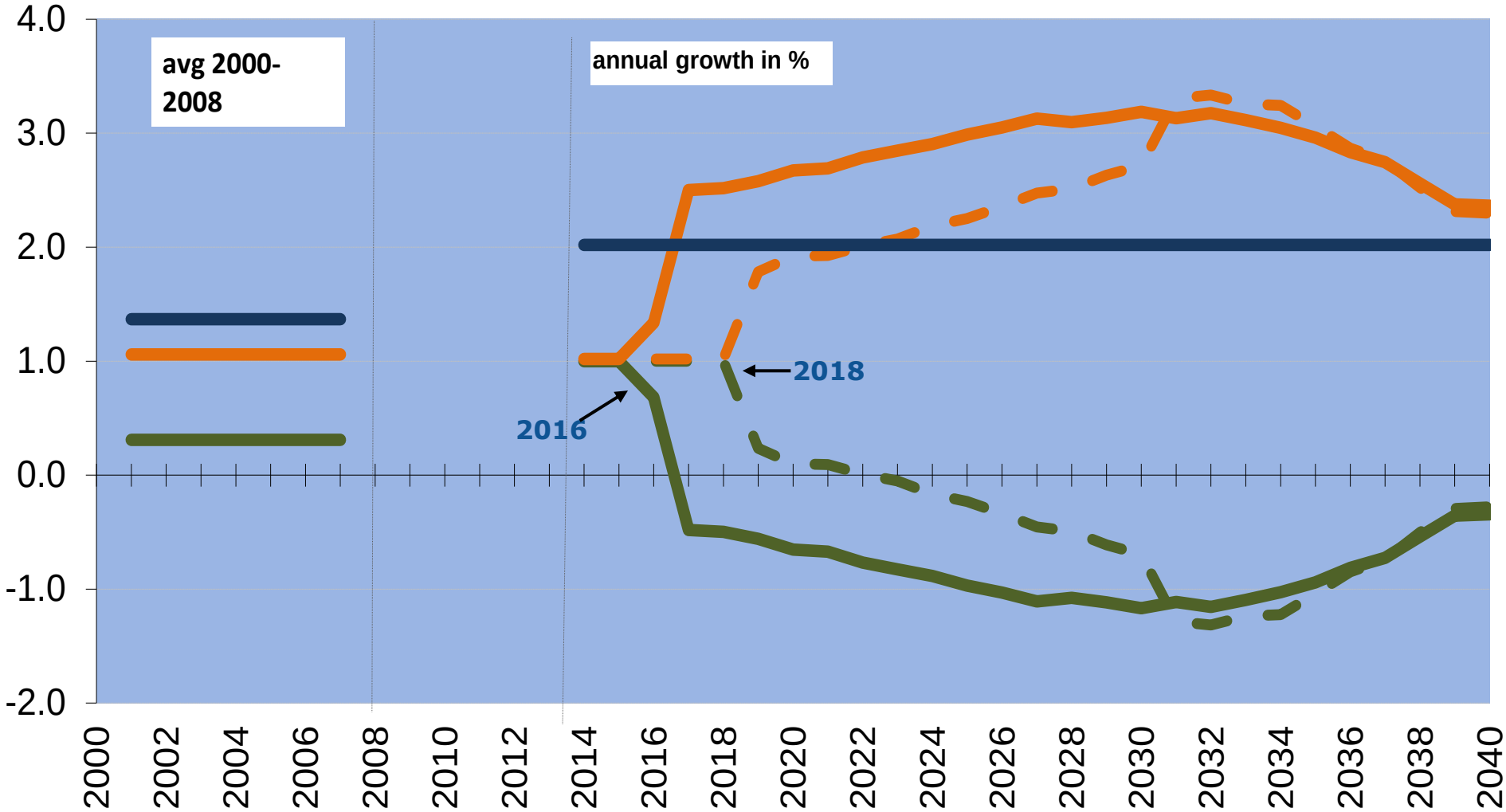
Potential employment growth paths



GERMANY

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

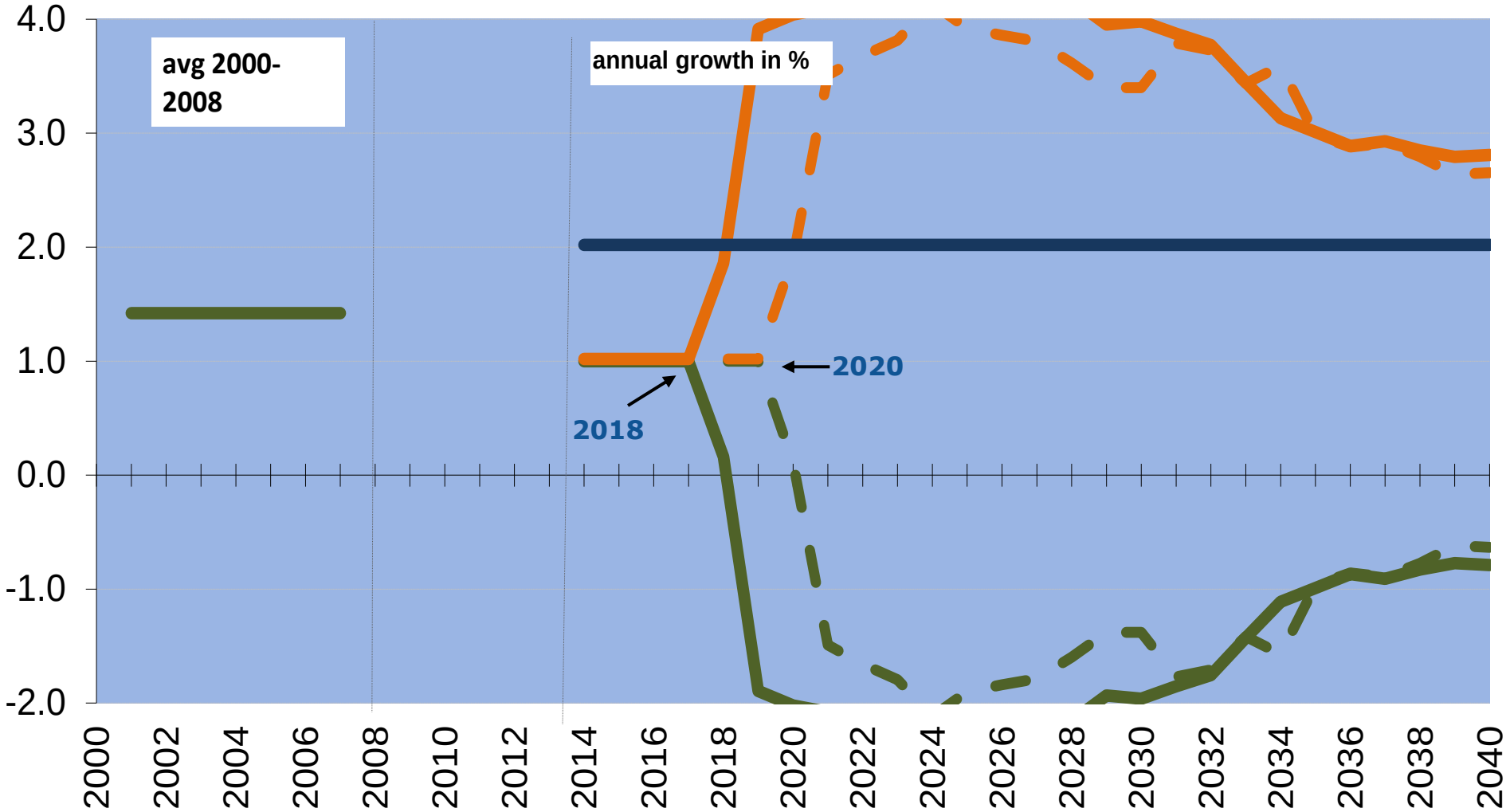
Potential employment growth paths



Latvia

Source: Own calculation based on Eurostat EU LFS and Eurostat Europop2010 population projections

Potential employment growth paths



Conclusion (2)

European Commission

What to do in Europe?

- **NOW: Use existing potential to 'prolong' employment growth !**

  Increase employment potential, **tapping into resources so far unexploited** (increase women's, young people's, migrants', older workers' employment rate).

- **For COMING DECADES: Use this extra time to invest in productivity !**

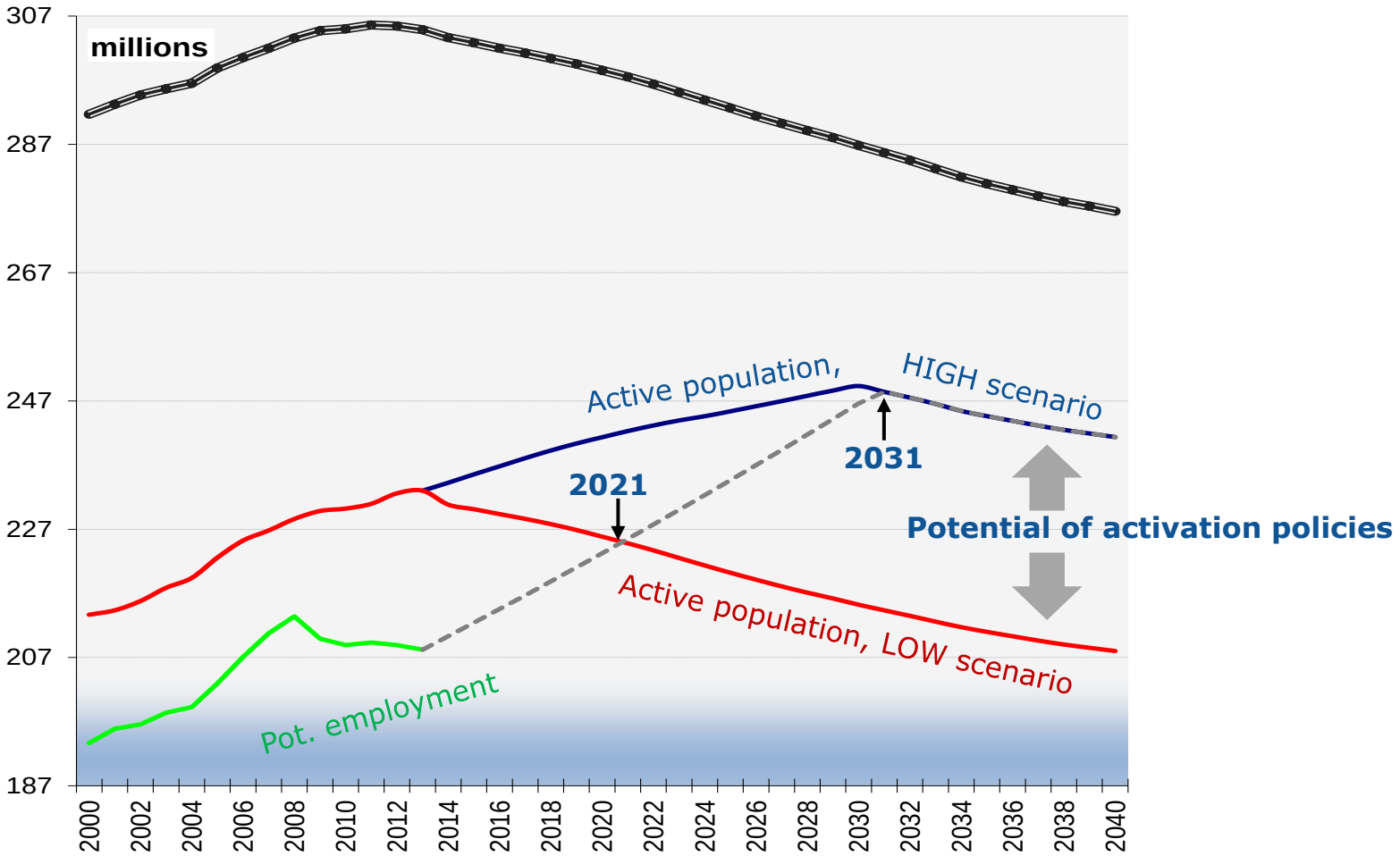
  Increase (local) productivity as the only remaining source of growth in future decades !

  Heavy investment in **skills** development and **education** to achieve higher productivity gains

NOW:

Win one decade (keep employment growing) !

EU28



Source: Eurostat EU-LFS

Conclusion (2)

What to do in Europe?

→ **NOW: Use existing potential to 'prolong' employment growth !**

Increase employment potential, **tapping into resources so far unexploited** (increase women's, young people's, migrants', older workers' employment rate).

→ **For COMING DECADES: Use this extra time to invest in productivity !**

Increase (local) productivity as the only remaining source of growth in future decades !

Heavy investment in **skills** development and **education** to achieve higher productivity gains

Background:

"Growth potential of EU human resources and policy implications for future economic growth"
European Commission, Working Paper 3/2013
by C. Fotakis and J. Peschner

(available in DG EMPL's online publication catalogue)

jorg.PESCHNER@ec.europa.eu