

Europe's demographic trends are becoming entrenched

Europe combines the demographic extremes of very high life expectancy and very low fertility. In most EU Member States, life expectancy - currently 75 years for men and 82 for women on average – is set to increase by an additional 15 to 20 years in the course of this century. With women giving birth to 1.5 children on average, and more and more women foregoing children altogether, Europe's population is ageing and its native born labour force declining. Bearing in mind Europe's current average retirement age (62 years for men and just over 60 for women), in the absence of compensatory policies, in the next 40 years Europe's support ratio will deteriorate sharply, leaving four contributing workers to support every three retired people. Urgent action is needed to counterbalance these negative trends.

To begin with, family-friendly policies aimed at stabilizing or increasing fertility levels should be put in place. Additionally, the impact of reduced domestic labour forces, including the related issues of financing healthcare and pension schemes could be partly offset by increased productivity. Steady growth in productivity would allow for a revised allocation of resources that could help fill the increasing gap between pension receivers and contributors.

But with European demographic patterns becoming entrenched, the impact of these measures will not be sufficient. In the end, the European Union's demographic challenge will only be addressed through two sets of complementary actions: boosting labour market participation rates; and implementing a balanced, fair and pro-active immigration policy.

González et al. *Project Europe 2030: challenges and opportunities*. May 2010. p. 25 – 26.