



ISSN: 2315-2540

Employment and Social Developments in Europe

Annual Review 2017



Social Europe

DEMOGRAPHIC DYNAMICS AND INTERGENERATIONAL FAIRNESS

Loukas Stemitsiotis

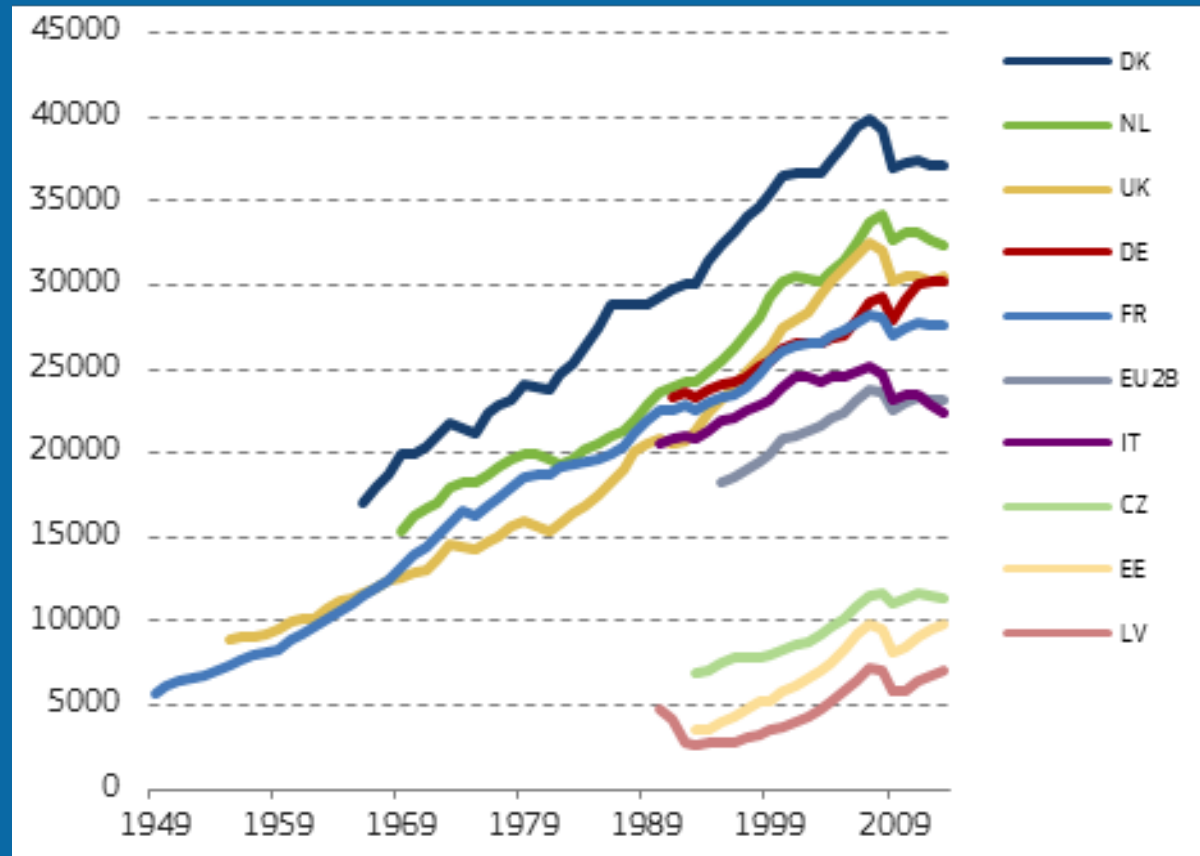
**Head of Thematic Analysis Unit
DG Employment, Social Affairs and
Inclusion, European Commission**

Why intergenerational fairness?

Living standards keep rising since generations.

Can we take that for granted?

Real GDP per capita, 2005 prices, since 1949

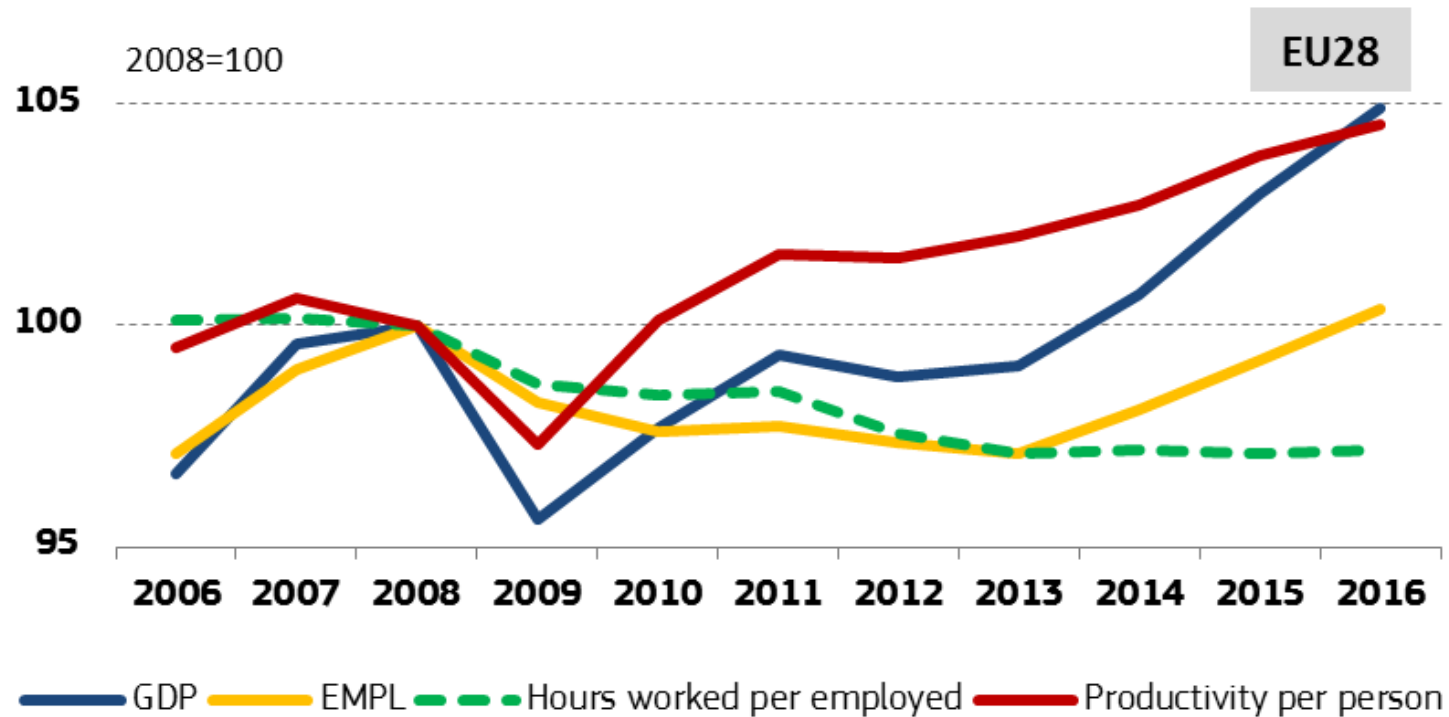




The story of ESDE 2017

- Ch 1:** *Recovery continues in the EU;*
- Ch 3:** *Still today's younger people are disadvantaged in terms of income, and on the labour market;*
- Ch 2,4:** *Yet demographic change puts pressure on the young to become more productive, and they will bear a 'double burden' of ageing in the future;*
- Ch 5:** *Social dialogue can play an important role in promoting intergenerational fairness.*

Europe continues its recovery





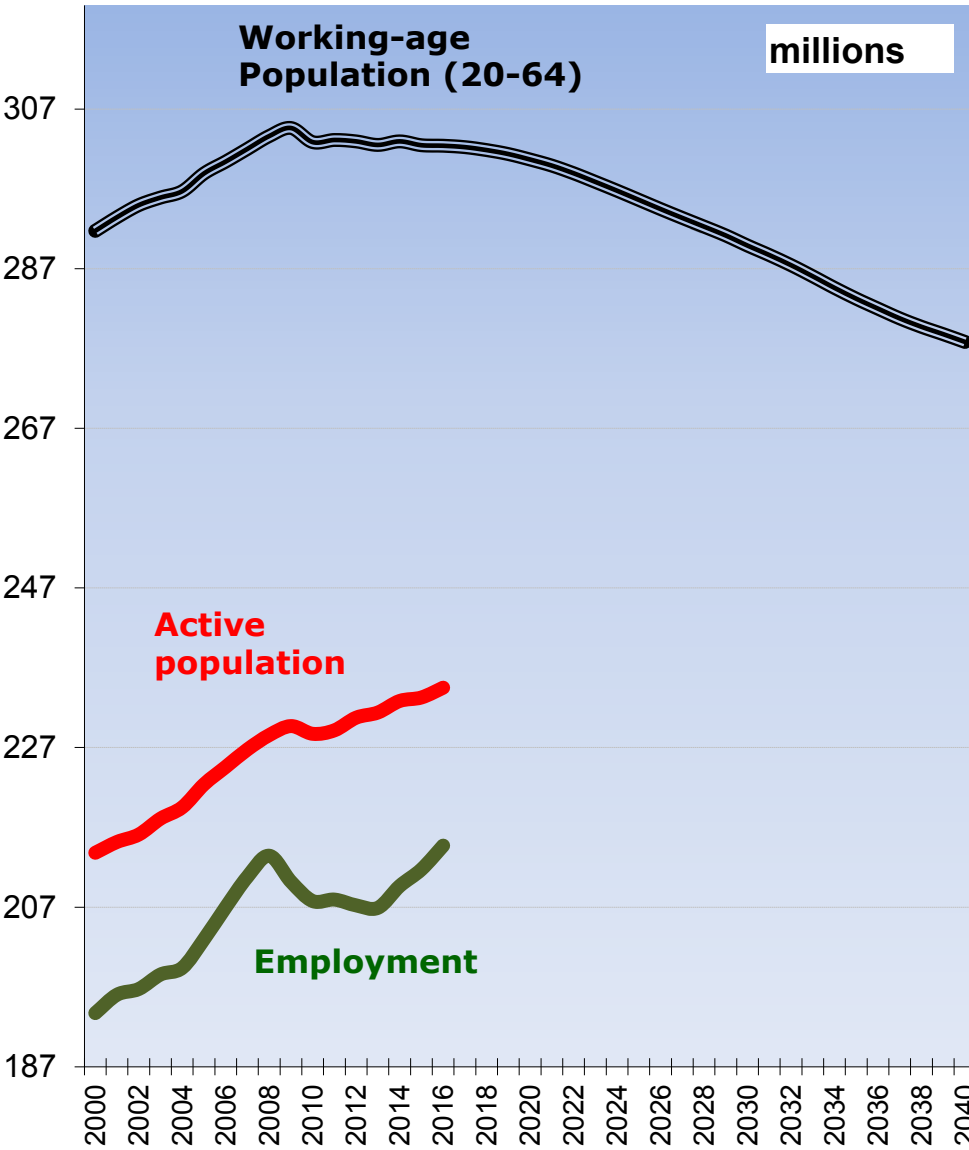
The story of ESDE 2017

Ch 1: Recovery continues in the EU;

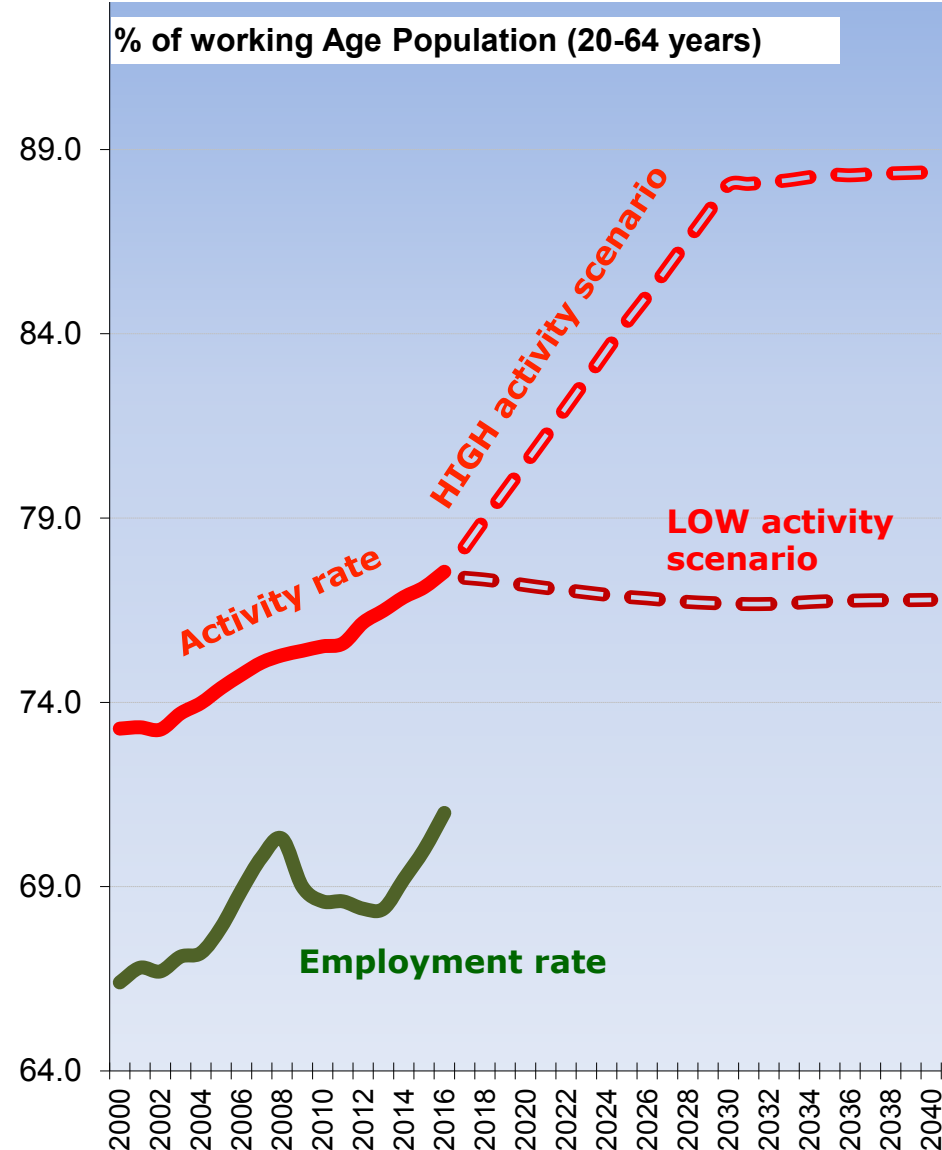
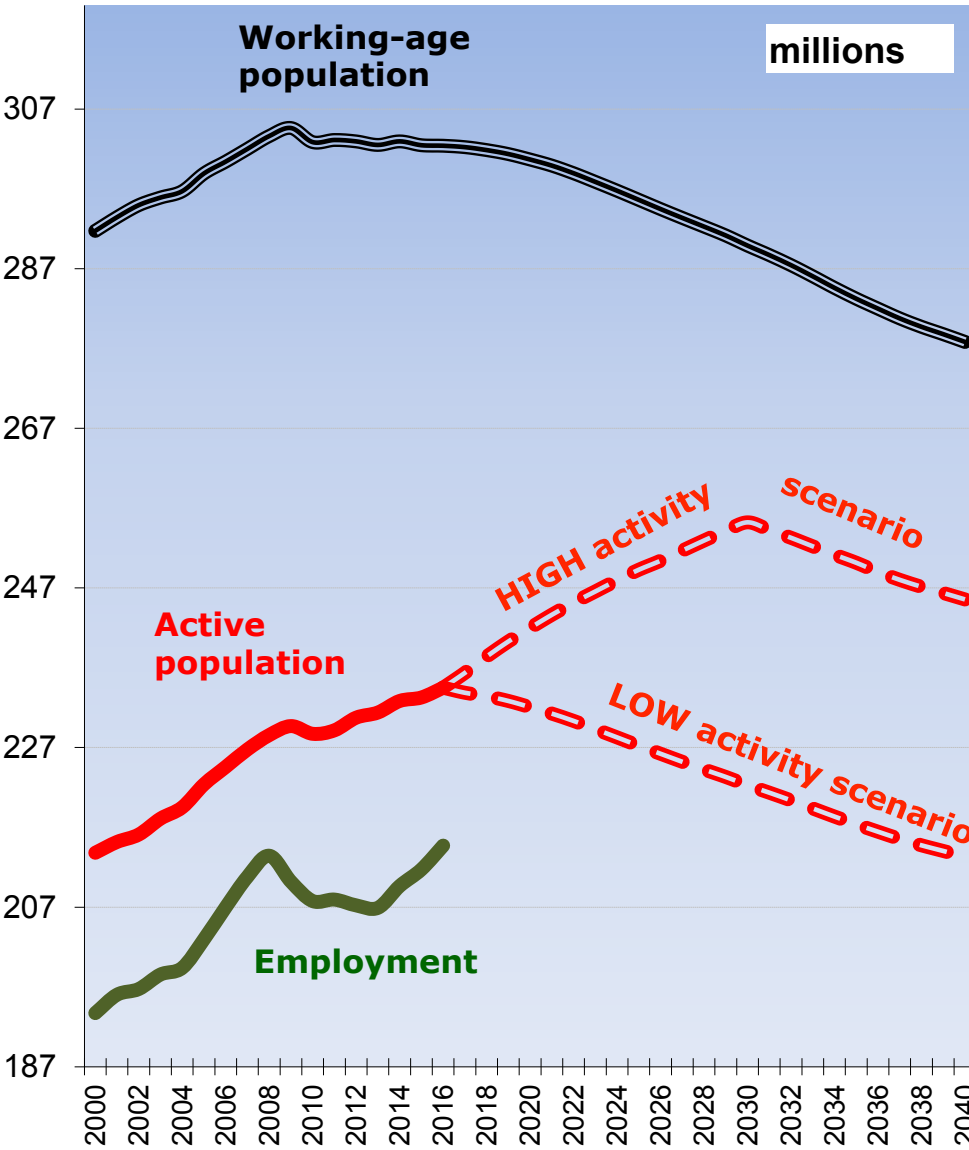
Ch 3: Still today's youngsters are disadvantaged in terms of income, and on the labour market;

Ch 2,4: Yet demographic change puts pressure on the youngsters to become more productive, and they will bear a 'double burden' of ageing in the future;

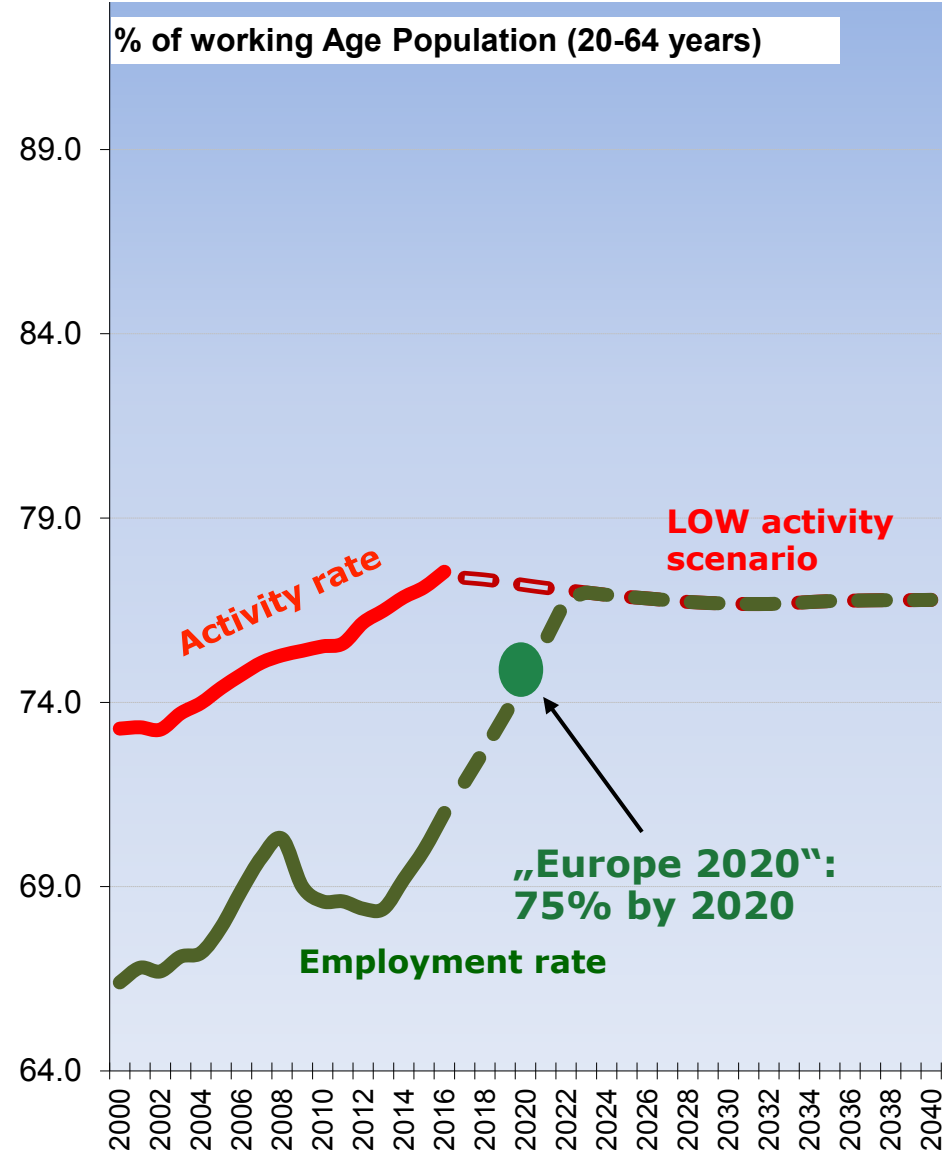
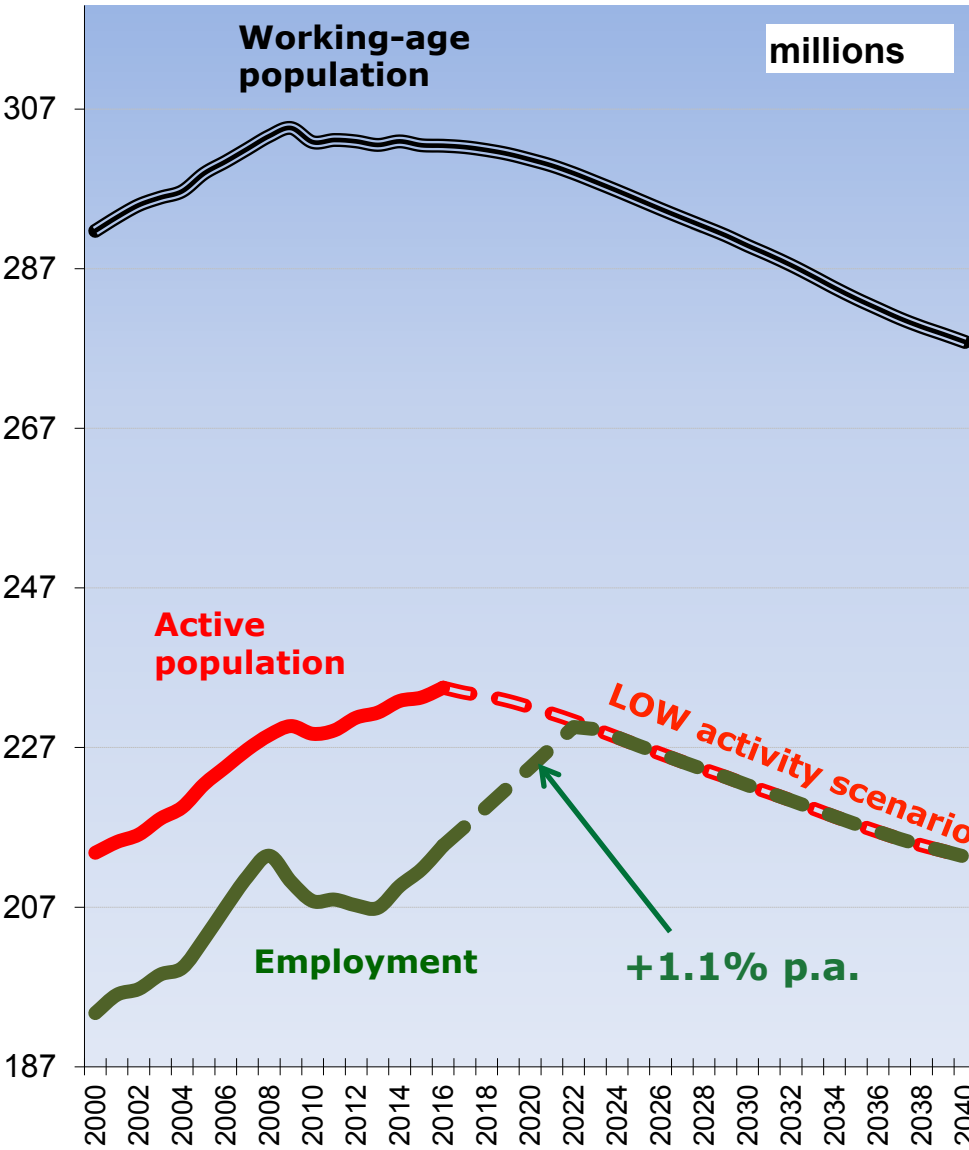
Ch 5: Social dialogue can play an important role in promoting intergenerational fairness.



Own calculations based on Eurostat 2015 population projections, Eurostat LFS



Own calculations based on Eurostat 2015 population projections, Eurostat LFS

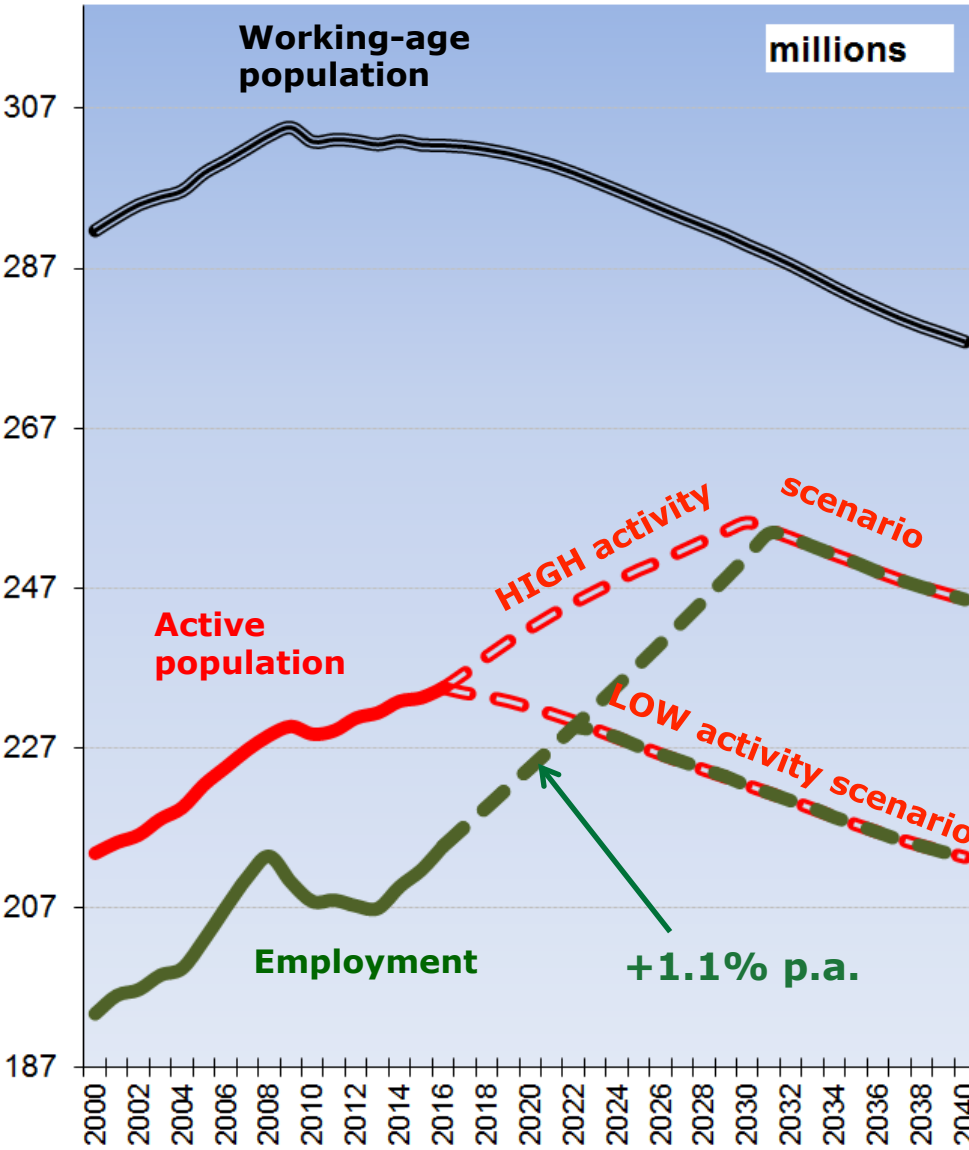


Own calculations based on Eurostat 2015 population projections, Eurostat LFS

EU-28



Employment will face its limits.

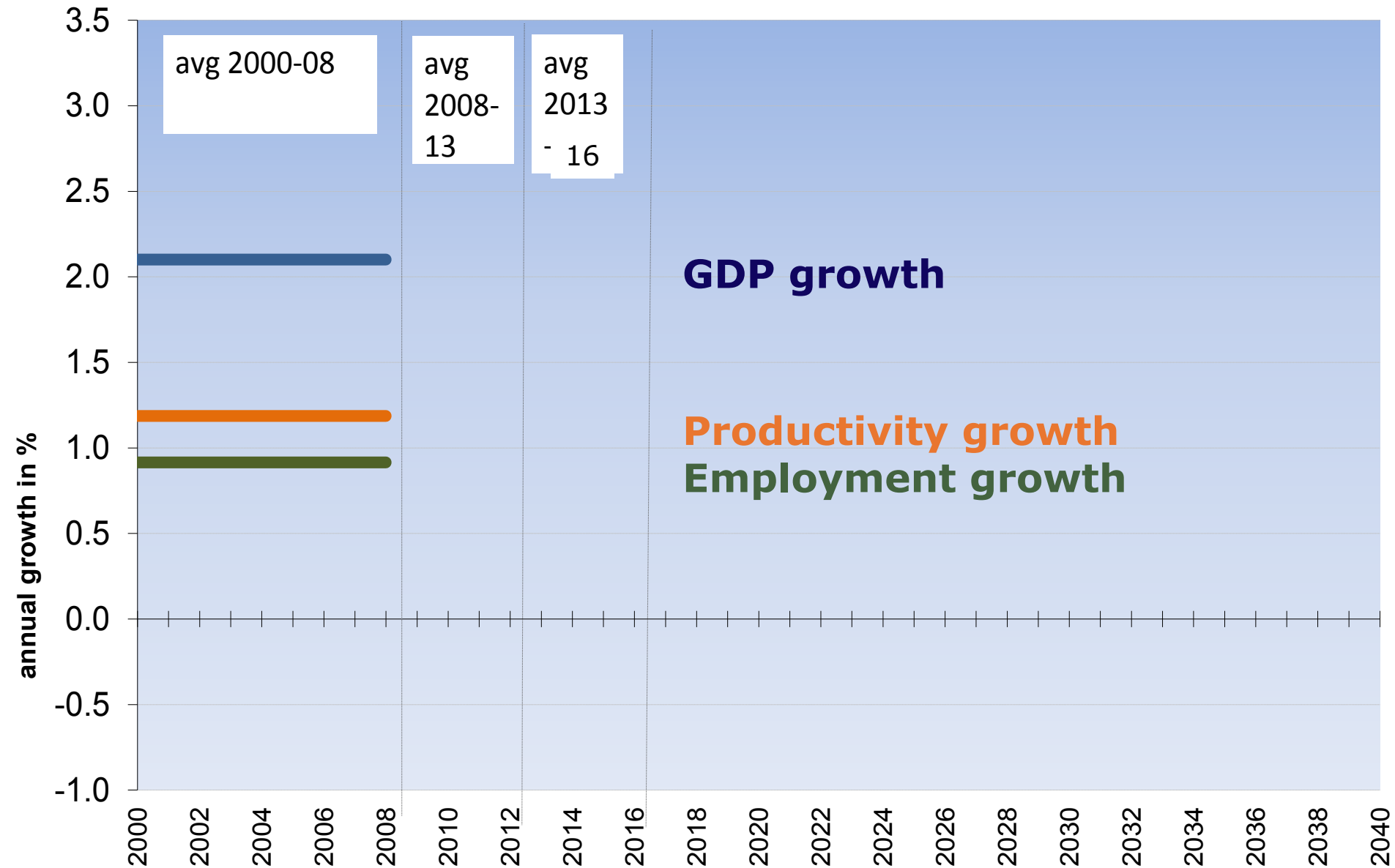


Own calculations based on Eurostat 2015 population projections, Eurostat LFS

EU-28



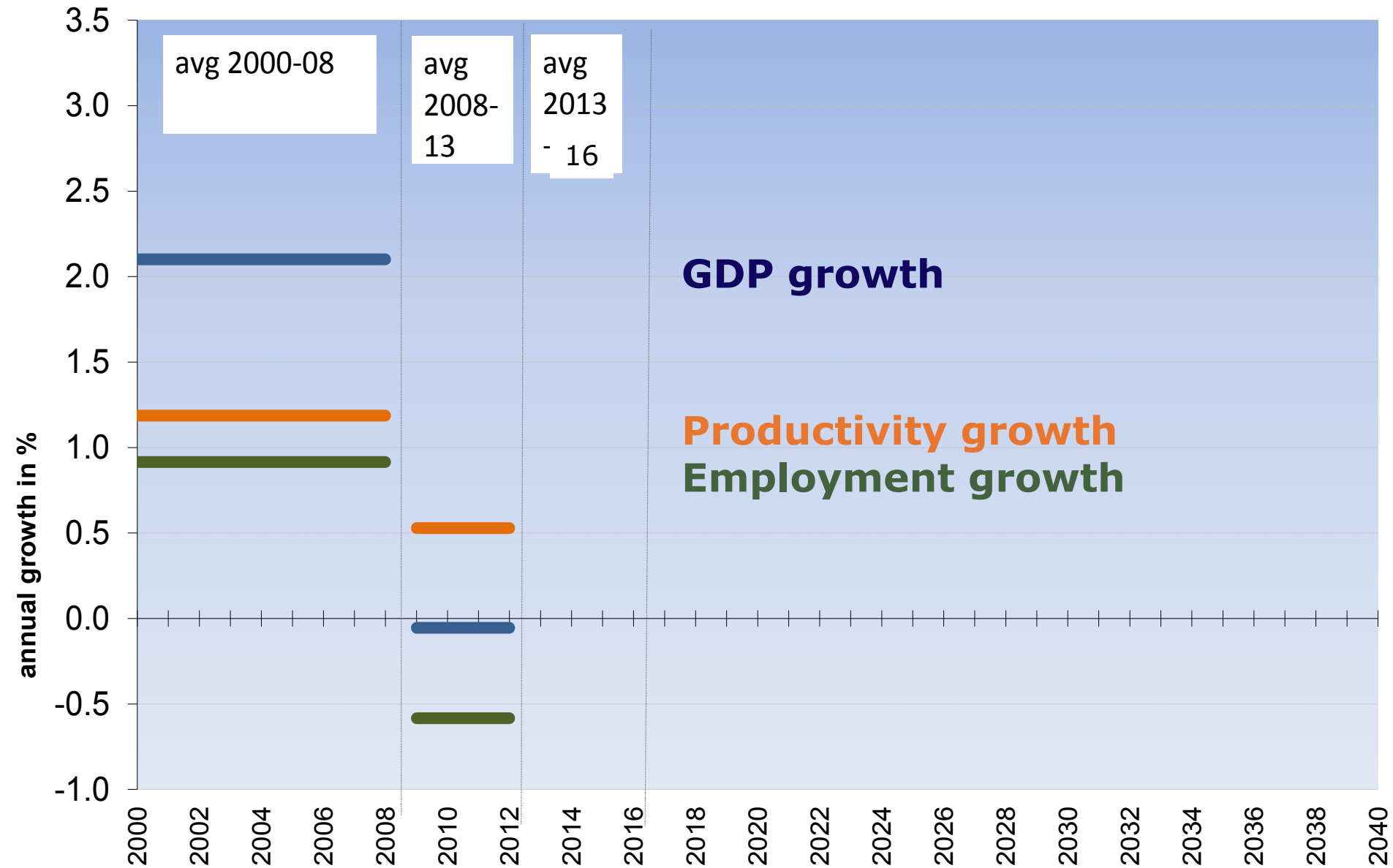
... with implications
for growth!



EU-28



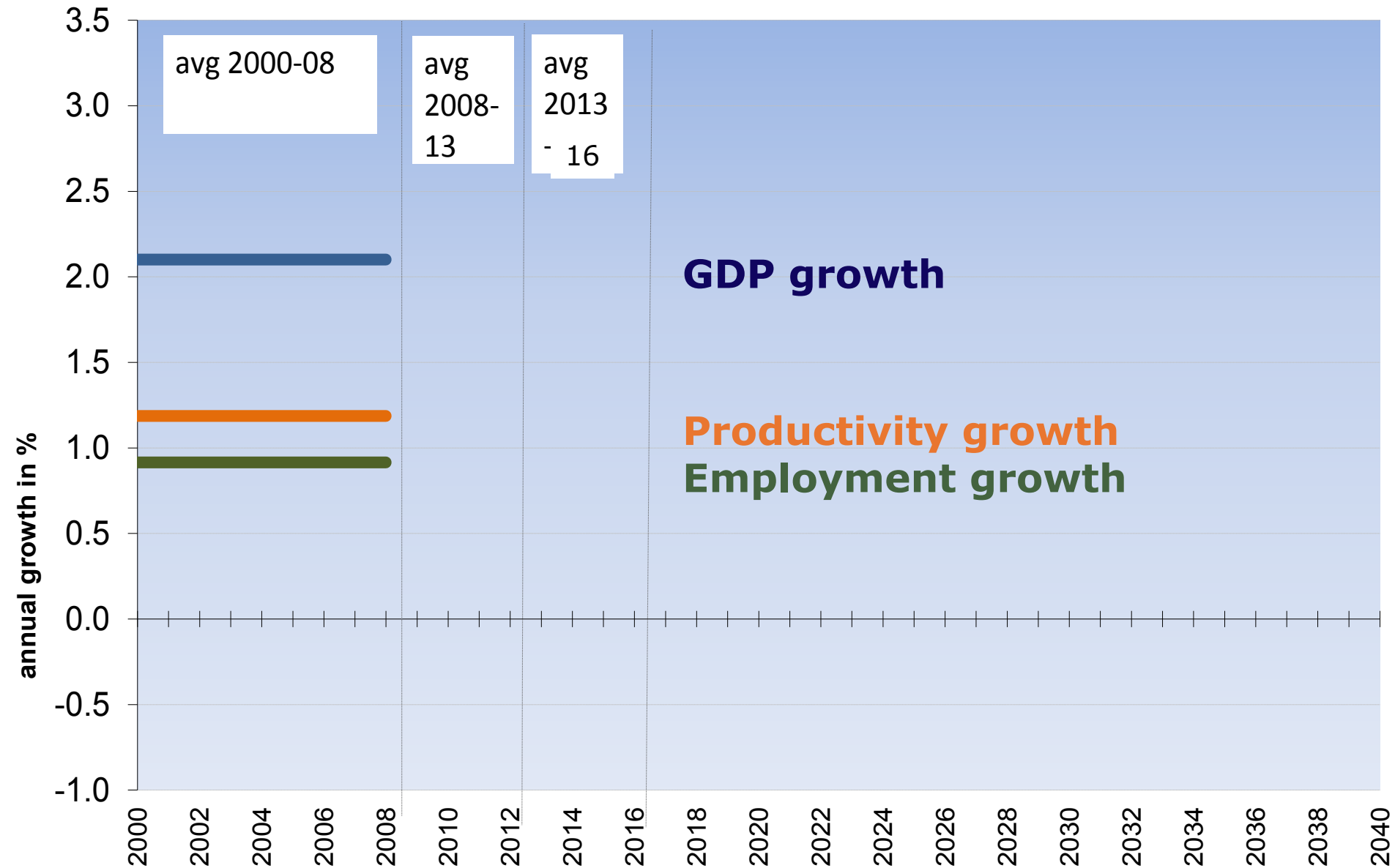
... with implications
for growth!



EU-28



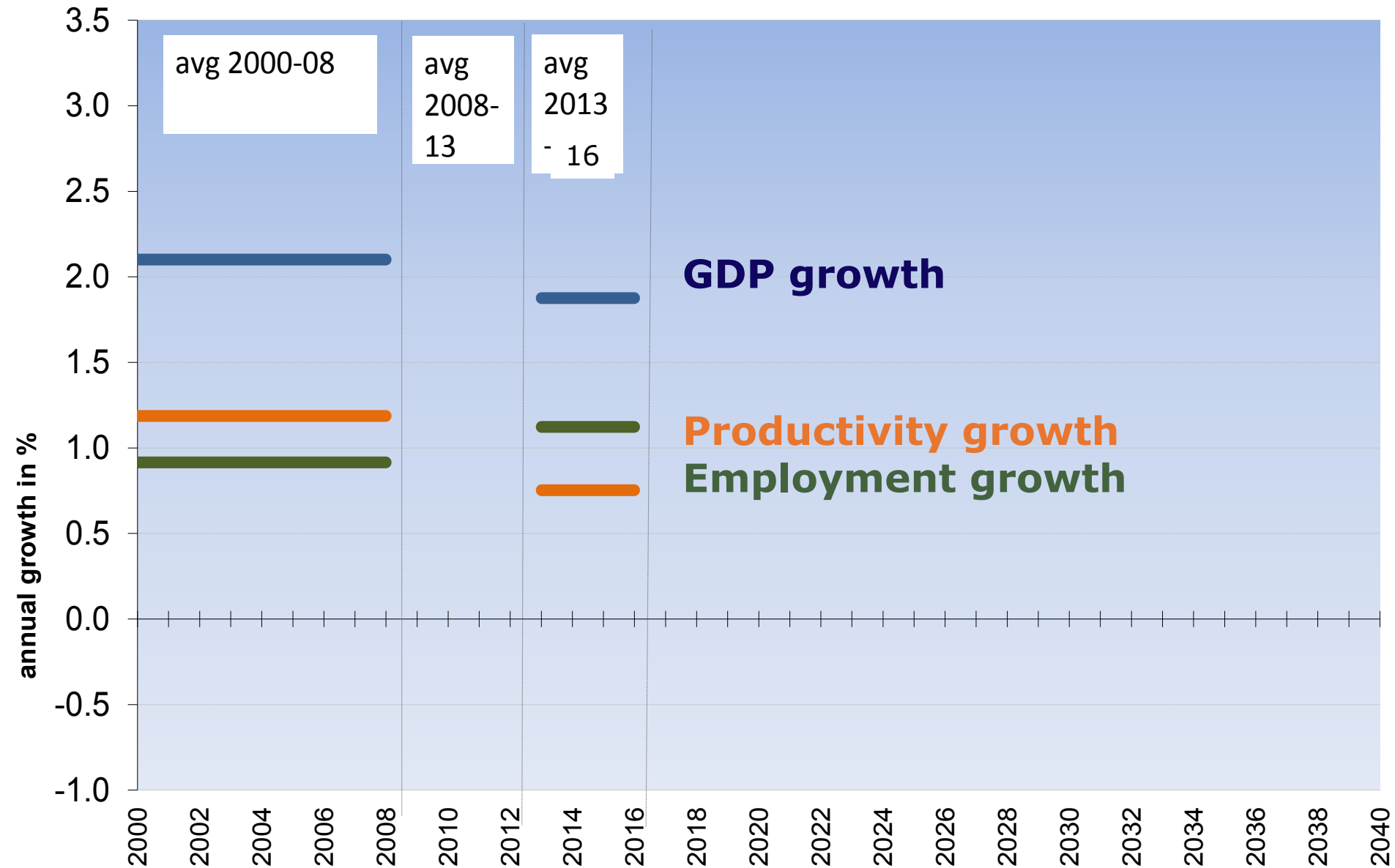
.. with implications
for growth!



EU-28



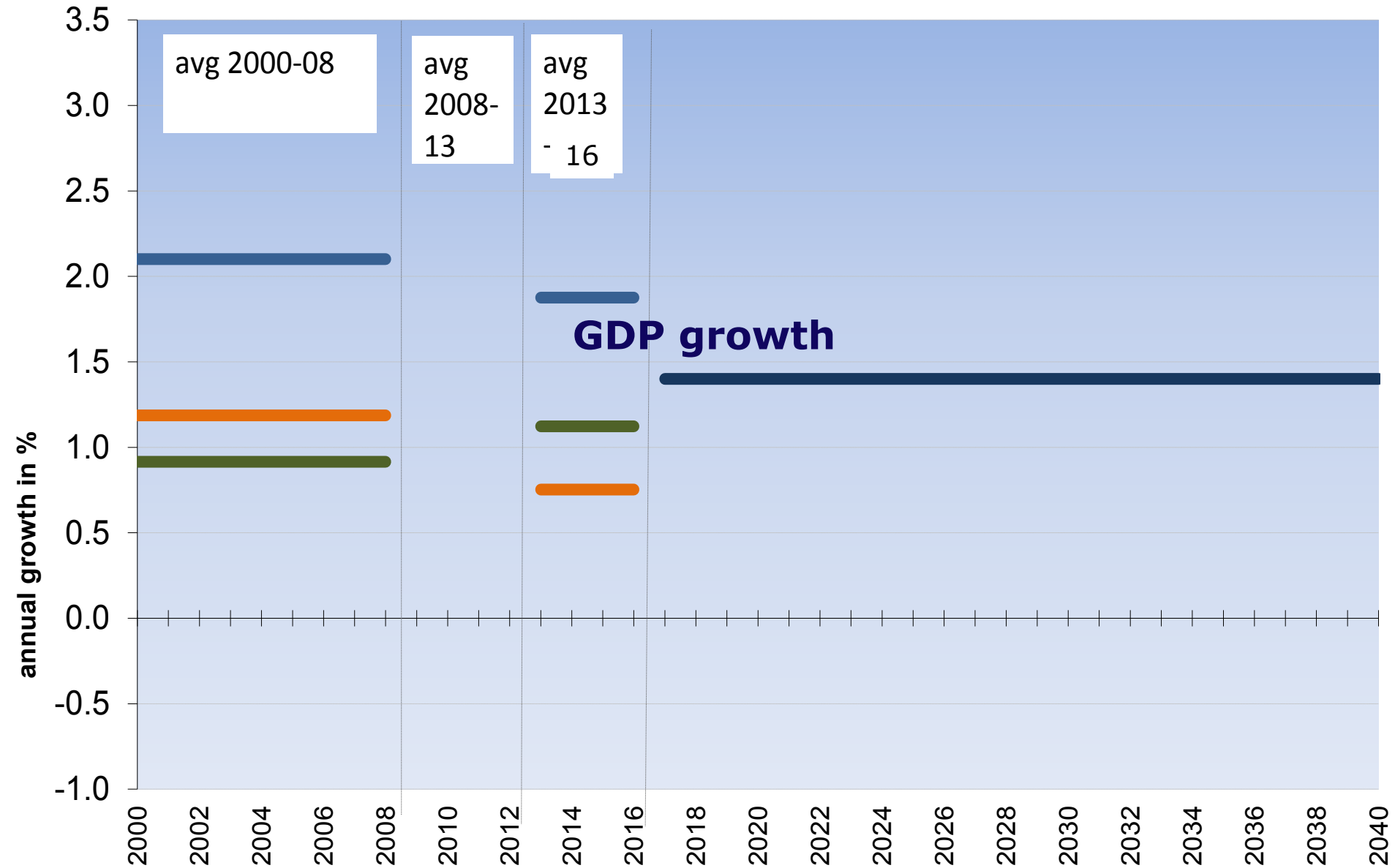
.. with implications for growth!



EU-28



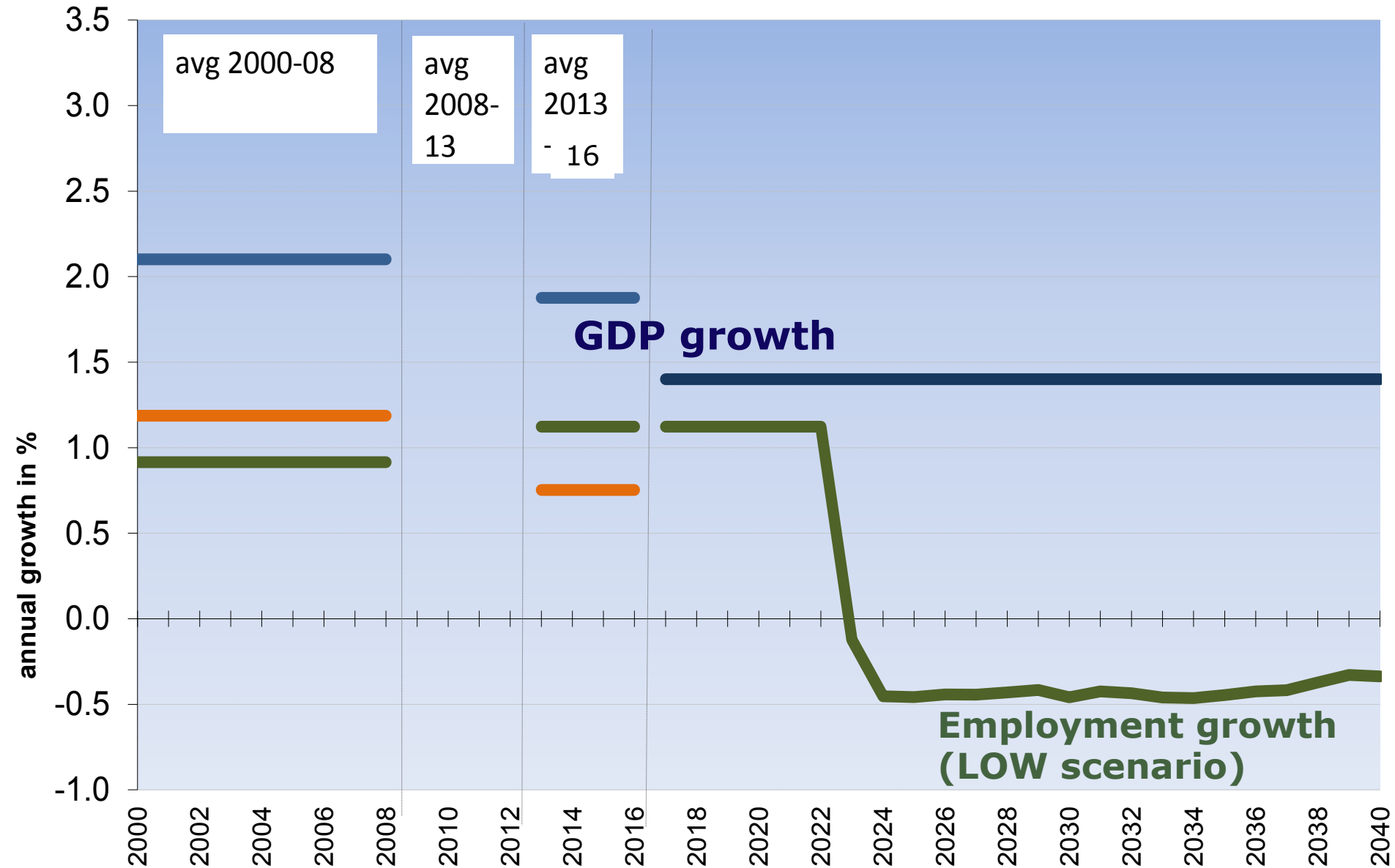
.. with implications for growth!



EU-28



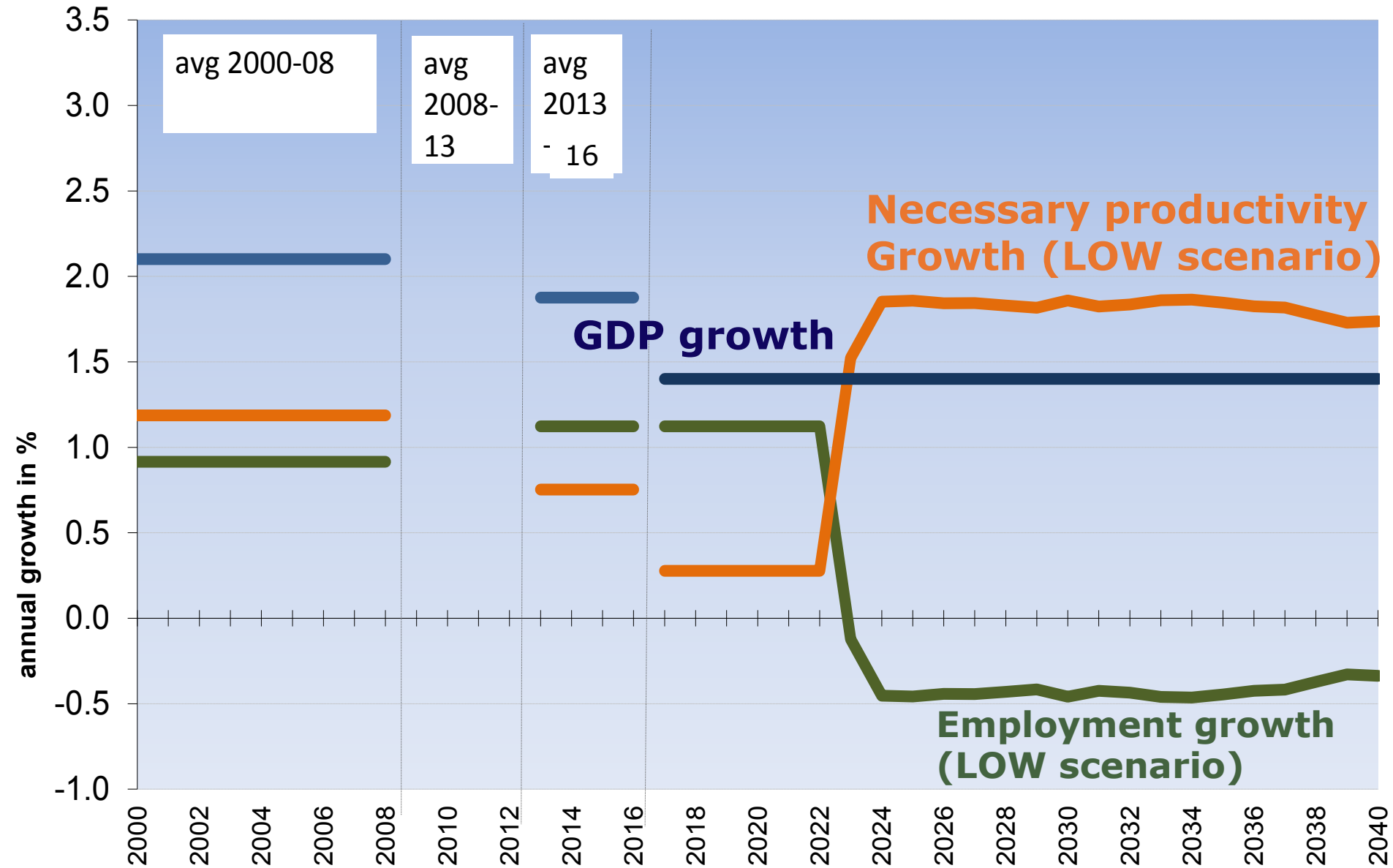
.. with implications for growth!



EU-28



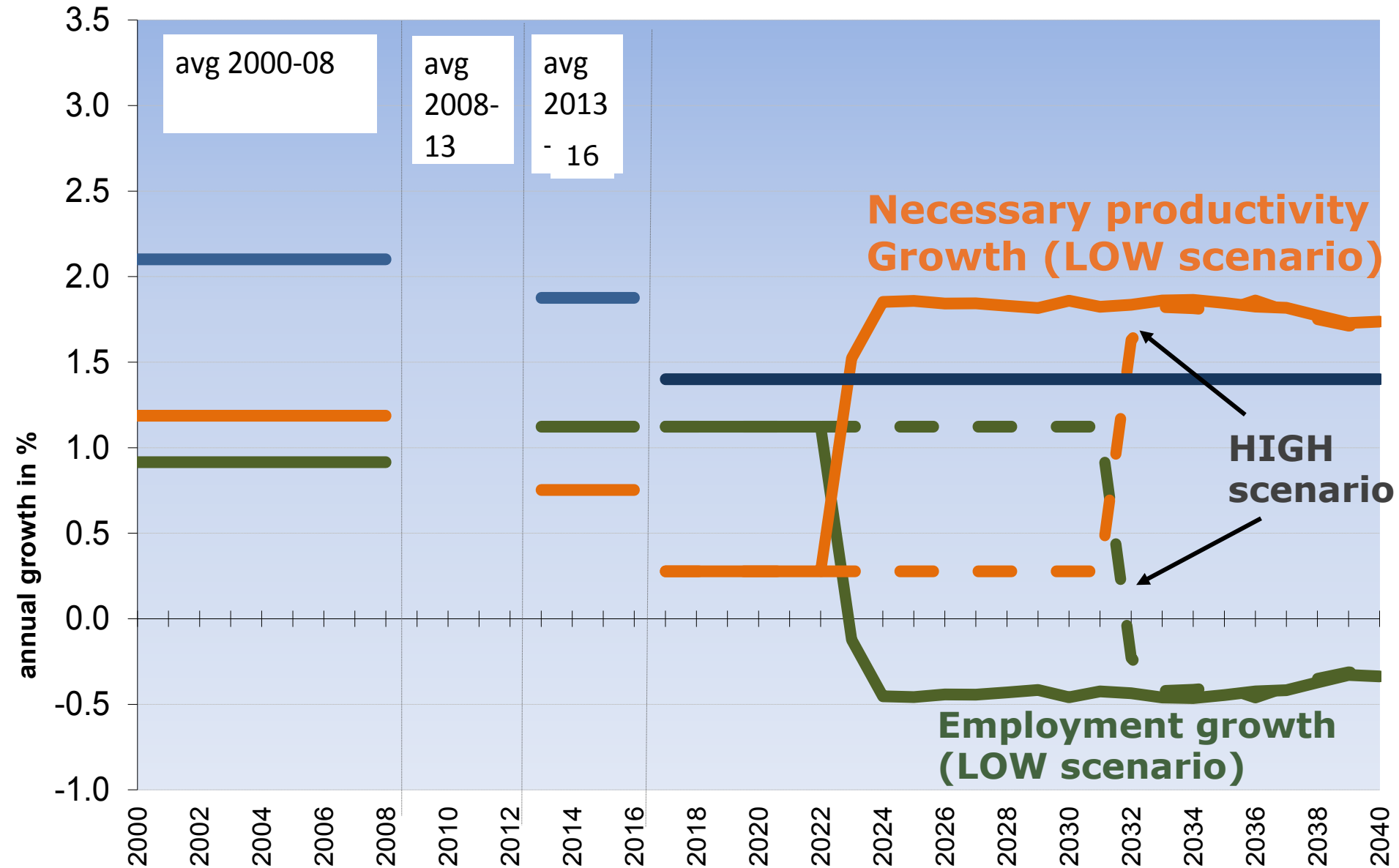
.. with implications for growth!



EU-28



.. with implications for growth!



Own calculations based on Eurostat 2015 population projections, Eurostat LFS, Eurostat National Accounts

Employment will decline sooner or later. To maintain GDP growth, we need to raise productivity growth.

Three scenarios for future productivity growth

Growth decline
No acceleration
of productivity
growth

**Growth
scenario I**
Higher
productivity
growth
through
capital
deepening
(only)

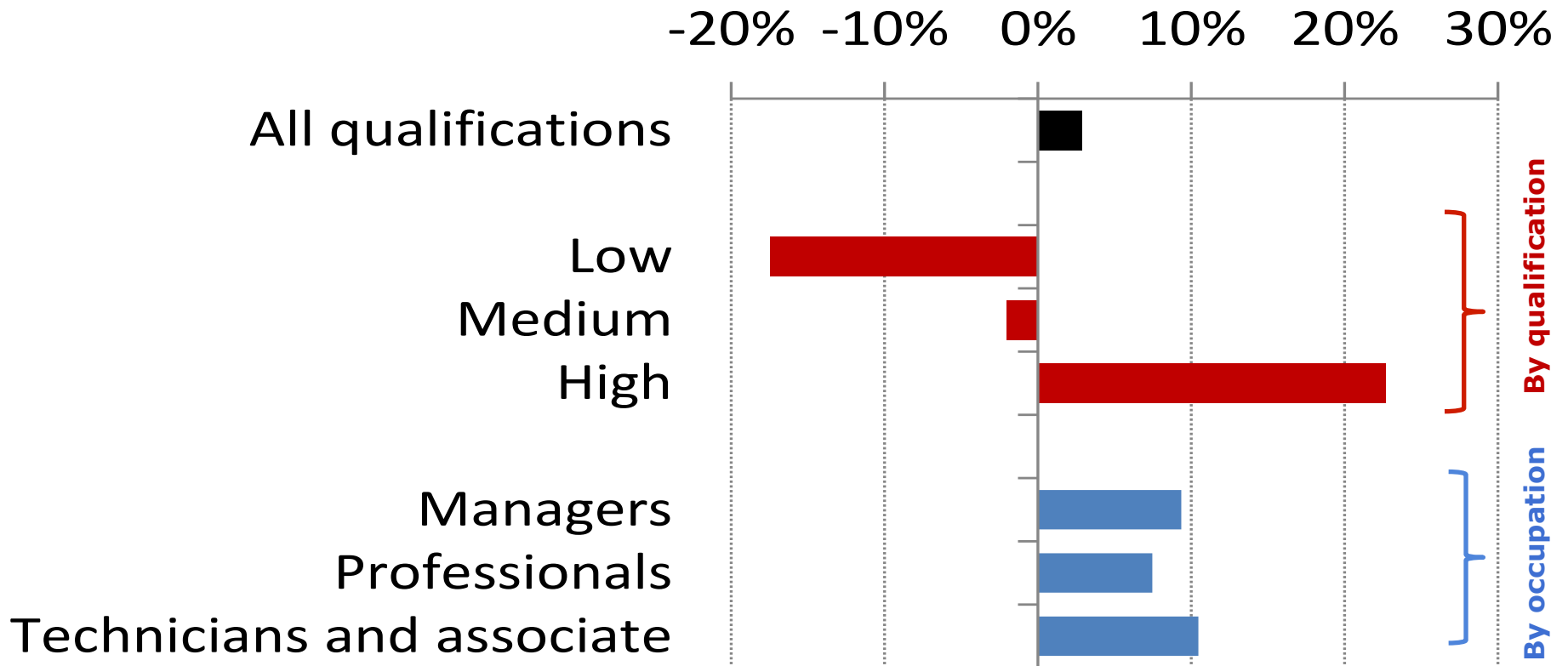
**Growth
scenario II**
Higher
productivity
growth
through
innovation:
invest in skills
and education

Conclusions

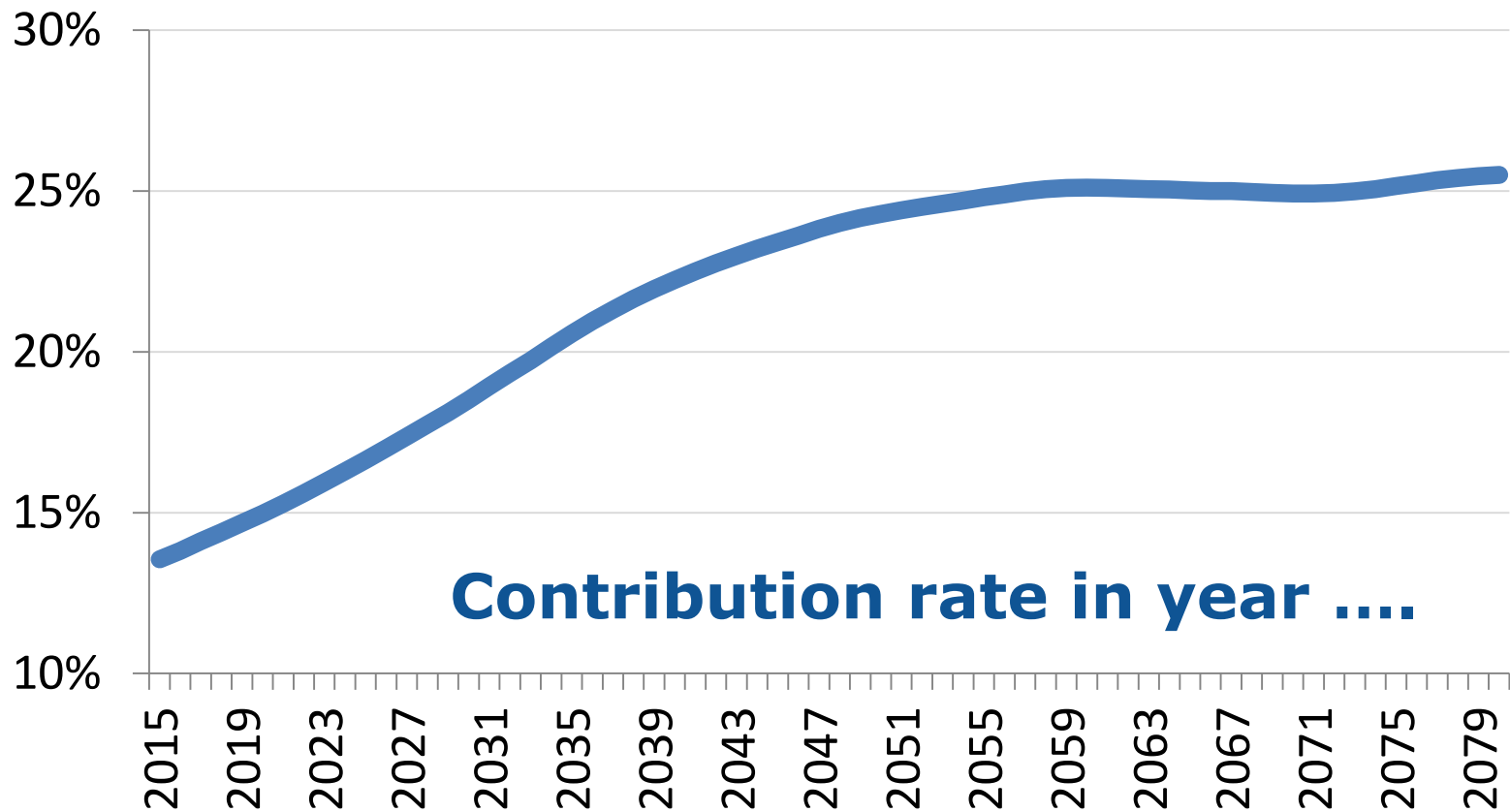


Qualification matters: Cedefop skills forecast

Forecast employment change 2015 -> 2025



No reform: Pension level at 47%:



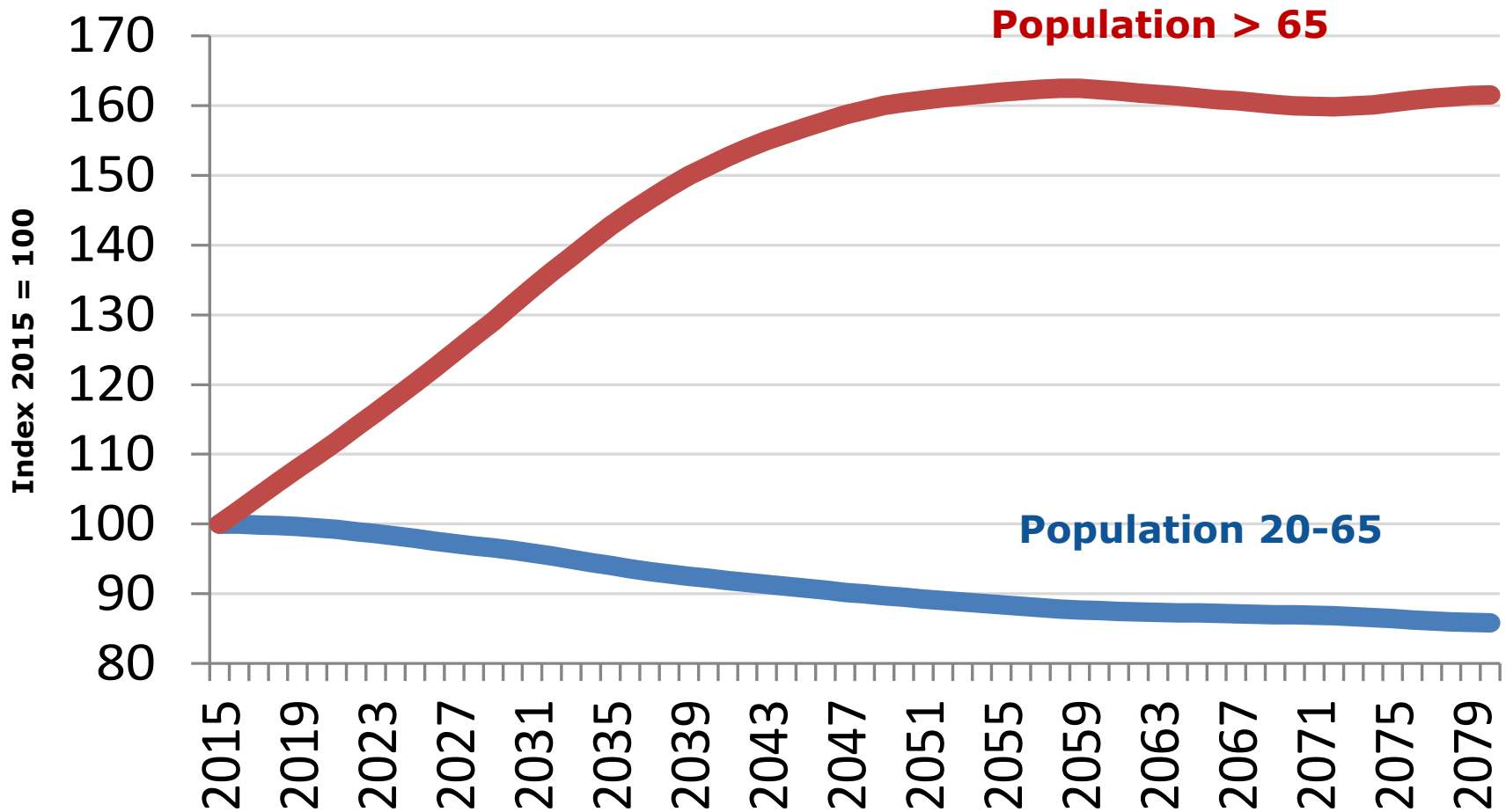
Imagine...

- the EU is one country, one pension system with one single contribution rate.
- everybody 20-65 is working and
- everybody 65+ receives a pension (**47%** of avg wage).

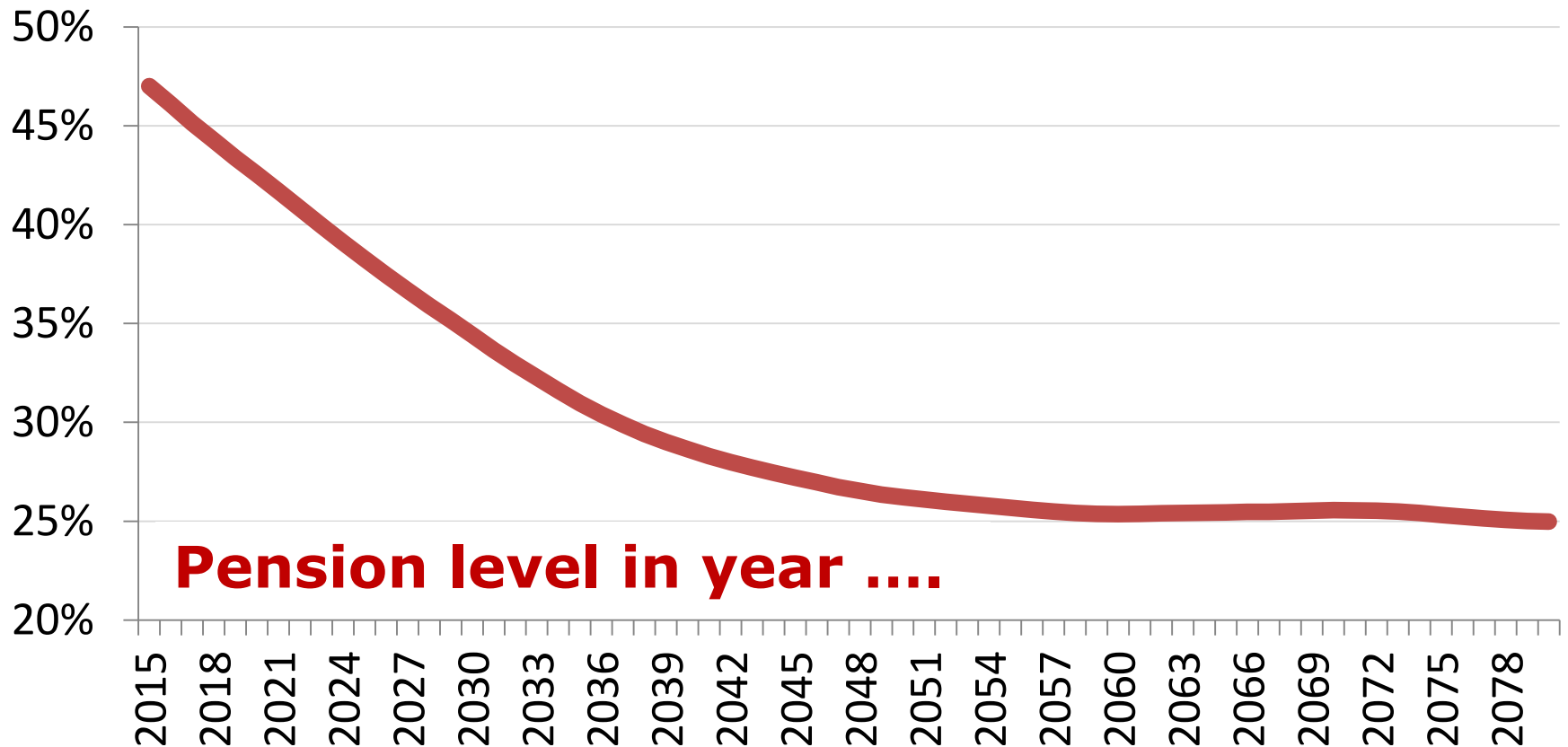
Then today's pension contribution rate would be **14%** of that wage.

Can we keep those levels?

Hardly....

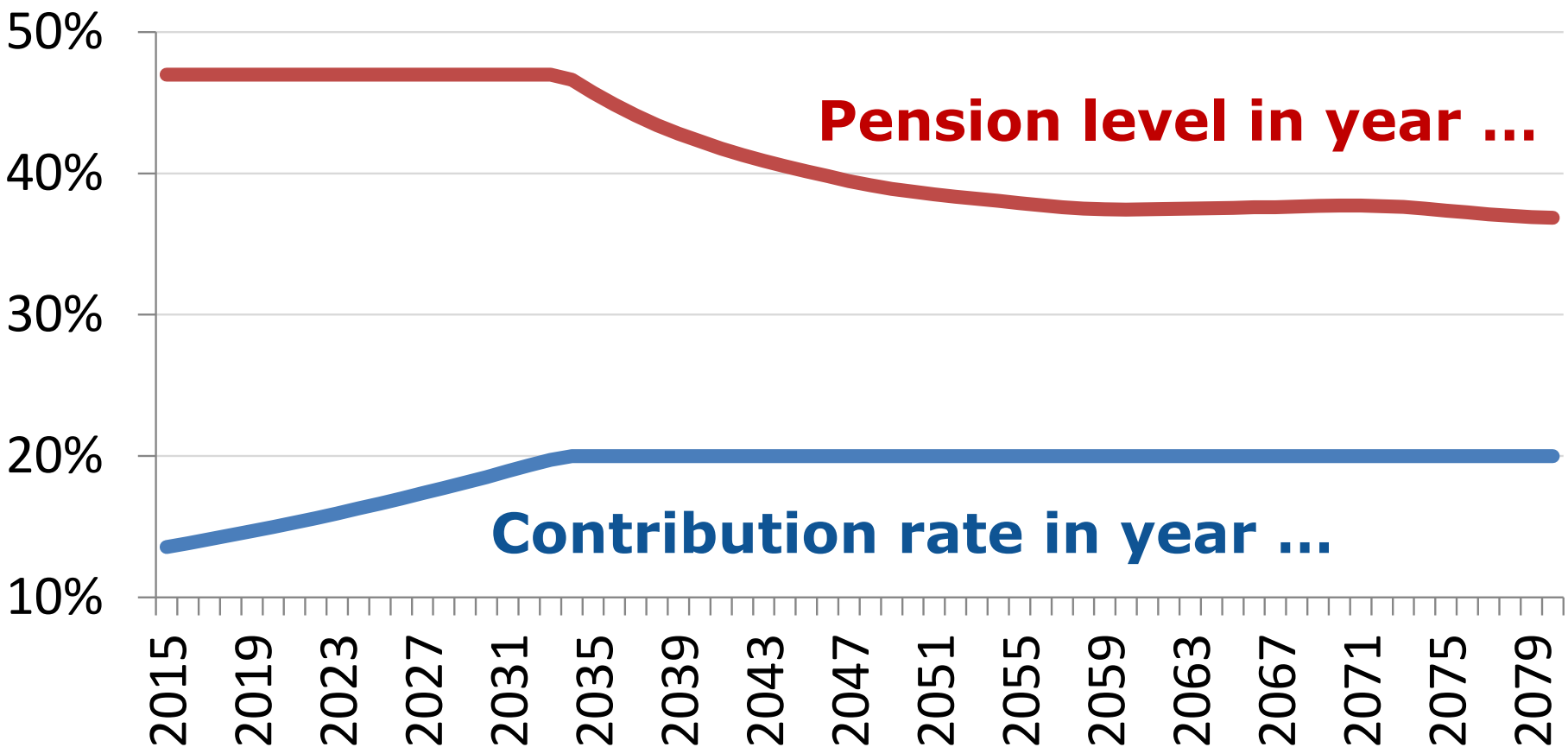


Full reform: contribution rate at 14%



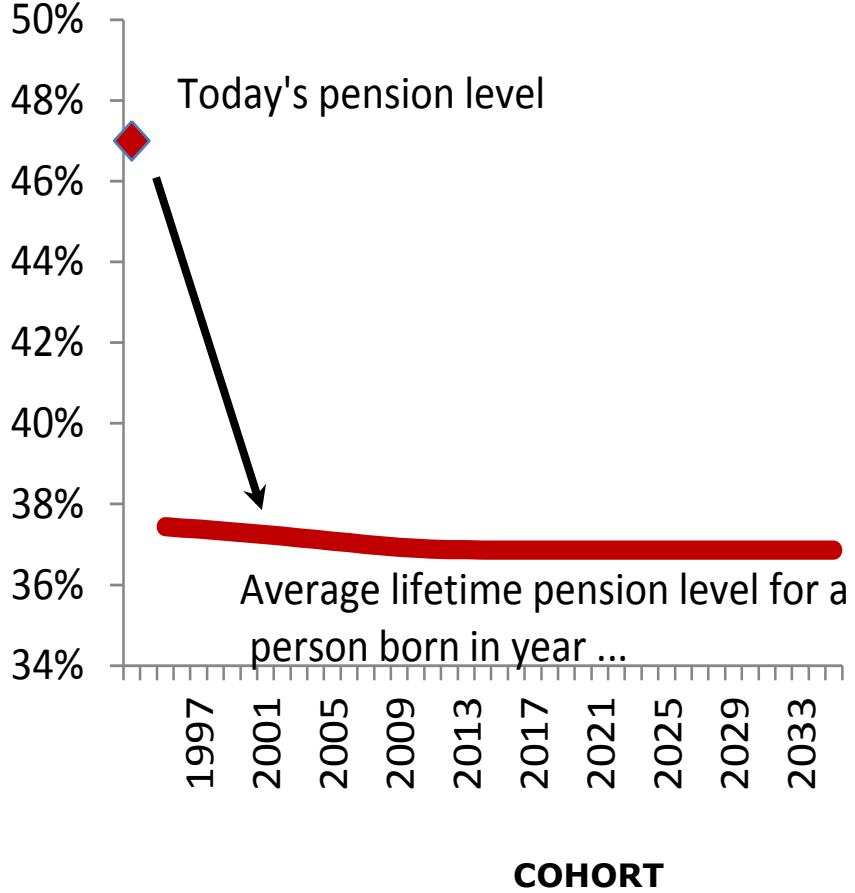
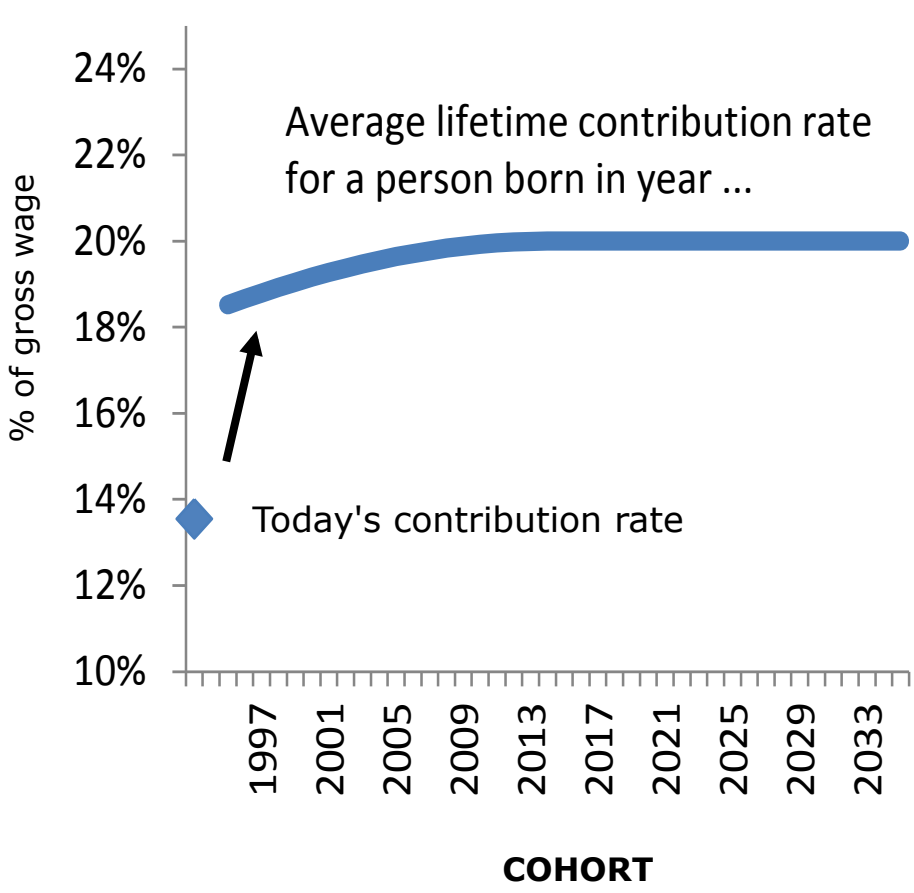


Probably : Higher CR inevitable, but we limit the increase. (say: 20%)





This implies: 'Double burden' for today's young workforce and those not yet born



Labour market policies can help.

Model simulations presented in ESDE: Policies targeted to older workers

- ➔ Reforms in the pension system (FI):
coupling pensionable age, pension level to life- expectancy
- ➔ Better labour market matching through LM integration support (DE)
- ➔ Tax incentives (SE): payroll and income tax cuts

Main transmission channels:

- Strengthen employment incentives
- Improve employability
- Contain increase of labour costs.



Today's young generations remain disadvantaged on the labour market. This is a concern because ...

... young people and future cohorts will need to speed up productivity – and bear the 'double burden' of demographic change.

How to strengthen the EU's transformative capacity for better long-term resilience?

- **Engage in pension reforms**
- **Activate people on the labour market, fully using available human resources**
- **Invest in people's employability (skills, education) to enhance their productivity**

Thank you for your attention!

Employment and Social Developments in Europe

Annual Review 2017



[Link to ESDE 2017 report](#)

