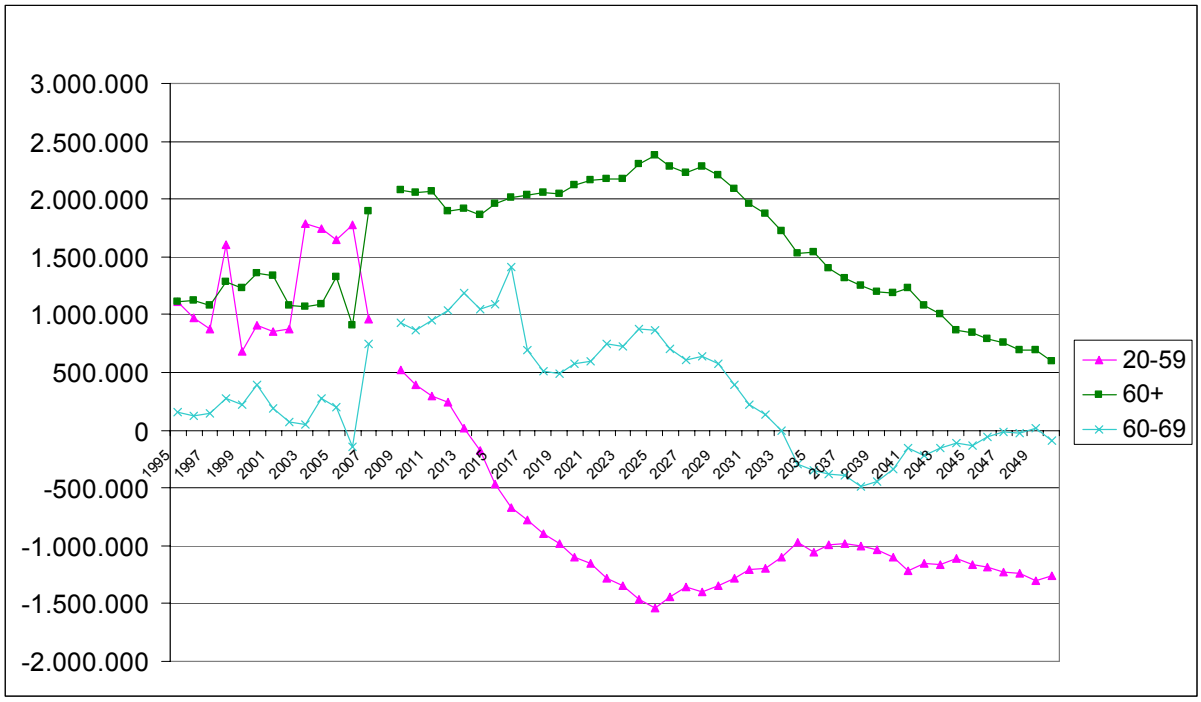
3. OPPORTUNITIES AND NEEDS IN AN AGEING SOCIETY

The population pyramids presented in Chapter 1 clearly show the marked increase in cohort sizes just after the end of World War II. Sixty years later, the first of these large cohorts born over a period of 20-30 years are beginning to retire, signalling a turning point in the EU's demographic development: population ageing no longer lies in a distant future. The Commission's Renewed Social Agenda1 identified Europe's ageing society as a priority area, stressing the need for a variety of policy responses. This chapter highlights the potential that the still healthy and fit baby-boom cohorts represent for Europe and explores, as announced in the Renewed Social Agenda, the actions required to meet the needs of an ageing population.

Over the past decade, both the population of working age (20-59 years) and the population aged 60 years and above grew by 1 to 1.5 million people per year on average. From now on, the population aged 60 years and above will be growing at the rate of 2 million people every year for the next 25 years. The growth of the working age population is slowing down rapidly and will stop altogether in about 6 years; from then on, this segment of the population will be shrinking at the rate of 1 to 1.5 million people each year, as illustrated by Figure 3.1.

Figure 3.1: Population change over previous year, EU 27, 1995-2049



Source: calculation based on Eurostat demographic data, including EUROPOP2008 convergence scenario projection from 2009 onwards.

Societies have to adapt to this rapidly changing age structure. This implies first of all offering the increasing number of older people better opportunities to make an active contribution to the economy and to society. In 2007, by the age of sixty, only about 48% of men and 31% of women were still in employment. Yet, most people in this age group are still fit and capable of contributing to the economy and society. Employment rates of people aged 55-64 are

1 COM(2008) 412 of 2 July 2008.

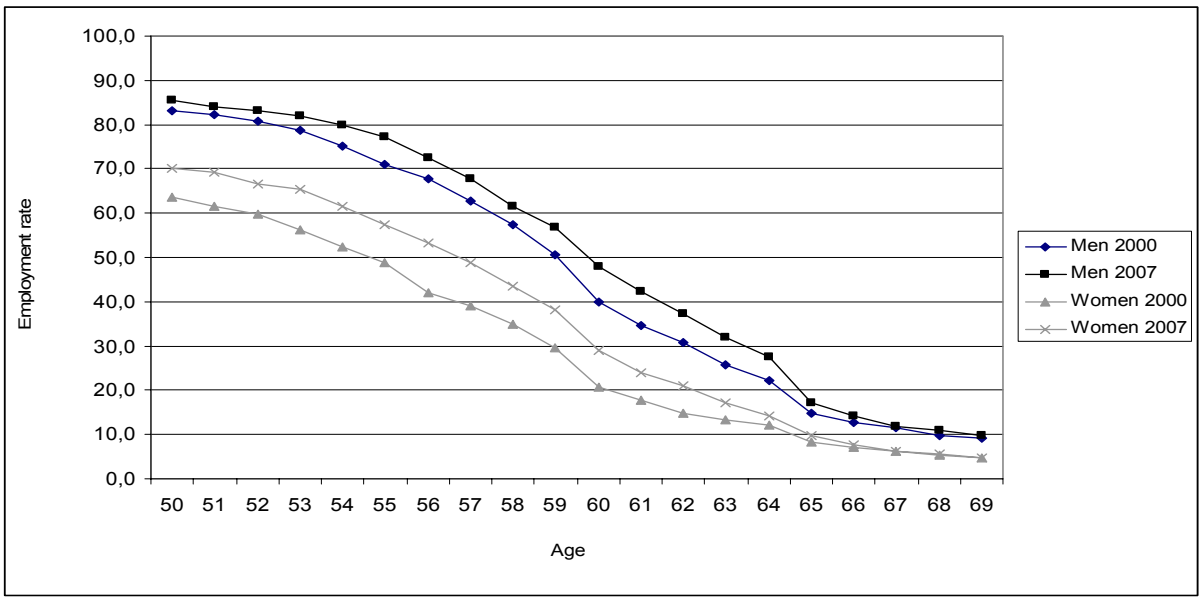
already rising, reversing the past trend towards ever earlier retirement. This is a clear indication that the Lisbon strategy is working even if more needs to be done. Moreover, a recent Flash Eurobarometer opinion poll revealed that three-quarters of respondents would consider participating in community work or volunteering after they retire (see box 3.1 below). It will also be necessary to ensure that older people have adequate incomes in retirement as well as access to goods and services that allow them to preserve, for as long as possible, their autonomy. There is a need to strengthen solidarity with frail older people who have become dependent on the help of others and who, as a result, are particularly vulnerable.

This chapter provides data related to the first of these three policy priorities, i.e. opportunities for an active contribution to the economy and society. New data sources will become available over the coming years that will allow an analysis of access to goods and services and the need for long-term care. Further work is also required on the quality of care and the prevalence of elder abuse and neglect.

3.1. Older people in employment[2]

Between the age of 50 and 70, labour force participation rates decline steadily. For the EU as a whole, 85% of men aged 50 are in employment and 70% of women. By the age of 69 for men and 66 for women, the employment rate falls below 10% (see Figure 3.2). However, a significant change can be observed since the year 2000: employment rates have risen markedly at almost all ages, in particular between 54 and 61 years for women and the early sixties for men. An additional ten percentage points of women and men aged 60 are now in employment, compared to 2000. Due to the baby-boom, these cohorts are particularly large, so that an increase in the employment rate will have a strong impact on total employment.

Figure 3.2: Employment rate of persons aged 50-69 in the EU-27, by gender and age, 2000 and 2007



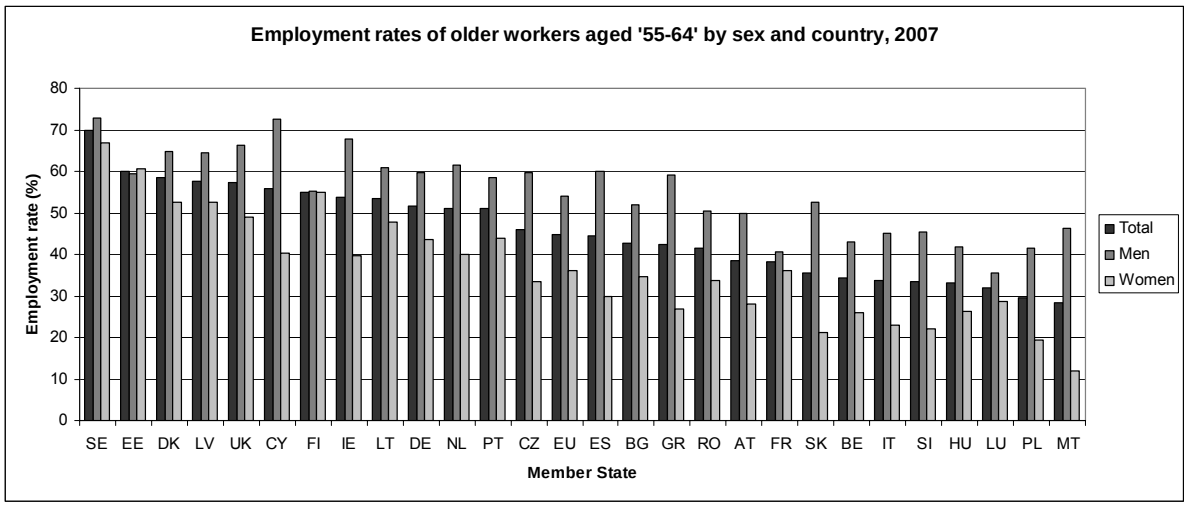
Source: Eurostat, Labour Force Survey.

[2] See also chapter 2 of the 2007 Employment in Europe Report. http://ec.europa.eu/employment_social/employment_analysis/employ_2007_en.htm

The EU has thus made significant progress towards the target set by the Stockholm European Council within the framework of the Lisbon Strategy, namely to raise the employment rate of people aged 55-64 to 50% by the year 2010. In 2007, 12 Member States had reached the target, among them all the Nordic and Baltic countries (see Figure 3.3). The EU-27 average employment rate for people aged 55-64 increased by nearly eight percentage points from 36.9% in 2000 to 44.7% in 2007. For the prime working age group (25-54), the increase was only 3.1 percentage points, mostly due to the increased labour force participation of women in this age group.

Significant differences exist across Member States as far as the employment of older workers is concerned. Sweden has by far the highest employment rate at 70%, 10 points higher than the countries in second and third position (Estonia and Denmark). Poland and Malta have the lowest rates, below 30%. A few countries are distinguished by the small gap in the employment rate between women and men: Estonia, Finland, France and Sweden.

Figure 3.3: Employment rates of older workers aged 55-64, by gender in EU-27, in %



Source: Eurostat, Labour Force Survey.

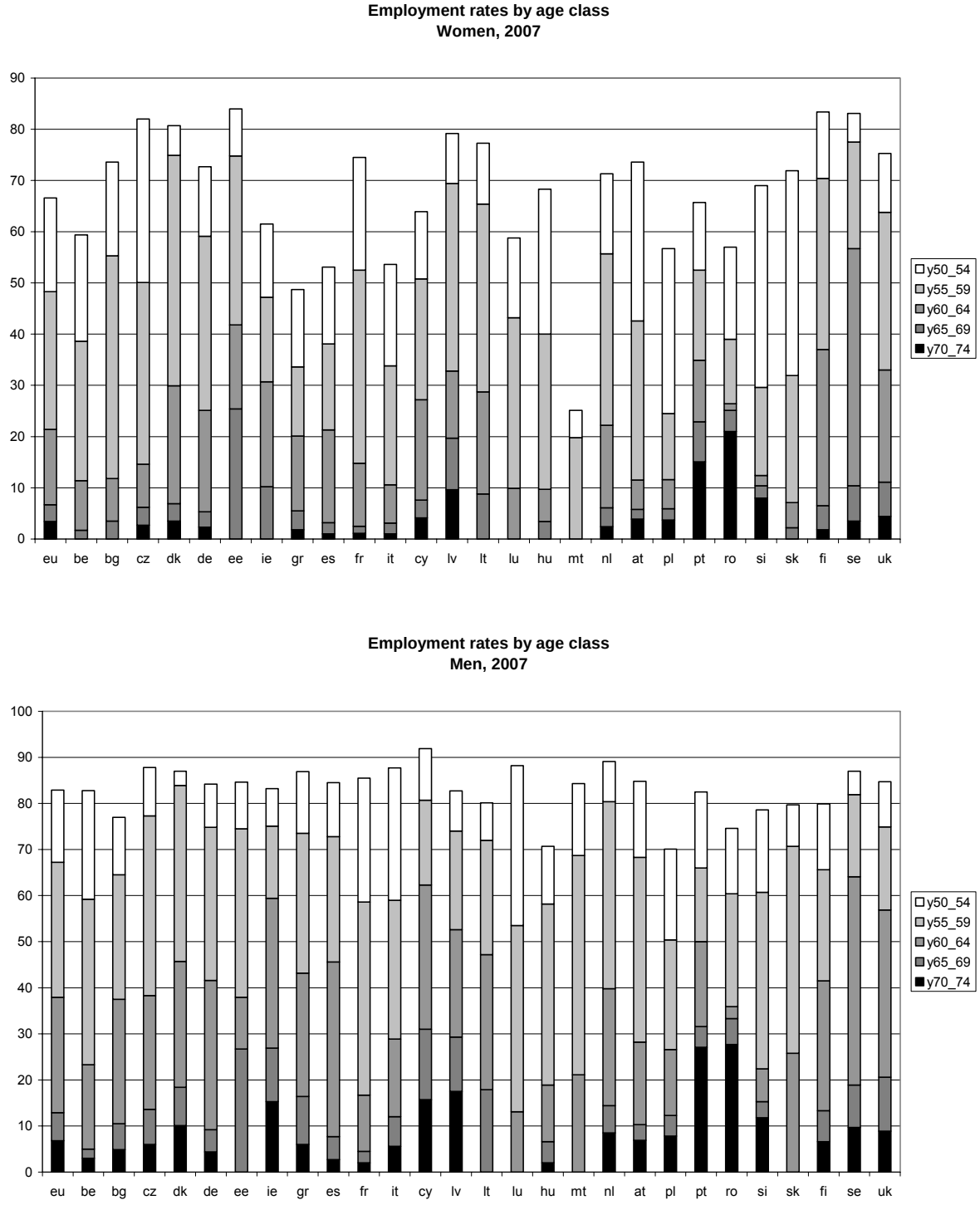
Figure 3.4 shows how employment rates decline with age. The chart displays employment rates for five-year age classes from 50-54 to 70-74 and illustrates in which of age groups the largest number of labour market exit is most frequent. A significant proportion of both women and men in EU-27 already leave the labour market in their mid-fifties: between the age groups for 50-54 and 55-59, the employment rate falls by 15.7 points in the case of men and 18.3 points in the case of women. The biggest falls for both women and men occur between the age groups for 55-59 and 60-64: 29.3 points for men and 26.9 points for women. Very few stay on the labour market beyond the age of 65, which is the statutory retirement age in many Member States: in the age group 65-69, the employment rate falls by further 25 points for men and 14.7 points for women.

The patterns of labour market exit differ significantly from one country to another. Some countries display large falls in employment rates at a young age: Czech Republic for women, but not for men, Luxembourg for men, but less so for women, Poland, Slovenia and Slovakia for women. Sweden's success in achieving the highest employment rate of older workers is largely due to the fact that labour force participation remains very high up to the age class 60-64 and only drops sharply thereafter. Denmark, which also has a high labour force

participation rate for older workers (55-64), by contrast, sees its employment rates already fall sharply between the age groups 55-59 and 60-64.

A handful of countries record employment rates above 20% in the age group 65-69 years. This is the case for women in Romania and Portugal, with Latvia almost reaching 20%. Around 30% of men aged 65-69 are still in employment in Romania, Portugal, Cyprus and Latvia, followed by Estonia and Ireland with about 27%.

Figure 3.4: Employment rates of older workers in EU-27, by age group*, in 2007



Source: Eurostat, Labour Force Survey. For some countries, employment rates at higher ages are not available (the column does not display the corresponding segments in those cases).

* For some countries, employment rates are not available. In such cases, the bar does not show the corresponding segment. Some employment rates in higher age groups are uncertain or unreliable.

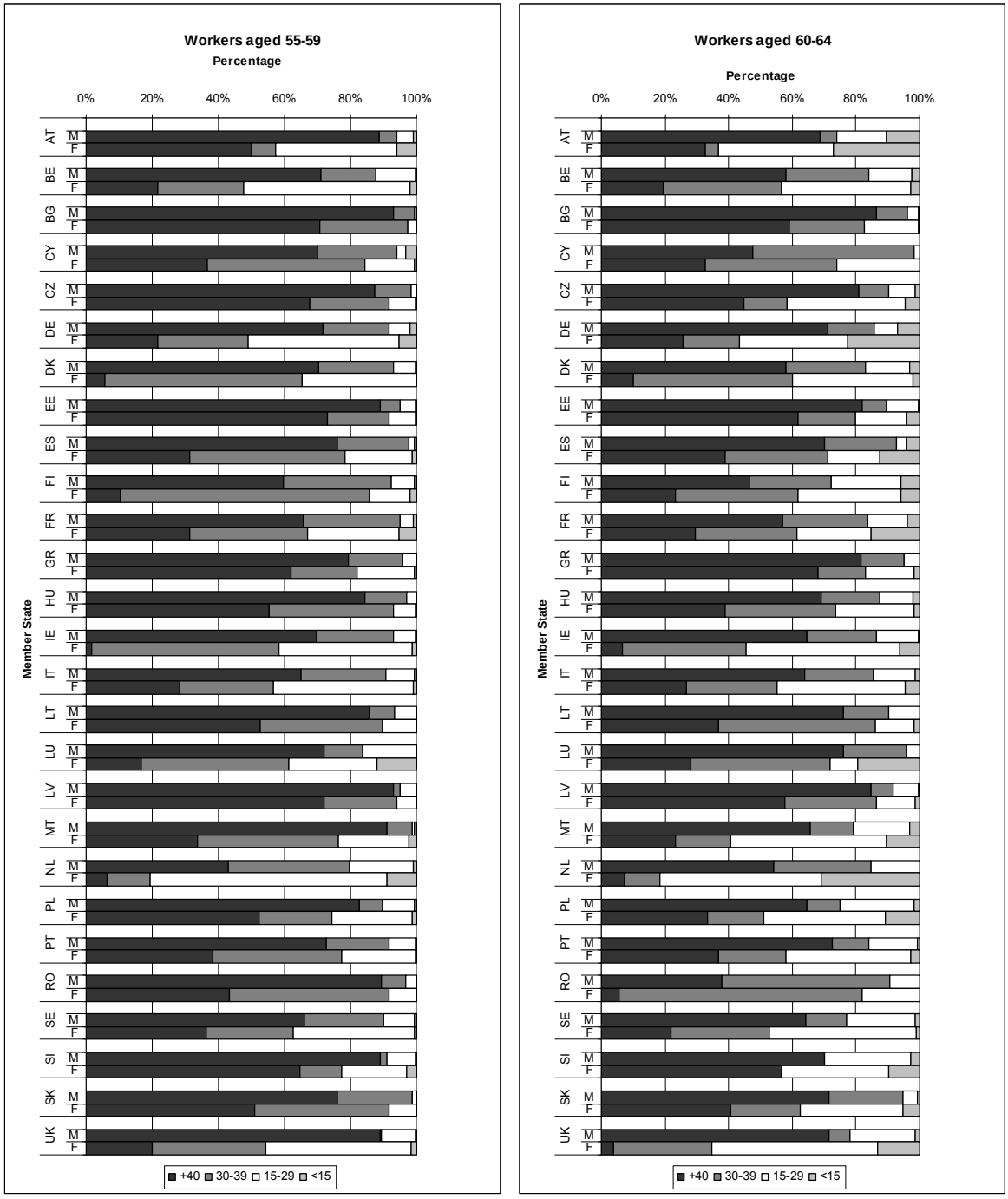
The employment rate data presented above do not take account of the number of hours worked. Figure 3.5 presents the distribution of older male and female workers by the number of hours worked. The majority of men aged 55-64 worked 40 hours or more per week, whereas, in most Member States, only a minority of women worked so many hours. In 2007, 22.2% of all European workers aged 55-64 said that they worked part-time[3]. For women aged 55-64, the prevalence of part-time working was much higher than for men: 38.3% compared to 10.9% for men.

The proportion of part-time employment among older workers is higher than among prime-age workers: in the 25-49 age group, 15.7% were working part-time (4.7% of men and 29.1% of women). However, particularly for older men below the statutory retirement age, the choice is typically between full-time work and complete labour market exit. Gradual retirement in the form of part-time working is not yet very widespread.

The vast majority of older part-time workers would not want to work full time. Only 15.5% of older part-time workers said that they had accepted a part-time job because no full-time job was available (the proportion was slightly higher for men than for women: 16.8% compared to 15%).

[3] The classification as part-time worker in the Labour Force Survey is based on spontaneous answers given by respondents as there is no common definition of the working time that would constitute full-time employment.

Figure 3.5: Working hours (usual) of older workers, aged 55-59, and 60-64, by range of hours and gender, in 2007, EU-27



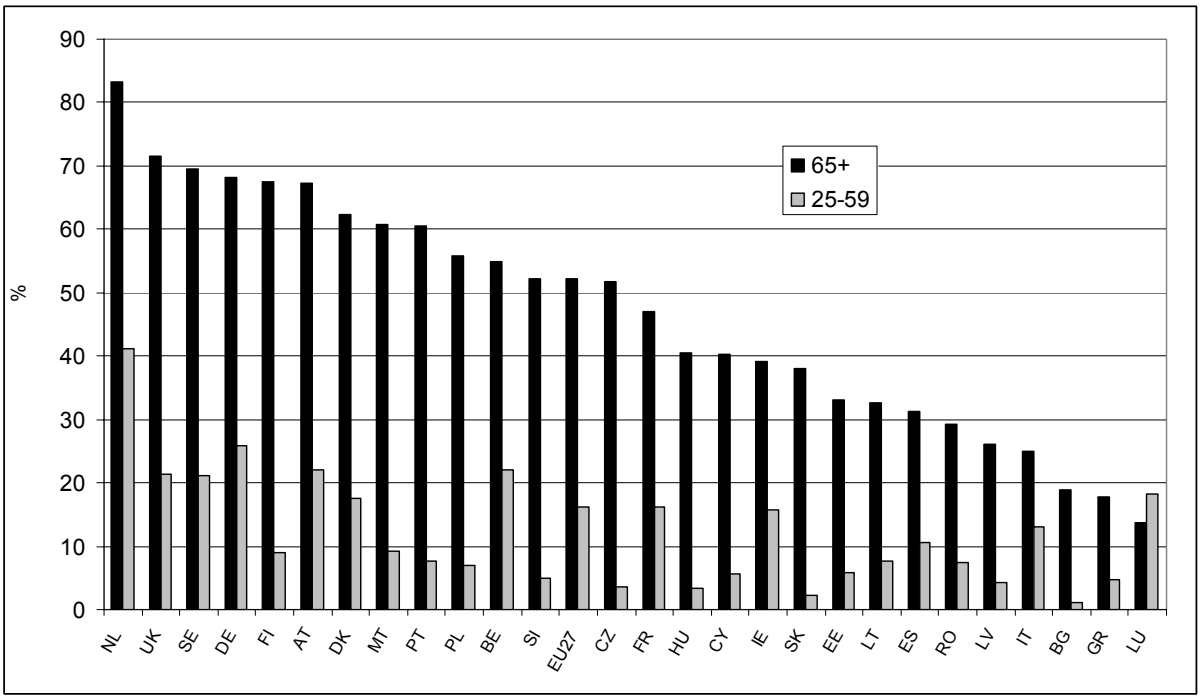
Source: Eurostat, Labour Force Survey.

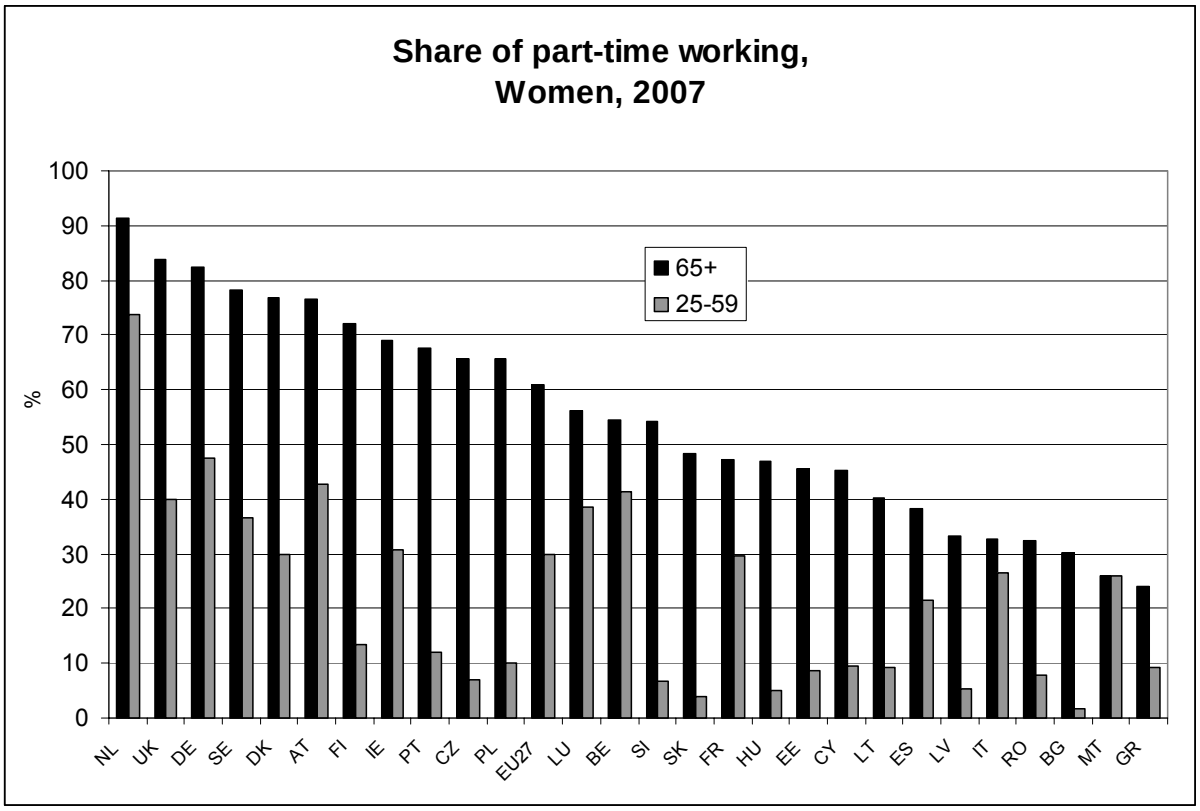
A different picture emerges with regard to part-time employment for the few people who remain in employment at the age of 65 and over. In EU-27, more than half of workers aged 65+ work part-time (see Figure 3.6). The figures are particularly high in the Netherlands (where part-time work is common across the age groups, among both women and men), the UK, Sweden, Germany, Finland and Austria.

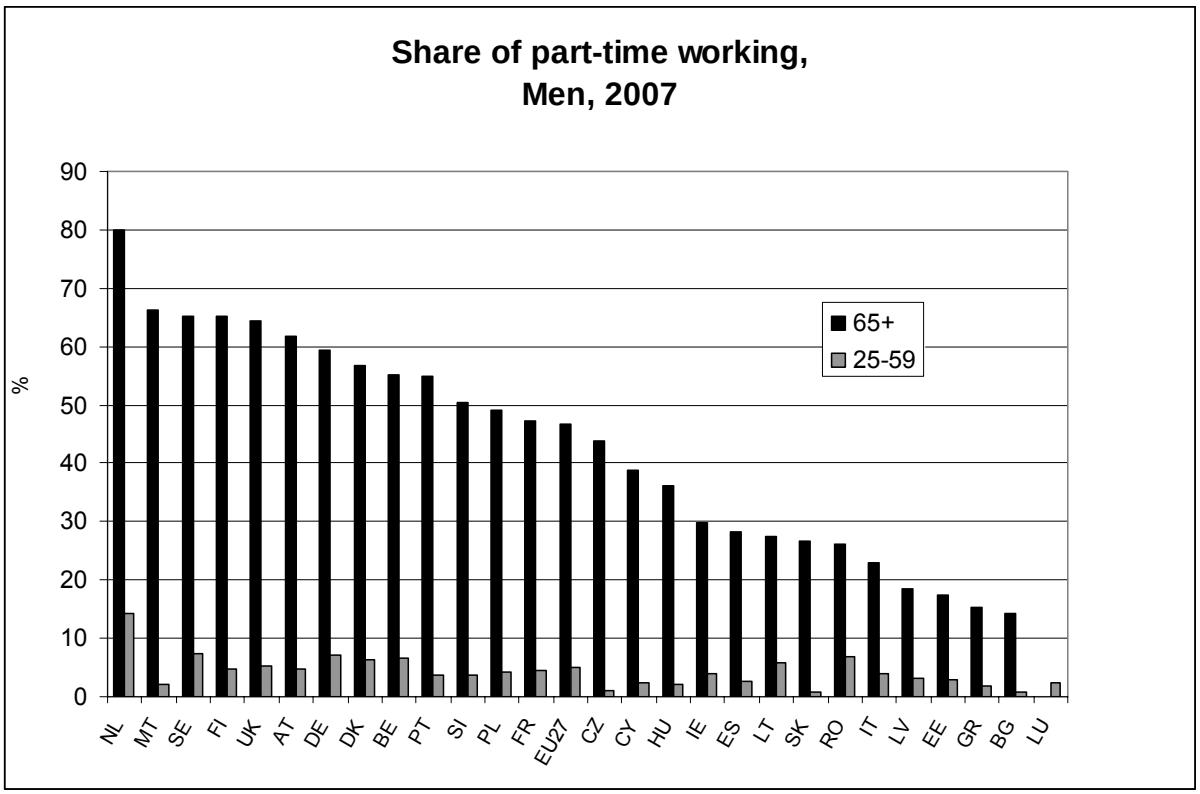
The pattern of part-time working at the age of 65+ differs much less between women and men. However, the prevalence of part-time working is still lower for men than for women.

These data suggest that part-time working can be a useful option for continuing labour force participation.

Figure 3.6: Part-time working among older and prime-age workers, men and women, 2007, in %



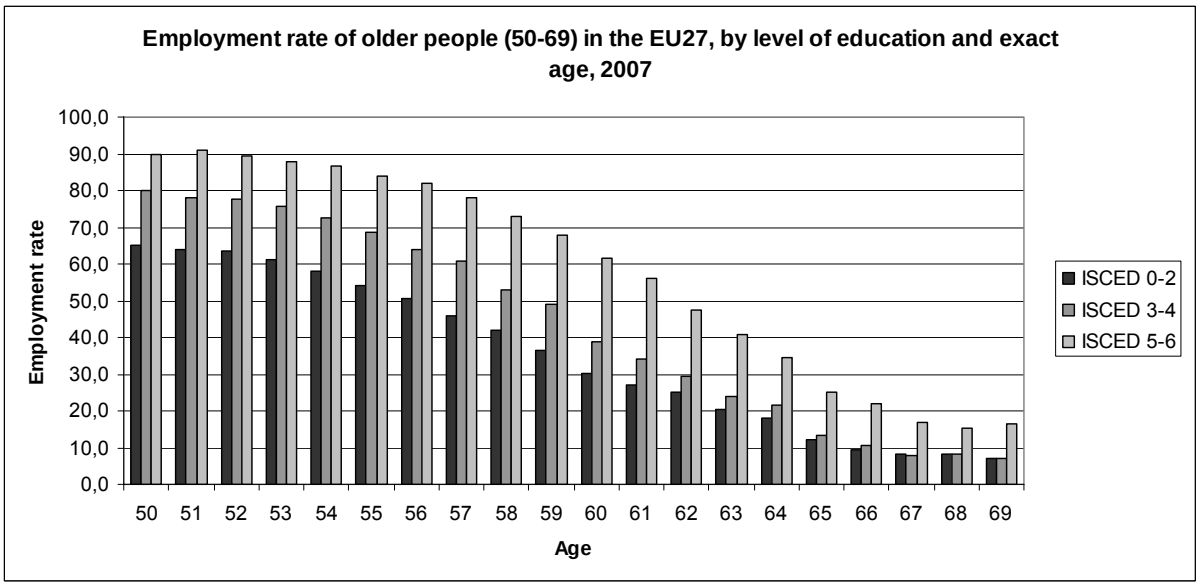




Source: Eurostat, Labour Force Survey.

In the 50+ age groups, the employment rate depends very much on their level of education (see Figure 3.7). In this age group, the gap in the employment rate between people with the highest level of education and those with the lowest level is about 25 percentage points at the age of 50, and more than 30 points in the late fifties. At the age of 65 or older, people with the highest level of education are twice as likely to be in employment as those with lower levels of education, but only about one in six of those with a high level of education will still be in employment after the age of 67.

Figure 3.7: Employment rates of older people (50-69) in EU-27, by level of education* and age, in 2007



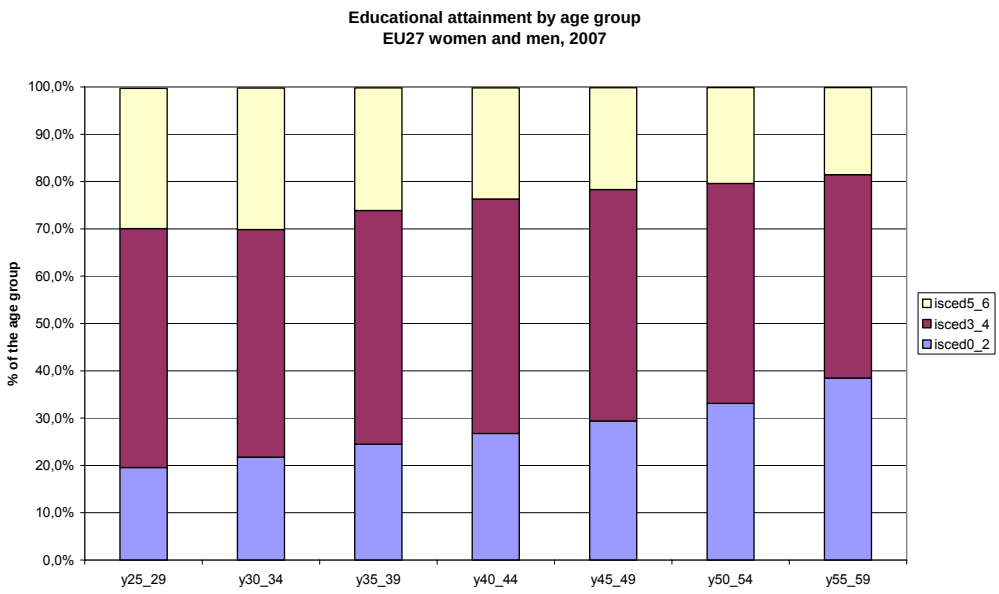
Source: Eurostat, Labour Force Survey.

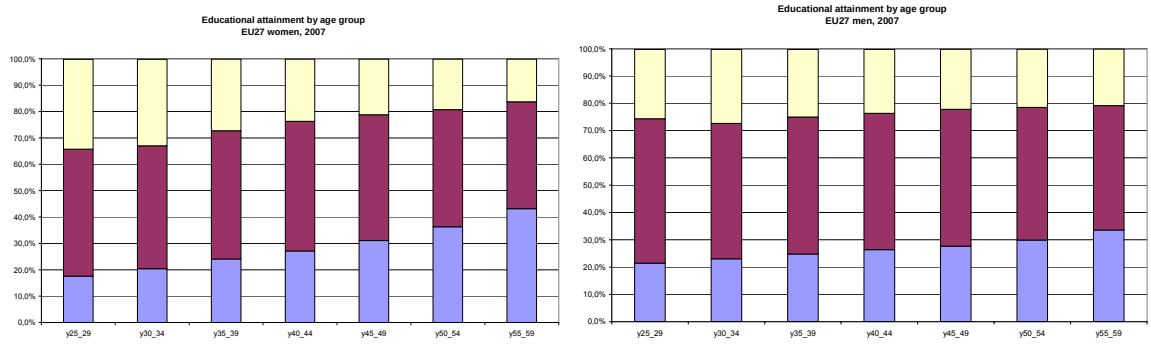
* Level of education is coded according to the International Standard Classification of Education 1997. Lower secondary corresponds to ISCED1, 2 and 3c short programmes, upper secondary to ISCED 3a, 3b, 3c long and ISCED 4 programmes, tertiary to ISCED 5 and 6 programmes.

The baby-boom cohorts started to benefit from the expansion of higher education in the 1960s and 1970s. The proportion of people with high levels of educational attainment is higher among younger than among older cohorts. This can be seen in Figure 3.8, which presents the distribution of the population aged 25-59 by level of education. Whereas almost 40% of those aged 55-59 had a low level of education, only about 20% of those aged 25-34 were in this situation. The reverse can be observed for tertiary-level education: 20% of those aged 50-59 had a university education, compared to 30% of those aged 25-34. The proportion with intermediate levels of education also increases in the younger age cohorts.

The trend towards higher levels of educational attainment is particularly pronounced in the case of women. The proportion of women with a low level of education is high in the oldest age class: 43.2% compared to 33.5% of men. The situation is very different for younger women aged 25-29: only 17.6% have the lowest level of education, compared to 21.5% of men. The same reverse relationship can be observed for the highest level of education: 34% of women aged 25-29 have completed tertiary education, compared to 25.3% of men in the same age group. In the age group 55-59, by contrast, men have the edge over women with 20.7% of men having achieved tertiary education compared to 16.2% of women.

Figure 3.8: Educational attainment* by age group, women and men, EU-27, 2007





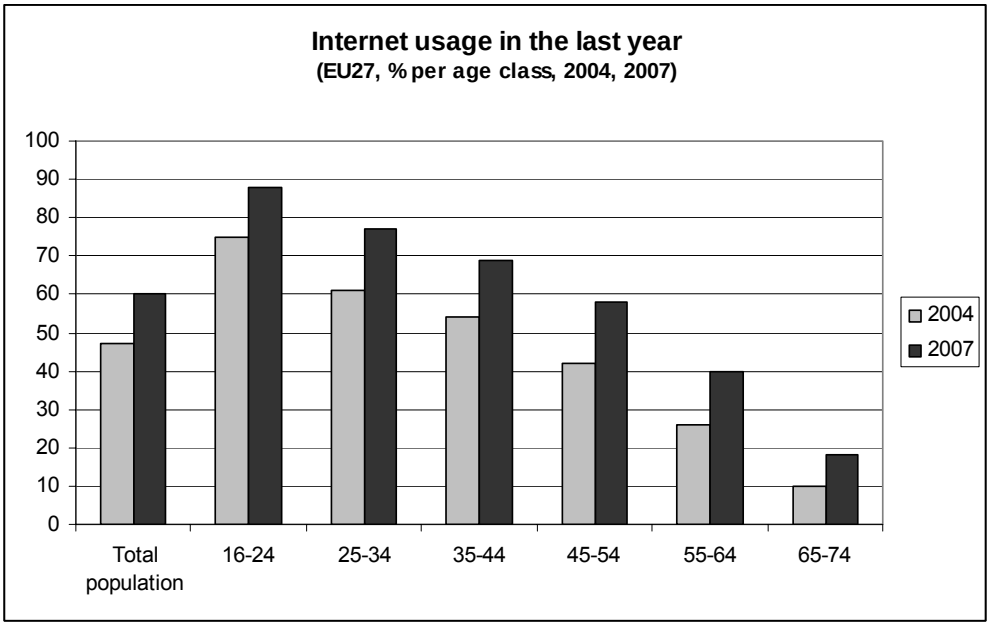
Source: Eurostat, Labour Force Survey.

* Level of education is coded according to the International Standard Classification of Education 1997. ISCED: 1 Primary education; ISCED 2: Lower secondary education; ISCED 3: Upper secondary education; ISCED 4: Post secondary education, non-tertiary; ISCED 5: Tertiary education; ISCED 6: Postgraduate education. Lower secondary corresponds to ISCED 1,2,3c short, upper secondary to ISCED 3a, 3b, 3c long , 4 and tertiary to ISCED 5 and 6.

Low digital literacy may increase the likelihood of older workers dropping out of the job market prematurely. Internet usage among senior citizens, measured by the figures for those who have used the Internet in the year preceding the survey, still varies greatly between Member States. The largest take-up across all age groups can be observed in the Nordic countries, as well as in the Netherlands and Luxembourg. Most new Member States and the Southern countries lag behind, some well below the EU-27 average (see Table 3.1).

Internet usage declines sharply from the youngest to the oldest age groups. In the age group 55-64, it is only about half the level recorded for people up to the age of 35, putting many older workers at a disadvantage on a labour market where skills in using computers and the Internet are becoming more and more important. The age gradient in Internet usage is likely to reflect how early in life people are exposed to ICT and the Internet. New cohorts entering the higher age brackets can be expected to be much more willing to embrace these new technologies and the age gradient can be expected to flatten over time. This can already be seen between 2004 and 2007: the increase in Internet usage has been most marked in the older segments of the population, albeit starting from a very low level. Internet usage rose by 54% among people aged 55-64 and 80% among those aged 65-74 (compared to an overall average increase of 28%) (see Figure 3.9).

Figure 3.9: Internet usage by age group in EU-27 over the past year, 2004, 2007, in %



Source: Eurostat, Information society statistics.

Table 3.1: Percentage of individuals in EU-27 who used the Internet, by age, in 2007

2007	16-24	25-34	35-44	45-54	55-64	65-74	Average
EU 27	88	77	69	58	40	18	60
BE	94	85	82	69	49	21	69
BG	67	48	40	27	12	2	34
CZ	86	64	61	50	27	8	52
DK	100	97	94	90	77	46	85
DE	:	:	90	78	60	:	75
EE	96	90	80	:	:	:	66
IE	78	78	67	54	32	17	61
GR	77	59	41	23	10	2	36
ES	90	77	61	49	23	7	55
FR	:	88	75	66	:	:	66
IT	71	59	48	39	21	5	41
CY	70	59	44	30	15	4	41
LV	96	81	69	50	29	7	59
LT	91	69	55	39	17	4	50
LU	98	88	87	81	66	29	79
HU	86	73	61	48	31	8	53
MT	81	67	54	37	21	:	47
NL	99	97	95	91	71	44	86
AT	91	86	79	71	48	23	69
PL	90	69	54	36	20	:	49
PT	88	63	44	:	:	:	42
RO	60	38	29	20	7	1	28
SI	94	84	68	46	23	7	57
SK	93	76	70	63	22	4	62
FI	100	99	94	87	65	30	81
SE	93	93	90	84	75	44	82
UK	:	:	:	:	:	:	75

':' indicates unreliable data.

Source: Eurostat, Information Society statistics.

The increasing familiarity with the Internet is also supported by figures showing how many people have never used it. While 80% of those aged 65-74 across the EU have never used the Internet, this figure drops to 57% among the next younger age group, and then again to 39% among those aged 35-44 (see Table 3.2). This signals a marked trend towards more competence in this field of ICT, and hence more and more ICT-capable older cohorts.

Table 3.2 - Percentage of individuals in EU-27 who have never used the Internet, by age, in 2007, in %

2007	16-24	25-34	35-44	45-54	55-64	65-74	Average
EU 27	9	20	28	39	57	80	37
BE	5	13	16	29	48	76	29
BG	31	49	58	72	87	98	65
CZ	11	31	38	49	70	91	46
DK	0	2	4	7	20	47	12
DE	:	:	9	20	38	71	23
EE	3	8	20	39	62	81	32
IE	16	17	28	44	66	81	35
GR	20	37	57	75	89	97	62
ES	8	20	37	49	76	92	43
FR	4	11	23	33	53	81	32
IT	23	36	47	56	74	90	54
CY	25	36	53	69	84	95	56
LV	3	16	30	48	69	91	39
LT	7	30	44	60	82	96	49
LU	2	10	13	18	33	69	20
HU	13	26	38	51	68	91	46
MT	14	30	46	62	78	89	51
NL	0	2	4	8	26	52	13
AT	7	11	18	27	49	74	28
PL	6	26	43	61	77	93	48
PT	10	34	54	71	80	94	56
RO	36	59	69	78	92	99	69
SI	2	13	26	50	72	92	39
SK	5	19	27	34	75	92	35
FI	0	1	4	10	31	65	17
SE	6	5	9	13	20	46	15
UK	:	11	16	19	36	60	22

Source: Eurostat, Information Society statistics.

The shift towards higher levels of education and ICT skills means that future cohorts will be more likely to stay on the labour market up to the statutory retirement age and possibly beyond. Particularly older women can be expected to be in a much better position to remain longer in paid work.

While future cohorts of older workers will find themselves better equipped for longer working lives, due to their higher level of educational attainment and, consequently, their ability to keep their skills up-to-date, they may have other reasons for leaving the labour market early. Figure 3.10 presents the main reasons why people aged 55-64 are inactive. The reasons given may, to a large extent, reflect national specificities, and the results should not be regarded as comparable across borders. However, some interesting conclusions can be drawn from the data.

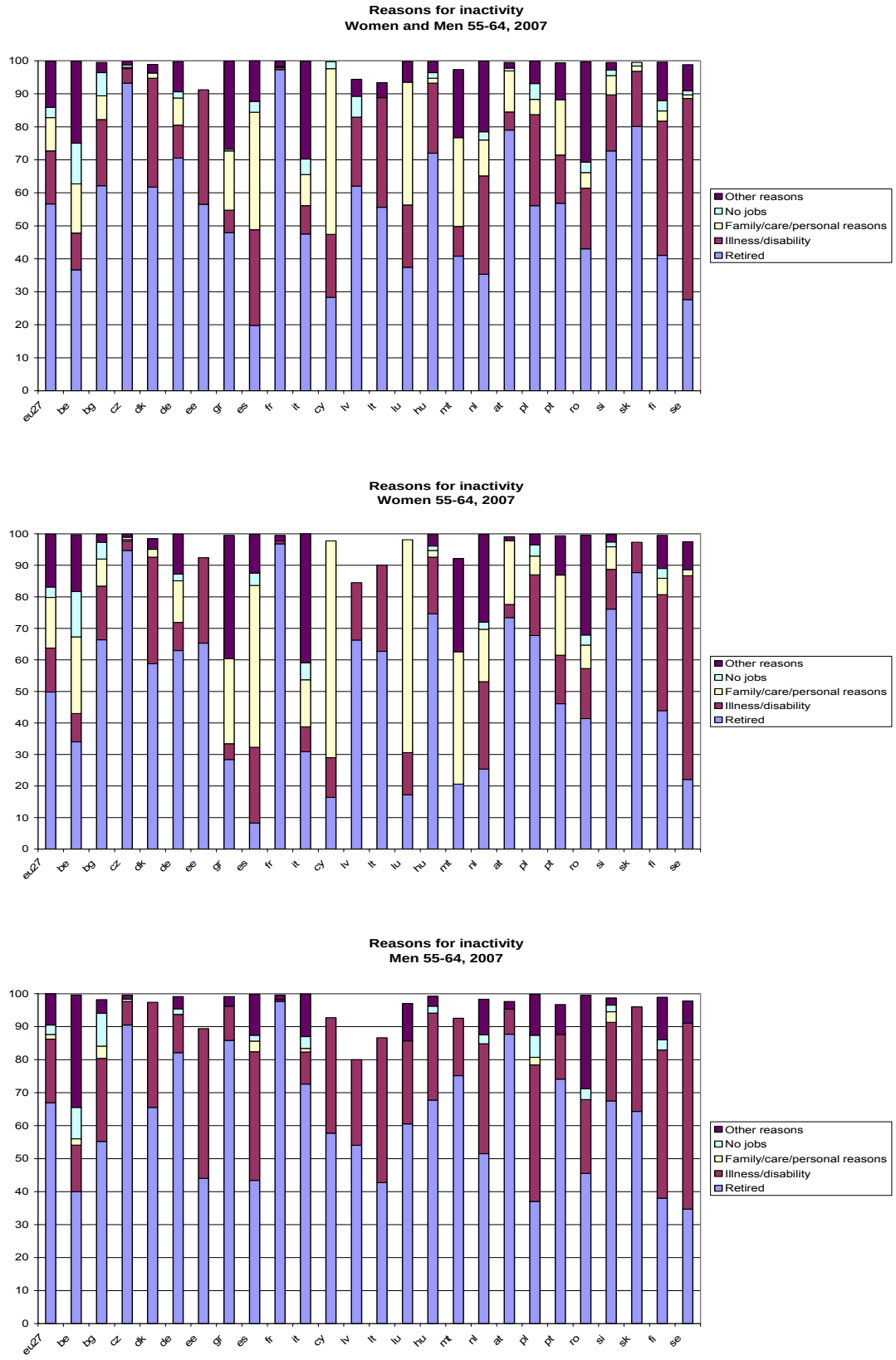
Most people in this age group state that they are retired, implying that they would not envisage a return to the labour market, and that they benefit from social protection arrangements that enable them to retire from the labour market. In many countries, illness or disability constitutes the second most important reason for inactivity. Information coming from register data in the Member States suggests that the rate of chronic illness and disability rises progressively from 1% among young people to 15% at retirement age.[4]

[4] See page 25 of "Compilation of disability statistics from the administrative registers in the Member States", by APPLICA,CESEP &European Centre, November 2007, Study for the European Commission, VC/2006/0229, http://ec.europa.eu/employment_social/index/comp_disb_final_en.pdf

Disability is most important in two countries with high employment rates of older workers, namely Sweden and Finland. This does not imply that people are more likely to be ill or disabled in these countries. A smaller proportion of people in this age group are outside the labour market than in most other countries. Early retirement is not common, and the main reason for leaving the labour market would have to be a health problem, whereas in other countries other labour market exit pathways may be available. Few people in this age group say that they are inactive because they think that no jobs are available.

The third most important motivation for being inactive are reasons related to the family care obligations regarding children or disabled adults, or personal reasons. Here, important differences are found between men and women: only 1.4% of men indicate that they are inactive for family or personal reasons, compared to 16% of women. This may reflect the disproportionate share of care obligations borne by women. It may also reflect the persistence of the male breadwinner model among the older cohorts: if the husband's income is sufficient, a second income is not necessary, and the wife can stay out of the labour market for family or personal reasons.

Figure 3.10: Reasons for inactivity, Women and Men (55-64), 2007



Source: Eurostat, Labour Force Survey.

To conclude, the data presented in this section confirm the potential keeping the ageing baby-boomers active for longer than previous cohorts in their late fifties and early sixties. A rising trend in employment rates of people aged 55-64 has now been firmly established, due, in particular, to the increased labour force participation of women. The higher level of educational attainment of the baby-boomers can be expected to contribute to a further increase in employment rates.

However, further analysis is required of the health status of older workers and to find out whether enough is being done to update the skills of ageing workers in accordance with the current needs of the labour market. Moreover, caring obligations towards grandchildren or dependent adults are likely to continue to represent an obstacle to increased employment of women in their fifties and sixties: at this age, they may be expected to care for grandchildren and their ageing parents. Other obstacles may be related to the attitudes of employers, employees and society in general towards older workers. Finally, social protection systems will have to provide incentives for staying longer on the labour market. All these issues are being given further attention, notably within the framework of the Open Method of Coordination on social protection and social inclusion. Moreover, new datasets such as the European Health Interview Survey and a second round of SHARE data will allow more in-depth analysis.

3.2. Senior citizens' involvement in unpaid work

With large cohorts now reaching their sixties, a growing number of people – most of whom are in good physical and mental condition – are retiring from work and wish to maintain or create social ties with others in the community. For many older people, retiring from work also means opportunities for developing new activities in the form of unpaid work and volunteering. Four key dimensions of unpaid work can be distinguished: formal volunteering, informal helping, caring, and home production/housework[5]. Studies from a variety of countries – such as the US, Germany, or Australia – have shown that senior volunteering and caring contribute to society in economically significant ways. Indeed, the economic contribution of non-profit institutions is estimated at 5% of GDP, and volunteer time accounts for 25% of this figure[6].

This section focuses on informal helping and caring and on formal volunteering of older people and looks at evidence showing how these forms of unpaid work are related to the individual's demographic, socio-economic, and health characteristics, as well as their level of education.

How active are older people?

After their retirement from the labour market, senior citizens may pursue a wide range of other activities. The 2006 EU-SILC special module on social participation[7] provides an

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5 See *Active ageing: study on social participation and voluntary involvement of older people* carried out for the European Commission by Dr. Karsten Hank, et alt., June 2008. This section draws extensively on this study.

6 Johns Hopkins University Report Measuring Civil Society and Volunteering , September, 2007. www.jhu.edu/ccss, quoted in the European Parliament resolution of 22 April 2008 on the role of volunteering in contributing to economic and social cohesion (2007/2149(INI))

7 EU-SILC – Statistics on Income and Living Conditions - is an EU-wide survey with effective sample size of 121,000 households. A special module in 2006 module asked questios about social participation,

insight into European citizens' participation in various types of activities in a wide range of organisations such as churches and religious organisations, political parties or trade unions, recreational groups and charitable organisations, or informally outside any organisational context.

About one quarter of the population aged 65 or over participates in the activities of churches or other religious organisations, a slightly higher proportion than in younger age groups (see Table 3.3). Participation is highest in Cyprus (87.2%), Poland (almost 69.5%) and Ireland (62.5%). By contrast, fewer than one older person in 20 participates in such activities in France (2.4%) and Hungary (4.3%). In some countries, church and religious activities seem to appeal much more to older than to younger people. This is the case in Spain, where the participation of older people is 22 percentage points higher than that of people aged 25-64, but also in Ireland (+14 points), Luxembourg (+13 points), Slovenia and Lithuania (+11 points).

Table 3.3: Participation in activities of churches or other religious organisations, in EU24, by age group, in 2006, in %

	All	By age group		
		16-24	25-64	65+
Total	20.5	18.2	19.7	24.5
AT	13.6	8.5	13.8	16.9
CY	87.3	85.8	87.8	87.1
CZ	5.9	3.0	5.4	10.6
DE	15.4	12.4	14.5	20.2
DK	11.3	7.9	10.7	15.8
EE	5.3	2.4	4.9	8.9
ES	17.5	7.9	14.1	35.3
FI	15.8	12.1	14.5	22.8
FR	1.4	0.6	1.3	2.3
GR	29.1	20.1	29.1	34.5
HU	3.5	2.3	3.6	4.3
IE	49.0	41.7	48.4	62.6
IT	19.1	17.3	18.4	21.8
LT	21.0	13.5	20.3	30.4
LU	33.9	23.9	32.6	46.9
LV	8.9	5.6	8.2	14.0
NL	44.5	39.5	43.5	53.1
PL	68.7	68.9	68.5	69.2
PT	43.0	36.7	42.9	47.5
SE	19.6	13.8	19.0	24.4
SI	22.7	19.4	20.8	31.9
SK	35.9	33.9	34.5	44.1
UK	10.3	5.5	9.9	15.3

Source: EU-SILC module on social participation, 2006.

Participation in the activities of political parties or trade unions is generally low across the EU: it exceeds 10% of the entire population aged 16 or over in only two (Denmark and Finland) of the 23 Member States covered and remains below five percent in a majority of countries (see Table 3.4). Older people are in many cases more engaged than young people (16-24), but with the exception of one country (Czech Republic), they are less active in political parties or trade unions than middle-aged people (25-64).

covering cultural participation (e.g. cinema, sporting events) and frequency of contacts with friends and relatives.

Table 3.4 - Participation in the activities of political parties or trade unions, in EU24, by age group, in 2006, in %

	All	By age group		
		16-24	25-64	65+
Total	4.2	2.2	5.0	3.0
AT	5.6	2.2	6.6	4.5
CY	8.3	6.7	8.9	7.3
CZ	2.5	0.7	2.7	3.4
DE	6.4	3.8	6.9	6.4
DK	12.9	13.4	13.9	8.2
EE	3.7	2.1	4.7	1.8
ES	3.7	1.1	4.8	1.5
FI	11.1	5.3	13.9	5.7
FR	2.7	0.4	3.5	1.6
GR	5.0	3.6	6.6	1.4
HU	3.2	1.1	4.0	1.9
IE	4.0	2.0	4.9	2.9
IT	4.0	2.7	4.9	2.1
LT	2.0	0.8	2.5	1.4
LU	4.7	2.3	5.5	2.9
LV	7.0	2.7	8.5	5.7
NL	4.3	3.5	4.5	4.3
PL	3.7	1.6	4.7	1.9
PT	2.8	2.5	3.2	1.5
SE	8.9	8.1	10.5	5.0
SI	5.3	1.9	6.3	4.1
SK	7.3	2.1	9.6	3.5
UK	2.4	1.9	2.7	1.9

Source: EU-SILC module on social participation, 2006.

Older people are less active than both young and middle-aged people in recreational groups and organisations (see Table 3.5). Just under one fifth of older people in the 24 countries covered are involved in such activities, compared to one in four young people aged 16-24. Again, there are marked differences across countries, with participation of older people ranging from 1.7% in Poland to 42.5% in the Netherlands. Countries in Central and Eastern Europe and in the South are those with the lowest levels of participation, whereas in the North and West of Europe, participation levels typically exceed one quarter of the population aged 65 or over.

Table 3.5: Participation in activities of recreational groups or organisations, in EU24, by age group, in 2006, in %

	All	By age group		
		16-24	25-64	65+
Total	20.4	25.0	20.2	18.3
AT	22.9	23.3	24.3	17.5
BE	33.0	42.5	32.0	29.7
CY	29.8	34.0	29.7	25.0
CZ	21.8	31.5	21.5	14.7
DE	21.3	29.0	20.0	20.6
DK	33.8	31.4	35.9	26.5
EE	14.6	21.8	14.6	9.3
ES	13.8	24.4	14.1	6.1
FI	38.3	42.6	40.0	29.6
FR	23.2	25.0	21.8	26.4
GR	8.2	16.2	8.1	4.1
HU	5.7	9.7	5.7	2.7
IE	35.1	38.4	36.0	25.7
IT	10.4	15.2	10.5	8.0
LT	6.7	15.6	5.6	2.5
LU	35.4	44.0	36.5	24.0
LV	3.9	5.8	3.5	3.4
NL	46.8	53.7	46.5	42.5
PL	5.9	11.8	5.4	1.7
PT	11.2	18.0	11.8	4.6
SE	37.1	42.5	39.2	28.7
SI	19.8	31.7	21.0	7.0
SK	19.5	39.7	19.8	6.0
UK	34.5	29.8	34.5	37.9

Source: EU-SILC module on social participation, 2006.

A more detailed picture on social participation and activity of older people can be obtained from the Survey of Health, Ageing and Retirement in Europe (SHARE[8]), which covers only twelve Member States. Data from the latest wave (2006-2007) of SHARE show that 19% of people aged 50 or over were engaged in general social activities (in clubs and political or community-related organisations) in the month prior to the interview, another 13.5% of respondents provided informal help outside their families, 11% were involved in voluntary or charity work in the month preceding the interview, and 6% provided care to other adults, typically to other family members (see Table 3.6).

[8] See: http://www.share-project.org/t3/share/index.php?id=73

Table 3.6: Participation in informal activities in 12 EU Member States in the month preceding the interview (% of population aged 50+)

Country	Voluntary or charity work	Informal Help	Care to other adults	General social activities
AT	9.2	17.6	7.7	20.1
DE	13.1	14.9	7.4	25.4
SE	21.0	39.3	10.1	29.5
NL	25.5	24.3	11.1	35.2
ES	2.6	3.2	2.8	8.5
IT	8.4	6.9	3.7	9.4
FR	15.4	21.1	8.4	25.9
DK	21.2	26.8	5.6	42.1
GR	2.3	7.0	4.7	9.7
CH	16.8	19.3	10.4	37.4
BE	16.9	24.0	10.0	27.9
CZ	3.0	14.7	7.0	17.0
PL	2.0	4.7	3.7	3.9

Source: SHARE 2006-07 (pre-release); calculations by the Mannheim Research Institute for the Economics of Ageing.

Cross-country comparisons reveal that informal help provided by older citizens is more common in Sweden (39%), Denmark, the Netherlands, and Belgium (24-27%). These countries are followed by France, and Austria, with 18-21% of the population aged 50 or older providing help, while low proportions of informal helpers are found in Greece, Italy (both 7%), and Poland (5%) and a particularly low proportion in Spain (3%). Care-giving is most common in the Netherlands (11%) and least widespread in Spain (3%). The various forms of social activities covered in Table 3.6 seem to be closely correlated. The country rankings by the levels of engagement in these four different types of activity are very similar. The Netherlands, Sweden and Denmark have the highest levels of participation whereas in three Southern countries, Greece, Spain and Italy, and two Central and East European countries, Poland and the Czech Republic, participation levels are the lowest.

The SHARE results highlight, in particular, a significant contribution of older people to childcare. Forty-five percent of grandmothers and 40% of grandfathers had looked after one of their grandchildren during the 12 months prior to the survey (see Table 3.7). Somewhat unexpectedly, the lowest proportions of grandparents caring for grandchildren are found in Spain, with 34% of grandmothers and 28% of grandfathers involved in the care of grandchildren, whereas the highest prevalence of this activity is observed in Denmark, France, Belgium, and the Netherlands. In many countries, the proportion of grandmothers and grandfathers providing childcare was similar, although in Italy and the Czech Republic grandfathers were much less likely to be involved than grandmothers. The reverse was the case in Belgium.

When the frequency of care for grandchildren is examined more closely, a different picture emerges. Sweden and Denmark, but also Germany and the Czech Republic, exhibit comparatively low levels of regular childcare by grandparents (lloking after grandchildren almost weekly or more often), whereas the proportion of Greek and Italian, but also Belgian grandparents who provide almost weekly childcare is roughly twice as high as that found in the Scandinavian countries.

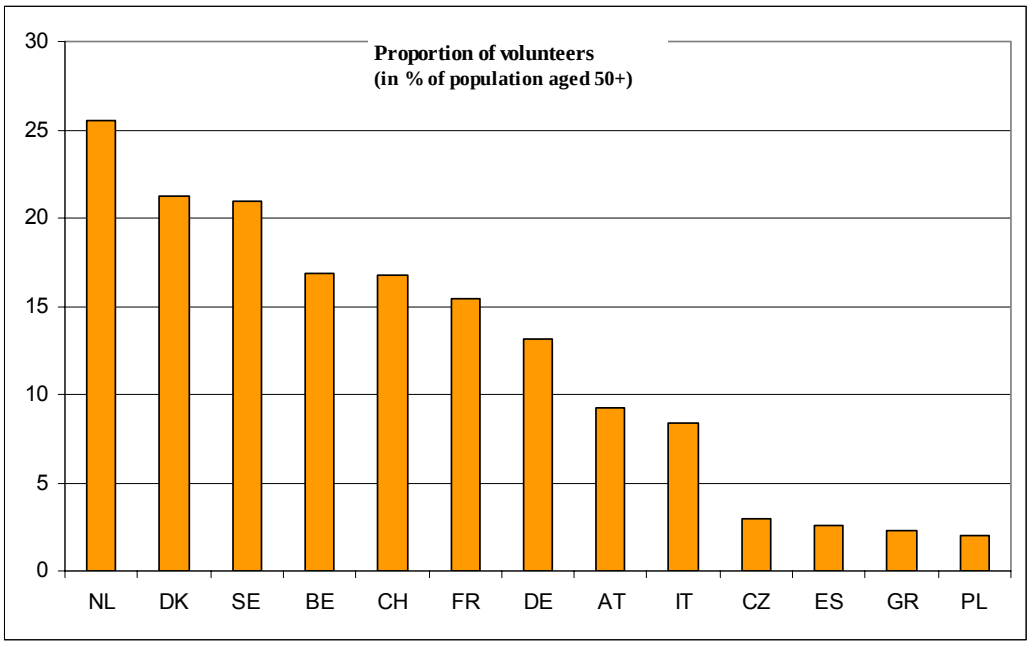
Table 3.7: Grandparent who provided childcare over the past 12 months/since the last interview (in %)

Country	Provision of *any* grandchildcare		Provision of *regular* grandchildcare (almost weekly or more often)	
	Grandfathers	Grandmothers	Grandfathers	Grandmothers
AT	38.6	39.3	20.5	22.1
DE	36.8	38.1	17.1	19.2
SE	51.1	51.2	12.8	15.7
NL	54.5	53.5	26.3	25.7
ES	28.2	33.7	16.9	20.8
IT	34.8	48.2	26.2	36.1
FR	48.7	54.3	19.3	20.7
DK	52.5	55.0	11.7	16.5
GR	41.9	47.1	30.7	34.3
CH	44.6	46.8	19.6	25.5
BE	58.2	53.7	33.3	32.0
CZ	34.7	43.4	16.7	20.4
PL	41.3	46.2	25.6	30.8
Total	40.2	44.9	20.9	24.8

Source: SHARE 2006-07 (pre-release); calculations by the Mannheim Research Institute for the Economics of Ageing.

The most recent SHARE data show that, on average, 11% of the population aged 50 or older across the 13 European countries covered took part in voluntary work in the month prior to the interview. Substantial cross-country variation is found, with the largest proportions of senior volunteering in the Netherlands (26%), Sweden and Denmark (21%), whereas the proportions of volunteers in Poland, Greece (both 2%), Spain and the Czech Republic (both 3%) are particularly low (see Table 3.6 and figure 3.11).

Figure 3.11: Involvement of the population 50+ in voluntary work, by country



Source: SHARE 2006-07 (pre-release); calculations by the Mannheim Research Institute for the Economics of Ageing.

Across the countries surveyed, about two thirds of senior citizens volunteered weekly or more often (see Table 3.8). In three countries the low prevalence of volunteering (Poland, Greece

and the Czech Republic) was compounded by a low frequency of participation in voluntary work.

Table 3.8: Frequency of volunteering in the month preceding the interview, in % of the active population aged 50+

Country	Volunteer		
	Almost daily	Almost every week	Less often
AT	6.6	39.5	53.9
DE	14.0	50.3	35.7
SE	15.3	46.0	38.6
NL	15.4	60.7	23.9
ES	28.1	41.0	30.9
IT	25.2	35.4	39.4
FR	23.7	46.4	29.9
DK	17.0	49.8	33.2
GR	13.5	33.5	53.0
CH	13.5	52.0	34.4
BE	22.0	47.5	30.5
CZ	14.8	34.5	50.7
PL	9.8	28.9	61.4
Total	18.6	47.1	34.4

Source: SHARE 2006-07 (pre-release); calculations by the Mannheim Research Institute for the Economics of Ageing.

Informal help was provided almost daily by 29% of helpers in the 13 countries covered, and 70% helped at least almost weekly (see Table 3.9). The intensity of informal help was particularly high in Italy (45% helping almost daily), Greece (41.6%) and Spain (only 10.4% helping less often than almost weekly). It was relatively low in the Netherlands and Denmark where few people tended to provide help almost daily.

Table 3.9: Frequency of informal helping in the month preceding the interview, in % of the active population aged 50+

Country	Informal Help		
	Almost daily	Almost every week	Less often
AT	22.9	44.6	32.5
DE	33.0	38.6	28.5
SE	25.7	39.0	35.3
NL	12.6	49.0	38.3
ES	36.2	53.4	10.4
IT	45.0	12.6	42.5
FR	28.4	38.4	33.1
DK	18.5	34.2	47.3
GR	41.6	43.8	14.7
CH	22.5	51.2	26.3
BE	28.5	49.7	21.9
CZ	30.4	32.0	37.6
PL	35.4	42.5	22.1
Total	29.0	39.6	31.4

Source: SHARE 2006-07 (pre-release); calculations by the Mannheim Research Institute for the Economics of Ageing.

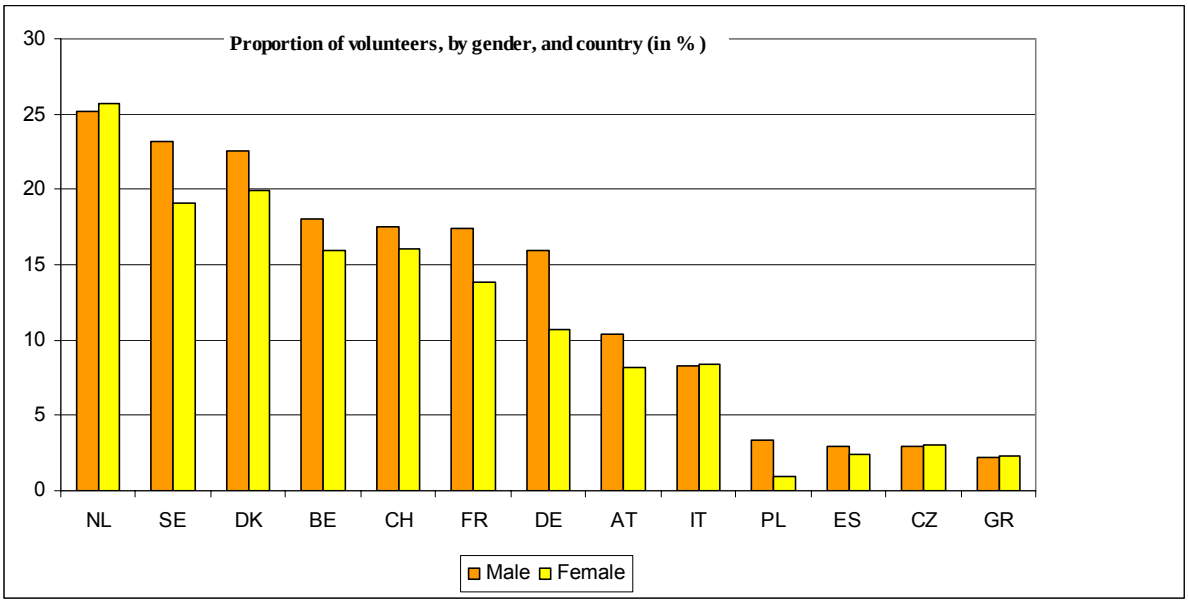
Social participation and individual characteristics

Social participation differs not only across countries, but also depending on individual characteristics such as gender, age, education and the employment status. The SHARE data provide some insights into how these characteristics are linked to social participation.

(a) Gender

On average, 12% of men and 10% of women engaged in voluntary activities (see Table 3.10 and Figure 3.12). However, substantially higher proportions of male volunteers are found in Germany (16% men vs. 11% women), Sweden (23% men vs. 19% women) and France (17% men vs. 14% women), whereas in the Netherlands slightly more women (26%) than men (25%) volunteered.

Figure 3.12: Engagement in volunteering by gender, and by country



Source: SHARE 2006-07 (pre-release); calculations by the Mannheim Research Institute for the Economics of Ageing.

The same observations can be made about involvement in informal help, with 16% of men and 12% of women aged 50+ declaring to have provided such help in the month prior to the interview. The largest gender gaps can be found in Denmark, Austria and the Netherlands, where a larger proportion of men are involved in informal help (6 to 11 percentage points, see Table 3.10). By contrast, women were more involved than men in providing care.

Table 3.10: Participation in informal activities by gender, in %

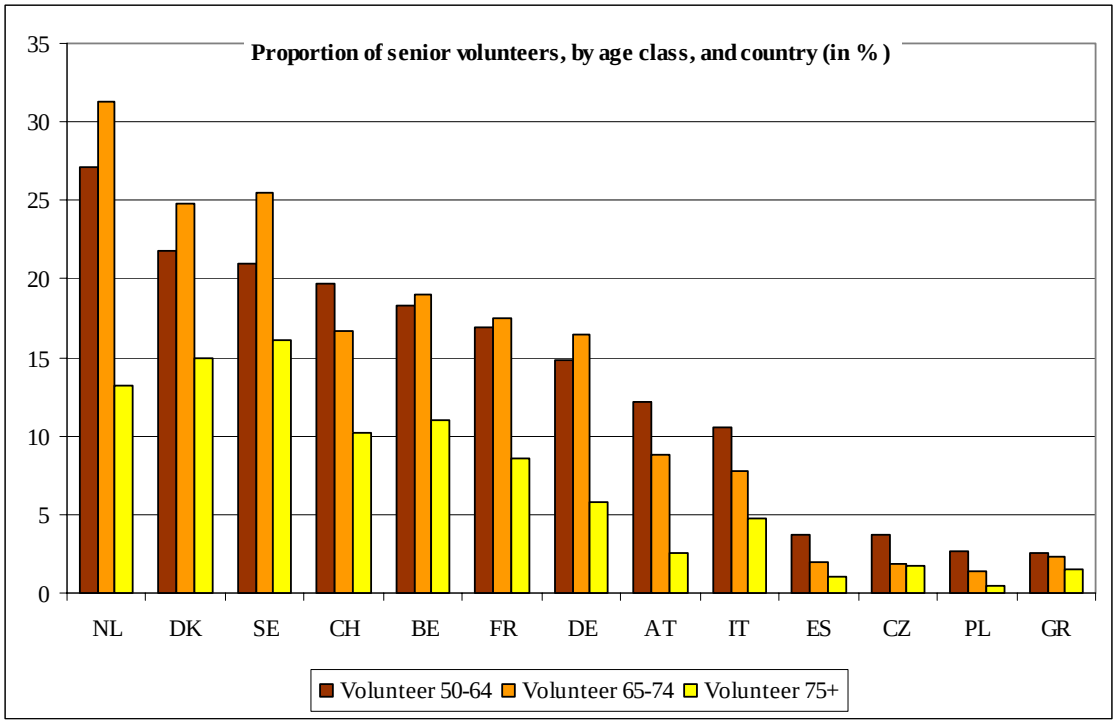
Country	Volunteer		Informal Help		Care		General social activities	
	Men	Women	Men	Women	Men	Women	Men	Women
AT	10.4	8.2	21.7	14.3	7.1	8.1	25.0	16.2
DE	15.9	10.7	17.5	12.7	7.0	7.8	30.0	21.6
SE	23.2	19.1	40.3	38.4	9.8	10.6	30.7	28.5
NL	25.2	25.7	27.5	21.4	9.8	12.3	36.0	34.5
ES	2.9	2.4	3.7	2.9	1.6	3.9	9.6	7.5
IT	8.3	8.4	7.1	6.7	3.0	4.2	13.0	6.4
FR	17.4	13.8	24.9	17.9	6.3	10.1	28.2	24.0
DK	22.6	19.9	32.4	21.8	4.4	6.7	41.7	42.5
GR	2.2	2.3	6.4	7.5	2.3	6.8	13.8	6.1
CH	17.5	16.1	19.2	19.4	8.5	12.0	42.4	33.3
BE	18.0	15.9	26.3	22.0	9.0	12.0	33.3	23.3
CZ.	2.9	3.0	16.4	13.4	5.1	8.5	20.0	14.5
PL	3.4	0.9	5.9	3.8	2.7	4.4	5.0	3.0
Total	12.2	9.6	15.5	11.9	5.2	7.1	22.2	16.4

Source: SHARE 2006-07 (pre-release); calculations by the Mannheim Research Institute for the Economics of Ageing.

(b) Age

In the Netherlands, Sweden, and Denmark, the three countries with the highest prevalence of volunteering, the proportion of volunteers is 3 to 4 percentage points higher in the age group 65-74 than among people aged 50-64. A similar increase with age can be observed in Belgium, France and Germany, albeit to a lesser extent. By contrast, a decline in volunteering can be seen between the age groups 50-64 and 65-74 in countries with the lowest level of engagement in voluntary work, and in Switzerland. From the age of 75, volunteering typically drops to below half the level reached by the younger age groups.

Figure 3.13: Engagement in senior volunteering by age class, and by country, in %



Source: SHARE 2006-07 (pre-release); calculations by the Mannheim Research Institute for the Economics of Ageing.

A strong age gradient can be observed with regard to informal help. This form of social activity is most prevalent in the age group 50-64 and drops to about one third of that level in the age group 75+ (see Table 3.11). A similar age profile can be observed with regard to care provision, whereas the level of involvement in general social activities tends to diminish only in the oldest age group.

Table 3.11: Participation in informal activities by age, in %

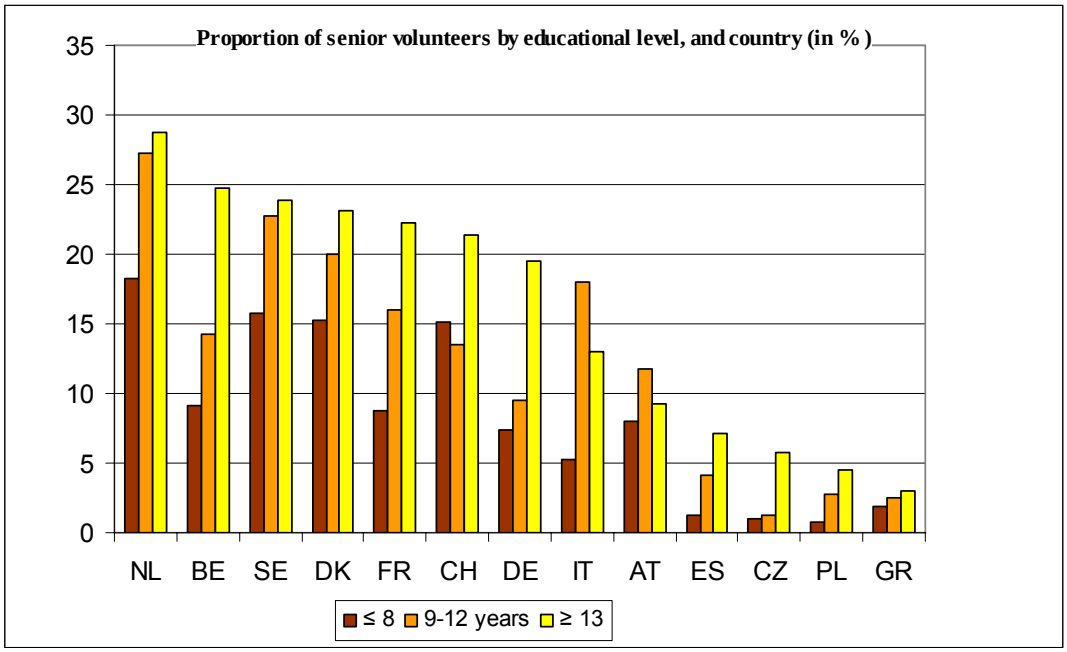
Country	Volunteer			Informal Help			Care			General social activities		
	50-64	65-74	75+	50-64	65-74	75+	50-64	65-74	75+	50-64	65-74	75+
AT	12.2	8.8	2.6	23.1	16.7	6.0	10.2	6.0	3.9	24.2	21.2	9.3
DE	14.8	16.4	5.8	18.3	16.4	6.2	9.6	7.1	3.5	29.5	27.6	14.7
SE	21.0	25.5	16.1	50.5	38.2	14.1	12.6	8.6	6.3	31.4	32.0	22.2
NL	27.1	31.3	13.2	29.7	20.6	11.4	12.5	12.2	5.3	39.2	36.1	22.2
ES	3.7	2.0	1.1	4.3	3.4	1.1	3.9	2.8	0.8	12.0	6.8	3.5
IT	10.6	7.8	4.7	9.7	6.2	2.2	5.7	2.4	1.3	11.4	9.9	4.9
FR	16.9	17.5	8.6	24.8	20.2	10.3	10.3	7.1	4.0	26.5	28.9	20.3
DK	21.8	24.8	15.0	33.3	24.3	11.4	7.2	3.3	3.7	44.9	47.2	28.1
GR	2.6	2.3	1.5	8.5	7.0	3.1	5.9	4.2	2.6	11.5	9.6	5.0
CH	19.7	16.7	10.2	20.5	18.1	13.4	11.8	9.9	7.8	43.3	37.5	23.8
BE	18.3	19.0	11.0	29.6	23.3	10.8	11.9	9.4	5.8	30.1	28.4	21.8
CZ	3.7	1.9	1.7	16.6	13.9	8.8	8.3	4.9	5.0	19.0	16.3	10.2
PL	2.7	1.4	0.5	6.8	3.5	0.3	5.0	2.5	1.5	5.0	3.2	1.5
Total	12.4	11.9	5.5	17.2	13.0	5.5	8.2	5.4	2.9	21.8	19.8	11.5

Source: SHARE 2006-07 (pre-release); calculations by the Mannheim Research Institute for the Economics of Ageing.

(c) Education

Older people with a higher level of education are more engaged in volunteering than those with a lower level of education (see Table 3.12 and Figure 3.14). Across the 13 countries surveyed by SHARE, participation rates for those with low formal education (5%) are 6 percentage points lower than for those with a medium level of formal education (11%), and 12 percentage points lower than for those with a high level of formal education (18%). Nevertheless, the poorly educated in the Netherlands (18%), Sweden (16%), and Denmark (15%) tend to engage more in volunteering than the highly educated in Italy (13%), Austria (9%), Spain (7%), the Czech Republic (6%), Poland (5%) and Greece (3%). Clearly, national culture remains a stronger determinant of volunteering than the individual level of educational attainment.

Figure 3.14: Engagement in senior volunteering by educational level, and by country, in %



Source: SHARE 2006-07 (pre-release); calculations by the Mannheim Research Institute for the Economics of Ageing.

Those with a higher level of education are also more often involved in informal help (19%, see Table 3.12), closely followed by those who have attained a medium level of education (16%), leaving those with the lowest level of education far behind (7%). Again, cross-country differences in the provision of help are in some instances more pronounced than differences between educational groups. In Sweden (25%) and France (18%), the proportion of older citizens with low formal educational achievement involved in informal help is larger than for those with higher educational levels involved in Spain, Italy, Greece and Poland. A higher level of educational attainment is also positively correlated with care-giving and involvement in general social activities.

Table 3.12: Participation in informal activities by level of education, in %

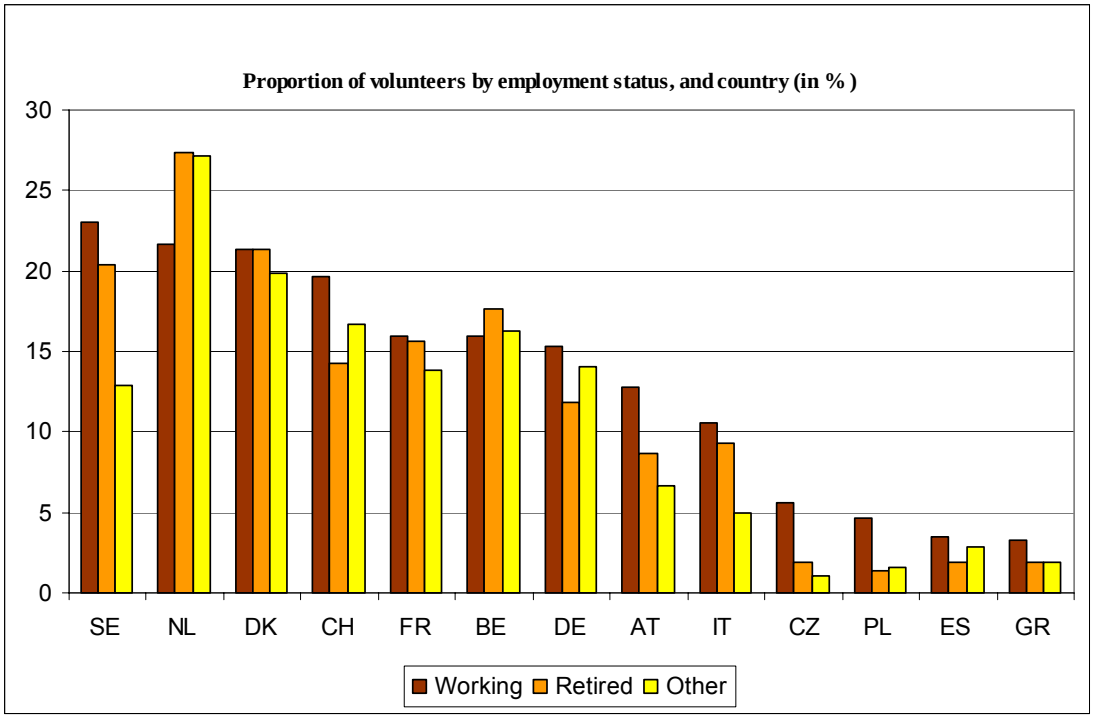
Country	Volunteer			Informal Help			Care			General social activities		
	≤ 8	9-12 years	≥ 13	≤ 8	9-12 years	≥ 13	≤ 8	9-12 years	≥ 13	≤ 8	9-12 years	≥ 13
AT	8.0	11.7	9.3	14.9	25.3	16.5	8.5	7.3	6.2	18.2	24.9	19.9
DE	7.4	9.5	19.5	6.1	14.7	18.1	3.8	6.9	9.2	14.7	22.8	32.3
SE	15.8	22.8	23.9	24.5	43.1	48.5	6.6	11.1	12.5	22.0	29.5	36.1
NL	18.3	27.2	28.8	15.9	25.2	29.8	7.1	11.0	14.8	25.8	38.2	44.9
ES	1.3	4.1	7.1	2.4	4.1	6.3	2.2	3.1	5.6	6.7	10.7	14.2
IT	5.3	18.0	13.0	5.0	10.6	11.1	2.6	7.7	5.0	5.5	15.9	18.7
FR	8.8	16.0	22.2	17.8	23.2	21.8	4.7	9.0	11.5	19.9	24.8	33.5
DK	15.2	20.0	23.1	13.5	28.2	30.1	3.9	5.0	6.2	29.2	38.1	46.6
GR	1.9	2.5	3.0	5.8	6.9	11.7	3.8	4.3	9.0	7.4	9.4	18.8
CH	15.1	13.5	21.4	16.3	19.8	21.0	6.7	11.6	12.0	33.7	34.7	43.0
BE	9.1	14.3	24.7	15.2	22.4	31.4	6.5	8.7	13.6	19.6	26.5	34.7
CZ.	1.0	1.3	5.7	6.4	12.9	19.2	4.6	6.9	7.6	13.0	13.9	22.0
PL	0.8	2.7	4.5	1.5	6.3	11.9	2.1	4.3	7.7	0.9	5.8	9.4
Total	5.3	11.3	17.6	7.2	16.2	19.2	3.4	7.3	9.1	10.0	21.0	29.3

Source: SHARE 2006-07 (pre-release); calculations by the Mannheim Research Institute for the Economics of Ageing.

(d) Employment status

Across countries, the proportion of volunteers aged 50 or over differs only moderately between working (13%), retired (9%), and other non-working[9] (8%) people (see Table 3.14 and Figure 3.15), except in Austria, the Czech Republic (both -4 percentage points), and Poland (-3 percentage points), where volunteering is substantially lower among retirees than among those still on the labour market. In the Netherlands, the proportion of volunteers is higher among retirees and other non-working people than among the older working population, and the same is true in Belgium, although to a lesser degree.

Figure 3.15: Engagement in senior volunteering by employment status, and by country, in %



Source: SHARE 2006-07 (pre-release); calculations by the Mannheim Research Institute for the Economics of Ageing.

Across countries, the proportion of senior citizens involved in informal help is larger among those who are working than among the two non-working groups. However, in Sweden and Denmark, the proportion of people in work aged 50+ involved in informal help is only marginally larger than that of non-working people who informally help others.

Participation in general social activities, on the other hand, is clearly linked with activity on the labour market, as the proportion of those still working who are taking part in social activities is 8 percentage points higher than among retirees, and 14 percentage points higher than other non-working people.

9 That is the unemployed and house people.

Table 3.13: Participation in informal activities by employment status, in %

Country	Volunteer			Informal help			Care			General social activities		
	Working	Retired	Other	Working	Retired	Other	Working	Retired	Other	Working	Retired	Other
AT	12.8	8.7	6.7	26.9	16.2	11.9	10.8	6.7	6.6	25.2	20.0	14.7
DE	15.3	11.8	14.1	18.8	13.0	15.0	9.2	5.9	9.6	33.4	23.5	20.0
SE	23.0	20.4	12.9	49.9	30.7	49.0	13.3	7.7	13.3	34.3	26.6	23.4
NL	21.7	27.4	27.1	30.3	21.0	21.9	12.7	9.7	11.2	41.4	31.0	33.8
ES	3.5	1.9	2.8	5.1	2.9	2.6	1.3	1.9	4.5	13.2	7.2	7.2
IT	10.6	9.3	5.0	9.5	7.3	4.3	6.4	2.7	3.7	13.3	11.1	3.2
FR	16.0	15.6	13.8	25.2	18.5	21.1	9.9	6.2	12.1	27.6	27.1	19.2
DK	21.3	21.3	19.9	34.0	20.8	29.4	6.4	4.0	10.0	45.6	41.8	30.8
GR	3.3	1.9	1.9	7.6	6.3	7.4	4.9	3.7	6.2	13.7	9.7	5.8
CH	19.7	14.3	16.7	22.4	17.8	16.3	10.6	8.7	14.8	45.3	32.7	32.0
BE	15.9	17.6	16.3	29.9	13.2	8.4	10.8	9.1	10.8	32.8	28.5	22.3
CZ	5.6	1.9	1.1	19.2	13.2	8.4	6.7	6.4	15.1	23.6	14.1	14.2
PL	4.7	1.4	1.6	8.5	3.4	5.5	5.9	3.1	3.7	8.3	3.2	2.5
Total	13.2	10.4	8.9	19.3	12.0	10.6	8.2	5.0	7.2	26.1	18.4	12.6

Source: SHARE 2006-07 (pre-release); calculations by the Mannheim Research Institute for the Economics of Ageing.

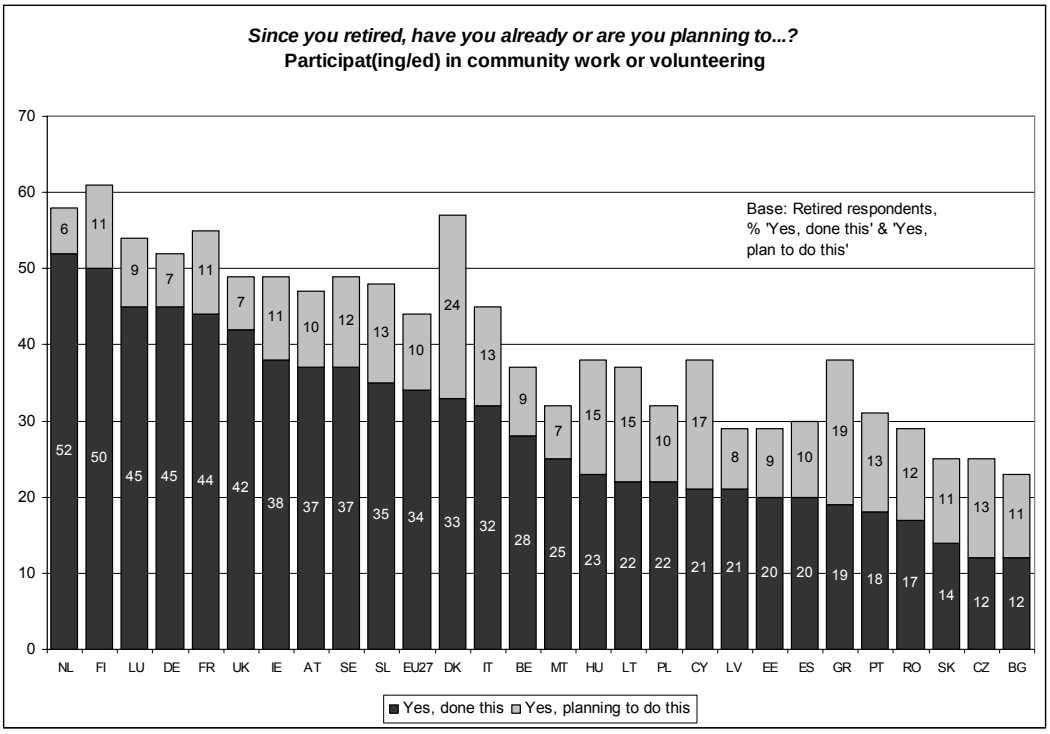
The variables considered here in relation to various forms of social activity are interconnected, and this needs to be taken into account when interpreting the findings. In particular, being very old makes it difficult to engage in such activities. There are more very old women than men, and this leads to a bias in the comparison by gender. Likewise, the very old will be over-represented among the retired compared to the population still at work. Correcting for the age structure would reduce the differences in social activities by employment status.

Cross-country differences in social activity dominate, however, over the differences linked to individual characteristics. The key challenge is, therefore, to gain a better understanding of those differences, and to see whether lessons can be drawn for policies to promote social activity and volunteering among the increasing number of older people in the EU.

Box 3.1: Eurobarometer results on volunteering

The Flash Eurobarometer Survey 247[10] asked respondents about their interest and engagement in volunteering. Three-quarters of respondents who were not yet retired (73%) said they would consider participating in community or volunteer work. The proportion considering participating in community work or volunteering after their retirement ranged from 28% in the Czech Republic to 89% in Ireland.

Looking at retired people, one-third (34%) said they had participated in community or volunteer work since their retirement, while an additional 10% said they were planning to do so.



Source: Flash Eurobarometer 247

Six out of ten Dutch and Finnish retired respondents said they had already participated or were planning to participate in community or voluntary work. In sharp contrast, only a quarter of the retired respondents in Bulgaria (23%), the Czech Republic and Slovakia (both 25%) had participated in voluntary work or were planning to do so.

[10] The fieldwork was carried out between 10th and 14th September 2008. Over 27,000 randomly selected citizens aged 15 years and above were interviewed in the 27 EU Member States. Interviews were predominantly carried out via fixed telephone.

3.3. Responding to the needs of an ageing population: policy implications

The Commission's *Renewed Social Agenda*[11] underlined that Europe's ageing society demands a variety of policy responses. A first priority for policy makers in the Member States must be to create more and better opportunities for active participation on the labour market and in society of the rapidly rising number of people in their sixties. Another key task for public policies is to ensure that the rising number of older people have adequate incomes as well as access to the goods and services that allow them to live independently for as long as possible. Finally, the ageing of the baby boomers requires strengthening solidarity with the increasing number of people in need of long-term care. The challenge for policy makers will be to provide sufficient care of high quality, so as to protect the physical and mental integrity.

All these policy responses fall within the responsibility of the Member States. However, the European Union can support their endeavours through mutual learning, monitoring of progress, and the definition of common objectives and targets. This is being done within the framework of the Lisbon Strategy and the Open Method of Coordination on social protection and social inclusion.

3.3.1. Policies to promote active participation in employment and society

The elements for a comprehensive strategy to promote the employment of older workers have been defined, and are being monitored, within the Lisbon Strategy. They include notably the improvement of working conditions and their adaptation to the health status and needs of older workers, better access to training and life-long learning, better access to Information and Communication Technologies (ICT)[12] and the review of tax-benefit systems to ensure that there are sufficient rewards for working longer.

There also appears to be increasing readiness among policy-makers to promote voluntary work by older people. Such initiatives need to take into account the fact that new cohorts of older volunteers will tend to have higher levels of educational attainment, and more skilled professional backgrounds. This could allow them to make an effective contribution as volunteers, provided the right framework for mobilising their potential is put in place.

Box 3.2: The EU's contribution to active ageing in employment and society

- Within the European Social Fund (ESF), 1.01 billion euros are being devoted to measures to promote active ageing and a longer working life for the programming period 2007-13. Older workers can also benefit from active and preventing labour market measures which represent 15.3% of ESF resources.
- The EU has established a general framework for equal treatment in employment and occupation (Council Directive 2000/78/EC of 27 November 2000) which also prohibits discrimination on the ground of age.
- Progress towards the common employment target of ensuring that 50% of people aged 55-64 will be in employment by 2010 is being monitored within the Lisbon Strategy. The

[11] Communication from the Commission *Renewed Social Agenda: Opportunities, Access and Solidarity in 21st Century Europe*, 2 July 2008, COM(2008) 412.

[12] SeniorWatch II report; *an "Assessment of the Senior Market for ICT Progress and Developments". http://ec.europa.eu/information_society/newsroom/cf/itemdetail.cfm?item_id=4286*

Social Protection Committee will focus on obstacles to more labour force participation of older workers in the 2009 Joint Report on Social Protection and Social Inclusion, which will comprise a chapter on *'Working more and for longer'*.

- The European Council (Resolution on *opportunities and challenges of demographic change in Europe: the contribution of older people to economic and social development* of February 2007) and the European Parliament (Resolution of 22 April 2008 on *the role of volunteering in contributing to economic and social cohesion*) invited the Commission to take a more active role with regard to senior volunteering. Following the ENEA preparatory action on active ageing and mobility of older people, the Grundtvig programme for adult education will foresee the possibility of supporting senior volunteering.

- The Socio-economic Sciences and Humanities Programme of DG RTD finances a project called "Activating Senior Potential in Ageing Europe" (ASPA) which will provide a comprehensive examination of the forces and mechanisms behind employers' decisions and public policies in relation to the use of senior potential in Europe, including human capital investments over the life course.

- The recent Commission proposal for a directive on equal treatment between persons irrespective of religion or belief, disability, age or sexual orientation (COM(2008) 426 of 2 July 2008) could contribute to a better accessibility of goods and services for the disabled and frail elderly.

3.3.2. Policies to preserve the autonomy of older people

The autonomy and quality of life of older people depends not only on adequate retirement incomes, but also on access to a range of goods and services in areas such as personal finance, health, housing, built environment, communication and transport. Pension systems in the Member State currently offer most older people a high degree of financial autonomy and security[13]. However, 21% of women aged 65 and above have an income below the at-risk-of-poverty threshold, compared to 16% of men in the same age group[14].

The reforms of public pension schemes leave more room for private pensions and other financial services in securing financial autonomy in old age. New financial products such as annuities and equity release schemes could make it easier for older households to convert wealth, particularly housing wealth, into a regular retirement income. However, the development of such products requires better financial education and more transparency.

Another key determinant of the autonomy and quality of life of older people is health. Physical and mental impairments can be prevented to some extent through healthier life styles even if only adopted at a later age. Health care services need to be adapted so that they can respond to the specific health problems of older people and compensate for their disabilities.

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13 Minimum Incomes and Older Women's Poverty, [13] Minimum Incomes and Older Women's Poverty, http://ec.europa.eu/employment_social/spsi, 21 juin 2007., 21 juin 2007.

14 See Commission Staff Working Document *Monitoring progress towards the objectives of the European Strategy for Social Protection and Social Inclusion*, 6 October 2008 (http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2008/omc_monitoring_en.pdf)

However, most older people will have to cope at some point with health impairments. Whether this leads to more or less complete dependency will very much depend on the environment in which these older people live and on the services that are available to them from home. Homes and the local environments, including public transport, can be adapted and goods and services made more accessible so that more people with health impairments can continue to live in their own homes, maintain social contacts and look after themselves with a minimum of help from others. New technologies can play a major part in extending the possibilities of frail older people being able to cope in their daily life, and get help, when necessary.

Older people are the main users of long-term care, and their demand for such services can be expected to grow significantly over the coming decades. Member States will have to develop a coordinated supply of health and long-term care services adapted to the specific needs of older people, who often suffer from multiple and chronic health problems. In addition to the problem of funding such services, many Member States are also confronted with labour shortages in this sector. Low wages and poor recognition of professional carers result in high turnover and recruitment difficulties.

Frail older people are a highly vulnerable group and in view of the projected increase in the number of older people, it is crucial to address the question of safeguarding their fundamental rights and ensuring they are not exposed to the risk of neglect or abuse. Achieving this goal requires adequate provision of professional care, as well as support to family carers – at present mostly women – who, across the EU, bear most of the burden of care provision.

Meeting the specific needs of an increasing number of older people should not be seen as a burden, though. An independent study conducted for the Commission showed that a paradigm shift towards community-based care ("de-institutionalisation"), allowing older people to stay longer in their own homes, can represent an increase in quality without entailing higher costs[15]. The goods and services that are required for preserving the autonomy and quality of life of an increasing number of older people represent a considerable economic opportunity. Independent living technologies can be expected to become a global growth market.

More and more people will experience old age outside their country of origin. They may have arrived in their host country as migrant workers, or they may have chosen to retire to another country, typically in the South of Europe. These elderly migrants, whose number can be expected to grow fast, often have specific needs which also need to be taken into account.

[15] Mansell J, Knapp M, Beadle-Brown J and Beecham, J (2007) *Deinstitutionalisation and community living – outcomes and costs: report of a European Study*. Canterbury: Tizard Centre, University of Kent (available for download on http://ec.europa.eu/employment_social/index/7002_en.html).

Box 3.3: The EU's contribution to autonomous living and long term care of older people

- The Social Protection Committee monitors in particular the adequacy of pensions. A special report to be published in 2009 will look at the contribution of private pension schemes to the overall adequacy and sustainability of pension systems. The Commission has ordered a study on equity release schemes, as announced in the White Paper on the integration of EU Mortgage Credit Markets[16].

- Regarding better access to basic financial services for disadvantaged groups the Commission intends to launch a public consultation on how to best prevent financial exclusion before the end of 2008.

- A new strategy for health has been adopted in October 2007 (*Together for Health: A Strategic Approach for the EU 2008-2013,* COM(2007) 630). One of its objectives is to foster good health in an ageing Europe.

- The 7th Framework Programme for research and development devotes € 6.05 billion to better health over the live cycle and, in particular, to the specific health problems of older people. The results of research funded under this programmes are expected to contribute to a better prevention of physical and mental impairment. € 400 million will also be devoted to Information and Communication Technologies providing solutions for Telecare, independent living and mobility of elderly people.

- The Commission has opened a debate on urban mobility with its Green paper *Towards a new culture for urban mobility* of September 2007 (COM(2007) 551). This should lead to an action plan which will also address the issue of accessibility for disabled people.

- The Commission's Disability Action plan 2008-2009 (COM (2007) 738) has defined accessibility for all to goods and services as a priority. The Commission has issued two standardisation mandates to the European standardisation organisation in order to develop accessibility standards for information and communication technologies to be used in public procurement procedures.

- The Commission has presented in July 2008 a proposal for a directive on equal treatment between persons irrespective of religion or belief, disability, age or sexual orientation (COM(2008) 426). The proposal concerns notably protection against discrimination in access to goods and services.

- The EU adopted a communication on *Ageing Well in the Information Society* (COM(2007) 332) in November 2007, which presents an action plan to accelerate the introduction of new technology-based solutions for ageing well at home, in the community and at work.

- The EU supports the Ambient Assisted Living joint research and development programme undertaken by several Member States[17]. The programme aims at enhancing the quality of life of older people through the use of new Information and Communication Technologies.

16 COM(2007) 807du 18.12.2007.

17 Decision 743/2008/EC of the European Parliament and of the Council of 9 July 2008 (Official Journal L 201 of 30.7.2008, p. 58).

- The Socio-economic Sciences and Humanities Programme finances a project on demographic change and housing wealth (*DEMHOW*) which will investigate the links between ageing populations and housing wealth across Member States and the role of housing in providing income security in old age.

- The new Member States (EU-12) can use money from the European Regional Development Fund to invest in the development of their social housing stock.

- Through the ENEA preparatory action on active ageing on mobility of older people, the Commission supports a major project focusing on the promotion of active ageing and social, cultural and economic integration of migrant and minority ethnic elders (AAMEE).

4. TACKLING THE CHALLENGES OF DEMOGRAPHIC CHANGE: UPDATE

The Commission Communication on "The demographic future of Europe – from challenge to opportunity" adopted in October 2006[18] presented five key policy directions through which the Member States can respond to the challenges of demographic change:

1. Promoting "demographic renewal" in Europe: creating conditions that support Europeans in fulfilling their desire to have children, notably by facilitating the reconciliation of work, family and private life.

2. Promoting employment in Europe: ensuring that more jobs of better quality are created and that people can work longer, thus achieving a better balance between active and inactive people.

3. Promoting a more productive and dynamic Europe: boosting productivity growth by optimising skills at all ages, thus strengthening the economy's ability to meet the needs of an ageing population.

4. Receiving and integrating migrants in Europe: alleviating future labour shortages by attracting skilled and unskilled workers from abroad and fostering their integration.

5. Ensuring the sustainability of public finances: consolidating budgets and reforming social protection systems so as to guarantee adequate social protection and public services in the future.

The Communication also announced that once every two years the Commission would assess the Union's state of preparedness for demographic change. The present chapter aims to provide key data for such an assessment in each of the five policy domains above. The same data are also presented in the country sheets in the annex.

Each Member State faces different demographic challenges and, depending on the socio-economic and political context, has its own, very specific, set of opportunities for tackling these challenges. The purpose of this chapter, therefore, is to help policy makers in each Member State to understand where their own country is positioned in relation to the rest of the EU, to see where there is the greatest potential for action and possibly also to identify other Member States that may have developed policies from which lessons could be drawn.

The data presented here present a snapshot of the current situation across the EU. The emphasis is not on long-term trends, but on the specific position of each individual Member State vis-à-vis the challenges of demographic change. It is up to policy makers, researchers and stakeholders in the Member States to analyse the specificities of their country and to derive appropriate policy responses from their analysis.

Progress in the different policy areas which contribute to tackling demographic challenges is closely monitored at the European level in different frameworks: the Lisbon Strategy, the Open Method of Coordination on social protection and social inclusion, the Stability and Growth Pact, the Roadmap for equality between men and women and the European Alliance for Families. The principal added value of this chapter and the country sheets that follow is to

[18] COM(2006)571

bring together, in one place, indicators from this wide range of policy areas and to recall how they are related to the EU's ability to respond to demographic challenges.

4.1. Improving the conditions for Europe's demographic renewal

Recent data on total fertility rates show a slight increase (see Chapter 1), but in a majority of Member States, the average number of children per women is estimated to be lower than 1.5. If fertility levels stay at this low level, shrinking populations and much more pronounced ageing would result over coming decades. For this reason, low fertility rates have become a concern for a number of governments.

Governments have no direct influence on the decisions of people to have children, but they can try to achieve a return to somewhat higher fertility rates by creating a more supportive environment for families. This may comprise financial benefits, services (including affordable and good quality childcare and housing) and leave/working time arrangements that enable a better reconciliation of paid work and family life. This section focuses on financial benefits and services.

Family policies place considerable emphasis on financial support, through the payment of benefit or tax allowances. Such measures compensate families to some extent for the costs involved in raising children. Families also benefit from free or reduced-price services (notably childcare). Comprehensive sets of internationally comparable data on the value of these various forms of support to families do not exist. However, Eurostat collects data on how much Member States spend directly to provide

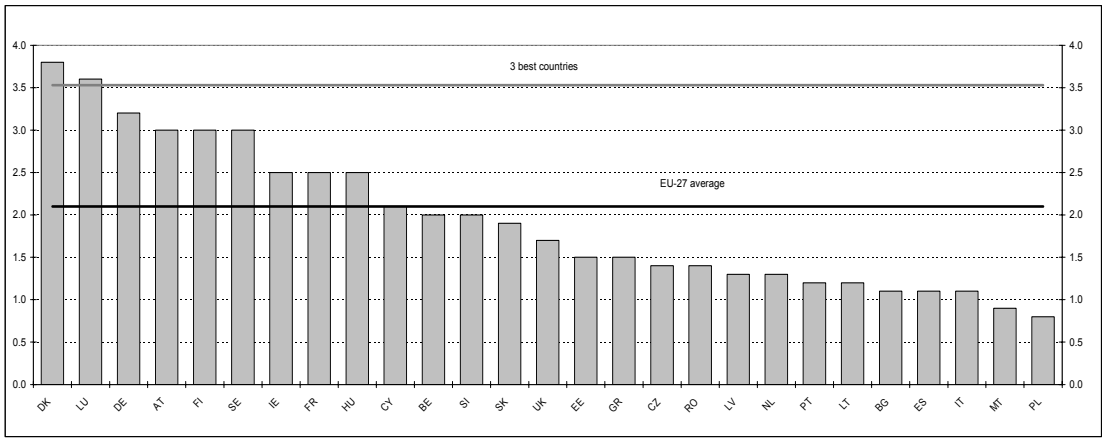
– financial support to households for bringing up children;

– financial assistance to people who support relatives other than children;

– and social services specifically designed to assist and protect families, particularly children.

Figure 4.1 shows the percentage of GDP devoted to such expenditure in each Member State in the year 2005. The highest levels of spending can be observed in Denmark and Luxemburg, followed by Germany, Austria, Finland and Sweden. Low levels of spending (in relation to GDP) can be found in Southern and Central and East European Member States. The three countries with the highest level of spending devote three to four times more of their GDP to families than the countries with the lowest level of spending.

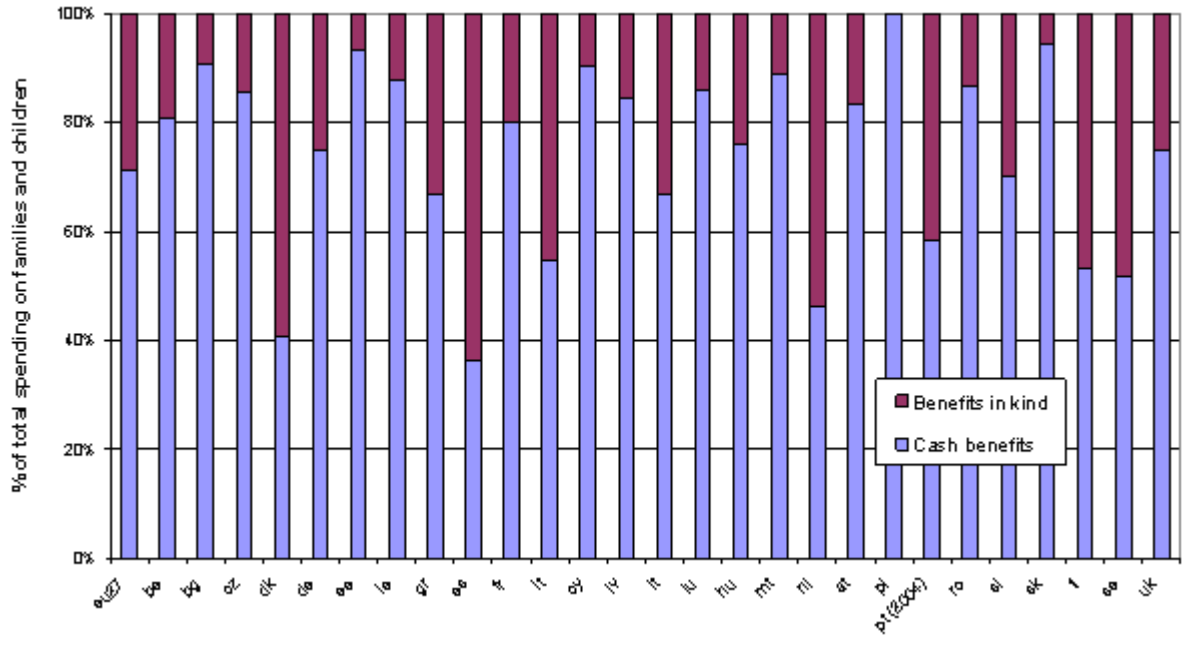
Figure 4.1: Family benefits in % of GDP, in 2005



Source: Eurostat, ESSPROS database.
Note: Many values are provisional. Data for Portugal are for 2004. EU-27 average is estimated.

The spending on family benefits comprises both benefits in cash and benefits in kind. Figure 4.2 shows the distribution of total spending across these two types of benefit. For the EU as a whole, about three-quarters of social protection spending for families and children is on cash benefits and one quarter on services (benefits in kind). The Nordic countries, Spain and the Netherlands are distinguished by a very large proportion of benefits in kind, albeit in relation to a low overall level of spending in the last two countries.

Figure 4.2: Family benefits in cash and in kind, 2005

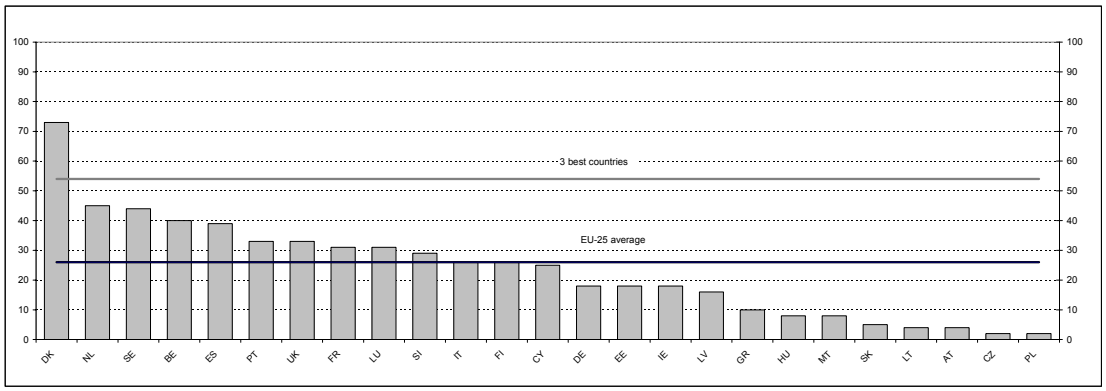


Source: Eurostat - ESSPROS database.
Note: Many values are provisional. Data for Portugal are for 2004. No data on benefits in kind for Poland: EU-27 average is estimated.

The most important service to families is the provision of high-quality and affordable childcare. In view of the importance of childcare for raising employment rates, the 2002

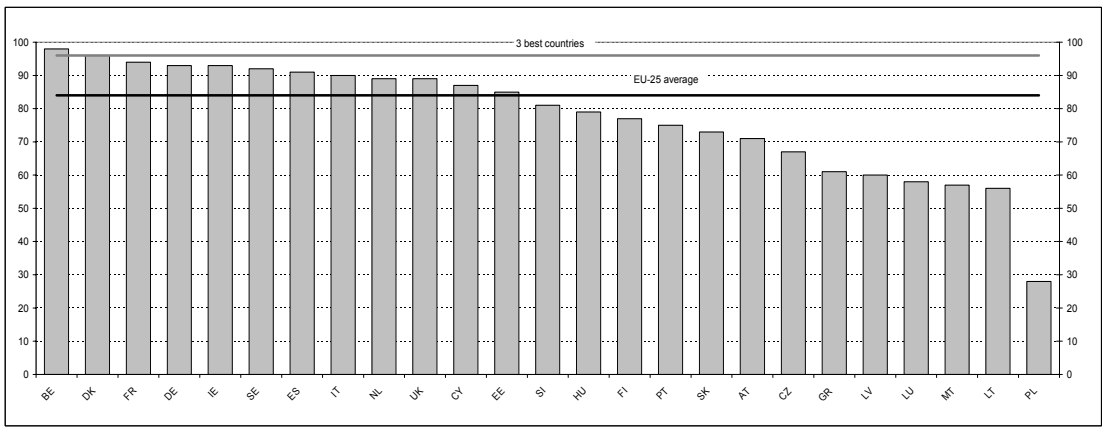
Barcelona European Council set common targets for the EU to be achieved by 2010: 33% of all children aged 0-2 and 90% of all children aged 3 to the compulsory schooling age should have access to formal childcare. Figures 4.3 and 4.4 present the most recent data on the progress made by EU Member States in achieving the Barcelona targets.

Figure 4.3: Formal childcare capacity for all children aged 0-2 in %, in 2006



Source: Eurostat, EU-SILC.
Notes: Data for Bulgaria and Romania are not available. 2006 data are provisional for BE, DE, EL, FR, IE, LT, LU, LV, MT, NL, PL, PT, SE, SK and UK.
The age of children is calculated at the date of the interview, except for IE and FI where age is calculated at 31 December 2005. For CY, LV, PT and SK, no information was collected for children born between 31 December 2005 and the date of the interview.

Figure 4.4: Formal childcare capacity for all children aged 3 to compulsory school age in %, in 2006



Source: Eurostat, EU-SILC.
Notes: see above, Figure 4.3.

For both age groups, the EU is coming close to the target, but considerable differences can be observed across Member States. Most of the former communist Member States have very low levels of childcare provision, both for the youngest and older children. The country ranking differs between the two age groups. Denmark performs best with regard to childcare for children under the age of three. For the age group 3-6, a group of eight countries exceeds or

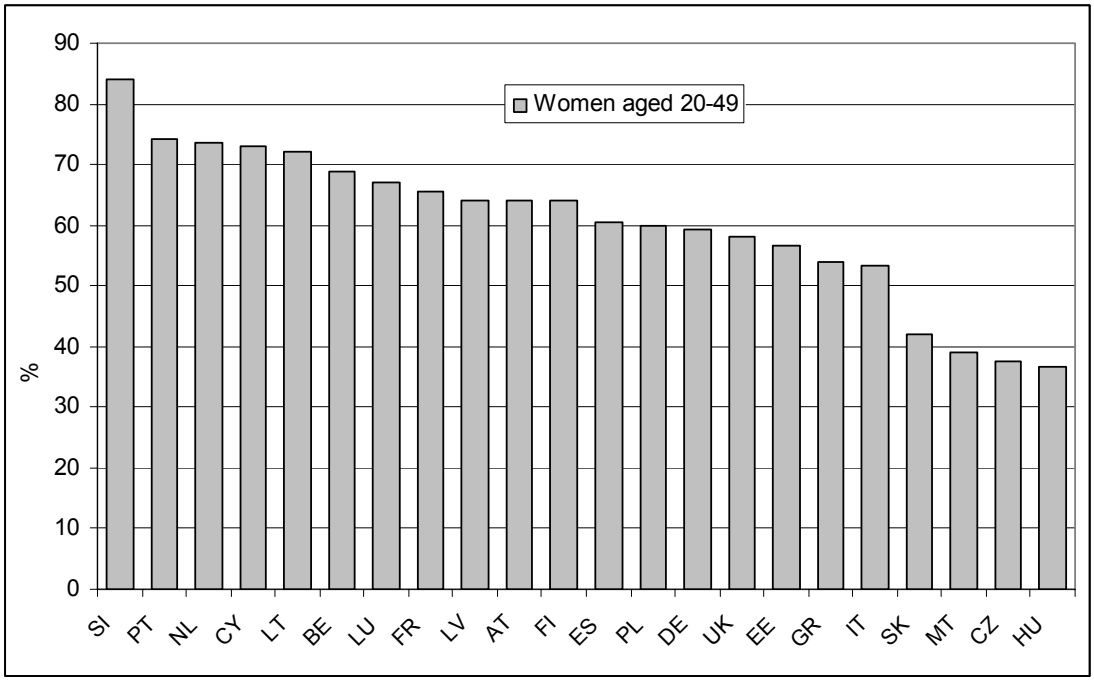
reaches the Barcelona target: Belgium followed by Denmark, France, Germany, Ireland, Sweden, Spain and Italy. The figures do not take account of the hours of childcare offered[19].

When formal childcare can only be used for half a day, other arrangements are necessary for the rest of the day, implying that one parent may only able to work part time. Some informal childcare arrangements, such as the *assistantes maternelles* are also not included in these figures which, therefore, only provide an incomplete picture of the situation.

The development of childcare services is crucial for promoting the labour force participation of women. Figures 4.5 and 4.6 present the employment rates of women and men who are caring for at least one child below the age of six. Whereas close to 90% of men with at least one young child are in employment, the corresponding employment rate for women is less than 60%; in addition, a large proportion of women are working part-time (see Figure 4.7).

This clearly shows that it is still mainly women who adjust their employment situation to suit the needs of their families. The 'male breadwinner' model seems to be going particularly strong in countries like Malta, the Czech Republic, Hungary and Slovakia, where women with young children have employment rates below 40%. Differences across countries are also much greater as far as the employment of mothers of young children is concerned than in the case of fathers. The spread between the country with the highest employment rate for women with young children and the country with the lowest rate is close to 50 percentage points, compared to around 20 for men.

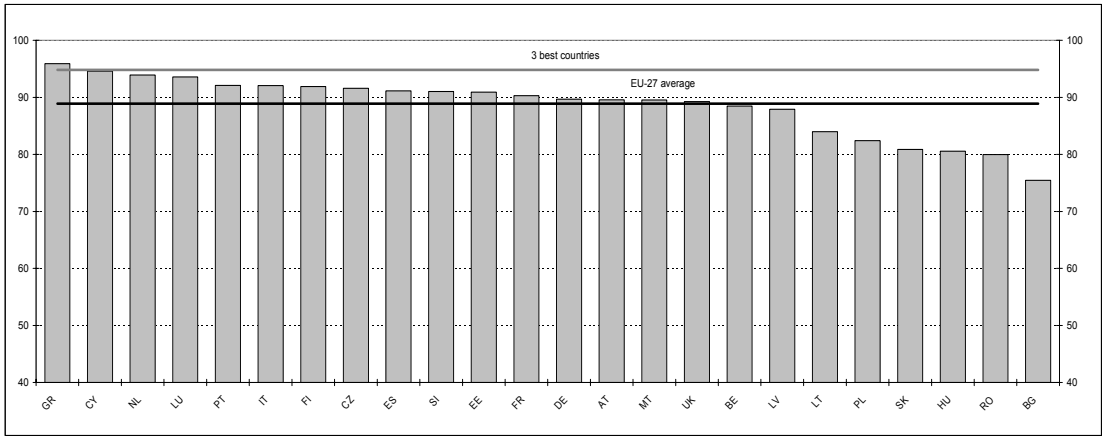
Figure 4.5: Employment rate of women having at least one child below 6, in 2007, in %



Source: Eurostat, Labour Force Survey.
Note: Data for Denmark, Ireland and Sweden are not available.

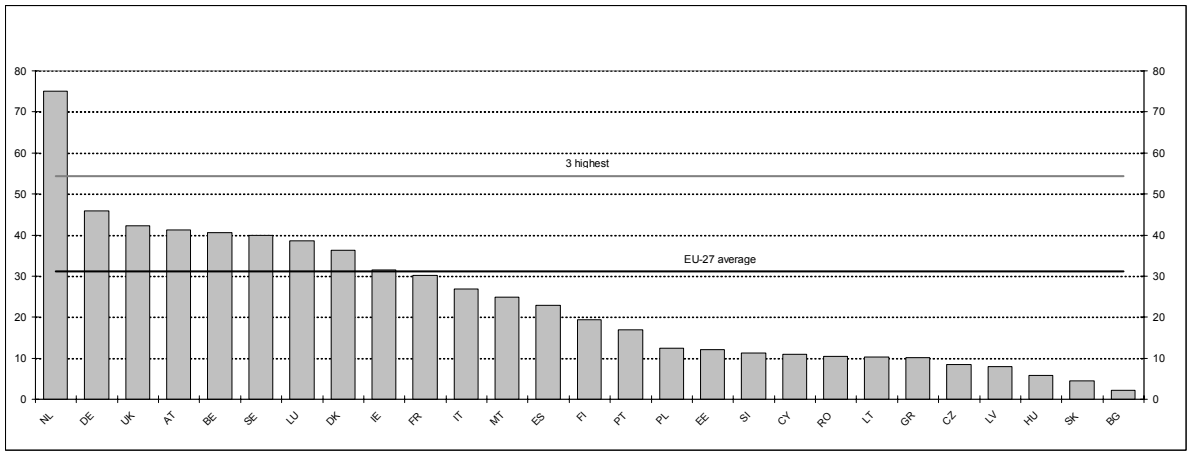
[19] See the Commission Working Document "Mise en œuvre des objectifs de Barcelone concernant les structures d'accueil pour les enfants en âge préscolaire" SEC(2008)XXX.

Figure 4.6: Employment rate of men having at least one child below 6, in 2006, in %



Source: Eurostat, Labour Force Survey.
Note: Data for Denmark, Ireland and Sweden are not available.

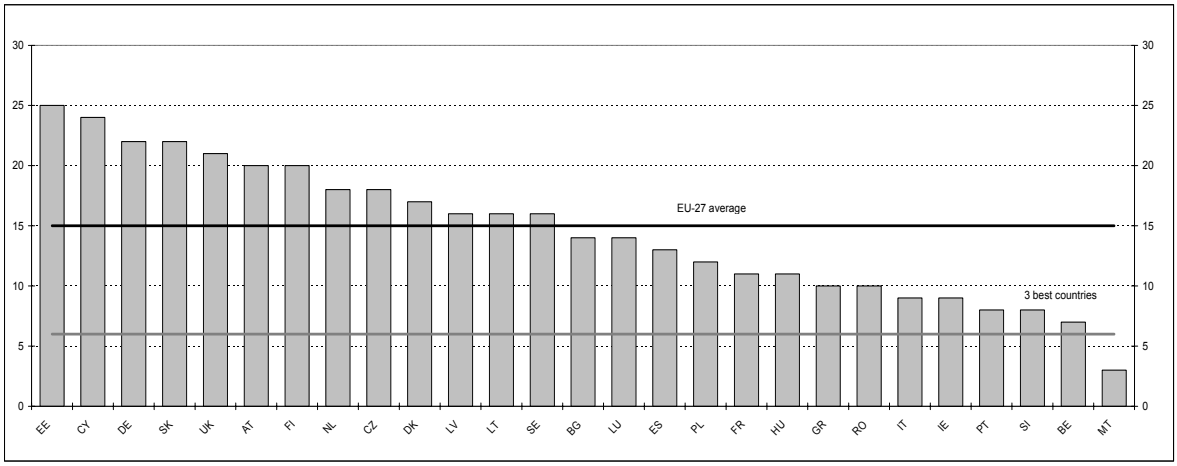
Figure 4.7: Proportion of part time workers among employed women, in 2007, in %



Source: Eurostat, Labour Force Survey.
Note: Data for Ireland are from 2004.

The fact that women tend to adapt their labour market involvement to the needs of their families is also likely to be a key factor in the large pay gap between women and men (see Figure 4.8). The gender pay gap is the difference between average gross hourly earnings of male and of female paid employees as a percentage of average gross hourly earnings of male paid employees. The population considered consists of all paid employees aged 16-64 who work at least 15 hours per week. Across the EU, women earn around 15% less than men. The pay gap is 20% or higher in Estonia, Cyprus, Germany, Slovakia, the UK, Austria and Finland. Eight countries have a pay gap of 10% or less, and the small numbers of women in employment in Malta enjoy the highest level of pay in relation to men.

Figure 4.8: The Gender Pay Gap in %, in 2006



Source: Eurostat, EU SILC and national sources.
Note: Data for DK, DE, EE, IT, LT, NL, PT and UK are from 2005.

The data presented above suggest that there is considerable room for improvement in many Member States and in different areas of family policy and gender equality (see also Chapter 2 on the policy implications of changing family structures). Choosing the right policy mix is crucial in responding to the challenge of very low birth rates, and the data presented here can provide only a few indications. Further, more in-depth work will be carried out in the framework of the European Alliance for Families.

4.2. More employment

The main indicator used to describe the ageing of a society is the old-age dependency ratio, which divides the number of people aged 65+ by the working age population (aged 15-64). In 2008, the ratio stood at 1 older person for 4 people of working age. It is expected to rise to 1 for 2 over the next 40 years. However, the ability of a society to cope with an ageing population does not simply depend on the ratio between these two age groups. The key question is how many inactive people, and people with expensive health and long-term care needs, have to be supported by the active population.

The active population is in fact much smaller than the age group 15-64. A very large proportion of young people under the age of 25 are still in education or training, while most people retire well before they reach the age of 65. Among those in between, aged 25-59, many are not in employment: a significant proportion of women, for family reasons, and a large proportion of women and men with a low level of educational attainment. This leaves considerable scope for increased employment in most Member States and, consequently, an opportunity for achieving a much more favourable balance between the population in employment and retired older people. Indeed, the 2006 Demography Report[20] estimated that raising the EU employment rate to the level of the three best-performing Member States could compensate for about two-thirds of the decline in employment expected as a result of the shrinking of the working-age population. This illustrates the importance of raising

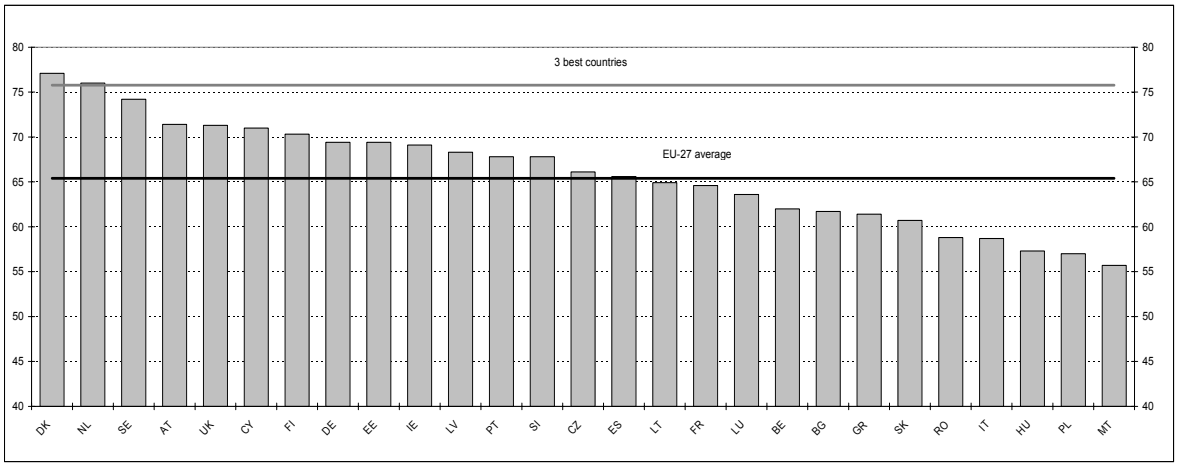
[20] European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities: *Europe's Demographic Future: Facts and Figures on challenges and opportunities.* SEC(2007)638

employment levels in the EU. It is arguably the most effective strategy with which countries can prepare for population ageing.

Achieving higher levels of employment is also at the core of the Lisbon Strategy, which set ambitious goals in this regard, namely to raise the total employment rate to 70% by 2010. By 2007, 7 Member States had reached this goal (see Figure 4.9): Denmark, the Netherlands, Sweden, Austria, the UK, Cyprus and Finland. Germany, Estonia and Ireland were very close to the target figure. The three best performing countries demonstrate that an employment rate of 75% is possible.

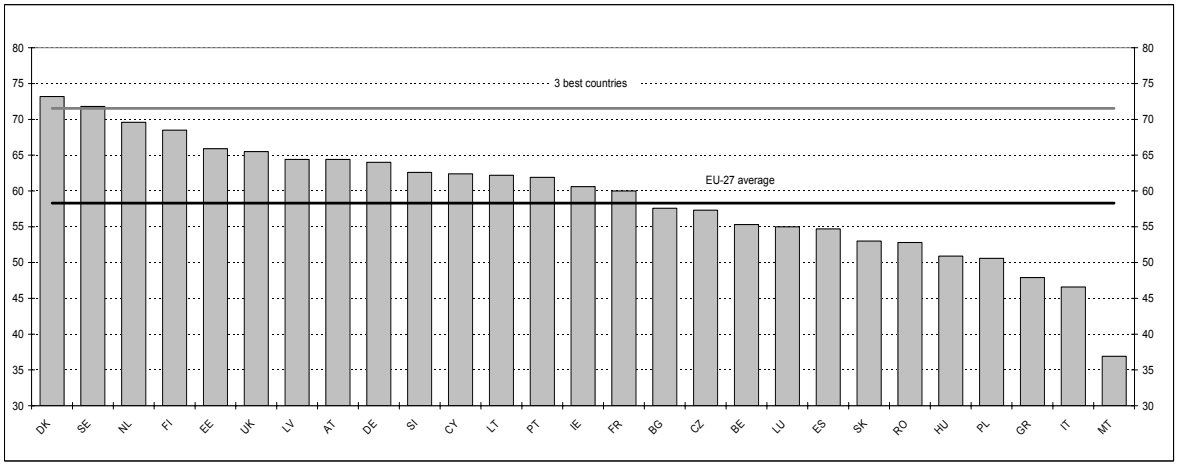
The EU average is still below the 70% target, at 65.4%, which represents a growth of almost 5 percentage points compared to the level of 60.7% in 1997, but significant differences exist across countries. The Northern and Western European countries all have rates above the EU average, whereas the Mediterranean (Malta, Italy, and Greece) and Central and East European countries (Poland, Hungary, Romania, Slovakia) tend to have the lowest employment rates.

Figure 4.9: Total employment rate of persons aged 15-64 in %, in 2007



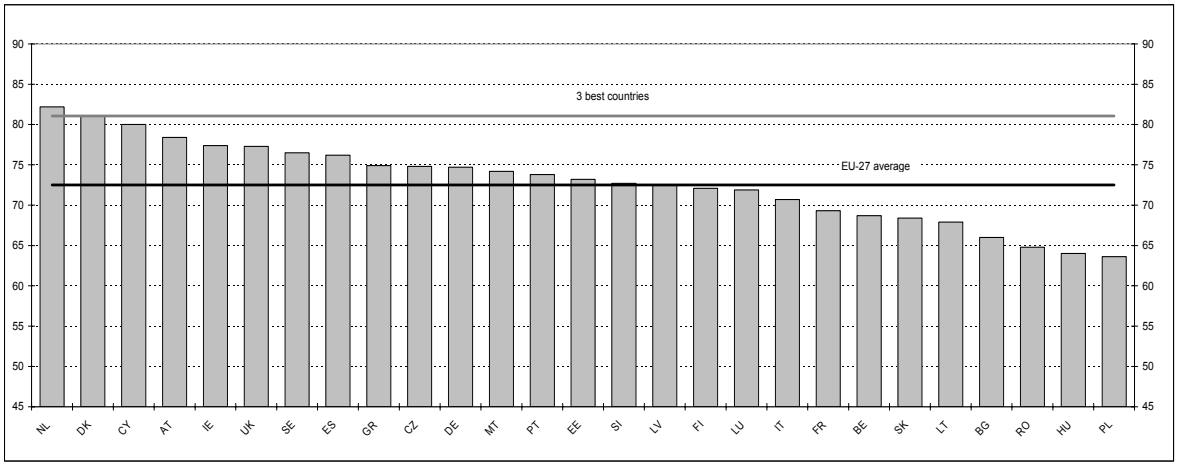
Source: Eurostat, Labour Force Survey.

Figure 4.10: Employment rate of women aged 15-64 in %, in 2007



Source: Eurostat, Labour Force Survey.

Figure 4.11: Employment rate of men aged 15-64 in %, in 2007



Source: Eurostat, Labour Force Survey.

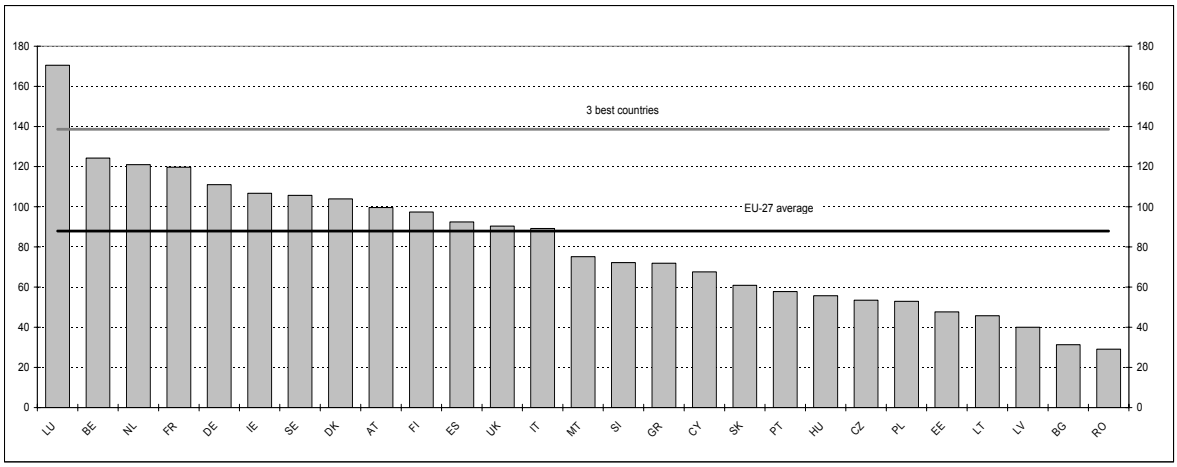
Differences in total employment rates reflect to a large extent differences in employment rates of women (see Figure 4.10). The Lisbon Strategy also sets a target of a 60% employment rate for women, a level that, in 2007, had almost been reached by the EU as a whole and by 15 Member States. The countries that have yet to reach this target are from Southern, Central and Eastern Europe, apart from Belgium and Luxembourg. The best-performing countries achieve a female employment rate of just over 70%, around 10 percentage points below the average of the three highest employment rates for men.

Eight Member States had male employment rates below 70%: France, Belgium and six new Member States (see Figure 4.11). Achieving the Lisbon employment target also requires determined efforts to raise the labour force participation of men, notably by helping older workers stay on the labour market (see Chapter 3).

4.3. Higher productivity

It is not only the number of jobs that determines a country's prosperity, but also the quality of jobs, for which labour productivity can be used as a proxy. Large differences are found in productivity levels across the EU. Figure 4.12 shows that the highest hourly productivity levels expressed in Purchasing Power Standards are in the Benelux countries and France, at around 120% of the EU-15 average. The best performing countries produce around four times as much output per hour worked as the poor performers, Bulgaria and Romania. All the Member States that joined the EU in 2004 are significantly below the EU average of around 90. If productivity is measured in Euros, the differences are even larger.

Figure 4.12: Labour productivity in GDP per hour worked in PPS, EU-15=100, in 2006



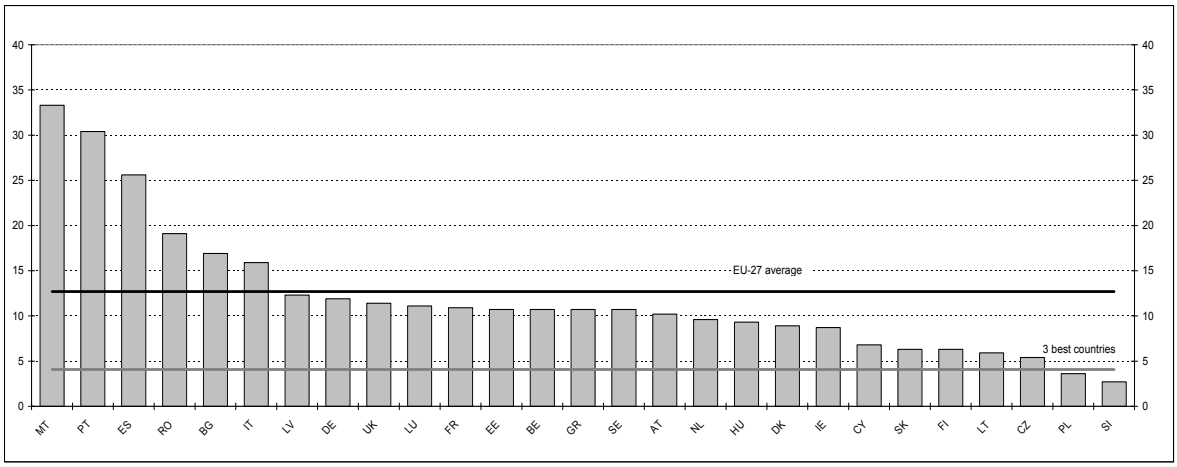
Source: Eurostat - National Accounts. Data for Romania are from 2005.

The productivity level achieved in a country reflects the level of technology and past investments in physical and human capital (including the health of workers). Investment in human capital, notably through education and training, plays a crucial role in this process. This section focuses on investment in human capital and looks at differences in educational attainment of the working-age population across Member States. The need to increase investment in human capital through better education and skills is fully recognised in the Employment Guidelines 2008-2010. The EU has set itself ambitious quantitative targets in this area which are to be reached by 2010: not more than 10 % youths should leave schools early and 85 % of the 22-year olds should have completed upper secondary education. Moreover, the average level of participation in lifelong learning should reach at least 12.5 % of the population aged 25-64[21].

Figures 4.13 and 4.14 present the proportion of early school leavers for both sexes in 2007, defined as young people aged 18-24 with at most secondary education and not in further education or training. The EU-27 average for women lies at 13% and for men at 17% in 2007. The European Benchmark for early-school-leaving was put at no more than 10%. The gap between the EU-27 average and the three best performers for both genders amounts to about 10 percentage points. The largest proportion of early school leavers are found in Portugal, Spain and Malta with rates above 25% and 35% for women and men respectively.

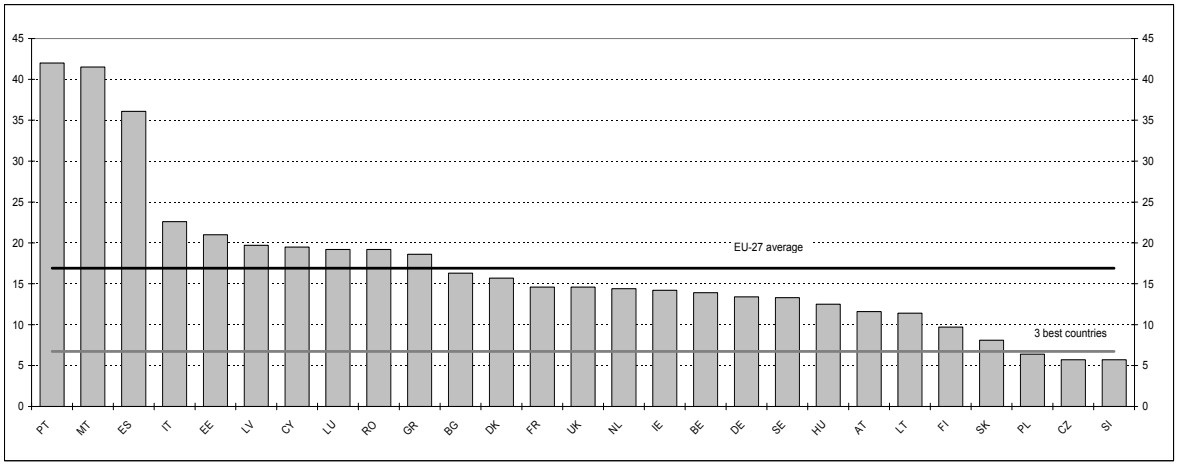
[21] For a more detailed analysis see "Future skill needs in Europe: Focus on 2020", European Centre for Development and Training (CEDEFOP), 2008, http://www.cedefop.europa.eu/index.asp?section=3&read=3650

Figure 4.13: Early school-leavers, % of the women aged 18-24, with at most lower secondary education and not in further education or training, in 2007



Source: Eurostat, Labour Force Survey. Figures for CZ, SE, UK are from 2006, figures for EE are from 2005. Figures for LT, LU, SL should be regarded as unreliable.

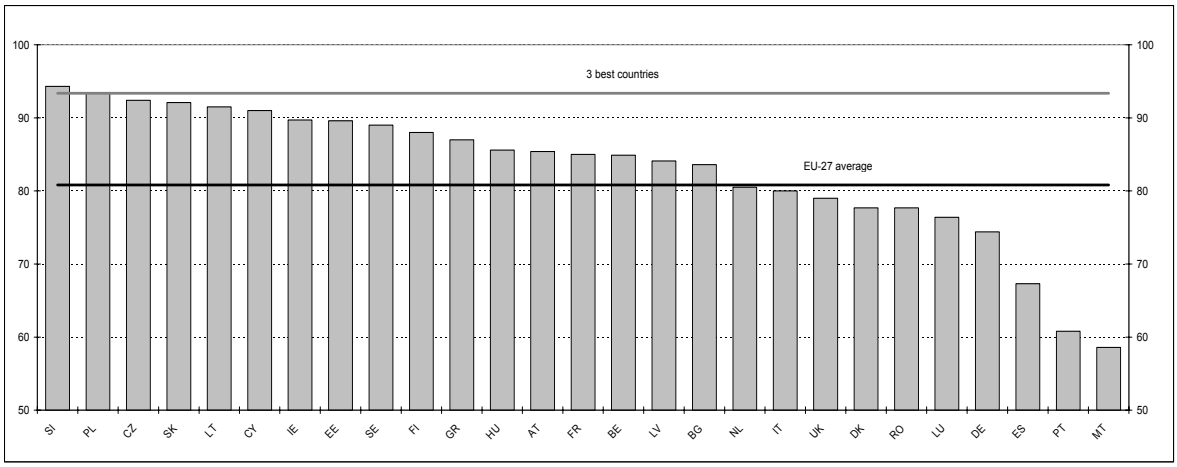
Figure 4.14: Early school-leavers, % of men aged 18-24 with at most lower secondary education and not in further education or training, in 2007



Source: Eurostat, Labour Force Survey.

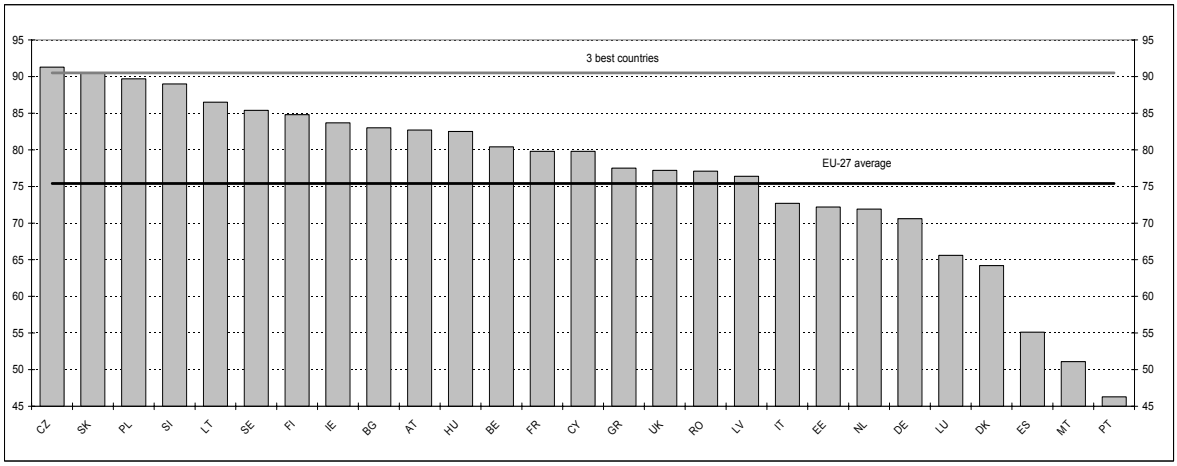
The same three best performing countries are also distinguished by a small proportion of young people who have completed at least upper secondary education (see Figures 4.15 and 4.16), followed by Germany. The adopted European Benchmark says that at least 85% of young people should have completed upper secondary education. The best performing countries, with regard to both early school leaving and attaining at least upper secondary education, are the Central and East European Member States: Slovenia, the Czech Republic, Poland, Slovakia and Lithuania; Finland also displays a low rate for early school leaving.

Figure 4.15: Youth education attainment level: % of women aged 20-24 having completed at least upper secondary education, in 2007



Source: Eurostat, Labour Force Survey.

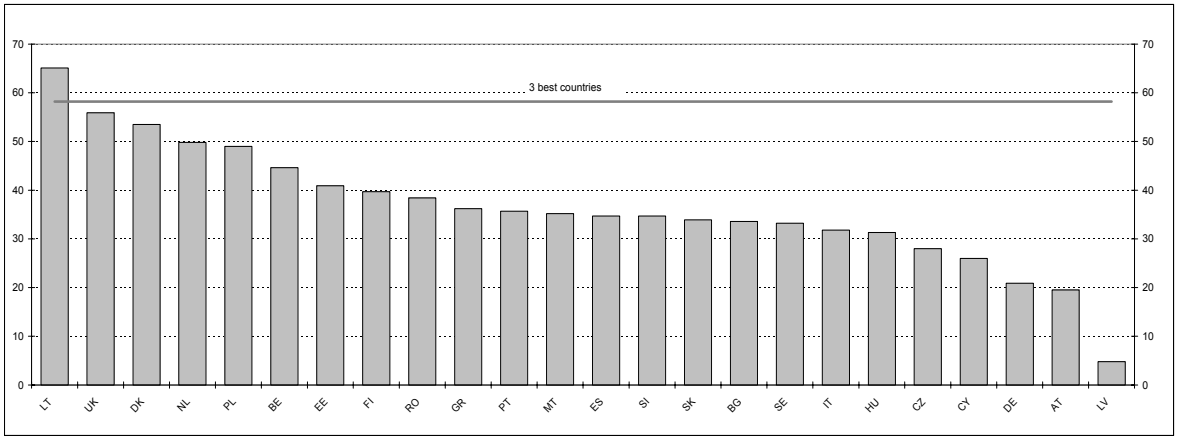
Figure 4.16: Youth education attainment level: % of men aged 20 to 24 having completed at least upper secondary education, in 2007



Source: Eurostat, Labour Force Survey.

Tertiary education is becoming increasingly important for competitive, knowledge-based economies. The number of university graduates in 2006 per 1000 people aged 20-29 is presented in Figure 4.17. Lithuania leads the ranking, followed by the UK, Denmark, the Netherlands and Poland. Germany, Austria and Latvia are found at the lower end of the scale.

Figure 4.17: University graduates aged 20-29 per 1000 persons of the corresponding age population – both sexes, in 2006

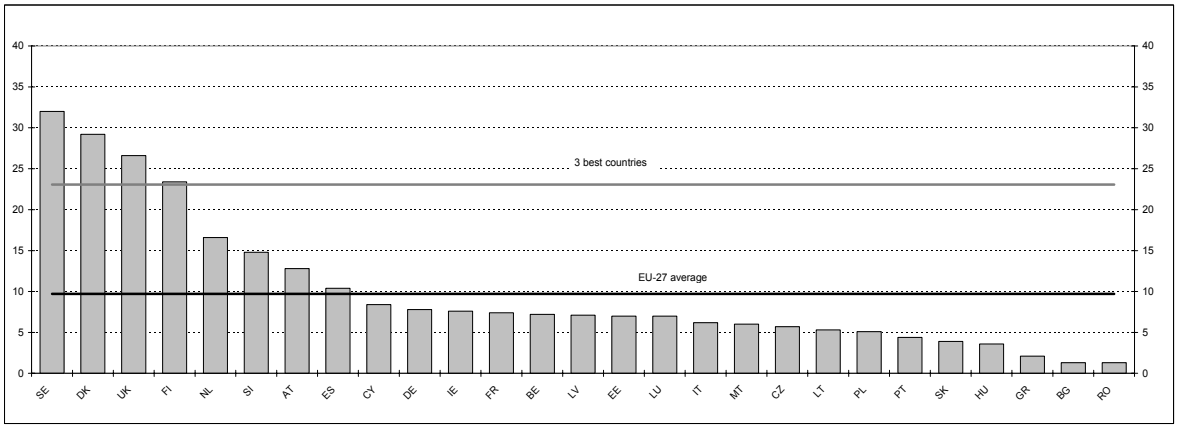


Source: Eurostat - joint UIS/OECD/Eurostat (UOE) data collection on education statistics using ISCED 5-6. Data for Ireland, France and Luxembourg, as well as the EU-27 average, are not available.

A high level of education not only enables workers to be more productive, it also increases their likelihood of being in employment. About 84% of people with tertiary education were employed in 2007, 70% of people with no more than upper secondary education and only 49% with only primary education.

The chances of finding, and remaining in, high-quality employment not only depend on the level attained during initial education, but also on keeping knowledge and skills up to date throughout working life. Participation in life-long learning is, however, still relatively rare in most Member States. Figure 4.18 shows that about 1 in 10 workers had taken part in some form of education or training over the four weeks prior to being surveyed, while the European Benchmark says that it should be 1 in 8. The level was up to three times as high in the best performing countries, whereas in the worst performing countries, workers hardly received any education or training at all.

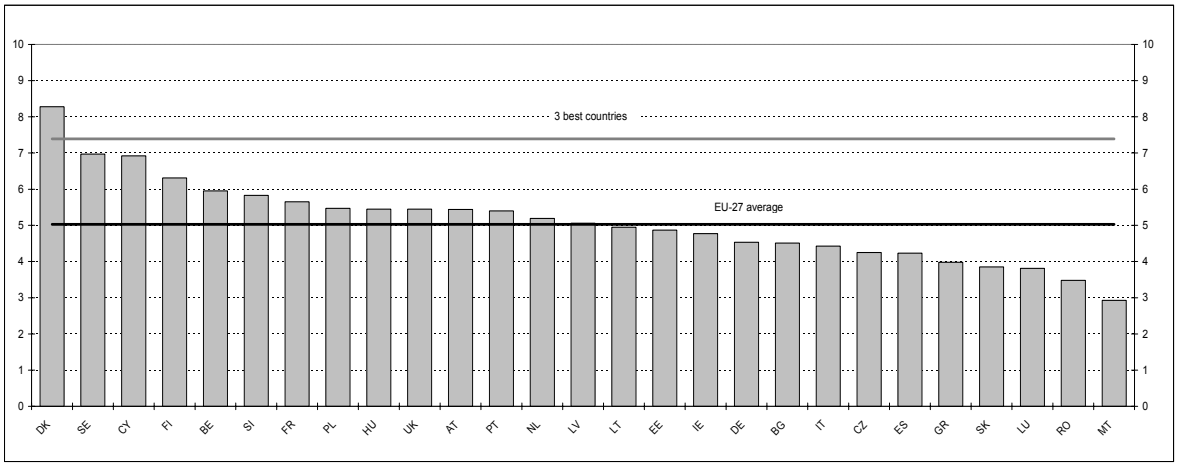
Figure 4.18: Life-long learning, % population aged 25-64 participating in education and training over the four weeks prior to the survey, both genders, in 2007



Source: Eurostat, Labour Force Survey. Data for Sweden and the United Kingdom are for 2006.

Public spending on education also differs widely across the Member States, with Denmark spending more than 8% of its GDP in 2005 and Sweden and Cyprus around 7% (see Figure 4.19). At the other end of the spectrum, Malta spends under 3% and Romania about 3.5%. Luxembourg also devotes a relatively low percentage of GDP to education, but this is also a reflection of the high level of GDP per capita. No clear link appears between the proportion of GDP used for public spending on education and the outcome indicators (early school leavers, proportion of graduates) presented above. Thus, the quality of educational provision may be a more important factor than the amount spent.

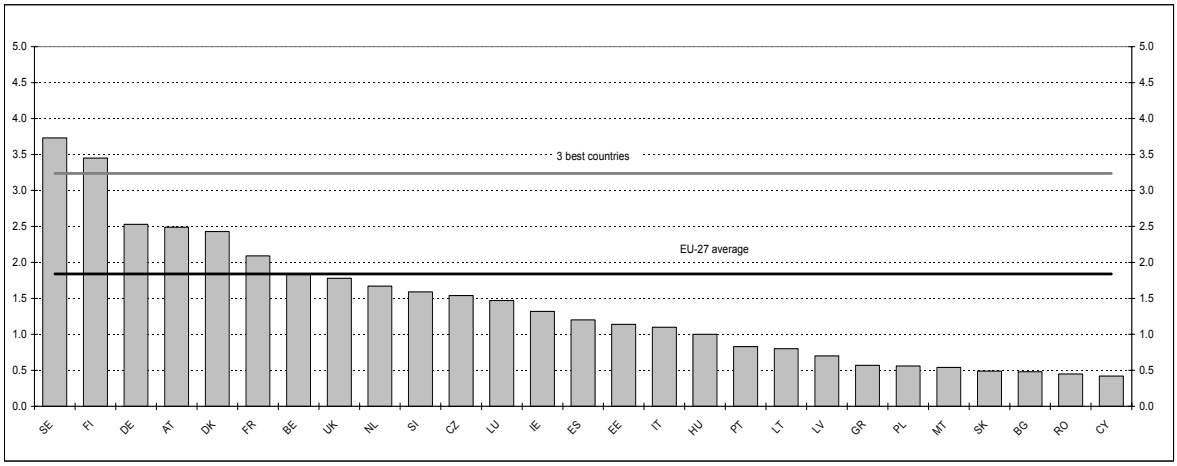
Figure 4.19: Public spending on education as % of GDP, in 2005



Source: Eurostat - joint UIS/OECD/Eurostat (UOE) data collection on education statistics.

Productivity growth is not only driven by increasing and improving fixed capital and human resources, but also by innovation. A combination of highly educated people and spending on research and development are prerequisites for adopting know-how developed elsewhere and for extending the technology frontier. Figure 4.20 presents expenditure on research and development in 2006 as a percentage of GDP. Sweden and Finland stand out with spending levels around 3.5% of GDP. They are followed by Germany, Austria and Denmark, but spending in these countries is about 1% of GDP lower than in the best performing countries. The EU's least developed countries also have the lowest levels of R&D spending at around one quarter of the EU average of 1.84% of GDP. This average is well below the target set for 2010 of three percent of GDP. Moreover, the level of R&D spending has not risen since the beginning of the decade.

Figure 4.20: Expenditure on R&D as% of GDP, in 2006



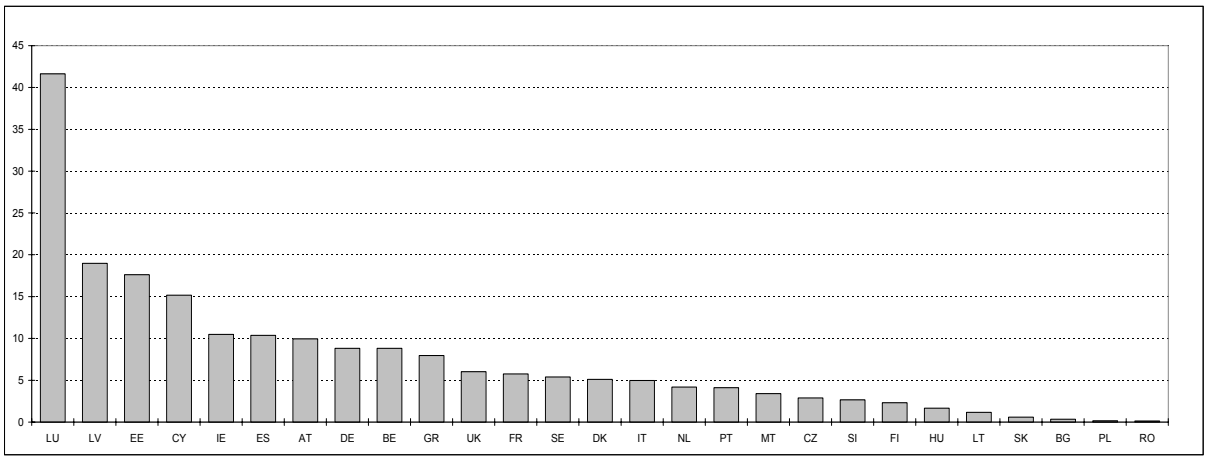
Source: Eurostat, WG on Statistics on Science, Technology and Innovation.
Note: Data for Italy are for 2005.

4.4. Receiving and integrating migrants

The EU has been receiving an unprecedented number of migrants over recent years (see Chapter 1). In addition, many of the migrants who arrived over the past few decades have settled and raised their families in Europe. In many Member States, a significant proportion of children and young people have immigrant parents, and may have difficulty in integrating even if they are citizens of an EU Member State.

Figure 4.21 presents the proportion of non-nationals in each Member State. This only partly represents the scale of immigration since a proportion of immigrants may have received the citizenship of their host country. Apart from Latvia, Estonia and Cyprus, the countries with the highest proportion of non-nationals are EU-15 Member States, many of them counting between 5% and 10% of non-nationals among their populations. In the EU-12 Member States, the proportion of non-nationals tends to be significantly lower, with the exception of Latvia and Estonia, where so-called "recognised aliens", who have no citizenship of any existing country, Russian citizens, and citizens of other countries that became independent after the end of the USSR account for most of the non-nationals, and Cyprus where nearly six non-nationals out of ten come from another EU Member State.

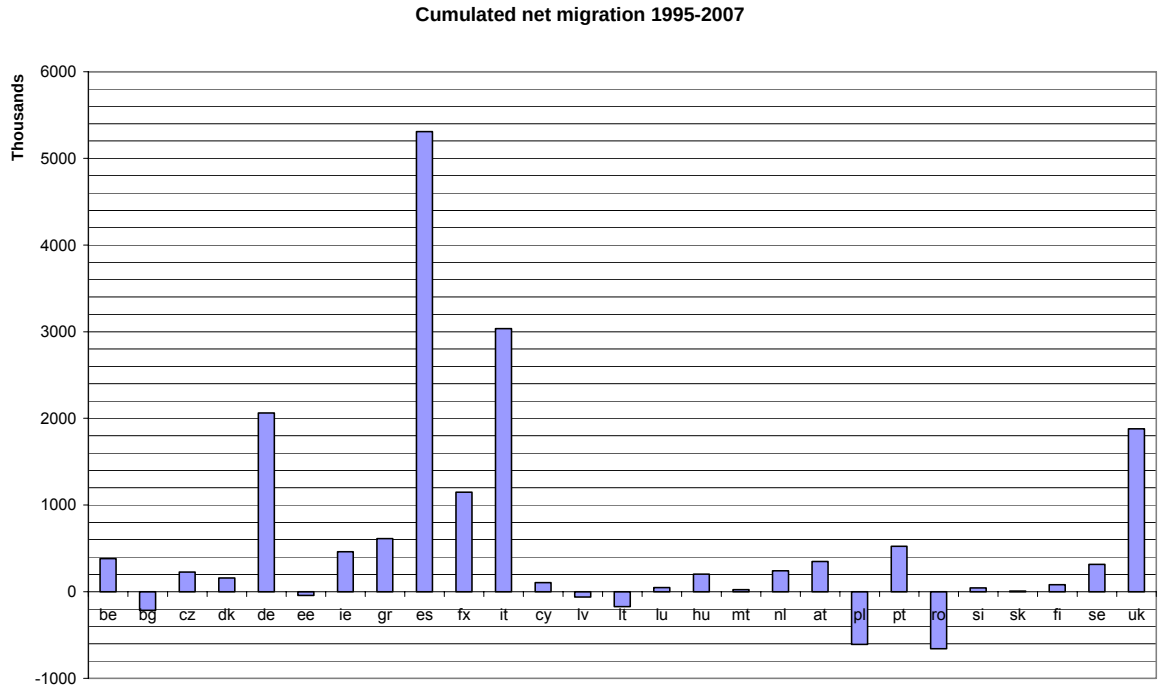
Figure 4.21: Proportion of non-nationals in the EU-27 population, in %, in 2007



Source: Eurostat demographic data.

It is estimated that, over the past 13 years (1995-2007), the population of EU-27 increased by nearly 15.5 million people due to immigration, 4.5 million during the first 7 years and 11 million during the last 6 years of this period. The countries that attracted the largest numbers of migrants were Spain, Italy, Germany and the UK (see Figure 4.22). Six Member States lost population (Bulgaria, the three Baltic countries, Poland and Romania). Luxembourg stands out as the Member State with the largest percentage of foreigners.

Figure 4.22: Cumulated net migration (including corrections), 1995-2007

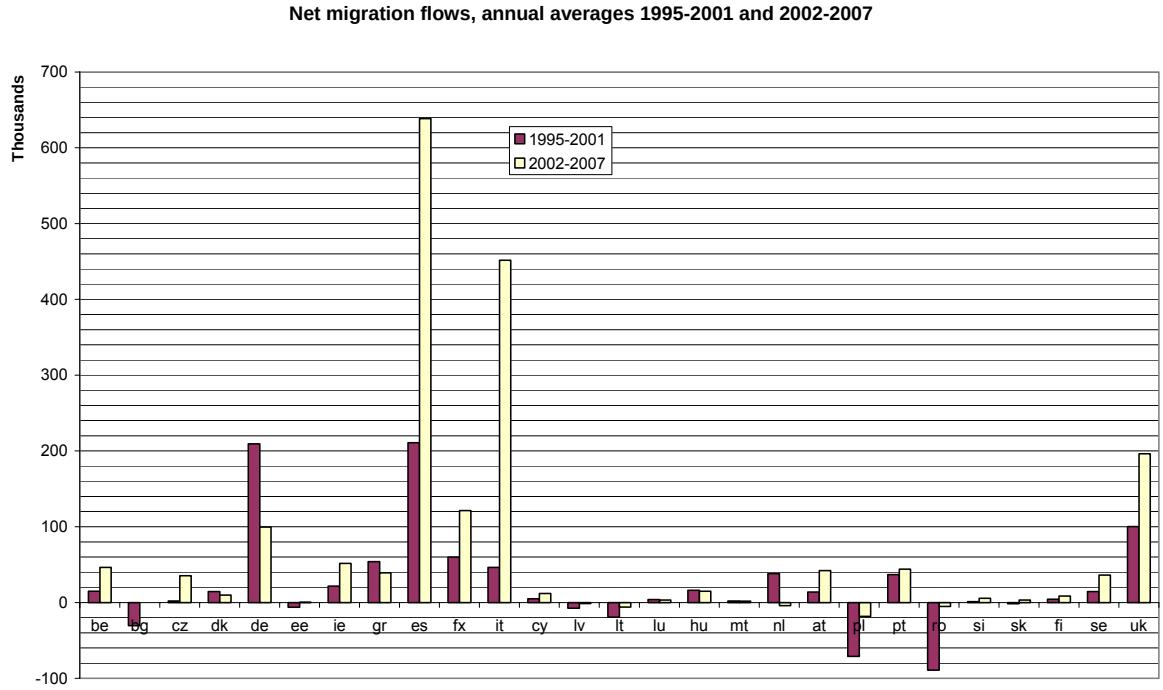


Source: Eurostat demographic data.

Apart from the steep increase in the immigration flow, there has also been a marked change in the main destinations countries of these flows. In particular, migration to Germany more than

halved, while it increased considerably to Spain and Italy, which have become the main receiving countries (see Figure 4.23).

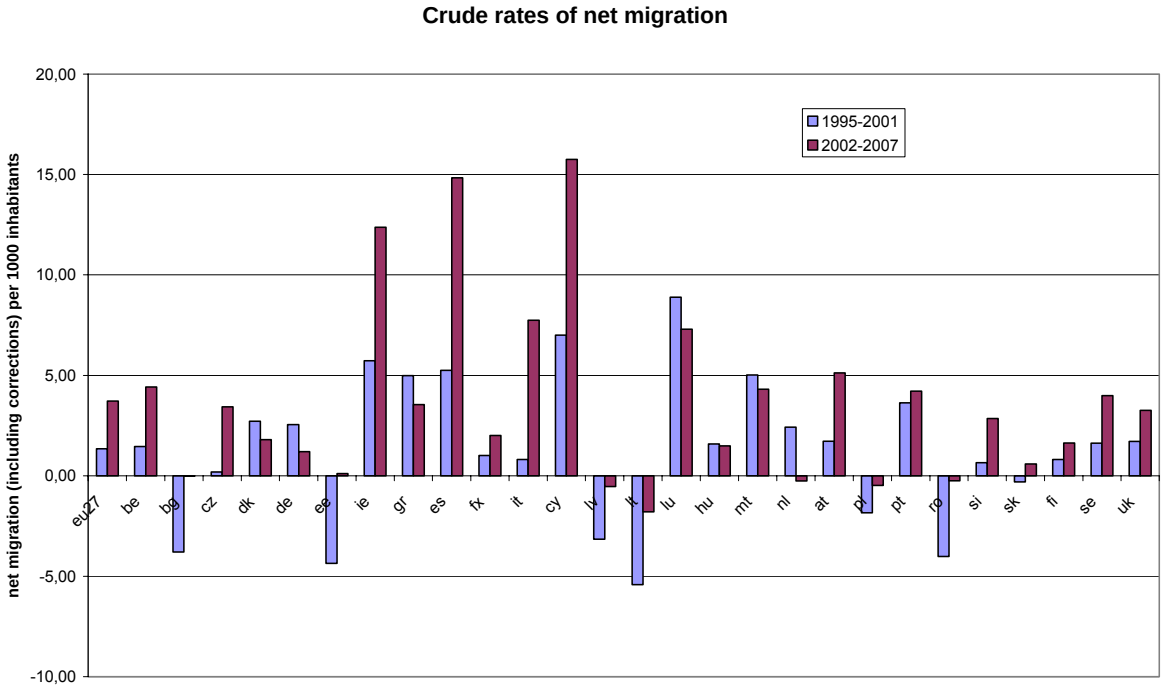
Figure 4.23: Net migration flows (including corrections), annual averages 1995-2001 and 2002-2007



Source: Eurostat demographic data.

In relation to other receiving countries, Spain remains one of the countries that has absorbed the largest immigration flows, although it has now been overtaken by Cyprus, and Italy has been overtaken by Ireland. Crude rates of net migration also show more clearly the extent of emigration from some of the new Member States. These population losses were much smaller since 2002 than during the preceding period (see Figure 4.24).

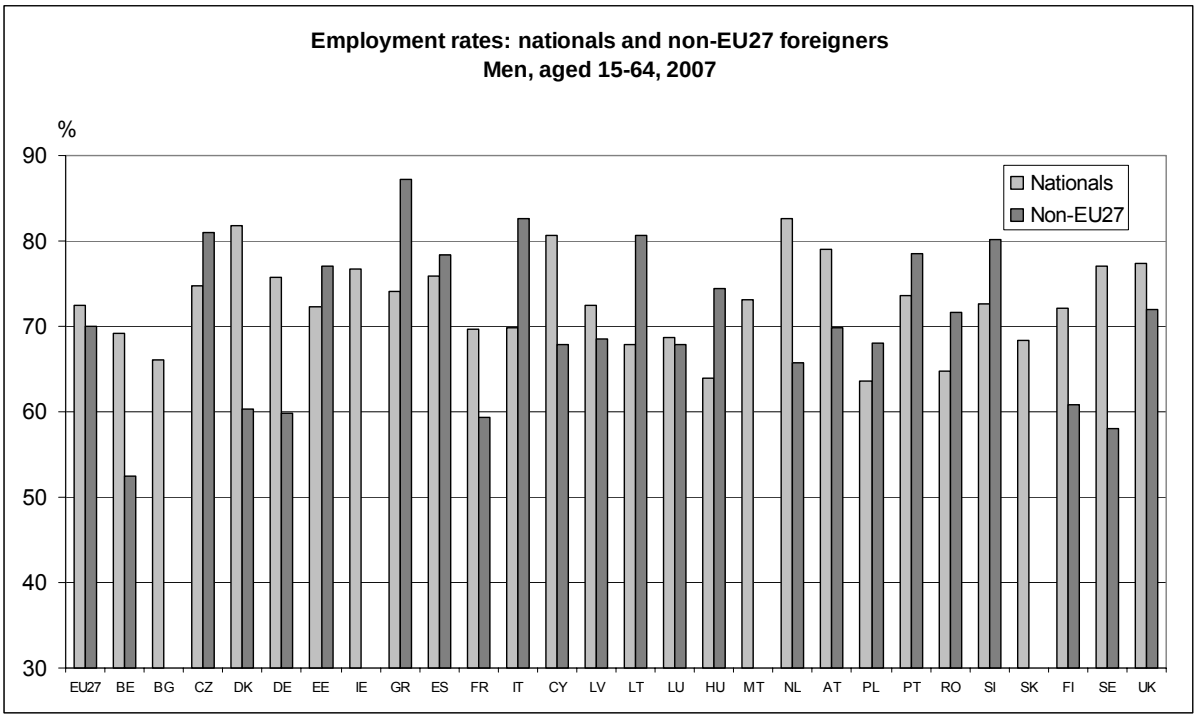
Figure 4.24: Crude rates of net migration (including corrections), annual averages 1995-2001 and 2002-2007

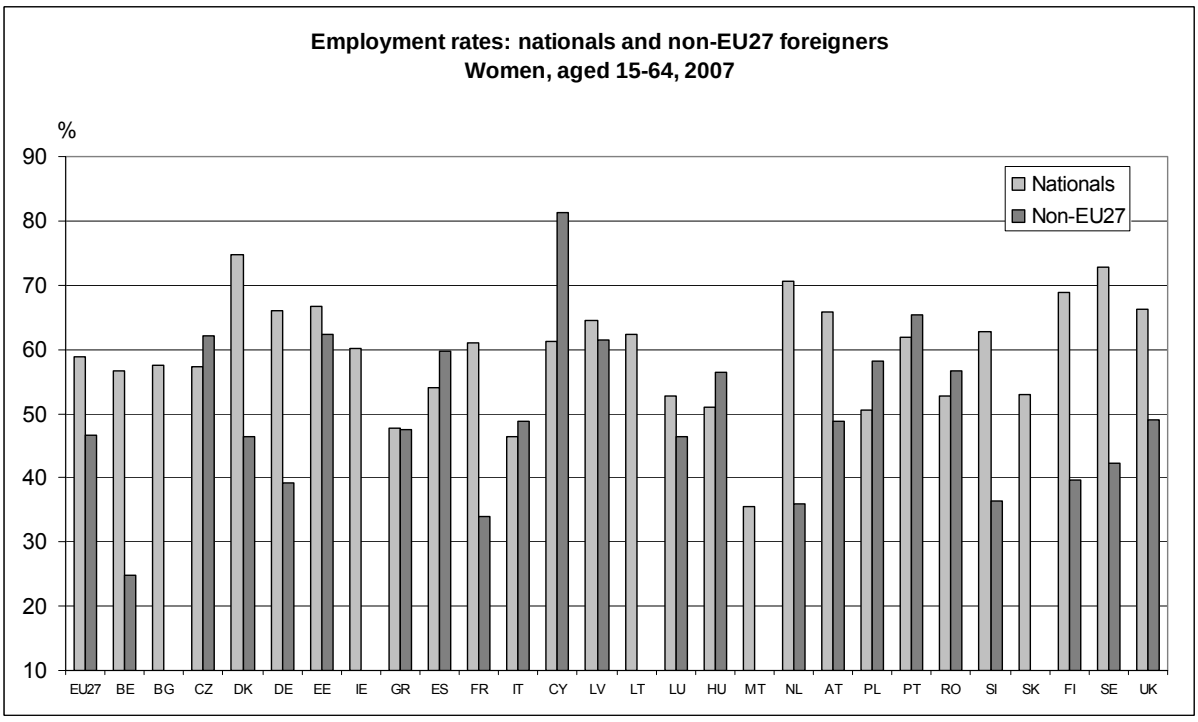


Source: Eurostat demographic data.

Attracting third country nationals is one way of preventing labour force shortages in a context of a declining working-age population. How successful such a strategy is depends, however, on the ability to integrate migrants into the labour market and allowing them to develop their full productive potential. Employment rates tend to be lower for men who are not nationals of an EU-27 Member State than for nationals of the country in which they live (see Figure 4.25). However, the situation differs considerably from one country to another. In the Czech Republic, Estonia, Greece, Spain, Italy, Lithuania, Hungary, Poland, Portugal, Romania, and Slovenia, third-country nationals are more likely to be in employment than nationals. Third-country women are also less likely to be in employment than native women, and the gaps between third-country nationals and nationals are often even more pronounced than for men.

Figure 4.25: Comparison of employment rates of nationals and third-country nationals





Source: Eurostat, Labour Force Survey.

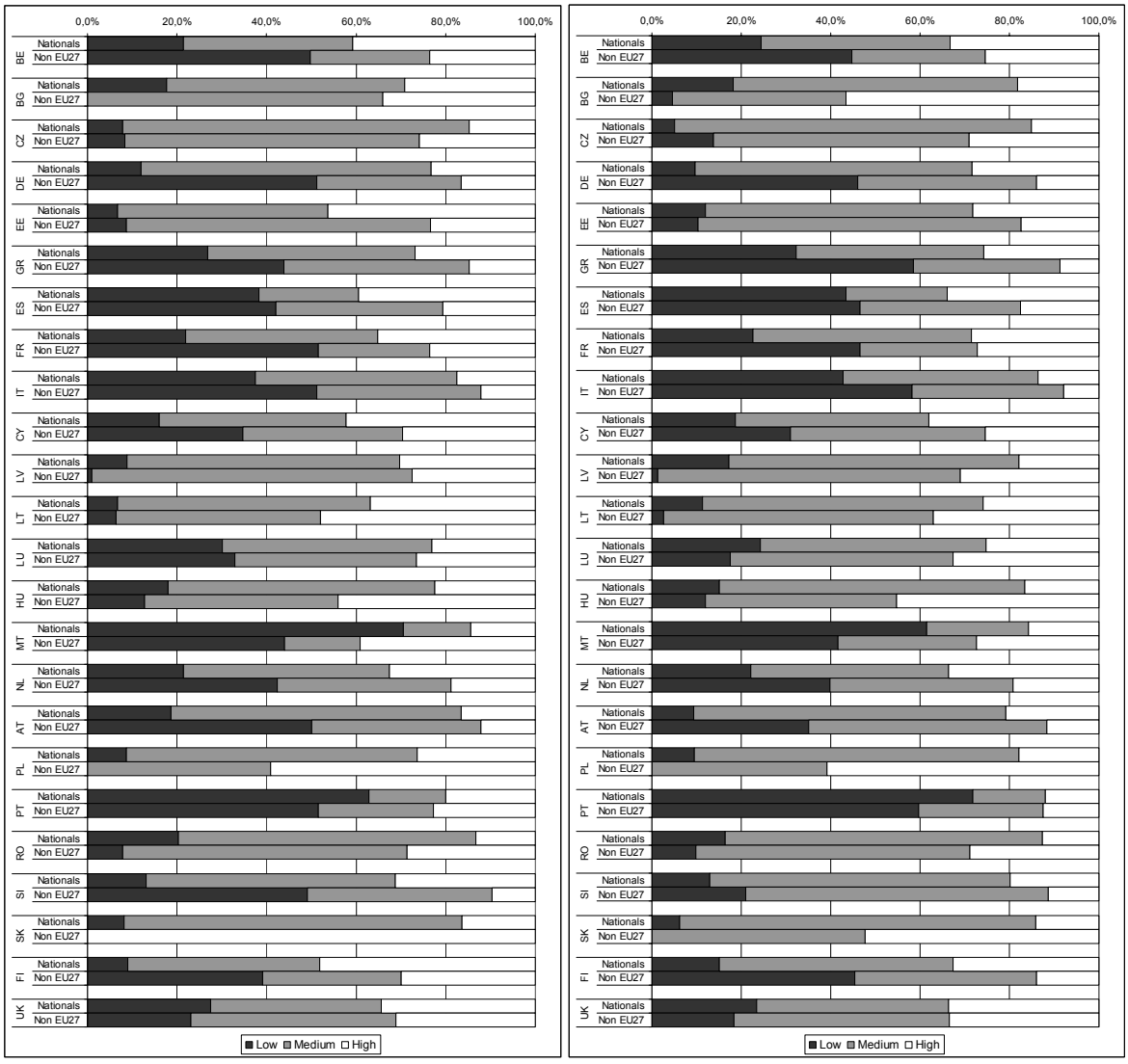
Note: data are missing for third-country nationals in Bulgaria, Ireland, Malta and Slovakia.

A higher level of education facilitates integration into the labour market and society. It is therefore interesting to look at levels of educational attainment of immigrants compared to that of nationals, particularly for countries with relatively large proportions of non-nationals.

Figure 4.26 shows that in several Member States with relatively large foreign populations, non-EU-27 nationals tend to have significantly lower levels of educational attainment than nationals. In Belgium, Germany, Greece, France and Italy, around half of these non-nationals have only received a low level of education. However, in Spain and the UK, two countries that have been receiving large numbers of immigrants over recent years, the difference between nationals and third-country nationals is small.[22]

Figure 4.26: Comparison of educational attainment levels*, nationals vs. third-country nationals

Women Men



Source: Eurostat, Labour Force Survey 2007.

***Low** corresponds to ISCED 1,2,3c short, **medium** to ISCED 3a, 3b, 3c long , 4 and **high** to ISCED 5 and 6.

[22] See also the research presented in the forthcoming 2008 Employment in Europe Report and in the impact assessment accompanying the proposal for a council directive on the conditions of entry and residence of third country nationals for the purpose of highly qualified employment (SEC(2007)1403 of 23.10.2007).

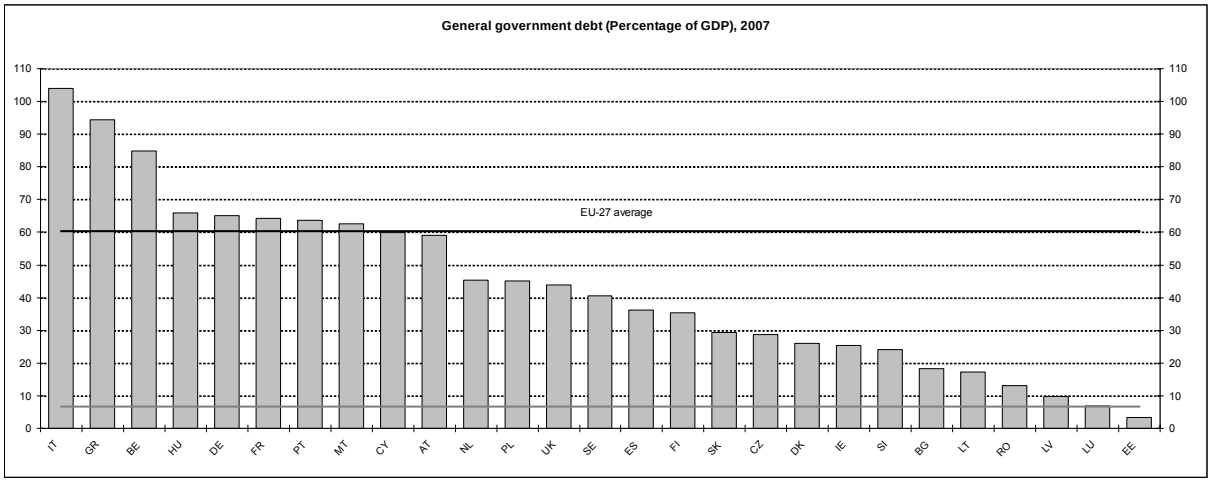
A key issue with regard to the integration of migrants is to ensure that their children are offered equal opportunities to develop their full potential. This remains a major challenge, as was shown in the 2007 Social Situation Report, which highlighted the fact that much larger proportions of children of migrant families grow up in poverty than do children of nationals[23]. Moreover, the OECD's Programme for International Student Assessment (PISA) also highlights the difficulties children from a migration background are facing in EU education systems.

4.5. Sound public finances

– The increase in the number of older people over the coming decades will create additional public expenditure demands for pensions, health and long-term care. Reforms of social protection systems, making them more efficient and encouraging older workers to stay longer on the labour market, can curb the increase in expenditure to some extent. Governments can, however, also prepare for the needs of an ageing society by reducing their public debt and hence the amount of tax revenue they need to allocate for interest payments.

– In 2007, government debt amounted to 60% of annual GDP in EU-27, the lowest level for the past 12 years. Three countries are distinguished by more than 80, 90 and 100% debt to GDP ratios respectively: Belgium, Greece and Italy. Most of the new Member States have low debt burdens, 7 of them below 30% of their annual GDP (see Figure 4.27).

Figure 4.27: General government debt (% of GDP), 2007

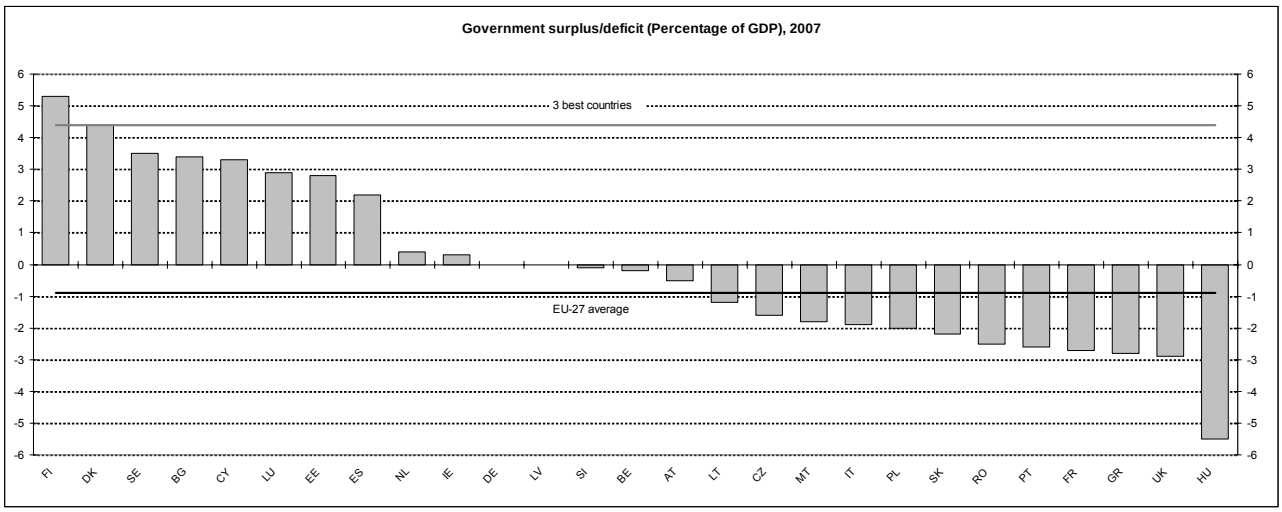


Source: Eurostat.

The total amount of government debt is determined by annual budget deficits, which increase the debt ratio, and the rate of growth of nominal GDP, which decreases it. In 2007, the sum of budget deficits for EU Member States represented 1% of EU-27 GDP, down from 3% 5 years earlier. The situation varies, however, considerably across Member States and deficits ranged from a budget surplus of over 5% of GDP in Finland to a deficit of the same size in Hungary (see Figure 4.28).

[23] European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities: *The Social Situation in the European Union 2007 - Social Cohesion through Equal Opportunities.*

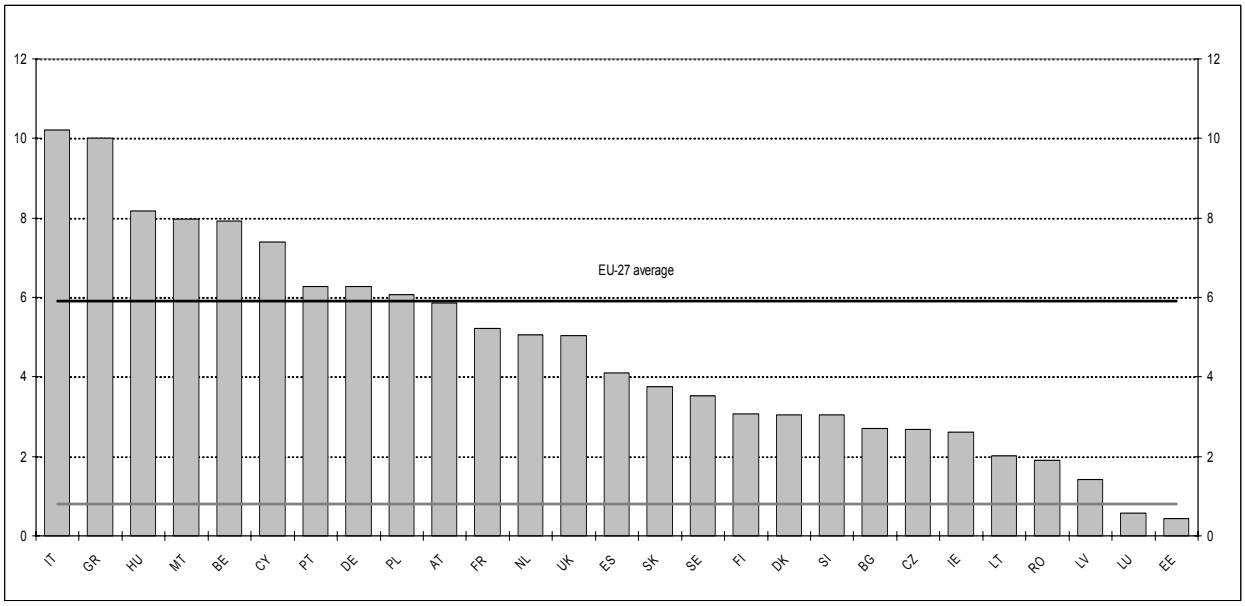
Figure 4.28: Government surplus/deficit (Percentage of GDP), 2007



Source: Eurostat.

– The total amount of government debt, together with the level of interest rates, determines the amount governments have to pay for interest on their public debt. Figure 4.29 shows that 6% of total public spending is used for interest payments. This amounts to just under 3% of GDP. Italy and Greece are obliged to use the highest proportion of its public spending to fund debt interest at 10%, followed by Hungary, Malta and Belgium at around 8% percent.

Figure 4.29: Proportion of public expenditure accounted for by debt interest, 2007



Source: Eurostat.

Debt volumes and deficit levels are one aspect of the assessment of the long-term sustainability of public finances and hence the ability of governments to meet the future needs of their ageing populations. In 2009, the Commission, in cooperation with the Economic Policy Committee, will present a fresh assessment of the long-term trends in ageing related

public spending, notably on pensions, health and long-term care. This will be based on the latest demographic projections by Eurostat.

PART TWO: ANNEXES