

EU demographic indicators

Situation, trends and potential challenges

SUMMARY

Europe's share of the global population is declining and its population is ageing. Unemployment is still high, although rates vary between Member States, as well as within them. Women, young adults and older workers have a higher risk of unemployment, while the number of part-time workers is increasing. Migrants represent 7% of the European population and account for around 7% of total employment. They are usually younger and more likely to face disproportionately heavy housing costs, to live in overcrowded households and to be more materially deprived than nationals, although, within the group, trends diverge between migrants from other EU Member States and third-country migrants. Differences in the distribution of income are observed, although they are still lower than in many other parts of the world. Almost a quarter of Europeans face the risk of poverty or social exclusion, a risk which has a strong geographical dimension and varies among social groups.

If current trends persist, there will be an increasing mismatch, with fewer low-skill jobs on offer to growing numbers of low-skilled workers and fewer qualified candidates to meet increasing demand for high-skilled labour. A shrinking workforce will have to provide for a growing number of retired persons. Migration, which is still substantial, may slow down and possibly shift towards developing countries with strong growth. Finally, the middle class may shrink and more wealth be concentrated in the hands of the richest.

These trends present an opportunity for debate on concepts such as 'working age', and the adoption of well-designed comprehensive policies that will strengthen social cohesion and promote solidarity between generations.



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- Employment and the labour market
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- Wealth and (in)equality
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Glossary

At-risk-of-poverty rate: the share of people with an equivalised disposable income below the at-risk-of-poverty threshold (60% of the national median EDI).

Baby boom: the result of high fertility rates in several European countries in the 1960s.

Equivalised disposable income (EDI): the total income of a household available for spending or saving, divided by the number of household members converted into equalised adults;

Income replacement rate: the proportion by which retirement pensions relate to earnings during an individual's working life.

Life expectancy at birth: the mean number of years that a person can expect to live at birth if subjected throughout the rest of his or her life to current mortality conditions.

Natural population change: the difference between births and deaths (excludes migration).

Old-age dependency ratio: the ratio of the number of persons of an age at which they are no longer expected to be economically active (65 and over) to the number of persons of working age (15-64).

Replacement level: the average number of live births per woman required to keep the population size constant if there were no migration (currently 2.1/woman in the EU).

Source: [Eurostat](#).

Introduction

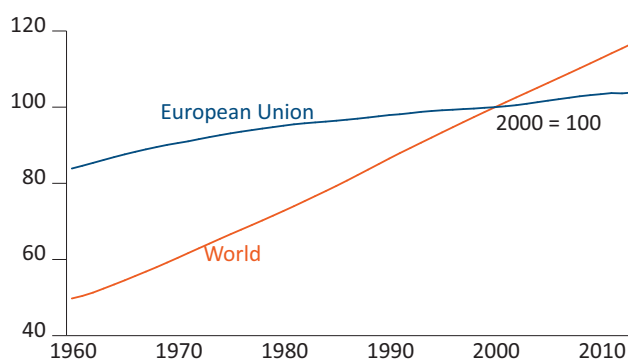
Demography, the [statistical study of human populations](#) attracts the attention of politicians, academics, business and the media. Aspects such as the growth and ageing of a population, national and international migration and the state of the labour market, as well as the impact of their interplay on the economic and social situation cause concerns, and demand appropriate strategies and policies. This briefing presents the current situation (the most recent data available) in the EU in four different demographic areas, describes trends that have been identified in various reports, and notes challenges that may arise from those developments.

A slowly growing and rapidly ageing population

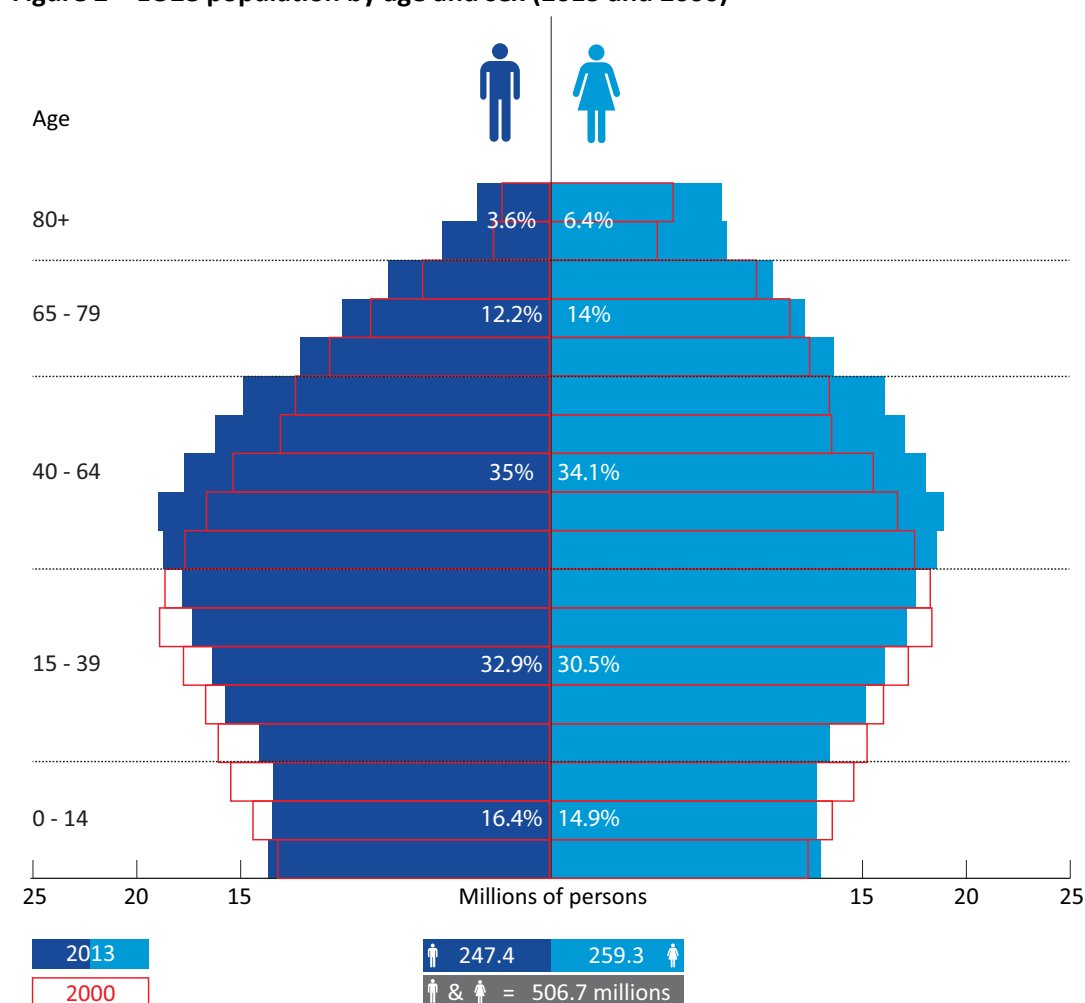
Current situation

The global population in 2014 is estimated at [7.2 billion](#) and to be increasing by approximately 82 million (1.4%) every year. That same year, the population of the EU was estimated at [506.9 million](#). Over the past decade, it grew on average by [1.36 million people \(0.27%\) per year](#), with growth unevenly distributed across Member States – countries in Central and Eastern Europe, as well as those hit worse by the economic and financial crisis experienced a population decline, while those faring better experienced higher growth rates. In 2013, about 20-25% of the population increase was 'natural', while net migration accounted for most of the rest, although migration varies from year to year.¹

Figure 1 – European Union and world population growth



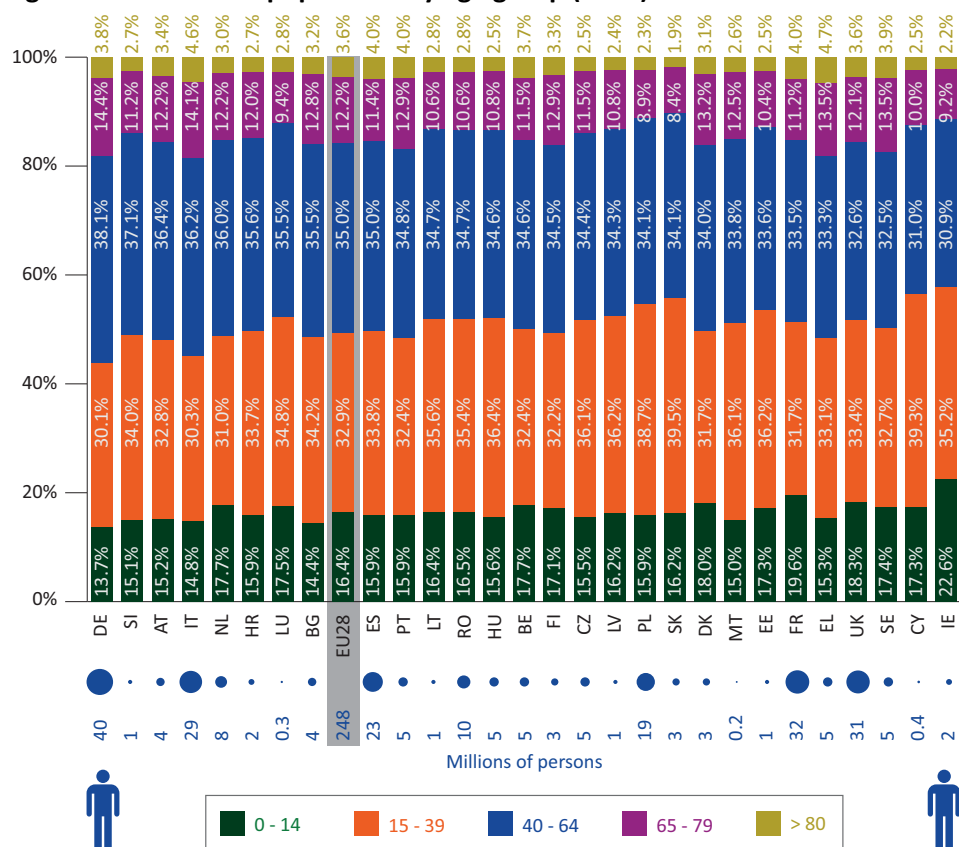
Data source: UN.

Figure 2 – EU28 population by age and sex (2013 and 2000)

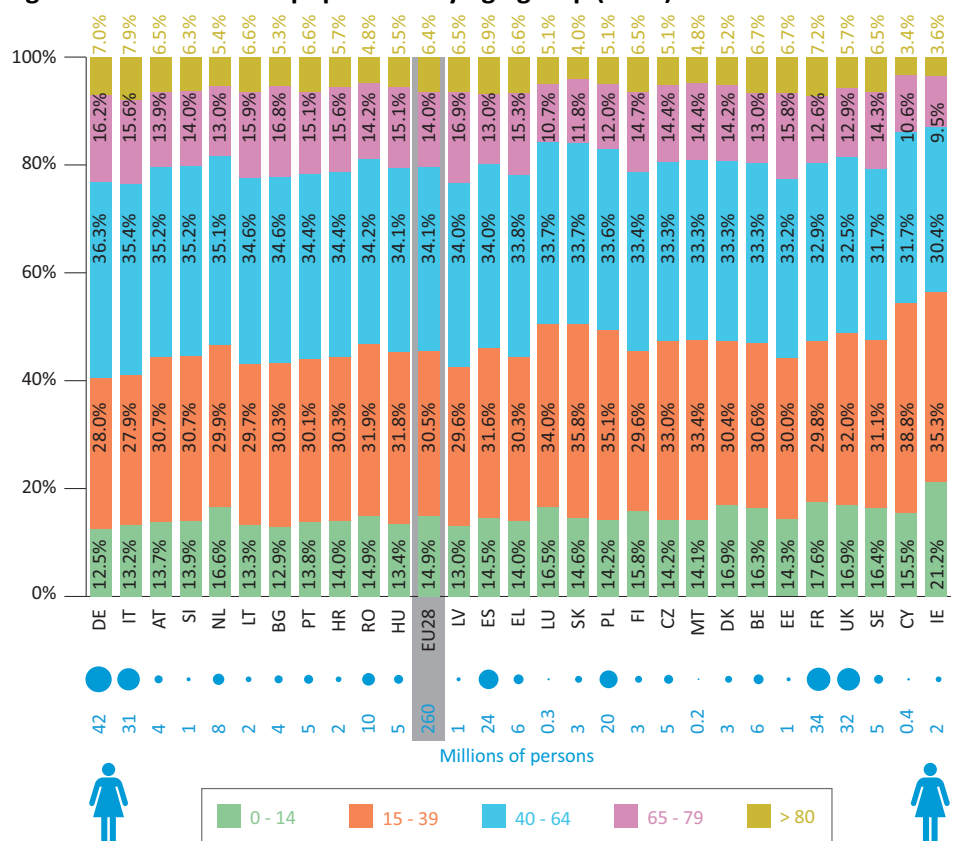
Data source: Eurostat.

In 2013, the [age structure](#) of the EU's population differed significantly from the average for the world as a whole. The youngest age classes made up the largest shares of the world's population, whereas 40-50 year olds ([the baby-boom generation](#)) were the largest age group in the EU. The EU share of elderly persons exceeds the global average. Finally, according to the UN the [median](#) age of the world's population was [estimated at around 29.2 years](#), while in Europe it was [41.9 years](#), and has increased by almost a year every three years in the past decade.

Young people (0-14 years old) account for 15.6% of the EU population and this share keeps falling, while older persons (60 and over) account for 24.3%, an increasing share. Over the past decade, the old-age dependency ratio increased by three percentage points to 27.5%, meaning that there are fewer than four active people for every person older than 65. The [total age dependency ratio](#) grew to 51.1% (there are slightly fewer than two active people for every person younger than 14 or older than 65). Here too there are large variations between Member States: the old-age dependency ratios in Slovakia, Ireland and Cyprus are below 20%, whereas Italy, Germany and Greece record values above 30%. Slovakia has the lowest total age dependency ratio (about 40%) whereas France shows the highest (56%). Finally, the [number of marriages is decreasing](#) while [divorces are increasing](#). Similarly, the proportion of births outside marriage has [increased](#), reaching 39.3% of children in 2011, an increase of 12 percentage points compared to the early 2000s.

Figure 3 – EU28 male population by age group (2013)

Data source: Eurostat.

Figure 4 – EU28 female population by age group (2013)

Data source: Eurostat.

Trends

Various reports project that population growth in the coming decades will essentially be driven by developing countries, based on current [fertility rates](#), [mortality rates](#), [life expectancy at birth](#) and generally improving health and sanitation conditions.

In contrast, in Europe, an increasing number of deaths (among the baby-boom generation) and low [fertility](#) will lead to a decline in population, although that could however be compensated by migration.

Potential challenges

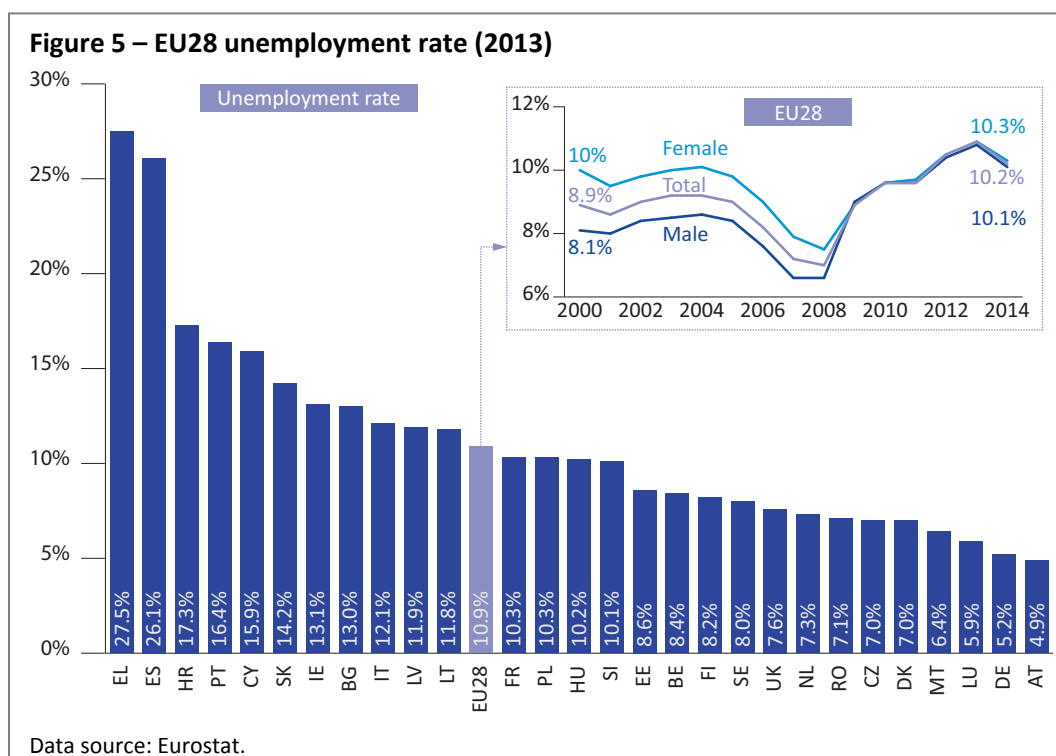
The consequences of population ageing – the fact that an increasing retired population will need to be funded by a shrinking workforce – will exert significant pressures on public pensions and healthcare systems.

Smaller and single-parent families will need adequate housing. In addition, given that single-adult households are more vulnerable to poverty and marginalisation,² family support systems and the management of the risk of poverty and social exclusion need to be adapted.

A shrinking workforce and growing demand for high-skilled workers

Current situation

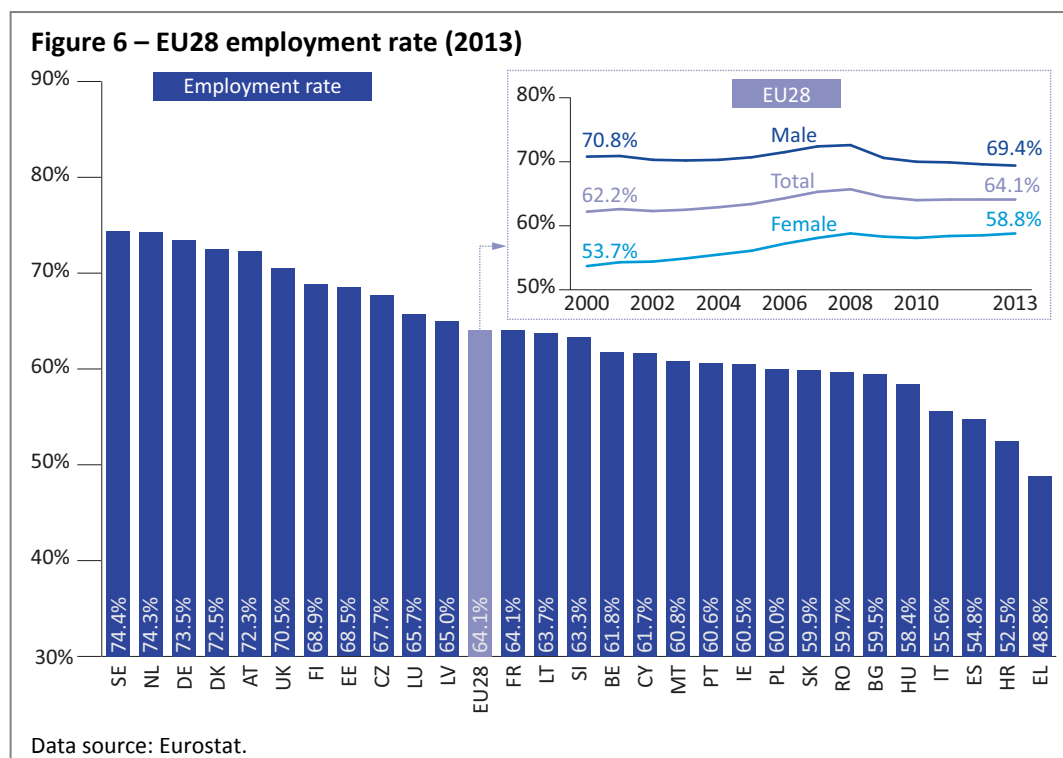
The EU labour market suffered from the recent economic crisis. Compared to previous years, [unemployment](#) decreased in 2014 but remains high at 10.2%. The EU unemployment rate is higher than the rate in the US, Japan and other countries, and it is higher than the EU28 rate a decade ago (8.9%).



[Employment](#) remained at 64.1% from 2012 to 2013. Employment rates were the highest (70-75%) in Austria, Denmark, Germany, the Netherlands and Sweden, whereas they were lowest in Croatia and Greece (below 50%). There are also [regional differences in unemployment rates](#) within individual Member States. Unemployment rates for [women](#) are generally higher than for men. [Young](#) and [older](#) people have higher unemployment

rates. At the same time, [employment of older persons has increased](#) (self-employment and rising pension age possibly account for part of this increase).

During the past decade, the number of persons [working part-time and/or with a second job](#) increased, standing at 20% in 2013, according to the latest European Union [labour force survey](#) (2013). [Self-employed](#) persons account for 15.1% of total employment; 80% of them work full-time and 28.5% employ staff.



In 2013, [14.7 million](#) persons (6.9% of total employment) were working in an EU Member State of which they were not a citizen. Within this group, 46% were EU citizens from another Member State whereas 54% were non-EU citizens. [Data](#) at EU level show that the employment rate of migrants³ from another Member State is higher (68.1%) than that for non-EU citizens (52.7%) and these trends have been [diverging](#). Member States with lower than average unemployment rates (Germany, Austria and Denmark) attracted [more migrants](#) than in previous years, whereas those with a comparatively high unemployment rate (Spain and Italy) attracted fewer than in the past.

Trends

With the baby-boomers going into retirement and no signs of an increase in births, the population of working age is expected to shrink in the next few years, while the number of older persons is likely to increase, according to a [Commission report](#).

In addition, in the near future, it is projected that there will be fewer low-skilled jobs but more low-skilled workers, while there may not be enough suitable candidates for high-skilled jobs, such as those in science and technology.

Potential challenges

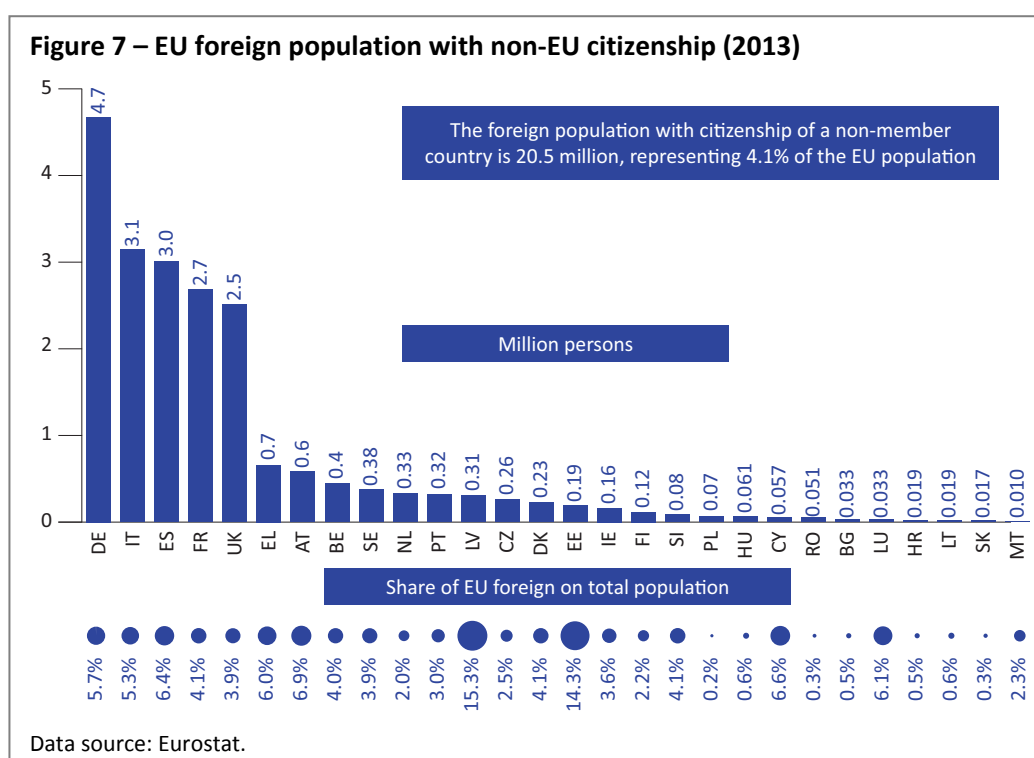
If the shrinking of the workforce continues, it is possible that the economic output of European countries will be affected, as a decline in the labour force results in fewer products and services being delivered. In turn, low economic growth and growing pension contributions may lead to lower wages (and by extension living standards) for working-age populations.

Although unemployment rates have been falling since late 2012, they are still [relatively high](#) and there is a risk that many unemployed workers will remain out of the labour market for long periods of time. This may have direct effects, i.e. workers losing critical skills demanded in the labour market, but also indirect long-term effects, such as postponed family formation, which may further exacerbate trends such as population ageing.

Migration and its impact

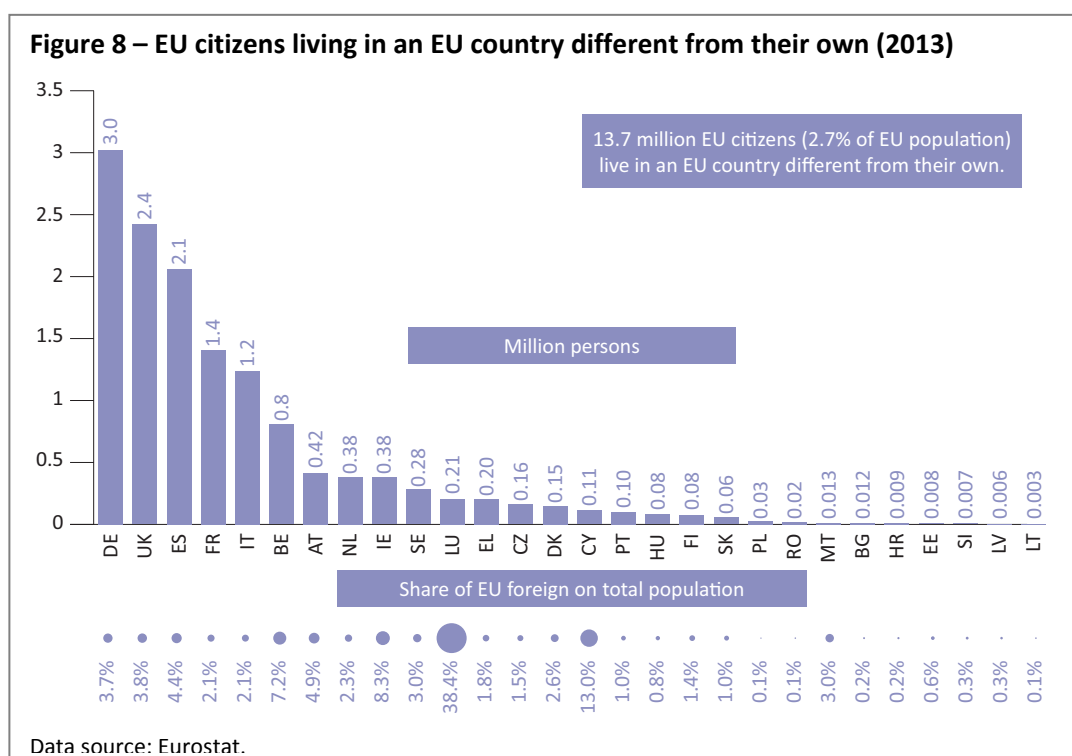
Current situation

During 2012, an estimated 1.7 million people [migrated](#) to Member States from countries outside the EU, and another 1.7 million migrated from one Member State to another. The main countries attracting migrants were Germany, the UK, Italy, France, and Spain. In general, [more men than women](#) migrated and on average, they were younger than the resident population.



Various studies and reports point to the fact that the risk of poverty or social exclusion is higher for foreign citizens than for nationals. In addition, [children](#) and [young](#) people with a migration background are more at risk of poverty than nationals. Finally, the [in-work at-risk-of-poverty](#) rate of the foreign-born population is significantly higher than that of nationals. Foreign citizens are more likely to be [overburdened by housing costs](#)⁴ and, as a result, to live in an [overcrowded household](#)⁵ than nationals living in their own Member State. Additionally they have a higher risk of being [severely materially deprived](#), especially those foreign citizens from outside the EU.

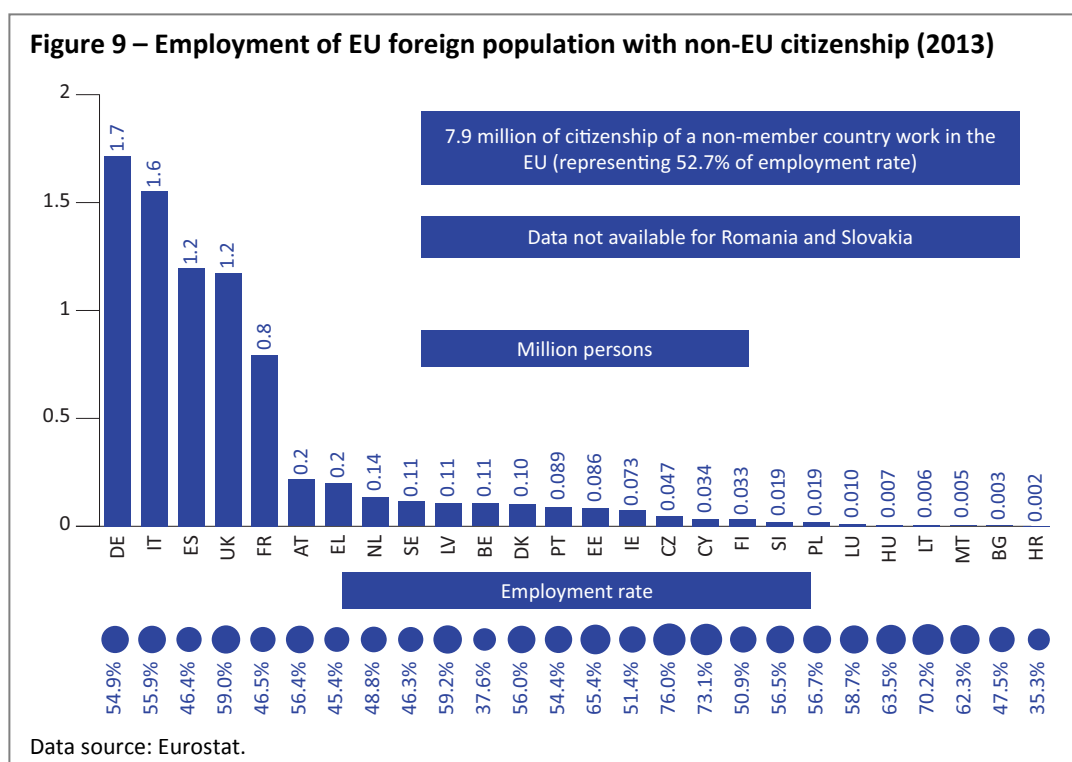
However, within the group of migrants, trends diverge: the situation of EU-citizens migrating to another member state is [better](#) than the one of non-EU citizens and their [median income](#) tends to be higher than that of both nationals and non-EU citizens.



Trends

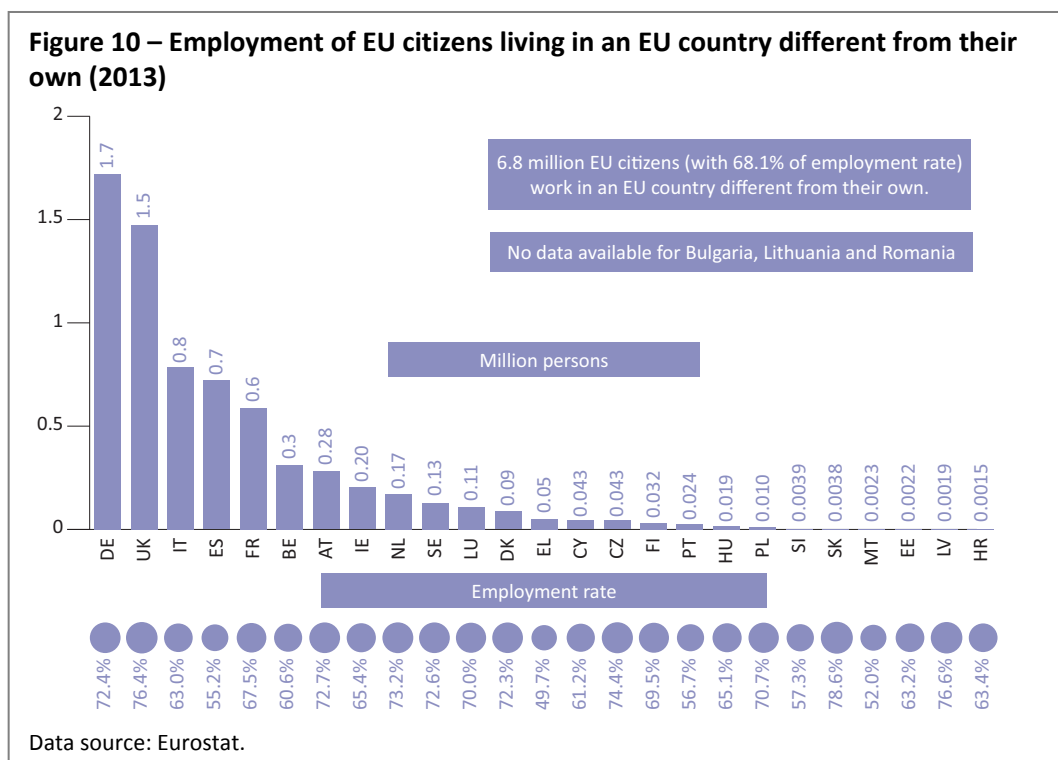
According to [reports](#), while migration to the EU from third countries is still substantial, a declining trend has been observed in recent years. This may be partly explained by the economic climate in Western countries and the economic growth in middle-income developing countries.

Immigration of young adults, especially from non-EU countries, may slow the impact of reduction in the labour force, according to the [Commission report](#) previously mentioned, but will [not reverse](#) it.



Potential challenges

In the future, Europe will probably need to attract migrants both to offset the ageing of its population and to meet the demand for high-skilled workers. However, if more and more migrate to developing countries, Europe could face a shortage. Also, if economic growth remains sluggish and unemployment remains high, attracting migrants will be increasingly difficult, as labour migration under strained economic conditions may create more and more tensions.



Growth, wealth and poverty

Current situation

In the EU there are [disparities](#) in the [distribution of income](#): on average, the top 20% (in [equivalised disposable income](#)) of the EU's population [earned nearly 40% of total income](#) and [five times](#) as much income as the bottom 20%. Income inequality, as measured by the [Gini coefficient](#), shows similar results, with inequalities being stronger in crisis-plagued countries and in the Baltic States. Nevertheless, it should be noted that those inequalities are lower than in many other parts of the world.

In 2013, 122.6 million persons (24.5%) were estimated to be at [risk of poverty or social exclusion](#) in the EU. This risk has a strong geographical dimension: there are not only large differences between Member States,⁶ but within Member States the risk is higher in thinly populated areas, whereas it is lower in intermediate density and densely populated areas. In addition, different groups in society are more or less vulnerable: although the [difference according to gender](#) is relatively small, [activity status](#) and [household composition](#) influence the risk significantly.

The crisis led to an increase in social protection expenditure of 2.8 percentage points relative to GDP in the past five years, although this result is partly explained by a [fall in GDP](#) in many Member States. Social expenditure, measured both relative to GDP and in [purchasing power standard](#) per inhabitant is high in Denmark, France and the Netherlands, while it is lower in Romania, Bulgaria and the Baltic States. Those

disparities reflect, among other things, different levels of wealth, social protection systems, demographic trends, and unemployment rates. [Old age, sickness and healthcare benefits](#) accounted for two thirds of total social protection expenditure, while the rest was related to family, disability, unemployment, housing and social exclusion benefits.

Trends

While economic growth in developing countries has usually been accompanied by the [emergence of a middle class](#) – which is projected to increase in size in the near future – technological innovations, the decline of the manufacturing sector and the impact of the global financial and economic crisis have resulted in the progressive [reduction](#) of the middle class in Europe and the US (although this is [contested](#) by some).

With the population ageing, old age, sickness and healthcare expenditures – which make up the greatest part of social expenditures – will probably increase.

Potential challenges

Increased social protection expenditure will further weigh on national budgets. Also, if the shrinking of the middle class in Europe persists, there is strong potential for decline in social cohesion and increasing social tension between the wealthier 20% and the rest.

Main references and suggestions for further reading

Berlin Institute '[Europe's demographic future](#)' (summary - the full report can be ordered online)

Eurostat '[Statistics explained](#)'

RAND Europe '[Europe's Societal Challenges](#)'

8 European Academies' Statement '[Mastering Demographic Change in Europe](#)'

Berlin-Brandenburg Academy of Sciences and Humanities '[A future with children](#)'

Endnotes

¹ Whereas in 2003 net migration contributed to 95% of the change in population, by 2009, it had fallen to 57%.

² Since the income pooling that enables two-parent families to respond to income shocks is not available.

³ Calculated as foreign citizens aged 15-64/total number of foreigners aged 15-64 resident in the country.

⁴ The housing cost overburden rate is the percentage of the population living in households where the total housing costs represent more than 40% of disposable income.

⁵ A person is considered as living in an overcrowded household if the household does not have at its disposal a [minimum number of rooms](#).

⁶ In 2013, almost half of the population of Bulgaria (48%) was included in this category, whereas the rate in the Czech Republic (14.6%) was considerably lower.

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