

*Prepared for the IIPS Symposium on*

# **Upcoming Changes in Japanese Society and the Future Shape of the Nation**

Tuesday, 6 December 2005

Tokyo

Session 1

## **Population Ageing in Europe: Policy Challenges and Responses**

Alan Walker  
Professor of Social Policy  
University of Sheffield, UK

# **Population Ageing in Europe: Policy Challenges and Responses**

Alan Walker  
Professor of Social Policy  
University of Sheffield, UK

This paper focuses on one of the most important policy issues currently confronting both the developed and developing worlds: the ageing of their populations and related population decline. As it happens western Europe and Japan already have the world's oldest populations and they also share the most prominent trend of demographic ageing over the next 20 years. This suggests a great potential for mutual policy comparisons and the exchange of good practices in how to respond to this unique transformation in age structures. In forging such links we must bear in mind that specific national policies, both within Europe and especially between the global east and west, will always depend on culture and institutional tradition – what social policy analysts call 'path dependency'. Nonetheless, given that we face similar challenges, such as population ageing, it is fruitful to compare situations and exchange information and that is the spirit in which this paper and conference presentation are couched.

The main aims of both are to focus on the challenges created by population ageing in Europe and the ways that policy makers are responding to them. The key point of reference is the Member States of the European Union (EU) which was enlarged to 25 countries on 1 May 2004. Most statistics, however, still refer to the 15 western European Member States before enlargement. There are three aspects to this European perspective: a brief outline of the demographic transformation in Europe and a caution about the dangers of 'apocalyptic demography', a discussion of the main policy challenges resulting from population ageing and some of the EU policy responses, and the outline of an active ageing strategy designed to ensure smooth adjustment to population ageing.

## **Demographic Change in Europe**

The EU is ageing because of the unique historical combination of declining fertility and falling death rates leading to increased longevity. The ageing of the post-war 'baby boomer' generations boosts this ageing process from this year. The EU is not ageing uniformly and a large number of European regions had seen their populations cease to grow before the end of last century. This will extend to the majority of EU regions which will see their populations levelling off or declining before 2030. With the additional impact of migration some regions in eastern Germany, northern Italy, central France and northern Spain will have average ages between 44 and 50 by 2015.

These are remarkable transformations in age structures but, until recently, there were very few signs that policy makers and the public in general grasped their fundamental and far-reaching implications. Very often, in Europe and globally, sensible debate about the consequences of societal ageing is replaced by a crisis mentality which sees demographic change as a threat to social protection systems and economic growth. This 'apocalyptic demography' has prevented rational debate about the challenges of societal ageing and, in some countries, has led to short term policy fixes rather than long term planning.

Rather than being a crisis increased longevity is an indicator of social and economic progress. Furthermore all of the challenges presented by population ageing are open to policy manipulation. (In fact demography is often secondary to policy in key areas such as health care expenditure.) Another danger of apocalyptic demography is that current prevalence rates of disease and disability in old age are projected alongside rising numbers of older people.

What is happening in all developed countries, however, is that as longevity rises so too does disability-free life expectancy. Thus great caution is required in drawing policy conclusions from an inadequate and often rhetorical evidence-base.

### **The Policy Challenges of Ageing Europe**

European population ageing creates five key policy challenges. First of all there is the question of how to ensure socio-economic security in old age. This is partly a matter of preventing or reducing poverty and inequalities based on age or gender and partly a matter of sustainability in the face of rising numbers of older people and falling numbers of younger ones. Tackling the first one is primarily a matter of pension system design and those EU countries with the lowest levels of poverty and structural inequality are those with the most pronounced gender equality: Finland, the Netherlands and Sweden. In other words politics, and the policy choices it determines, has a direct bearing on how ageing is experienced.

It is the issue of pension system sustainability, however, that has attracted most policy interest and which has led to a long succession of reports from the IMF, OECD and World Bank as well as from national governments. Apocalyptic demography has played an influential role here by elevating crude age dependency ratios to the level of a scientific law. The implicit assumptions in such ratios about the productiveness and non-productiveness of certain age groups are open to question but, their main deficiency, is that they focus attention on the numerator: it is always the ratio of pensioners to workers and therefore the 'problem' is identified as the ageing population. In fact the main issue for pension funding is not population ageing *per se* but its combination with changes in fertility, the structure of employment and the practice of retirement. In a very short time period there has been a major restructuring of the life course in EU countries resulting from, on the one hand, the extension of education and, on the other, the growth of early exit from the labour market. In some EU countries these trends were openly encouraged by public policy. The early exit trend has created an age/employment paradox: as longevity has increased the age at which people exit from economic activity has fallen. The recent realisation that early retirement creates problems in the labour market as well as for pension system sustainability has led all EU governments to abandon its encouragement and, instead, to urge people to work longer. There has also been some discussion in the EU about trying to raise fertility rates but this would be a long term strategy rather than an alternative to increasing the employment rate of older workers. Although labour force participation rates among older workers in Japan are relatively high in global terms there was a decline from 67.1 per cent to 65.8 per cent between 1999 and 2001.

The second challenge confronting ageing societies is the preservation of inter-generational solidarity. This is vital because harmonious relations between the generations are not only an essential building block for social cohesion but also for the funding of social protection (pensions, health care and social care) and for the provision of care by families. Unfortunately most policy makers in Europe take for granted the reproduction of inter-generational harmony and do not see it as an objective of policy. It is only Austria that has an explicit generational impact assessment for new policy proposals although, recently, the UK government has put this issue on its agenda. There are important roles for policy in promoting inter-generational solidarity and ensuring that, over their whole life course, each generation benefits more or less equally from redistribution.

The third challenge is age discrimination. In Europe this is a major source of stigma and social exclusion and, in the labour market, it denies older people the chance of making an economic contribution. Therefore age discrimination offends the principle of social justice, an offence that becomes greater as society ages. Furthermore population ageing means

workforce ageing and, in the face of age discrimination, it is impossible to utilise fully the skills of the older workforce. The EU has enacted legislation against age discrimination in employment which is becoming mandatory in each Member State (by 2007). There is evidence that discrimination affects older people in a wide range of areas beyond employment, including health care, but action against this generalised discrimination is not yet concerted across the EU. The Netherlands has a government agency dedicated to combating age discrimination and the UK is establishing an Equality and Human Rights Commission with powers to take action against a wide range of discrimination including that based on age.

The fourth challenge concerns social care and, specifically, how to bridge the care gap left by the unique combination of increased longevity and declining fertility. The fear that providing support to families would weaken their commitment to care and result in a massive burden on the public finances has led some policy makers to overlook the obvious fact that the family is changing rapidly and requires new forms of support if it is to continue to provide care. What is required is a programme of prevention (see below) together with an expansion of social care, in the community, which is geared towards sharing care between the family and the formal sector. The most effective formal support is likely to be multi-skilled community workers who are capable of both nursing and social care tasks. Methods of paying for social care in the EU are likely to remain path dependent: for example general taxation in Scandinavia and social insurance in Austria and Germany.

The final challenge is the new politics of old age: with substantially extended lives what roles should older people occupy in society? In Europe there is a new mood of political activism on the part of older people which is bound to swell with the retirement of the first boomer generation. The growth of self-advocacy and a strong consumerist orientation among present older generations poses direct challenges to political institutions and to professional power. Older people want a greater say in decisions concerning their lives and, in health and social care settings, more information and participation. Responses to this new politics of old age vary across the EU and, in a few countries, representatives of older people have been elected to national and regional parliaments. In the UK the Better Government for Older People initiative aims to give this group a greater role in local decision making. In Denmark and Sweden there are statutory local government advisory boards of older people. Changing the power relationship between older people and professionals is a process that has only begun recently in a few countries.

In essence these five policy challenges demonstrate a famous gerontological thesis called 'structural lag': Europe's policy and practice systems have not yet adjusted to the ageing of societies. Policy makers have not understood the fundamental, far-reaching implications of this radical change in age structure. At the same time, therefore, population ageing represents opportunities to change the nature of European societies to make them more age friendly, for example in employment, building design, leisure facilities and transport. The strategy to achieve this end and to respond to the policy challenges of population ageing is 'active ageing'.

### **A Strategy for Active Ageing**

A strategy to promote active ageing should integrate a very wide range of policies – employment, health, social care, housing, transport, leisure and culture – with the aim of ensuring that population ageing is a positive experience for both society and individuals. Gradually, over the past five years, such an approach has been taking shape in the EU, strongly influenced by the WHO, but so far it does not consist of a coherent strategy. Sometimes active ageing is a slogan used to cover anything that will fit under it and, very often, it is focussed only on employment. In practice it lacks both core principles and policy guidelines.

There are seven universal principles that should provide the foundation for a coherent strategy: the inclusion of all activities which contribute to well-being and not only employment; the inclusion of all ages, including the very elderly, across the whole life course; prevention; the maintenance of intergenerational solidarity; the balancing of social rights with obligations; participation and empowerment; and respect for cultural diversity. Put together these principles indicate that a coherent strategy for active ageing should be based on a partnership between the citizen and society. The sorts of policy guidelines that can be based on these principles include action against age discrimination; life long learning; active age management in employment; flexible retirement; promoting community participation; preventative public health measures targeted at the major non-communicable diseases; technological and social supports to maintain autonomy and independence; and increased social support.

In sum active ageing should be a multi-dimensional strategy, operating at both individual and societal levels, but in an integrated way. All relevant policies should be joined up and become mutually supportive. The key message is the need for preventative social and economic policies that span the whole life course.

© Alan Walker

### **Further reading**

G. Reday-Mulvey (ed.) Working After 60, Basingstoke, Palgrave, 2005.

A. Walker, 'A Strategy for Active Ageing', International Social Security Review, Vol. 55, No.1, 2002, pp.121-140.

A. Walker (ed.) Growing Older in Europe, Maidenhead, McGraw Hill, 2005.

A. Walker and T. Maltby, Ageing Europe, Milton Keynes, OU Press, 1997.