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**UEAPME position paper on the commission's communication  
"The demographic future of Europe – from challenge to opportunity"**

**Introduction**

Europe is undergoing a demographic change, which will lead to an ageing and reduced population leading to a shrinking workforce. While this has various consequences for the European society as a whole, it is especially challenging for the labour market and the social protection systems.

Against this background the new European Commission's communication "**The demographic future of Europe – from challenge to opportunity**" has to be seen as a follow up to the Green Paper on "Confronting demographic change: a new solidarity between the generations". The new communication proposes a strategy and a comprehensive roadmap based on the main policy areas which need to be considered in order to react in a the more appropriate way to the demographic change. The creation of the European Demographic Forum and a working group of government experts appear to be very useful as long as they can contribute at an European level to facing this challenge and addressing its various components..

**General remarks**

Demographic change is a multi dimensional issue as it concerns policy areas and themes such as pensions, healthcare, training, gender equality, immigration, non-discrimination, mobility, transport and infrastructure, environment, housing, tourism, etc. Subsequently, reforms carried out have to be socially and economically sustainable, because they might have consequences for the economy, the labour market and society as a whole.

Demographic change is currently affecting all the European Member States, even if the problems of an ageing population are more acute in some countries than in others. The main added value of initiatives at EU level is the possibility to setting up joint strategies and to better coordinate actions in the various policy areas in an integrated approach, while respecting the subsidiarity principle.

A first urgent step for having an integrated approach would be a closer coordination between employment and social protection policies in order to modernise and adapt the social protection systems and the labour markets to the challenges of the demographic change.

**UEAPME Priority issues linked to demographic change**

UEAPME welcomes the horizontal approach taken by the commission and agrees with the priority areas outlined by the Commission in its communication. European small and medium sized enterprises highlight in particular the need for:

## ***1. Extending the working life for counterbalancing the workforce shrinkage***

UEAPME always stressed the benefit of prolonging the working life of older workers,<sup>1</sup> which should be done through active ageing. However, to achieve this, a number of conditions need to be applied to successfully extend the working life of the European population.

### *Early retirement schemes and Pensions reforms*

First of all it is necessary to reduce the availability and the uptake of early retirement schemes. Public authorities must provide financial incentives for people to work longer and disincentives to take early retirement schemes. At the same time one has to guarantee the worker that he/she is not being penalized for working longer. Therefore older workers must be given the possibility to combine part-time or fixed-term contracts with pension benefits. In parallel, reforms of the national pensions systems should be undertaken in order to guarantee their financial sustainability.

### *Wage policy*

If one wants to increase the employability of older workers, it would be useful to revisit the link between wage increases and age/seniority, which puts older workers at a competitive disadvantage. Here a significant cultural change towards wage increase, which is based mainly on productivity, is needed.

### *Employability*

People can only work longer if they continue to be able to carry out a job. In order to stay employable the individual needs to constantly update his or her skills and knowledge.

The best way to renew one's knowledge and skills levels is through lifelong learning. Life long learning should keep the worker up to date and make him/her a valuable asset to the company. To increase the employability of older workers through life long learning, SMEs in particular are dependent on adequate support from public authorities and external training bodies. Therefore it is important to facilitate companies investment in skills development and encourage individuals to take up responsibility for upgrading their competences throughout their working lives.

### *Health and safety*

Good health and safety conditions at work increase the potential for a longer and more productive working life. Therefore UEAPME continues to support a high quality standard for health and safety, while at the same time insisting that health and safety regulations have to be designed by taking into account the special situation of SMEs, with only limited financial and human resources. Any new regulation, which adds further administrative burden on businesses, especially micro enterprises, requires an in depth impact assessment on the necessity, the appropriateness and the proportionality. Nevertheless, voluntary health promotion at the workplace and public awareness raising campaigns addressing this issue can contribute to keeping workers in good health.

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<sup>1</sup> UEAPME paper on the European Commission Communication "increasing the employment of older workers and delaying the exit from the labour market" at [http://www.ueapme.com/docs/pos\\_papers/2004/UEAPME%20PP%20Active%20Ageing%20final%20en.doc](http://www.ueapme.com/docs/pos_papers/2004/UEAPME%20PP%20Active%20Ageing%20final%20en.doc)

UEAPME insisted already previously that the EU's financial would help to address this issue and therefore welcome the Commissions' decision to give the possibility to use the European Social Fund and the Lifelong learning Programme to increase the employment rate of the age group 55+. However, initiative needs to be taken from an early age and in an intergenerational manner.

## ***2. Assuring the sustainability of public finances***

Sustainability of public finances is crucial to support economic growth, employment and social development.

Therefore, governments have to be very vigilant concerning the level of expenses in the field of healthcare and pensions, both more likely to rapidly increase with a growing elderly population.

Modernisation of social protection systems through urgent needed reforms, such as in the pension systems, are important not only to improve the participation of older workers in the labour market, but also to guarantee the long term sustainability of the social protection system.

## ***3. Moving from a challenge to an opportunity approach***

UEAPME agrees that the demographic change must not be only seen as a challenge but also as an opportunity for creating and finding new markets and optimise European performance. Against this background, we strongly regret that the current communication does not expand more on the economic dimension. Everybody acknowledges that an older European population will have different needs. Through a quick adaptation and a timely anticipation for such a new consumption demand there will be a significant potential for new employment creation. The best example is the growing importance of the health care sector. This development presents a huge growth and employment potential for the EU. UEAPME welcomes the proposal of a communication on how best to take into account the needs of an ageing population and the role of structural funds for developing a care package.

Nevertheless, concerning a more competitive Europe, UEAPME considers that the Commission does not sufficiently take into account the fact that the European population, in addition to becoming older, will dramatically decline until 2050. One of the main economic consequences of the shrinking population will be the need to enhance the exports in order to counterbalance the reduction in the domestic demand. The Commission should have proposed or at least mentioned some initiatives such as "Global Europe policy framework – competing in the world" and its new Market Access Strategy in a Changing Global Economy for supporting trade and export policies in a more international context and benefit from booming economies such as China, India or Brazil.

## ***4. Better integrating young people***

SMEs will suffer in particular from the demographic change because it increases the shortage of young qualified workers and SMEs are very dependent of the local labour market. They already experience difficulties in attracting young people to specific sectors because of the lack of attractiveness and the poor image given to vocational training and the competition between small and large companies.

Therefore more efforts should be done at all levels to better integrate young people in the labour market.

Any initiative has to be placed within the framework of an intergenerational and life cycle approach. UEAPME together with the other social partners express their general support for this approach as well as their general support for an EU Youth initiative in their joint contribution.<sup>2</sup>

A high level of initial education and vocational training in line with the labour market needs, which provides the student with appropriate skills to find employment, including entrepreneur skills, would facilitate the integration into the labour market.

### **5. *Increasing the birth rate***

The low birth rate represents a true challenge common to most of the countries in the EU. However, big gaps exist between the different member states on the availability of child and elderly care facilities, financial support for families, and instruments for a worklife balance for men and women. EU country examples exist where positive relation between the availability of childcare facilities, increasing birth rates and female participation on the labour market can be observed. These relationships should be analysed and an exchange of good practices should take place in order to benefit from the experience of other countries.

UEAPME believes that different types of incentives would be useful for people in many EU countries to have more children.<sup>3</sup> Conciliation of work and family life is an important factor, but cannot be the only remedy as the main burden for childcare rests for women.

Change of role models via campaigns, while respecting different cultures and traditions should be envisaged. If worklife balance measures are applied, they do not always have to be of a legislative nature. Many practical measures exist that can be easily implemented at company level addressing the needs of the enterprise and the individual. Some examples include flexible working hours, development of telework, improved “work climate” and family friendly atmosphere in the company, etc...

### **6. *Using immigration in a sensible way***

UEAPME generally supports the strategy chosen by the European Commission, proposing harmonization of the economic migration policy in the EU, while fully respecting the exclusive competence of the member states in deciding on the numbers of immigrants admitted from third countries.<sup>4</sup>

Immigration can positively contribute to managing the challenges posed by the demographic change. This ranges from an increase in young people, which is also beneficial for the pension system, to addressing labour shortages in specific sectors. However, immigration is only a partially and a temporary solution for addressing the challenges of the demographic change and have to be part of a broad and integrated approach and complemented by various other measures. Even if the immigration levels continue at their current rate, immigration will not compensate for the shrinking

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<sup>2</sup>Joint contribution of European Social Partners on the EU Youth Initiative

[http://www.ueapme.com/docs/joint\\_position/Joint%20PP%202005/Youth\\_Joint\\_En.doc](http://www.ueapme.com/docs/joint_position/Joint%20PP%202005/Youth_Joint_En.doc)

<sup>3</sup>[http://www.ueapme.com/docs/pos\\_papers/2006/061120\\_response\\_consultation\\_prof\\_priv\\_family\\_life.pdf](http://www.ueapme.com/docs/pos_papers/2006/061120_response_consultation_prof_priv_family_life.pdf)

<sup>4</sup> See UEAPME position paper on the Green paper *on a EU approach to managing Economic Migration* [http://www.ueapme.com/docs/pos\\_papers/2005/EconomicMigration.doc](http://www.ueapme.com/docs/pos_papers/2005/EconomicMigration.doc)

of the European population. Furthermore, one has not to forget that immigration creates challenges in its own right. Most and foremost the question of immigrants integration into the European societies has to be addressed, if one wants to have an added value from the immigration that is not outweighed by negative side effects. In view of a good integration, it is essential that immigrants and their families learn the language of the host country from a very early beginning. Additionally, further measures should be taken to integrate the immigrants which already live in the EU, and the proposal to use of the European Integration fund for this is welcomed.

### **Conclusion**

- UEAPME appreciates the follow-up of the Commission on this important issue
- The demographic change is a multi-dimensional challenge that needs to be addressed via a well balanced policy mix
- While the demographic change is a phenomena experienced all across Europe, the national realities differ and therefore there is no one size fits it all solution at European level
- Increasing the employment rate is the first priority in order to face this challenge.
- In order to achieve this goal a series of incentives, for the employer as well as for the individual, such as tax reduction, flexible forms of work, voluntary health promotion at the workplace, support for training measures, and wages linked to productivity, need to be provided
- While the demographic change is a challenging phenomena, it also offers certain opportunities, such as new markets for the European economy
- Increasing the birth rate in Europe is crucial. Various initiatives can help addressing this issue, such as work life balance policies, which can often take a very practical form respecting the needs of the company and the individual
- Immigration policies can help to address the challenges in the short term, but needs to be accompanied by serious efforts to integrate the immigrants into the respective host societies.

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