
DEMOGRAPHIC CHALLENGES

Europe's Demographic Challenge and Immigration

Yiannis Tirkides Senior Research Fellow, CCEIA

Immigration in Europe remains an unsettled issue, caught between worries about growing numbers of migrant populations, and the need for them, all in a context of demographic decline. The reality is that Europe today faces a demographic crisis of considerable proportions, which, left on to its own dynamics will have dire consequences, economically, socially and politically. In order to keep the labour force at current levels, and to avoid shrinkage of population, Europe will have to take in an increasing number of immigrants. Europe thus needs to become more open and more receptive of immigration. Yet, Europe finds it difficult to assimilate migrant populations because of own historic and cultural reasons. But what are the options and the implications? In this paper we examine immigration in the context of demographic decline. We examine the reasons for the lack of integration of immigrant populations and consider immigration policies generally in the context of demographic decline.

The demographic problem revisited

The European Union (EU) is faced with a difficult demographic situation. This is exemplified in falling fertility, rising life expectancy and the resulting ageing of the population. The fertility rate in the 27 countries of the EU was 1.6 children per woman in 2009, which is considerably below the replacement rate of 2.1 children per woman. At the same time, the life expectancy of people is rising everywhere. Between 2000 and 2009, life expectancy at birth rose from 74.5 to 76.4 years for males and from 80.9 to 82.4 years for females (Table 1). In many countries, life expectancy at birth had risen considerably more than the EU average. It is expected that by 2050, the average expectancy of males will reach 83 years in some places and correspondingly the female life expectancy will reach up to 88 years.¹ As a result of these trends, population in Europe is decreasing at a considerable pace and the corresponding age profile is fast ageing with far reaching implications.

1. Population Division of the Department of Economics and Social Affairs of the United Nations Secretariat, "World population Prospects: The 2008 Revision", available at: http://un.org/esa/population/publications/wpp2008/wpp2008_text_tables.pdf

Table 1 | Demographic statistics in the European Union

	Life expectancy at birth				Fertility rate (number of children per woman)	
	Males		Females			
	2000	2009	2000	2009	2000	2009
EU 27	74.5	76.4	80.9	82.4	1.5	1.6
Belgium	74.6	77.3	81.0	82.8	1.7	1.8
Bulgaria	68.4	70.1	75.0	77.4	1.3	1.6
Czech Republic	71.7	74.3	78.5	80.5	1.1	1.5
Denmark	74.5	76.9	79.2	81.1	1.8	1.8
Germany	75.1	77.8	81.2	82.8	1.4	1.4
Estonia	65.2	69.8	76.2	80.2	1.4	1.6
Ireland	74.0	77.4	79.2	82.5	1.9	2.1
Greece	75.5	77.8	80.6	82.7	1.3	1.5
Spain	75.8	78.7	82.9	84.9	1.2	1.4
France	75.3	78.0	83.0	85.0	1.9	2.0
Italy	76.9	79.1	82.8	84.5	1.3	1.4
Cyprus	75.4	78.6	80.1	83.6	1.6	1.5
Latvia	64.7	68.1	76.0	78.1	1.2	1.3
Lithuania	66.8	67.5	77.	78.7	1.4	1.6
Luxembourg	74.6	78.1	81.3	83.3	1.8	1.6
Hungary	67.6	70.3	76.2	78.4	1.3	1.3
Malta	76.2	77.8	80.3	82.7	1.7	1.4
Netherlands	75.6	78.7	80.7	82.9	1.7	1.8
Austria	75.2	77.6	81.2	83.2	1.4	1.4
Poland	69.6	71.5	78.0	80.1	1.4	1.4
Portugal	73.2	76.5	80.2	82.6	1.6	1.3
Romania	67.7	69.8	74.8	77.4	1.3	1.4
Slovenia	72.2	75.9	79.9	82.7	1.3	1.5
Slovakia	69.2	71.4	77.5	79.1	1.3	1.4
Finland	74.2	76.6	81.2	83.5	1.7	1.9
Sweden	77.4	79.4	82.0	83.5	1.5	1.9
United Kingdom	75.5	77.8	80.3	81.9	1.6	2.0

Source: Eurostat

According to the United Nations, European populations will shrink considerably between 2010 and 2050.² Under constant fertility assumptions, the population of the whole of Europe will shrink from 732 million in 2010 to 657 million in 2050 (Table 2). Under low fertility assumptions, the population of Europe will shrink to 609 million in 2050 for a total decline of

2. Population Division, *op. cit.*

124 million people. Population declines will be even more pronounced in Eastern Europe and in some individual countries, most notably Russia, but also Germany³. Even if birth rates are increased in the next ten years for instance, the impact of low fertility rates for a long period in the past will still be felt.

Table 2 | Population projections to 2050⁴

	Actual		Projected populations to 2050			Population change 2010-2050		
	2000	2010	Medium	Constant	Low	Medium	Constant	Low
Europe	726,6	732,8	691,0	656,8	608,8	-41,7	-76,0	-123,9
Eastern Europe	304,1	291,5	240,0	219,1	208,4	-51,5	-72,3	-83,1
Northern Europe	94,4	98,9	112,5	111,8	99,4	13,6	12,9	0,5
Southern Europe	145,1	153,8	153,7	145,1	136,8	-0,1	-8,7	-17,0
Western Europe	183,0	188,6	184,9	180,8	164,2	-3,7	-7,8	-24,4

Source: Eurostat, Population Division.⁵

Excluding normal migration flows the decline in population will be even more dramatic. Net migration flows per year as projected by the United Nations are summarised in Table 3 below. On the basis of these projections, we can easily calculate the total net migration between 2010 and 2050. Specifically, total net migration is projected at 38,5 million in the whole of Europe in the period.⁶ In order to restore populations to 2010 levels, however, the net flow of migration will have to be considerable larger, depending on fertility assumptions. Under a low fertility scenario, as discussed above, to keep current population levels, net migration will have to be well over a 100 million people. Added to current population levels, the ratio of migrants to native populations will rise steeply. It is conceivable to arrive at a result that for every five native persons there will be two immigrants. This underlines the importance of assimilating immigrant populations.

3. The population of Russia is projected to shrink from 140 million to 105 million in 2050 under constant fertility assumptions. Respectively, the population of Germany is projected to shrink from 82 million to 67 million. *Ibid.*, Population Division

4. The alternative scenarios –low, medium and constant fertility– are defined on the basis of differing assumptions regarding the evolution of the fertility rate between 2010 and 2050

5. The country groupings are as defined by the United Nations. Europe includes Russia and other ex soviet Republics

6. This total breaks down as follows: 1,9 million in Eastern Europe; 9,8 million in Northern Europe; 15,1 million in Southern Europe; and 11,8 million in Western Europe

Table 3 | Net migration per year in thousands

	Europe	East Europe	North Europe	South Europe	West Europe
2000-2005	1,669	26	296	859	488
2005-2010	1,341	-10	286	739	326
2010-2015	1,100	-2	258	550	294
2015-2020	993	42	238	419	294
2020-2025	932	57	239	341	294
2025-2030	929	57	243	334	294
2030-2035	931	57	246	334	294
2035-2040	943	57	247	345	294
2040-2045	943	57	248	344	294
2045-2050	944	57	248	344	294

Source: Eurostat, Population Division.⁷

Rising old age dependency ratios

The combination of a low fertility rate and an ever increasing life expectancy means that the proportion of the older people in the demographic profile increases. That is, as the fertility rate stays constant below the replacement rate, and as the death rate drops, the old age dependency ratio, the percentage of people aged 65 years and above as a percentage of the working age population of 15 to 64 years, increases sharply.

In the EU 27, the old dependency ratio is projected to rise from 25.9% in 2010 to 50.4% in 2050 (Table 4). That is, the dependency ratio is expected to double in the next four decades, when there will be one old age person who must be supported by social security for every two of working age. A similar dire prospect awaits the majority of countries in the EU. The old age dependency ratio is projected to rise to 59.2% in Italy, 58.7% in Spain, 57% in Greece, and 56.4% in Germany.

This changing demographic profile in Europe has serious economic, social and political implications. The increase in the old age dependency ratio will make it more difficult to maintain the current social welfare systems. Also, smaller populations reduce productive capacity and tighten conditions in labour markets. Labour shortages in turn will tend to put upward pressure on wages. The tax burden will have to increase, something that is likely to lead to intergenerational conflict.

A sustained influx of young immigrant workers would relieve labour market pressures, support low inflation economic growth, allow for steady population growth, and keep pension commitments under control.

7. The country groupings are as defined by the United Nations. Europe includes Russia and other ex soviet Republics

Table 4 | Old age dependency ratio actual and projected (in %)

	Actual dependency ratio				Projected dependency ratio		
	1990	2000	2010	2020	2030	2040	2050
EU 27	20.6	23.2	25.9	31.1	38.0	45.4	50.4
Belgium	22.1	25.5	26.0	30.6	37.6	42.3	43.9
Bulgaria	19.5	23.8	25.4	31.1	36.3	43.6	55.4
Czech Republic	19.0	19.8	21.6	31.1	35.7	42.7	54.8
Denmark	23.2	22.2	24.9	31.9	37.9	42.7	41.3
Germany	22.0	23.9	31.4	35.3	46.2	54.7	56.4
Estonia	17.5	22.4	25.2	29.2	34.4	39.0	47.2
Ireland	18.6	16.8	16.8	20.2	24.6	30.6	40.4
Greece	20.4	24.2	28.4	32.8	38.5	48.3	57.0
Spain	20.2	24.5	24.7	27.4	34.3	46.4	58.7
France	21.2	24.3	25.7	32.8	39.0	44.0	44.7
Italy	21.5	26.8	30.8	35.5	42.5	54.1	59.2
Cyprus	17.2	17.0	18.6	22.3	27.4	30.8	37.7
Latvia	17.7	22.1	25.2	28.1	34.6	40.7	51.2
Lithuania	16.2	20.8	23.3	26.0	34.7	42.8	51.1
Luxembourg	19.3	21.4	20.4	24.2	30.8	36.3	37.8
Hungary	20.0	22.0	24.2	30.3	34.1	40.1	50.8
Malta	15.7	17.9	21.3	31.3	39.1	41.7	49.8
Netherlands	18.6	20.0	22.8	30.7	40.0	46.8	45.6
Austria	22.1	22.9	26.1	29.2	38.1	46.0	48.3
Poland	15.4	17.6	19.0	27.2	36.0	41.3	55.7
Portugal	20.0	23.7	26.7	30.7	36.6	44.6	53.0
Romania	15.6	19.3	21.4	25.7	30.3	40.8	54.0
Slovenia	15.5	19.8	23.8	31.2	40.8	49.4	59.4
Slovakia	16.0	16.6	16.9	23.9	32.3	40.0	55.5
Finland	19.8	22.2	25.6	36.8	43.9	45.1	46.6
Sweden	27.7	26.9	27.7	33.7	37.4	40.8	41.9
United Kingdom	24.1	24.3	24.7	28.6	33.2	36.9	38.0

Source: Eurostat

The challenge for Europe

The challenge for Europe is to maintain the working age population necessary to support the retired population, whilst at the same time avoiding social tensions. The problem will become even more acute as the baby boomers retire and start to leave the labour force. Policies to raise the fertility rate are important and should be part of an overall solution to the

demographic problem, but they will take years to have an effect. Consequently, sustaining Europe's labour force in the next forty years or so will require additional immigration flows.

It is not difficult to project immigration needs long into the future. A large number of immigrants will have to be taken in every year simply for the purpose of maintaining the size of the labour force steady in 2050. A considerably larger number of immigrants will be needed to maintain the population of working age needed to support Europe's retirees in the future.⁸ Professor Klaus Zimmerman, president of the Berlin-based DIW economic institute says Germany needs an annual inflow of at least 500 000 immigrants in the medium term.⁹

Increasing the labour force participation rate, or raising the retirement age, will be arresting somewhat the decline of the workforce. But the fundamental problem cannot be solved without increasing immigration. However, Europe is not capable of integrating large numbers of immigrants. European societies are less tolerant to cultural and ethnic disruption. This is evidenced in rising xenophobia and emerging extreme right wing politics in Europe today.

Immigration and integration in Europe

Europe remains an exclusive society and issues of identity are always prominent. Acquiring citizenship is not the same as being accepted culturally. This was exemplified, for instance, in the French riots of 2005 and 2007. The rioters were immigrants or the children of immigrants from former colonies. They were French citizens for the most protesting at being excluded.¹⁰ Citizenship and nationality is not the same thing in Europe. This is the result of the nature of the nation-state in Europe.

Europe as we know it today came out of the dissolution of dynastic multinational empires. The nation state and democratic rule were submerged inside the multinational empires. As the empires were collapsing nations were reasserting their identities. The concept of nation-state in Europe includes, besides the geographical base, a common culture, language, history, religion and set of values. This comes in contrast with immigrant countries, like the United States, where citizenship denotes nationality. The problem is that failure to accept immigrants leads to their ghettoisation.¹¹

The French riots of 2005 and 2007 therefore, are indicative of a problem that is common across the whole of Europe and makes assimilation, not impossible but extremely difficult. Europeans feel increasingly threatened by immigrant flows largely from Muslim countries from the Middle East and North Africa. The international crisis of 2008-2009 brought about anti-immigrant sentiment

8. For this, roughly the ratio of working age to retired populations will have to be three to one

9. Quentin Peel, "Merkel's answer: make immigration work", *The Financial Times*, 18 October 2010

10. This point is further elaborated in: George Friedman, "A Question of Integration", *Stratfor*, November 8, 2005

11. *Ibid.*, Friedman

in Europe and rising xenophobia. Throughout Europe, far-right parties are making inroads into national politics on the basis of such themes as immigration, Islam and national identity.¹²

Angela Merkel's recent remarks that the vision of a multicultural Germany had "failed, absolutely failed," focused on the need to work harder at integrating migrant populations. At the same time however, Merkel's remarks stoked the debate over the lack of integration of Muslim immigrants.¹³ Concerns about integration and immigration need to be taken seriously. Integration is a two-way process involving the host country and the immigrants themselves. The host country must support immigrants. In their part, immigrants have to accept the core values of the host country and learn its language.

Concluding remarks and recommendations

Europe is facing a demographic crisis of considerable proportions. The demographic crisis in turn poses a tremendous economic problem. To sustain economic growth, it is necessary to have growing (and not declining) populations. This underlies the need for an increasing influx of young immigrants to fill labour shortages and keep pension commitments manageable. The problem is that Europe finds it difficult to assimilate immigrant populations for historic, cultural and other reasons. Japan faces the same problem; this is, perhaps, one of the reasons for the sustained deflationary decline for almost two decades now. The consequences of demographic decline will be serious and pervasive. It leads to economic decline and with it to shrinking geopolitical significance.

It is clear that Europe will need to address this issue effectively. It will have to encourage its own population growth as well as take in increasing numbers of immigrants in the next thirty to forty years. This stresses the need for well structured and targeted immigration and integration policies. The task is multifaceted and policies should aim in a number of directions at both the national and EU levels, including:

- For long term effects at sustaining population levels, more generous policies to raise fertility rates should be considered at both the national and EU levels.
- Policies should also be pursued for a more efficient use of domestic labour potential. Such policies can focus on increasing labour participation rates and training for better skills matching, thus facilitating re-entry of unemployed workers
- Immigration policies should be subject to skill requirements and ease the integration of the resultant populations. High skilled migrants are particularly attractive in this regard, but this is an area where Europe lags global competition badly. Although the Blue Card is a step in the right direction, it may not go far enough because it is not a truly EU common policy. Its results should be monitored closely and adjustments made accordingly.

12. Tony Barber, "Immigration: tensions unveiled", *The Financial Times*, 15 November 2010

13. Peel, *op. cit.*

- Education systems should adjust to accommodate larger numbers of foreign students, many of whom will choose to stay after their studies.
- Integration programmes should be pervasive, permeating various aspects of life, from education to health care and social security.

Indeed, immigration should be addressed in the context of demographic decline and the need for socioeconomic integration. Policies and approaches should be multifaceted both at the national and EU levels.