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Master Thesis

Impacts of Population Aging in the European Union
Responses of Germany and France

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1. Introduction

Low fertility rates combined with increasing life expectancy have dramatically changed the demographic setting across European countries over recent decades. By 2025, about one third of the population of the European Union will be aged 60 or over. The aging population trend has an impact on individuals and families but also on labour and product markets. It initiates serious challenges for the whole society by having effects on public budgets and policies.

In this paper, I analyse the impacts of the aging population in the European Union and the possible ways to answer to the challenges posed by this demographic trend. I put a specific focus on the different situations in Germany and France, the reasons behind the differences as well as the different responses both countries have to the similar challenges of population aging.

In continuation, I present a short overview of this research paper by chapters. The *first chapter* examines the reasons behind the population aging trend and its effects on the economy, the labour market and the societal and family structure in the European Union in general. It also proposes some ways to tackle the challenges including migration, active aging policies and family policies which are better analysed in the following chapters.

Accordingly, *the second chapter* gives a broader overview of the migration policies undertaken by the European Union in order to mitigate the consequences of the aging population. Later in the chapter, I turn to the specific reactions of France and Germany in the area of migration. *The third chapter* examines different labour market policies that can help the EU in general and the German and French society in particular to adapt to the increasing shares of older people.

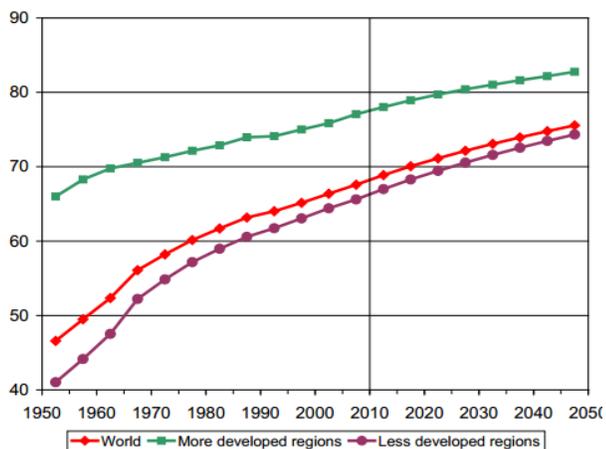
Having in mind the low birth rates in Europe as one of the reasons behind this demographic trend, in *the fourth chapter*, I focus on the family policies undertaken by Germany and France with an intention to increase the fertility rate. I analyse and compare some specific policies in both countries such as maternity and parental leave, family benefits and early childhood education and care services.

Finally, in *the last chapter*, I present my concluding remarks from the conveyed research about the impacts of the population aging in the European Union. I also conclude about the possible ways to answer to the resulting challenges. I give final comparison between the efforts of France and Germany to tackle this issue and recommendations for future action.

2. Population aging trend in European Union

The population aging trend has been driven by two main factors: increasing life expectancy and lower fertility rates. It is not a new trend and it is happening in many parts of the world. The average life expectancy of the global population has increased by 18 years from 52 in 1960 to 70 in 2011.² For the 27 EU member states, the average life expectancy was 79,7 years in 2009.³ Mortality rates have been declining due to improved life conditions, better nutrition, better medical care and development of public health regimes. This is resulting in growth in the percentage of the population of 65+ and growth in the average age of the population. With the average age expected to increase from 40.6 years in 2009 to 47.9 years by 2060, the Demography Report 2010⁴ of the European Commission has confirmed that EU population is aging.

Figure 1. Life expectancy, by level of development¹



The reason why the European continent experiences this demographic trend more intensively, beside the better quality of life, is the post-war baby boom - a phenomenon of increased births after the World War II. Major increase in the population aging can be expected in the period between 2012 and 2035, once the baby boomers (those born in the period 1945-1965) start retiring.

¹ Source: UN World Population Prospects. (2008)

http://www.un.org/esa/population/publications/wpp2008/wpp2008_highlights.pdf

² The World Bank Data. (2013). *World life expectancy at birth*

<http://data.worldbank.org/indicator/SP.DYN.LE00.IN/countries?display=graph>

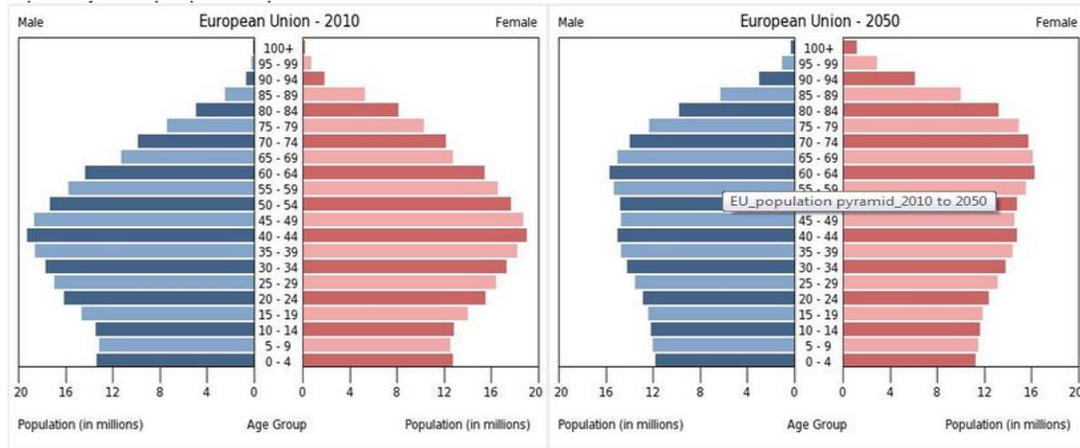
³ Eurostat. (2012). *Mortality and life expectancy statistics*. (82.6 years for women and 76.7 for men)

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Mortality_and_life_expectancy_statistics

⁴ *EU population is ageing and more diverse*. European Working Conditions Observatory Website. (11 July, 2011). <http://eurofound.europa.eu/ewco/2011/05/EU11050211.htm> (Accessed: 8 June 2013)

A period of a very advantageous age structure is coming to an end. The developed countries so far could reap the benefits of low dependence from the young population as well as the moderately low share of retired people. The current phase of the population structure is a transitional phase between the youth dependency of the past and the aged dependency of the future.⁵ (Figure 2.)

Figure 2. Population Pyramid Graph, European Union 2010 - 2050⁶



Since the 1970s, the EU is experiencing a falling birth rate which is resulting in shrinking of the population of working age (20-64 years). Since 1990, the age group of 15-29, from which newcomers into the labour market are selected, has been declining fast. As shown in figure 3 (in blue), the EU's working-age population reached its peak of 308.2 million in 2012 and it will start falling this year and it will continue declining in the next 50 years to 265m in 2060. Eurostat estimates that the current ratio in the EU of four people of working age (15-64) for every person aged over 65 years will be only two to one by 2060.⁷ The EU old-age dependency ratio (population aged 65+ in relation to the population aged 15-64) is also presented in

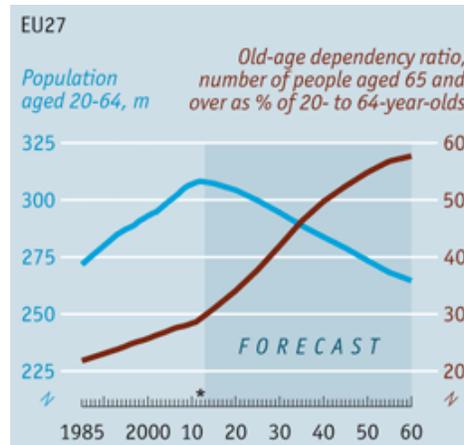
⁵ Coleman, D. (2001). *Population Ageing: an unavoidable future*. Oxford Centre for Population and Migration Studies. The Journal of the Biosocial Society. pp. 1-11.

⁶ Andueza Robustillo, S., Corsini, V., Marcu, M, Vasileva, K., Marchetti, E. (2013). *EU Employment and Social Situation, Quarterly Review March 2013. Special Supplement on Demographic Trends*, European Commission.

⁷ Eurostat. (2008). *Ageing characterises the demographic perspectives of the European societies*. http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-08-072/EN/KS-SF-08-072-EN.PDF

figure 3 (in red) and it shows that the old age dependency ratio in the countries of the EU will rise from 28 % in 2010 to 58 % in 2060.

Figure 3. EU 27, population aged 20-64 and old age dependency ratio⁸



The cumulative impact of the population aging trend is challenging many of the policies and institutions that were created in the middle of the 20th century when the demographic aspect was quite different. Demographic ageing has influence on the society and the economy and it impacts all domains of life, from labour markets and social security systems to societal structures and infrastructure. The labour market will face changing age structures, increased rates of labour force exit, probable loss of significant knowledge and experience and potential skills shortages in recruiting new employees to replace retiring staff.⁹

2.1 Impact of population aging on public finances and pension systems

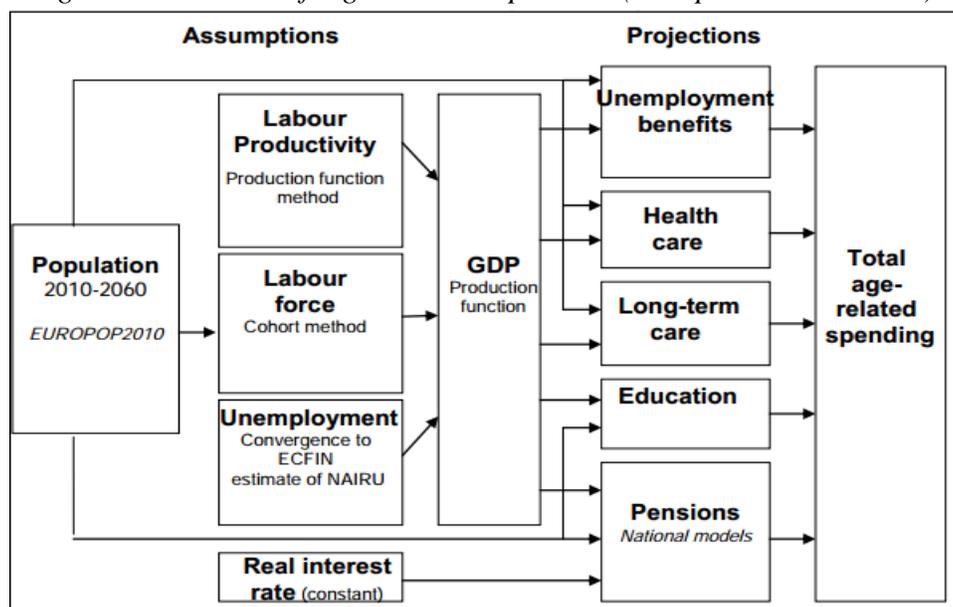
European public finances will be negatively affected by the demographic changes. OECD assessments show that some 40-60% of public spending in developed countries is directly affected by the population age structure. Age-related

⁸ Chart: The Economist. (26 Jan. 2013). *European demography: Working-age shift*
<http://www.economist.com/news/finance-and-economics/21570752-growth-will-suffer-workers-dwindle-working-age-shift> Information Source: Eurostat (2013)
<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsdde510>

⁹ Barabasch, A., Dehmel, A. & Van Loo, J. (2012). *The value of investing in an ageing workforce*. Working and ageing: The benefits of investing in an ageing workforce. Publications Office of the European Union. Luxembourg. p. 9-35. http://www.cedefop.europa.eu/EN/Files/3064_en.pdf

expenditure includes health care, unemployment benefits, education, pensions and long term care.¹⁰ (Figure 4) It will increase significantly over the next 50 years, as an older population demands extra spending on public pensions and health care. Expenditures in health care are likely to rise dramatically because older people tend to use health care more often.

Figure 4. Overview of age-related expenditure (European Commission)



The pension systems have started to experience difficulties in their sustainability because of the increased number of pension users and the prolonged period of their use. In the same time, with fewer people working, less money goes to the welfare and pension systems. In future, there will be even bigger pressure on the pension systems due to the growing dependency of the aging population. The current average annual age-related public pension spending is about 7,5 % of GDP and is expected to rise by about 4 % over the next 50 years in all developed countries, in some even more.¹¹ However, the sustainability of the pensions is more conditioned

¹⁰ Economic Policy Report. (2006). *The impact of ageing on public expenditure: projections for the EU25 Member States on pensions, health care, long-term care, education and unemployment transfers (2004-2050)*. European Commission. http://ec.europa.eu/economy_finance/publications/publication6654_en.pdf

¹¹ OECD. (2001). *Fiscal implications of ageing: projections of age-related spending*. pp. 145-167. <http://www.oecd.org/eco/outlook/2085481.pdf>

by the economic dependency ratio than by demographic old age dependency ratio. It is the proportion of the economically active population compared to the inactive, it does not consider the age but if the people are active in the economy or not. For example, many people aged 15-64 are effectively economically inactive such as students, people on sickness and disability allowance, long term unemployed¹², early retired or parents looking after children at home. Likewise, some people over 64 may still work and, in that case, they contribute to the economy and lower the economic dependency ratio.

There is a two way relationship between employment and pension systems. Pension systems can encourage or discourage employment and, in the same time, the different employment rates have a huge impact on the financial balance of pension systems.¹³ Recently, the need of employment growth as well as modernization of the social protection has been emphasized by the European Council. Many countries have also intended to reinforce and make their pension systems financially more sustainable, however, the challenges remain. In addition, any offset on public finances from lower public spending on children as a result of low birth rates will only be modest. There is a need to make pension systems less sensitive to the aging population trend.

2.2 Impact of population aging on economy, labour market and growth

This demographic trend has caused a situation where the working-age population is decreasing while the number of older people keeps on growing. As a result, the average age of the labour force in the EU, which had stayed quite constant at in the last few decades, has started to grow since 1995 at a pace of one year every seven years. The 65+ age group will start growing rapidly in the next five years raising its share from 17 % in 2010 to 30 % in 2060, and those aged 80 and over

¹² The unemployed population that is actively looking for a job is considered as economically active.

¹³ Fotakis, C. (2000). *Demographic ageing, employment growth and pensions sustainability in the EU: The option of migration*. Expert group meeting on policy responses to population ageing and population decline. Population Division. UN Secretariat. New York.

rising from 5 % to 12 % over the same period.¹⁴ Consequently, the labour capacity will be noticeably reduced in the EU over the following decades, particularly after 2015 when the baby boom generation starts retiring.

The current employment patterns of older workers are different from those of younger workers in a number of ways. For instance, older workers are less likely to become unemployed, but once they are unemployed, they take longer time to start working again and are more likely to leave the labour market. They participate less in formal education and workplace-based training, they are likely to change workplaces less often and are less geographically mobile than younger workers.¹⁵ These patterns can lower the level of flexibility of the labour market in future.

Skill mismatches will probably grow as a result of the decline of labour reserves but also for at least two additional reasons: the acceleration of technological progress and the growing need for new type of services.¹⁶ The rapid change in technology generates new demands for skills and competencies in the majority of the economic sectors. The young people coming to the labour market are certainly more highly educated in the new technologies. In the same time, the percentage of employment in services will grow because demographic ageing and increasing prosperity will accelerate the growth of new services in the future.

The employment rate shares of mining and quarrying, construction, transport, storage and communication will be slightly decreasing as the proportion of older people grows bigger.¹⁷ In the same time, some sectors like the travel and hospitality sector including restaurants and hotels, the healthcare and pharmaceutical sector,

¹⁴ Eurostat. (2011). *Population projections*. (Accessed: 29 May 2013)
http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Population_projections

¹⁵ Dixon, S. (2003). *Implications of population ageing for the labour market*. Labour Market Trends, Office for National Statistics, London. pp. 67-76
<http://www.re-integrate.eu/resources/webre--implications-of-population-ageing-for-the-labour-market.pdf>

¹⁶ Fotakis, C. (2000). *Demographic ageing, employment growth and pensions sustainability in the EU: The option of migration*. Expert group meeting on policy responses to population ageing and population decline. Population Division. UN Secretariat. New York.

¹⁷ Li, J. (2009). *The effect of aging on industrial employment share. Evidence from the European Union*. Network for Studies on Pensions, Aging and Retirement.
<http://arno.uvt.nl/show.cgi?fid=114003>

retirement housing, financial services including insurance, banking and investments, community, social and personal services are going to have a bigger share in the economy due to the aging demography. We can clearly conclude that there will be a shift from manufacturing sectors to service sectors. It can be noticed already that some private investors have become aware of the population aging and they have started investing exclusively in emerging companies in the field of healthy living and aging, in the so called “silver market” because of the grey hair of the elderly.

Even though the new economic opportunities arise from the changing demography, there are serious concerns that the economic growth potential will be considerably affected. OECD projects that the number of workers who retire every year will increase significantly and that, at some point, it will exceed the number of newcomers to the labour market.¹⁸ This will have negative impact on growth knowing that growth is conditioned by rising employment and higher labour productivity. The current sovereign debt crisis makes the potential to grow even lower. In future, with fewer people employed and paying taxes, it will be difficult to repay the growing debts and, in the same time, to keep investing in the economy.¹⁹

However, the level of employment in the EU still might grow slightly more until the early 2020s, as a result of higher workforce participation rates and possible lower unemployment rates but it is still expected to decline afterwards. The projections of the European Commission regarding the economic growth are just 1.4 % a year in the EU for the following decades, based on an optimistic assumption about possible labour productivity and participation improvements.

2.3 Impact of population aging on society and family structures

Society uses age to assign roles to people, to put people in and out of a position within the societal structure, as a base for allocation of resources and as a

¹⁸OECD. (2006). *Live longer, work longer*. <http://www.oecd.org/employment/emp/36218997.pdf>

¹⁹Deutsche Welle. (26.10.2011) *Europe faces the challenge of a shrinking, aging population*. <http://www.dw.de/europe-faces-the-challenge-of-a-shrinking-aging-population/a-15486579> (Accessed: 30 May 2013)

way to categorize individuals.²⁰ Many times, the age of 65 and the visual marks of getting old, like grey hair and wrinkles, do not influence the physical functioning or cognitive capability. However, these features have an enormous influence on social interactions and opportunities for individuals. The society we live in has constructed the meaning of aging in specific (mainly negative) ways.

What we can witness lately is a growing visibility of the older population as they become more numerous. For instance, if we compare magazine ads from 30 years ago and now, we can notice an increase in the number of advertisements that include elderly people and in the average age in the models. The increased visibility of the older population begins to alter the perception of aging and it increases the general awareness of the aging of the society. As new groups of people go through the stages of aging, they bring with them a unique historical profile and they change the meanings and values attached to getting older.²¹ The generation of baby boomers will experience aging differently due to the different habits and, since aging is socially constructed, they can influence and challenge the negative stereotypes.

The former secretary general of the UN, Kofi Annan, during the Second UN World Assembly on Ageing also stressed the positive image of the aging population in his speech: "*Trees grow stronger over the years, rivers wider. Likewise, with age, human beings gain immeasurable depth and breadth of experience and wisdom. That is why older people should be not only respected and revered; they should be utilised as the rich resource to society that they are.*"²²

Family structures are being changed due to extended longevity and decreased number of children. A century ago, it used to be common to have many children. Besides, grandparents generally died before their grandchildren became adults. So, the family structure in this period looked like a *pyramid* with a big number of children and parents and very few grandparents. (Figure 5) Since the beginning of

²⁰Morgan, L. A. & Kunkel, S. (2011). *Aging, society and the life course* (4th ed.). New York: Springer.

²¹Ibid.

²²Second UN World Assembly on Ageing Website (7.04.2002)

<http://www.globalaging.org/waa2/articles/beforeassembly.htm> (Accessed: 31 May 2013)

this century, the family model is similar to a *lopsided rectangle* (Figure 6) because families tend to have fewer children and grandparents and great-grandparents usually live longer. More generations live in the same point in time than in the past and this has generated an increasing potential for four, five or even six generation families. For example, there is a possibility that an individual can be in the same time a grandchildren and a grandparent. This enables having a bigger possible range of intergenerational family experiences.

Due to a fertility rate near or lower than the replacement level (2,1 children per woman), the family tree has clearly changed its shape. This process is often named as “family verticalisation” and the family structure is also referred to as a beanpole family instead of a family tree.²³ Beanpole family is a structure where a family has more living generations but there are less people in each generation.²⁴ Having in mind that the trends of population aging and lower fertility rate will continue even more intensively in future, we can expect a new family model. In the next 15 years, the baby boomers will become grandparents and great-grandparents. Thus, the family structure will look like a *reverse pyramid* with a big number of the grandparents and great-grandparents on the top and with fewer parents and children in the bottom. (Figure 7)

Figure 5.
Family structure 1900

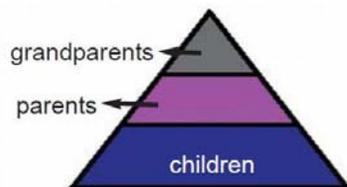


Figure 6.
Family structure 2000

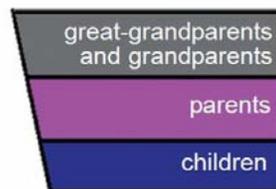
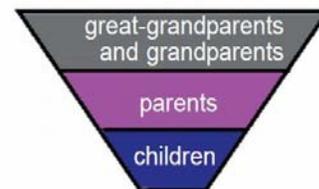


Figure 7.
Family structure 2030²⁵



²³ Bengtson, V.L., Rosenthal, C.J., and Burton, L.M. (1990). *Families and ageing: Diversity and heterogeneity*. In: Binstock, R.H., and George, L.K. (eds.). *Handbook of aging and the social sciences*. New York: Academic Press. pp. 263-287.

²⁴ Dobriansky, P. J., Suzman, R. M. & Hodes, R. J. (2011) .*Why Population Aging Matters: A Global Perspective*. U.S. National Institute on Aging National Institutes of Health. <http://www.nia.nih.gov/health/publication/why-population-aging-matters-global-perspective/trend-6-changing-family-structure>

²⁵ Gillen, M., Mills, T. & Jump, J. (2003). *Family Relationships in an Aging Society*. Aging in the 21st Century. University of Florida Publ.

It is of great importance to comprehend the effects of these changes for families and society. The older generation might help in the raising of the children but it may also require care and support. In the past, the older people relied a lot on their families for care. Lately, family ties have been weakened as a result of increased mobility and rising divorce rates. Following the current demographic pattern, in future, the elderly will be less likely to be married or cohabiting and more of them will live alone. Many of those over the age of 80 would need help for their daily activities.

Beside worsened health, a change in socio-economic status can also negatively affect the individual's way of life in the so called third age. The economic loss might be due to a change from salary to pension or unemployment leading to economic dependency on children or relatives or eventually to poverty. Older women are in a bigger risk of poverty because of lower lifetime earnings and longer lifespan. Moreover, the elderly may face a feeling of low self-worth as a result of the loss of earning power and social recognition.²⁶ The respect that used to be shown to older people's knowledge has declined with time due to the availability of information and knowledge through education and the internet.

Social values, relationships and dynamics will be important in the response to these societal problems old people might face. Modern industrialized societies live in a culture that is putting emphasis on competition for economic wealth, that values economic over social productivity, and where inequities based on class, gender, and race are accepted while, in the same time, these are the issues influencing the living conditions of aging populations.²⁷ There is a need of well-developed redistributive policies and social programs for elderly which will help in the adaptation to the changing society. Nevertheless, the problem of older people dependency on younger ones will remain, not only for care and support but also for the economic

²⁶ Lena, A., Ashok, K., Padma, M. & Kamath, V. A. (2009). *Health and Social Problems of the Elderly: A Cross-Sectional Study*. Indian journal of Community Medicine pp. 131-134.

²⁷ Restrepo, H. & Rozental, M. (1994). *The social impact of aging populations: some major issues*. Social Science and Medicine Journal. pp. 23-38.

productivity ensuring that pensions can be paid and that health and social expenditures can be met.

2.4 Possible responses to the challenges posed by population aging

There is a growing awareness of the impact of the population aging. All EU member states will be affected by this trend even though it might not be at a uniform degree and pace. The EU has emphasized two major related policy issues: the ageing of the workforce and the risk of growing imbalances in the financing of the social protection. These issues will stay manageable for few more years depending on the national situations. Afterwards, the trends will intensify their pace and will raise serious questions about the capacity of the existing institutions to handle the impact.²⁸

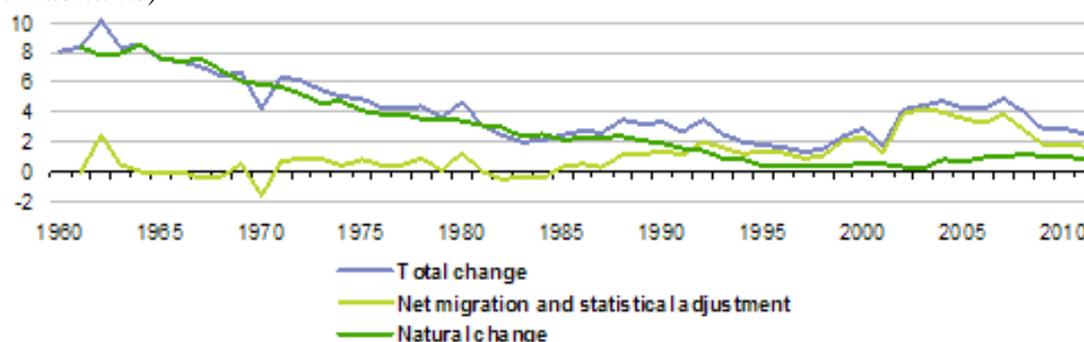
Numerous factors can help to avoid a negative scenario, including higher levels of immigration, improved labour productivity and labour market participation of older people and increased fertility. Since most of these policy issues are in the competence of the national governments (immigration becoming European), there are different responses to the same challenge. In the further chapters of this research paper, I analyse and compare the policy responses of France and Germany to the previously explained challenges caused by the demographical aging, in the areas of migration, labour market and family policies.

²⁸ Fotakis, C. (2000). *Demographic ageing, employment growth and pensions sustainability in the EU: The option of migration*. Expert group meeting on policy responses to population ageing and population decline. Population Division. UN Secretariat. New York.

3. Migration policies as a response to population aging

Immigration is seen as one of the possible tools in tackling the socio-economic challenges caused by changing demography in Europe. The different EU countries have had changing patterns and scales of migration flows which “have short-term and long-term impacts on the size and structure of the overall population.”²⁹ Figure 8 represents the population change in EU27 during the period between 2060 and 2010, including two influential factors: natural change and net migration.

Figure 8: Population change by component, EU-27, 1960–2009 (per 1000 inhabitants)³⁰



Natural population change is the difference between the number of live births and deaths during a given period of time while *net migration* is the difference between the total annual number of immigrants and the number of emigrants.³¹ In figure 8, we can notice that since 1992, the impact of net migration to the overall population change in the countries of EU has been bigger than the impact of natural change, peaking in 2003 at 95 % of the total change. After that, the natural change had been increasing its influence in the growth of the population until 2009 when it reached 37 % and has been declining again since then.

²⁹ Eurostat. (2011). *Migrants in Europe a statistical portrait of the first and second generation*. Luxembourg: Publications Office of the European Union.

³⁰ Eurostat. (2012). *Population and population change statistics*.

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Population_and_population_change_statistics (Accessed: 1 June 2013)

³¹ Andueza Robustillo, S., Corsini, V., Marcu, M, Vasileva, K. & Marchetti, E. (2013). *EU Employment and Social Situation, Quarterly Review March 2013. Special Supplement on Demographic Trends*. European Commission.

The rather low contribution of natural change to the total population growth is the result of increased net migration, falling number of births and increased number of deaths.³² Since the number of deaths is expected to increase as the baby-boom generation gets older, and assuming that the fertility rate continues to remain at a relatively low level, negative natural change (more deaths than births) will probably happen in the future. Subsequently, the extent of population decline or growth will depend on the contribution made by migration.

Replacement migration is the level of international migration necessary in order to compensate for the decreases of the population size, the decreases in the proportion of the working age population, as well as to counter the general ageing of a population.³³ A research regarding the population age structure concluded that the foreign population was younger than the national population in all 27 EU countries.³⁴

The distribution by age of foreigners is compared to the age of nationals in figure 8 published by Eurostat. It can be clearly seen that foreigners have a greater proportion of relatively young working age adults. In 2012, the average age of the EU nationals was 41,9 years, while that of foreigners living in the EU was 34,7 years.³⁵

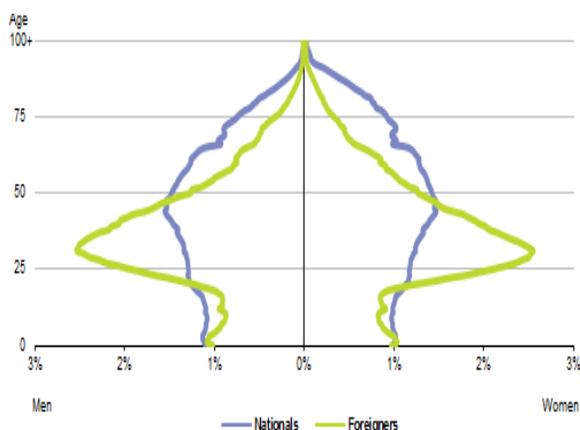


Figure 8: Age structure of the national and non-national population, EU-27, 2012 (%)

³² Andueza Robustillo, S., Corsini ,V., Marcu, M, Vasileva, K. & Marchetti, E. (2013). *EU Employment and Social Situation. Quarterly Review March 2013. Special Supplement on Demographic Trends*. European Commission.

³³ United Nations. (2001). *Replacement migration: is it a solution to declining and ageing population?* United Nations Population Division.
<http://www.un.org/esa/population/publications/migration/execsum.pdf>

³⁴ Eurostat. (2013). *Migration and migrant population statistics*.
http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Migration_and_migrant_population_statistics (Accessed: 1 June 2013)

³⁵ Ibid.

A study made by the United Nations Population Division has analysed whether replacement migration can be a solution to the aging population. It concludes that the levels of migration needed to offset population ageing (i.e. maintain potential support ratios) are extremely big, and require vastly more immigration than in the past³⁶. Whether those larger numbers of migrants are within the list of options open to Governments depends to a great extent on the social, economic and political circumstances of a certain country or region. The countries are aware that in absence of immigration, possible declines in population size will be even greater than those projected and population ageing will be more rapid. Regarding the levels and purposes of allowed immigration, there are different rules and practices on national level. The EU destination countries tend to use migration as a tool to solve specific labour market shortages. Nevertheless, “migration alone will almost certainly not reverse the ongoing trend of population ageing experienced in many parts of the EU.”³⁷

3.1 Labour participation rates of immigrants in the European Union

Even though immigrants will be needed to boost European labour force, statistics show that they are likely to participate less in the labour market than the native population. In 2008, at EU-27 level, the activity rate³⁸ of foreign-born persons was 5 % lower than that of native-born persons as presented in Table 1. The lower overall participation rate of foreign-born persons in the labour market was as a result of the significantly lower activity rates of foreign-born women. Regardless of their country of birth, the activity rates of male foreign-born persons aged 25–54 were similar to those of native-born men, while the labour market participation of foreign-

³⁶ Tapinos, G. P., (2000). *Policy responses to population ageing and population decline in France*. Expert group meeting on policy responses to population ageing and population decline. Population Division. Department of Economic and Social Affairs. United Nations Secretariat. New York. <http://www.un.org/esa/population/publications/popdecline/Tapinos.pdf>

³⁷ Eurostat. (2013). *Migration and migrant population statistics*. http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Migration_and_migrant_population_statistics (Accessed: 1 June 2013)

³⁸ *The activity rate is defined as the ratio between the economically active population (i.e. employed and unemployed persons), and the total population (i.e. active and inactive population).*

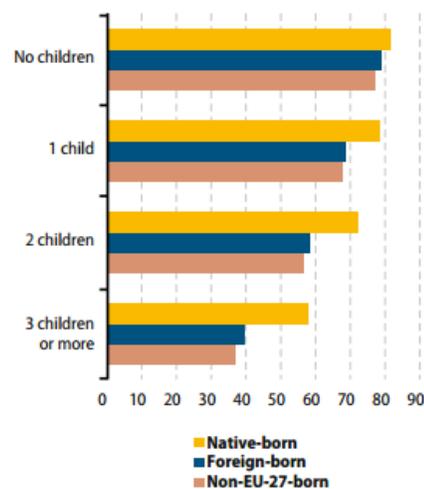
born women was 9 % lower than that of native-born women (69 % as opposed to 78 %). This effect was less noticeable for women born in another EU country (76 %), while it was particularly obvious for women coming from non-EU countries (67 %).

Table 1. Activity rate of persons aged 25-54 by groups of country of birth, gender and duration of residence in the receiving country, EU-27, 2008³⁹

	Native-born	Foreign-born	Of which			
			EU-27-born	Non-EU-27-born	of which from countries with	
					high HDI	low and medium HDI
EU-27	85	80	84	78	80	78
Men	92	92	93	91	92	90
Women	78	69	76	67	68	65
Recent migrants	—	77	84	74	76	73
Settled migrants	—	82	85	80	81	80

However, in the same time, foreign-born women tend to have more children. According to Eurostat statistics from 2008, 27 % of foreign-born women lived in households with one dependent child, 19 % with two dependent children, and 8 % with more than two children, compared respectively to 24 %, 16 % and 4 % of native-born women. Moreover, 56 % of native-born women of the age 25 to 54 do not have dependent children (in contrast to 46 % of their foreign-born counterparts and 43 % of women with origin from a non-EU country). Although the labour participation levels of foreign-born and native-born women with no children are alike, 79 % and 81 %, correspondingly, the activity rate of migrant women with one dependent child drops to 69 %, while it stays at 78 % for native-born women. To sum up, the labour market participation rate decreases with the number of dependent children and this can be noted even more for women originating from a country outside of the EU.

Figure 9. Activity rate of women aged 25-54 by groups of country of birth and number of dependent children (aged less than 15) in the household, EU-27, 2008 (%)



³⁹ Eurostat. (2011). *Migrants in Europe a statistical portrait of the first and second generation*. Luxembourg: Publications Office of the European Union.

In conclusion, lower participation of migrant women into the labour market will not influence the economic old-age dependency ratio as positively as compared to the activity rate of native-born women. However, the fact that foreign born women have more children can be seen as an offset for their lower activity rate in mitigating population aging. Foreign-born women can improve the fertility rate of the host country. Consequently, the increased number on children will influence the average age of the population and make it lower. The degree of this effect will depend on the levels of immigration that will be allowed which, however, is not determent by a single parameter but by a number of socio-economic factors.

3.2 Immigration situation in France and Germany

Immigration accumulated through time increases population size and growth while emigration has the opposite effect, both also have impact on the age composition of a population.⁴⁰ It is evident that the population in France and Germany would not have the same size if it has not been for immigration. (Table 2.)

Table 2. Statistics of foreign born population, Germany and France. Source: Eurostat 2010

Country	Total population (1000)	Total Foreign-born (1000)	%	Born in other EU state (1000)	%	Born in a non EU state (1000)	%
EU 27	501,098	47,348	9.4	15,980	3.2	31,368	6.3
Germany	81,802	9,812	12.0	3,396	4.2	6,415	7.8
France	64,716	7,196	11.1	2,118	3.3	5,078	7.8

The information presented in Tables 3 and 4 show the differences in percentage between the projected and observed population in France and Germany, respectively, by age groups in 2007. The projected population is the one not including immigrant population while the observed population includes immigration. A positive difference can be noted in all age periods in both France and Germany. The average contribution of immigration to the total population in 2007 was similar in both countries, representing 17 % in France and 16 % in Germany.

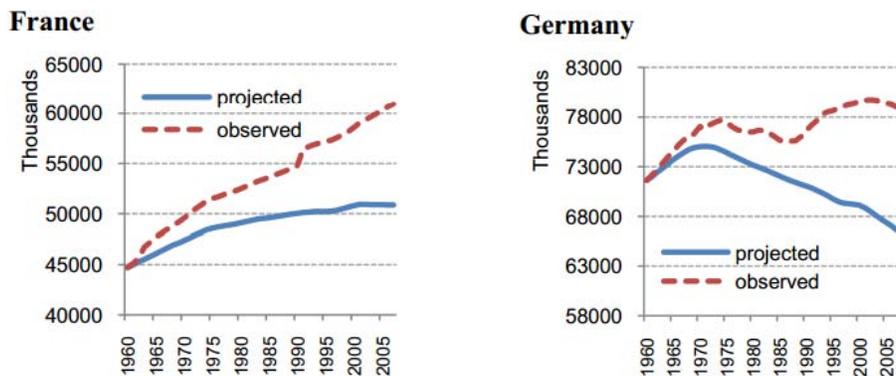
⁴⁰ Philipov, D. & Schuster, J. (2010). *Effect of Migration on Population Size and Age, Composition in Europe*. European demographic research papers. Vienna Institute of Demography. http://www.oeaw.ac.at/vid/download/edrp_2_10.pdf

Tables 3. and 4. Projected and observed population, January 1st 2007, absolute differences and relative to observed population⁴¹

France	Population		Difference	Germany	Population		Difference
	projected	observed	in %		projected	observed	in %
0-4	2976000	3943000	12	0-4	2551000	3504000	22
5-9	3018000	3959000	13	5-9	3012000	3901000	18
10-14	2860000	3868000	17	10-14	3176000	4036000	16
15-19	3172000	4146000	17	15-19	3828000	4762000	16
20-24	3274000	4069000	14	20-24	3788000	4848000	20
25-29	3346000	3976000	11	25-29	3789000	4919000	21
30-34	3572000	4186000	11	30-34	3694000	4791000	22
35-39	3889000	4470000	10	35-39	5272000	6397000	17
40-44	3880000	4561000	13	40-44	6206000	7212000	14
45-49	3763000	4399000	14	45-49	5658000	6532000	13
50-54	3694000	4264000	13	50-54	4971000	5701000	13
55-59	3748000	4263000	12	55-59	4502000	5107000	12
65-69	2250000	2550000	12	60-64	3963000	4304000	8
70-74	2292000	2536000	10	65-69	5177000	5459000	5
75-79	2065000	2257000	8	70-74	3732000	3972000	6
Total	50522000	60569000	17	Total	66160000	78508000	16

In figure 10, we can see how different the demographic trends would be in case of no immigration in France and Germany in the period between 1960 and 2007 represented by the projected population (blue line). While France would still have had a growing population, the population of Germany would have been declining in a much faster pace than in the present (red line).

Figures 10. and 11. Projected and observed population size change from 1960-2007⁴²



⁴¹ Source: Philipov, D. & Schuster, J. (2010). *Effect of Migration on Population Size and Age, Composition in Europe*. European demographic research papers. Vienna Institute of Demography. http://www.oeaw.ac.at/vid/download/edrp_2_10.pdf

⁴² Ibid.

A difference in the dependency ratios can also be noted between the two countries if we compare the data in Table 5, displayed below. Philipov and Schuster define the *old-age dependency ratio* as the total number of people aged 65-79 divided by total number of people aged 15-64, in percent. The *young-age dependency ratio* is the ratio of persons aged 0-14 compared to the 15-64 age group, and the *total dependency ratio* is the sum of both. The table gives the ratios for the observed population and the difference between the ratios of the observed (with immigration) and the projected population (without immigration).

Table 5. *Dependency ratios in observed populations and difference between observed and projected population towards 2007, age span 0-79, in percent.*⁴³

Country	Initial year of proj.	Old-age		Young-age		Total	
		Observed	Diff	Observed	Diff	Observed	Diff
FR	1960	17.7	-0.6	28.4	0.4	46.1	-0.2
DE	1960	22.9	-2.6	21	0.8	43.9	-1.8

In Germany, the immigration has caused a decline of the old-age dependency ratio of 2,6 points. In France, although clearly a marked immigration country, the decline is only 0,6 points. This surprising result can be explained with the period of migration: the immigration has been high primarily during the first years of the projection period, so, cumulated migrants have gradually aged and have moved to the population aged above 65. We can also see this in tables 3 and 4 (on the previous page), the difference of observed and projected population at the age between 65 and 69 in France is 12 % while in Germany it is only 5 %.

3.3 Immigration policies in France

In 2010, Eurostat assessed that 7,2 million foreign-born immigrants lived in France representing 11,1% of its total population. The current French immigration situation is affected significantly by the legacy of colonialism and long-ago

⁴³ Source: Philipov, D. & Schuster, J. (2010). *Effect of Migration on Population Size and Age, Composition in Europe*. European demographic research papers. Vienna Institute of Demography. http://www.oeaw.ac.at/vid/download/edrp_2_10.pdf

established practice of hiring foreign workers. A need for immigrants occurred in the 18th and 19th century, due to the labour shortage triggered by the process of industrialisation together with the falling birth rate.⁴⁴ France was an unusual case in this sense because the other industrialised countries in that period in Western Europe, Germany too, were having higher fertility rates and were mainly countries of emigration. The labour market faced further intensified shortages of labour due to the reduced population after the wars in the 19th and early 20th century. In order to resolve this situation, France concluded labour recruitment agreements with Italy (1904, 1906, 1919), Belgium (1906), Poland (1906) and Czechoslovakia (1920).⁴⁵ Following the World War II, more workers were recruited from the previously mentioned countries including Portugal, Spain, Germany and Russia. In the same period, because of liberation wars and decolonization, immigration to France from its former colonies increased.

Even though immigration in France has been seen as a great achievement in economic turns, lately it has also been seen as a cause of social problems. As a result, in the last decade, there is an obvious trend towards more restrictive immigration policy, which has become known as “selective immigration”. After the immigration law of 2006, foreign workers can arrive to France more easily as a reaction to labour shortages. While the law makes it more difficult to immigrate for reasons of marriage or family reunification, it makes it easier for highly qualified persons to stay in France. The law also stresses the importance of integration requiring participation in language courses and classes on civil society and for foreigners who plan to stay permanently.

Compared with the European average, the population ageing in France is less noticeable as a result of the relatively high birth rate and the inflow of immigrants. Nevertheless, long-term immigration will be necessary to secure a sustainable social system. Consequently, in the following years, the subject of immigration will

⁴⁴ Engler, M. (2007). *Country profile: France*. Focus Migration Information Service. <http://focus-migration.hwwi.de/France.1231.0.html?&L=1>

⁴⁵ Ibid.

become yet more important, making the necessity for suitable policies ever more urgent.

3.4 Immigration policies in Germany

Although Germany's immigration history does not date as far as the French, with one of the biggest immigration waves starting the post war boom period in the middle of the 20th century, the German economy depends on immigrant workers ever since. In the 1960's and 70's, the Western-German government signed bilateral recruitment agreements with Italy, Greece, Turkey, Morocco, Portugal, Tunisia and Yugoslavia.⁴⁶ The majority of the immigrants came to Germany with their families due to an official guest worker program intending to increase the labour force after the war, the so called *Gastarbeiterprogramm*. Many of them, especially the immigrants from Turkey, have remained in Germany.

In the 80's, the majority of immigrants were seeking asylum. Besides, many of those who came between 1990 and 2010 were ethnic Germans from former communist countries. Recently, many people have relocated to Germany as asylum seekers or refugees, coming from the Balkans, North Africa and the Middle East.⁴⁷ During the last decade, migration to Germany has stagnated in comparison to a wider time span. This stagnation is a result of the Immigration Law of 2005, which limited immigration and focused more on attracting highly skilled workers to Germany. The number of immigrants coming for family unification has significantly declined because they are required to have proficiency in German language.⁴⁸ In 2011, 19% of German citizens, almost a fifth of the entire population, had immigrant background (15 million people)⁴⁹. In total, about two thirds of them are themselves immigrants

⁴⁶ Özcan, V. (2007). *Country profile: Germany*. Focus Migration Information Service. <http://focus-migration.hwwi.de/Germany.1509.0.html?&L=1>

⁴⁷ Hoßmann, I. & Karsch, M. (2011). *Germany's Integration Policy*. Berlin Institute for Population and Development. <http://www.berlin-institut.org/online-handbookdemography/germanys-integration-policy.html>

⁴⁸ Ibid.

⁴⁹ The Federal Statistical Office. Germany. Website. (Accessed: 4 June 2013) http://www.destatis.de/EN/PressServices/Press/pr/2013/05/PE13_188_121.html

(1st generation), while almost one third are born in Germany (2nd and 3rd generations).

In 2011, Germany had the highest immigration rate in more than 15 years.⁵⁰ This time, following a new trend, more and more people immigrants to Germany come from EU countries affected by the economic crisis. Compared to 2010, in 2011 the number of immigrants from Greece and Spain has increased by 90 % and 50 % respectively. Another reason for the unusually high immigration rate was the end of immigration restrictions for the citizens of the new EU member states in Eastern and Southeast Europe such as Poland, Hungary and Romania on May 1, 2011. Germany has kept its economy closed to workers from new EU countries but now it welcomes them due to labour and skills shortages.

From this short presentation, we can clearly conclude that Germany has been moving progressively from accommodating guest workers to having regulated immigration. Germany has already realised the benefits of immigration such as support for the economy and mitigation of the negative effects of shrinking and aging population. The population with a migration background is younger and has more children than the entire German population on average. As a result, one third of the children of the age under 5 have a migration background.⁵¹ But, even if we count the new-born children of today's immigrants, the number of inhabitants in Germany is currently declining more rapidly than any other developed country in the world. So, continued immigration is of great significance to stabilise the population. However, there is a challenge because the current immigration and naturalization policies are not as friendly towards unskilled immigrants and the selective migration might not be enough to aid Germany to counter the impacts of the population aging trend.

⁵⁰ The Federal Statistical Office Website. Germany. (Accessed: 4 June 2013)
https://www.destatis.de/EN/PressServices/Press/pr/2013/05/PE13_188_121.html

⁵¹ Ibid.

3.5 Immigration policies in the European Union

Even though migration policies remain in the national sphere, the European Union is playing an increasingly important role in the development of a coordinated European immigration policy. Recently, immigration has become a topic in the EU due to the increased concern about managing asylum but more importantly about matters such as population ageing, dependency ratio, welfare burden and shortages of working age population as well as shortages of both highly-skilled and low-skilled workers.⁵² As a result, the countries are cooperating in this area with an aim to make EU and national immigration policies coherent and complementary.⁵³ Moreover, they are establishing common policies such as the introduction of the so-called "blue card" which has an aim to make it easier for foreigners to immigrate to the EU.

With the aim of managing migrant flows successfully and cutting illegal migration, the EU intends to adopt a coordinated approach on all aspects of the migratory system and in close partnership with the countries of origin.⁵⁴ Since 1990, the EU jurisdiction in immigration and asylum has gradually increased. The EU also intends to promote effective integration processes for the new immigrants guaranteeing them decent living and working conditions. It has paid special attention in the development of anti-discrimination policies in order to reinforce the socio-economic contribution of immigrants to the host society.

Recently, the EU has noticed the possibility to keep newly graduated qualified foreign students in an EU country by giving them one year after their graduation to stay and to find a job which corresponds to their qualifications. These people are young, skilled, in most cases they have already integrated in the society and speak the language and, moreover, they are in a favourable reproduction age.

⁵² Sultankhodjayeva, G. (2012). *Labor immigration policy in the European Union*. Graduate School of Economics. Waseda University.
<http://www.euji-waseda.jp/common/pdf/EUIJGuzal.pdf>

⁵³ European Commission Website (11.05.2011) *A common immigration policy for Europe*.
http://europa.eu/legislation_summaries/justice_freedom_security/free_movement_of_persons_asylum_immigration/jl0001_en.htm (Accessed: 6 June 2013)

⁵⁴ Ibid.

They can contribute positively in mitigating the effects of the European aging population in several ways, for example, by participating actively in the labour market and lowering the economic and age dependency ratios and potentially by improving the fertility rate.

However, the projected levels of immigration needed to keep the dependency ratio stable in the EU amount at more than 1,3 billion immigrants between 2000 and 2050.⁵⁵ That is immensely more than the recent average number of 1.8 million immigrants that the EU is receiving⁵⁶ and in the moment it does not seem implementable due to the “absorption capacity” of European societies. It is the capacity of societies and institutions to absorb and integrate every immigrant they receive. So, immigration might not be the whole solution to the complex problem of population aging, it is, however, certainly a part of the solution. Immigrants contribute positively to the European economy by providing workforce and skills that cannot easily be found in Europe, by working, earning, spending and paying taxes, by setting up companies and creating jobs, by using services and buying products offered by others.

Accordingly, immigration can help in reducing the tax burden of an aging population and in maintaining the potential support ratio between the active and dependant population, provided that there is a sustained economic and employment growth in the developed world to meet this extra labour supply. In addition to moderate migration, what could help in mitigating the effects of demographic aging is getting the most out of the domestic labour potential. In the same time, an increased fertility rate would counter the need for replacement immigration. So, understanding that immigration cannot be the only solution to the demographic aging issue, in the next chapter, I analyse the possible labour market policies which can offset the negative effects of this demographic trend.

⁵⁵ Goldin, I., Cameron, G. & Balarajan, M. (2011). *Exceptional People: How Migration Shaped Our World and Will Define Our Future*. Princeton University Press.

⁵⁶ EU Facts, Civitas Website, <http://www.civitas.org.uk/eufacts/FSEX/EX1.htm> (Accessed: 7.06.13)

4. Labour market policies as a response to population aging

Recently, the EU is working on labour market policies in order to offset the effects of the aging population. Since the launch of the European Employment Strategy at the Luxembourg Jobs Summit in November 1997, the EU policies include increased targets for the overall employment rate and, more specifically, higher participation of women and elderly people as main goals.⁵⁷ The European Union set a new strategic goal at the Lisbon European Council in March 2000 in order to allow the Union to recover the conditions for full employment by 2010.⁵⁸ The aim of these measures was to raise the overall EU employment rate from 61 % in 2000 to 70 % and to increase the number of women in employment from 51 % in 2000 to more than 60 % by 2010.⁵⁹

In its Europe 2020 strategy brought in 2010, the European Commission has increased the target for the employment rate of the population aged 20–64 years from the 69 % achieved in 2009 to 75 % in 2020, with bigger involvement of women, older workers and improved integration of migrants in the labour market.⁶⁰ The 2020 strategy for economic growth suggests a combination of technology driven productivity growth, more jobs and development of human resources. It is considered that the compatibility of the growing services sector on the demand side and the female employment on the supply side are key for the improving performance.

However, the ageing of the working-age population will imply that participation levels will be more and more influenced by the activity patterns of the increasing in size older generations. The question of keeping older people in

⁵⁷ Eurofound Website. (30.10.2010). *Employment rate*. (Accessed: 10 June 2013)
<http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/employmentrate.htm>

⁵⁸ European Council. (2000). *Presidency Conclusions*. Lisbon.
http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/00100-r1.en0.htm

⁵⁹ Ibid.

⁶⁰ European Commission. (2010). *Communication from the Commission, Europe 2020*.
<http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%200007%20-%20Europe%202020%20-%20EN%20version.pdf>

employment becomes an ever more important policy issue as early retirement has become a well-established practice over the last decades.⁶¹

4.1 Active aging policies in the European Union

It has been already more than a decade since the EU and its member states have realised that active ageing and working longer is necessary in order to maintain the welfare systems.⁶² In order to raise awareness of this issue, they have marked the year 2012 as European year for active ageing and solidarity between generations.

The lifelong and active ageing policies at EU and Member State level focus on the relationship between learning, ageing and working. There are different active ageing practices and policies that can be undertaken in order to adapt and face the challenges of the changing demography as for example, establishing more flexible working and retirement schemes, offering incentives to encourage longer careers, supporting more inclusive labour markets. Some more ideas include: implementation of adequate knowledge management, improvement of conditions to enable intergenerational working and learning and investment for lifelong learning.⁶³

The implementation of these policies needs cooperation from the employers' side. But a recent research shows that an "ageing paradox" exists, it is when employers know the potential adverse effects of population ageing but do not do almost anything about it.⁶⁴ As a result, there is a gap between the discourse of the enterprises and the actual practice and the evident need for action. Many measures can be taken such as adapting the working conditions to the needs of older workers,

⁶¹ Fotakis, C. (2000). *Demographic ageing, employment growth and pensions sustainability in the EU: The option of migration*. Expert group meeting on policy responses to population ageing and population decline. Population Division. UN Secretariat. New York

⁶² Barabasch, A., Dehmel, A. & Van Loo, J. (2012). *The value of investing in an ageing workforce*. Working and ageing: The benefits of investing in an ageing workforce. Publications Office of the European Union. Luxembourg. pp. 9-35. http://www.cedefop.europa.eu/EN/Files/3064_en.pdf

⁶³ Ibid.

⁶⁴ Van Loo, J. (2011). *Making the most of mature minds: issues, trends and challenges in making active ageing a reality*. Griffin, T.; Beddie, F. Adelaide: National centre for vocational education research. Older workers: research readings.

adapting tasks to capabilities, reducing stress at work and facilitating the work-leisure balance.

Even though the EU promotes increased labour force participation of older workers, however, it is the member states themselves that decide on the most adequate strategies to achieve this goal. The active ageing policies take into account the fact that, if people should work longer, they have to be in good physical and mental health, to have more flexible working arrangements, healthy work placements, lifelong learning and retirement schemes.⁶⁵

Many older Europeans already lead active, healthy and participative lives after their retirement but, in the same time, others face problems, such as poverty, illness or disability which can influence their lifestyle. Therefore, beside the actions of raising retirement ages and reducing early retirement schemes, the EU member states should make more efforts in order to answer to these challenges. They should provide accessible and effective healthcare services that promote early detection of diseases and help older people to maintain their health and capacity to live independently, while ensuring that healthcare spending remains under control.

Ensuring that aging individuals are able to remain independent and to care for themselves for as long as possible is an important policy goal. Limiting the need for state-financed institutional care for the elderly will help to reduce the costs of care considerably. Policies of a preventive nature might be a cost-effective response in many cases.⁶⁶ Moreover, the state should ensure that older people have adequate incomes generally through pensions systems and enough support mechanisms that reduce the proportion of elderly at risk of poverty.⁶⁷

⁶⁵ Eurostat. (2012). *Active ageing and solidarity between generations - a statistical portrait of the European Union* http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-EP-11-001/EN/KS-EP-11-001-EN.PDF

⁶⁶ Jacobzone, S., Cambois, C. & Robine, J. (2000). *Is the health of older persons in OECD countries improving fast enough to compensate for population ageing?* OECD Economic Studies, No.30.

⁶⁷ Eurostat. (2012). *Active ageing and solidarity between generations - a statistical portrait of the European Union*. http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-EP-11-001/EN/KS-EP-11-001-EN.PDF

4.2 Labour market and aging population in Germany and France

Germany's labour market will probably be the first and the biggest test of the problems caused by an ageing and declining population in Europe. According to the German Interior Ministry, the average life expectancy in Germany annually rises by three months. Currently being the biggest economy in Europe with working age population of 50 million, it is assumed that Germany will lose about 6 million workers over the next 15 years, due to its declining and aging population.

However, the policy makers in Germany needed some time to accept this demographic change and this issue only came into the public discourse in the last decade. Even more recently, they became aware of the challenges of an aging society and responded with an official government demographics strategy⁶⁸ and policy in the autumn 2011 and a demography forum in early 2012. The recommendations for policy action included, on one hand, a closer look at the needs of the youth while, on the other hand, making the elderly feel they have an important role in the society and they are not a burden. For the German politicians, it is clear that "progress requires two sides: the experience of the old and the pioneering spirit of the young"⁶⁹ and that solidarity and intergenerational interaction is necessary in order to make the demographic change positive and advantageous.

France is well-known in Europe for having low participation by people between the age of 55 and 64 in the labour market. Even though there is an improvement lately, the employment rate of 41,5 % in 2011 increased by 3 % in 2012 for this category of workers, it is still lower than the objectives set in the framework of the Lisbon Process of 50 %, than the average rate of the European Union of 49 %

⁶⁸ The demographic strategy of Germany addresses six main points: putting in place the right conditions for a longer working life, finding ways for older people to choose the way they work, support for families, cooperation among federal, state and municipal institutions, securing wealth and growth and limiting state debt.

⁶⁹ Statement of Family Minister Kristina Schröder in her opening address to the second annual Berlin Demography Forum.

Source: Deutsche Welle. (12.01.2013). *Demographic change to hit Germany hard*. <http://www.dw.de/demographic-change-to-hit-germany-hard/a-16516797> (Accessed: 9 June 2013)

and than that of Germany of 61,5% in 2012.⁷⁰ This is a result of premature exclusion of older in a context of raising unemployment, industrial restructuring but also of some sociological aspects.⁷¹

In the France, the workers aged over 50, rather than 55, are perceived as “older workers”.⁷² French companies are reluctant to recruit people over this age and from an individual’s point of view, exiting the labour market earlier is still seen as a social advantage. Yet, with the bigger pressure on the pension system by the increasing old population, there is a need of improvement of the employment rate for older workers and knowing that only 19 % of people aged 60 to 64 still work, the potential is high.

A report of European Commission in 2012 concluded that even a small increase in old-age employment could significantly decrease France's pension burden, currently 14.4 % of GDP. However, this is a challenge in time of crisis and when the unemployment has risen to 10,8 % at the beginig of 2013. Moreover, the Pensions Advisory Council⁷³ assumes that even if jobs and pay recover, the annual pension deficit will keep increasing as the post-war baby boomer retirement peaks. As a result, the French policy makers have undertaken some actions and reforms in the area of active aging so far and a new reform is being prepared for 2014.

In continuation, I am focusing on specific active aging policies undertaken by Germany and France in the recent years as an answer to the aging population trend.

⁷⁰Eurostat. (2012). *Employment rate of older workers*.
<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsdde100&plugin=1>

⁷¹ Gendron, B. (2011). *Older workers and active ageing in France: the changing early retirement and company approach*. International Journal of Human Resource Management. Publ. Taylor & Francis Group. Volume 22, Number 6, April 2011 , pp. 1221-1231(11).

⁷² Gineste, S. (2012). *EEO Review: Employment policies to promote active ageing 2012. France*. European Employment Observatory. European Commission. BPI.
<http://www.eu-employment-observatory.net/resources/reviews/France-EPPAA-Feb2012-final.pdf>

⁷³ The Conseil d'orientation des retraites

4.2.1 Extending the retirement age

The pension reforms used recently by European governments in order to improve the participation of older workers in the labour market include: increased retirement age and thus providing a negative incentive to stop working, increased pension benefits according to additional years worked and thus providing a positive incentive to continue working, adapted pensions to facilitate continued work after retirement as well as reduced access to early retirement schemes which removes incentives to leave the labour market early.

In Germany, a main reform of the public pension scheme was voted in 2007 and came into force in January 2012, resulting in gradual increase of the statutory retirement age for those born in 1964 and beyond from the age of 65 to 67 years until 2029.⁷⁴ More specifically, from 2012 to 2023 the retirement age will be increased yearly by one month reaching 66 in 2023 and after 2023 the retirement age will be increased by 2 months per year to reach 67 in 2029. This decision was triggered by the country's incredibly low birth rate and the fact that its population aged 65 and more is expected to double by 2035. In addition, an additional future extension of the statutory retirement age, up to 69 years of age, has been considered.

In France, beside the opposition by the trade unions, a new retirement law was adopted in of November 2010. It enacted a progressive increase in the legal age of retirement, four months by generation, from 60 to 62 years, aiming for an increase in the average age at which a full pension is claimed and if one has not worked the statutory period of contribution of 41.5 years, from the current 65 to 67 years in 2023.⁷⁵ The government anti-crisis plan at the end of 2011 will accelerate this rise so that the legal age for retirement will reach 62 in 2016 or 2017 instead of as initially planned in 2018, the effective retirement will also reach 67 earlier than planned - in

⁷⁴ Duell, N. & Vogler-Ludwig, K. (2012). *EEO Review: Employment policies to promote active ageing 2012, Germany*. European Employment Observatory. ECONOMIX Research & Consulting. <http://www.eu-employment-observatory.net/resources/reviews/Germany-EPPAA-Feb2012-final.pdf>

⁷⁵ Gineste, S. (2012). *EEO Review: Employment policies to promote active ageing 2012, France*. European Employment Observatory. European Commission. BPI. <http://www.eu-employment-observatory.net/resources/reviews/France-EPPAA-Feb2012-final.pdf>

2022 instead of 2023. However, after the election of the socialist president in 2012, a change in the pension law was made which lowered the retirement age for some people. It allows individuals who started working at the age of 18 or 19 to retire with full state pension at 60, instead of 62, given that they have been paying into the pension system during 41 or 41,5 years.⁷⁶ Even though this measure was criticised to have dangerous consequences for the French public finances, its adoption was defended in the name of social justice. In conclusion, even beside the changes in the retirement law, France remains having the lowest retirement age in the developed world.

4.2.2 Additional benefits for additional years worked

In some countries, financial incentives are offered to workers to keep on working even though they reach the retirement age. The incentives normally are calculated on the basis of contribution period, for example, for additional day, month, quarter or year worked after the retirement age. They can be in a form of a single bonus payment or a percentage increase in the final pension. If economic incentives to postpone retirement are too low, they may not have the desired result, and if they are too high, its cost may be significant for the public budget. There is also a risk of subsidising the workers who would have anyway postponed their retirement.⁷⁷

Both Germany and France have implemented this kind of benefits. According to the amounts, the most generous incentives of 0.5 % for each month of late retirement or 6 % per additional year worked are offered in Germany.⁷⁸ In France, people who continue to work after the legal minimum retirement age qualify for a

⁷⁶ The New York Times. (06.06.2012). *France Brings Pension Age Down for Some*. http://www.nytimes.com/2012/06/07/world/europe/france-lowers-pension-age-to-60-for-some.html?_r=0 (Accessed: 14 June 2013)

⁷⁷ European Commission. (2009). *Longer working lives through pension reform*. Publications Office of the European Union. Luxembourg.

⁷⁸ Duell, N. & Vogler-Ludwig, K. (2012). *EEO Review: Employment policies to promote active ageing 2012, Germany*. European Employment Observatory. ECONOMIX Research & Consulting. <http://www.eu-employment-observatory.net/resources/reviews/Germany-EPPAA-Feb2012-final.pdf>

pension increase, for quarters completed since 2009, the rate of increase is 1,25 % for each additional quarter or 5 % per additional year.⁷⁹ However, this percentage is bigger, at 2,5% per additional quarter, for people who continue to work after reaching the age of automatic entitlement to a full pension (between 65 and 67) but who have not contributed fully during the total insurance period required.⁸⁰ (Table 6)

Table 6: Public pensions and work after retirement, EU, 2012⁸¹

	Additional pension accumulated (% per year)	When combining income from work and from pensions, are there limits to earnings from work for the pension to be reduced or cancelled?
Germany	After 67: 6%	Means-tested benefit (if full: €180 per month) for > 64: Reduced by 30% of income earned, and by 100% if income > €180. Early statutory retirement (< 65): Amounts earned in excess of €400 per month are deducted from pensions
France	Contributed < 40 years: 5% Contributed ≥ 40 years: 10%.	No limits for 65+ or for 60 to 65 who have contributed for at least 40 years

4.2.3 Combining earnings and pensions

More flexibility in the retirement age can be another stimulus to keep the older population active. The possibility to receive a pension and continue working can help to weaken the clear border between work and retirement. There are various reasons why individuals choose these options, many of them choose to reduce the number of working hours or to ensure a higher pension in the future.⁸² Nevertheless, common issues exist, such as the putting limits on earnings once a person is receiving a pension, especially for people retiring before the official retirement age.

In Germany, limits are put on the amount an individual can earn, they are specified in the second column of Table 6. However, in France, since the national

⁷⁹ CLEISS - Centre of European and International Liaisons for Social Security Website. *The French Social Security System III – RETIREMENT*. (Accessed: 10 June 2013)
http://www.cleiss.fr/docs/regimes/regime_france/an_3.html

⁸⁰ Ibid.

⁸¹ Source: Dubois, H. & Anderson, R. (2012). *Income from work after retirement in the EU*. Publications Office of the European Union. Luxembourg.
<http://www.eurofound.europa.eu/pubdocs/2012/59/en/2/EF1259EN.pdf>

⁸² European Commission. (2007). *Promoting longer working lives through pension reforms. Flexibility in retirement age provision*. Report by the Social Protection Committee. Belgium.

pension reform in 2009, there are no limits on incomes for retired people who decide to work over the age of 65 or for people under this age but that have a contributed during an insurance period of at least 40 years. According to the French National Pension Fund, an increase of 18 % in the number of people benefiting from this measure was noted in 2009 compared to 2008 and the trend continues in recent years.⁸³ In this sense, people who are already retired in France have more incentives to stay active and keep contributing to the economy.

4.2.4 Early retirement pension reforms

Many EU member states have implemented reforms in the area of early retirement, however their approach is different. In general, there are three types of reforms that apply to early retirement schemes. First, keeping early retirement schemes but narrowing access by increasing the minimum age at which an individual can take early retirement or increasing the period of contributions necessary for entitlement. Second, increasing the costs (for both employees and employers) of taking early retirement through, for example, decreasing the value of a person's old age pension or increasing the social security contributions made by employers according to the age their employees take early retirement. Third, abandoning early retirement entitlements completely and removing specific forms of early retirement schemes including the ones granted on the basis of unemployment.⁸⁴

In Germany, a pension reform limited the possibility to retire early without pension deductions already in 1992. With the increase in the retirement age with a later pension reform, it was expected that the number of early retirement and disability pensions would increase. In response to this, an increase in the early retirement age was also proposed, to the same extent and schedule as the normal

⁸³ OECD. (2012). *Thematic follow-up review of policies to improve labour market prospects for older workers - France (situation mid-2012.)*. Organisation for Economic Co-operation and Development. <http://www.oecd.org/els/emp/Older%20Workers%20France.pdf>

⁸⁴ Gineste, S. (2012). *EEO Review: Employment policies to promote active ageing 2012, France*. European Employment Observatory. European Commission. BPI. <http://www.eu-employment-observatory.net/resources/reviews/France-EPPAA-Feb2012-final.pdf>

retirement age. If a person retires before the age of 67, the pension benefits will be reduced by 3,6 % per year of early retirement.⁸⁵ However, having the workers with long years of hard work in consideration, a new type of pension was established. It allows a person with 45 years of insurance to retire at age 65, instead of 67, without any pension deduction.⁸⁶ The workers with a service life of 35 years can still retire at the age of 63, however only with a benefit reduction that will be gradually increased. Besides, some specific types of early retirement schemes have been removed such as pensions on the bases of unemployment or a gradual part-time retirement scheme.

In the last years, there has been a clear tendency to limit the possibilities of early retirement in France as well. The several schemes for early retirement are mainly managed by public authorities or companies and some schemes are based on collective labour agreements between the labour unions and the organizations of employers.⁸⁷ The pension reform in 2003 brought a major change which affected the early retirement system in France as a whole. With a goal to raise the employment rate of the elderly, the reform applied the following measures: increasing of the cost of company early retirement schemes, elimination of two early employment schemes in cases when it is not related to the level of difficulty of the work, restrictions on state-financed early retirement schemes.⁸⁸ As a result, the number of receivers of early retirement benefit in France has decreased by a third in the last 10 years⁸⁹ while the number of older people using an unemployment benefit has increased

⁸⁵ OECD. (2011). *Online Country Profiles, including personal income tax and social security contributions: Germany*. Pensions at a glance 2011: retirement-income systems in OECD countries. <http://www.oecd.org/germany/47272420.pdf>

⁸⁶ Borsch-Supan, A.H. & Wilke C.B. (2006). *Reforming the German Public pension System* Mannheim Research Institute for Economics of Aging. Mannheim Germany. National Bureau of Economic Research. Cambridge, Massachusetts, USA.

⁸⁷ Trampusch, Eichenberger C., De Roo P., Bartlett Rissi M., Bieri R., Schmid I. & Steinlin L. (2010). *Early Retirement in France*. Research on Social Benefits in Collective Agreements. 'Social Benefits in Collective Agreements'. Institute of Political Science, University of Berne.

⁸⁸ Ibid.

⁸⁹ European Working Conditions Observatory Website. (06. 01. 2012). *Fall in uptake of early retirement schemes*. <http://www.eurofound.europa.eu/ewco/2010/11/FR10110411.htm> (Accessed: 9 June 2013)

respectively. Accordingly, some big companies have established and started funding their own schemes of early retirement.

4.2.5 Incentives for employers to retain and recruit older workers

The various government subsidies given to employers with the aim to stimulate the employment or re-employment of older workers can be put in two wide categories. The first category is composed by subsidies that reduce or eliminate employers' contributions to national insurance or social security. The second category includes the types of subsidies where the state directly contributes to the costs of employing older workers.⁹⁰ The subsidies of the later category are more likely to be more used in the countries of the European Union, some of them use forms of payment such as fixed bonuses, wage subsidies and transfer of unemployment benefits.

Germany is one of the countries which offer direct subsidies to employers. The new specific measures introduced in order to foster recruitment include mostly contribution to wage costs or wage subsidies (Eingliederungszuschüsse) for workers aged 50 or above as well as an integration wage subsidy voucher (Eingliederungsgutschein).⁹¹ The period of the subsidies for recruitment of older workers can last from 12 to 36 months, with a reduction in the subsidy rate of at least 10 % after the first year. The level of the subsidies varies, it can be between 30 and 50 % of wages. For older workers with disabilities, the level and the duration of the subsidy are higher.⁹² The number of older unemployed people recruited with the help of this measure increased significantly from 38400 in 2007 to 51500 in 2010.

⁹⁰ Gineste, S. (2012). *EEO Review: Employment policies to promote active ageing 2012, France*. European Employment Observatory. European Commission. BPI.
<http://www.eu-employment-observatory.net/resources/reviews/France-EPPAA-Feb2012-final.pdf>

⁹¹ Duell, N. & Vogler-Ludwig, K. (2012). *EEO Review: Employment policies to promote active ageing 2012, Germany*. European Employment Observatory. ECONOMIX Research & Consulting.
<http://www.eu-employment-observatory.net/resources/reviews/Germany-EPPAA-Feb2012-final.pdf>

⁹²If employers receive older workers with disabilities or severely disabled older workers, they are entitled to a wage subsidy that can go up to 70 %. For severely disabled people the length of the subsidy period can be prolonged to 60 months for those aged 50-55 and to 96 months for those above the age of 55.

In France, the act on pensions from 2010 had introduced a financial bonus for enterprises when they hire unemployed people over the age of 55 with duration of 1 year. In the spring of 2011, this measure was substituted by a new bonus of 2 000 euro and exemptions of social contributions in the case of hiring unemployed people of the age of 45 or above under a professionalization contract (contrat de professionnalisation).⁹³ In addition, France has implemented other measures in order to improve the participation of the elderly in the labour market by encouraging the transfer of their experience and knowledge capital. Since the 2010 act on pensions, the expenses of tutoring of junior staff by older workers are completely deductible from the professional training tax.⁹⁴ In that sense, knowledge and skills transmission or tutoring is one of the fields most frequently included in action plans regarding the employment of older workers in individual companies. These action plans are compulsory since 2010 for all French enterprises which employ more than 50 people. The aim is to improve the working conditions for older people as well as to maintain workers' well-being and, in case they are not implemented, there are financial sanctions for the employer of 1 % of total wages.⁹⁵

4.2.6 Unemployment benefits for older people

In Germany, previous reforms of the public pension scheme and a more narrow eligibility for unemployment benefit have already resulted in a rise of the effective age of exiting the labour market. The average exit age has increased from 61.9 in 2006 to 62.4 years in 2010.⁹⁶ The lower pensions could also be an incentive to work longer. Due to consumer price index increasing more than the pensions in Germany, recently the purchasing power has become lower. Moreover, the

⁹³ Gineste, S. (2012). *EEO Review: Employment policies to promote active ageing 2012, France*. European Employment Observatory. European Commission. BPI.
<http://www.eu-employment-observatory.net/resources/reviews/France-EPPAA-Feb2012-final.pdf>

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ Eurostat. (2012). *Average exit age from the labour force - annual data*. (Accessed: 10 June 2013)
http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsl_exi_a&lang=en

establishment of a means-tested unemployment benefit II in 2005 and the reduced possible period of a more generous unemployment benefit have expectedly increased the intensity of job search by older workers and their acceptance of fixed-term contracts and agency work.⁹⁷ However, many recipients of unemployment benefits aged 58 and older who had been unemployed for more than one year and cannot re-enter the job market now are forced to retire early on a reduced pension. This side effect of the German pension reforms from 2007 is contrary to the objective of making the working lives longer.

The French unemployment benefit system is known to be quite generous, with a high net replacement rate of over 60 % and a long period of affiliation. Its generosity is emphasized even more for people over the age of 50. Usually, the duration of benefit payments can last from 4 to 23 months maximum, however, people older than 50 may benefit from compensations during a period of 36 months (13 months more).⁹⁸ Moreover, the compensations are fixed at the level of income from the last 1 year, this puts older workers in a better position than those younger than 50. On the other hand, French policy makers have noticed that maintaining the exemption from looking for a job (dispense de recherche d'emploi - DRE)⁹⁹ has been directly contradictory with the policy to increase the employment rate among people aged between 55 and 64. As a result, the law from August 2008 related to unemployed people's rights and duties has gradually tightened the eligibility conditions for this measure. The progressive abolition of DRE was based on an annual increase of the age at which the scheme could be accessed, from the initial 57 years until 2008 to 58 in 2009, 59 in 2010 and 60 in 2011 until its complete abolishment in 2012.¹⁰⁰

⁹⁷ Gineste, S. (2012). *EEO Review: Employment policies to promote active ageing 2012, France*. European Employment Observatory. European Commission. BPI.

⁹⁸ Ibid.

⁹⁹ The existence of measure of exemption from looking for a job gives credibility to the idea that some people are no longer employable from a certain age. Jobseekers that are granted DRE are removed from employment pool and are no longer eligible for its assistance.

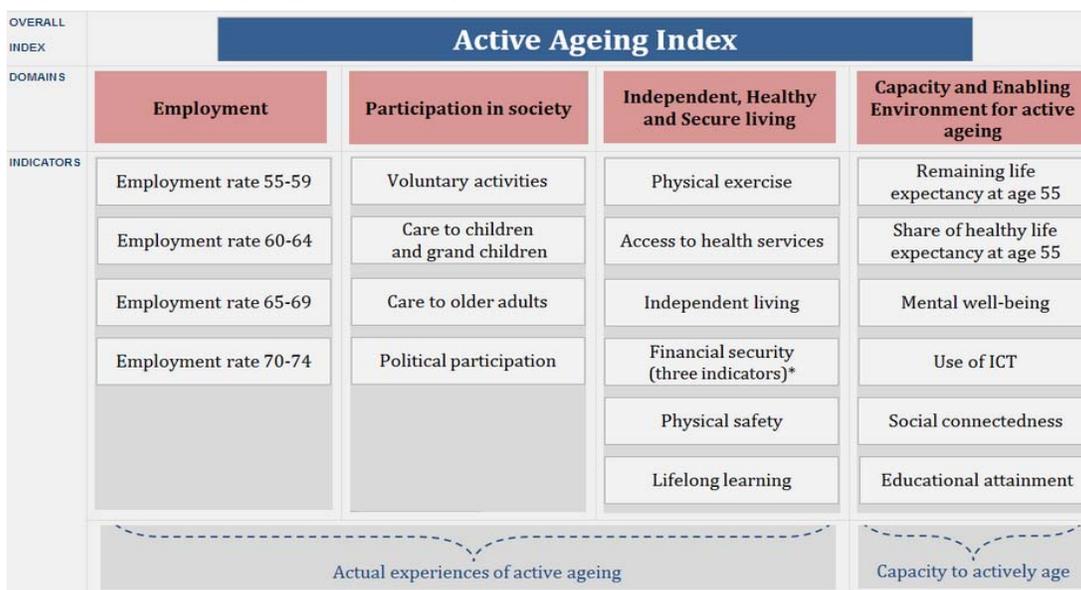
¹⁰⁰ OECD. (2012). *Thematic follow-up review of policies to improve labour market prospects for older workers - France (situation mid-2012)*. Organisation for Economic Co-operation and Development. <http://www.oecd.org/els/emp/Older%20Workers%20France.pdf>

4.3 Active Ageing Index

According to the World Health Organisation, “*active ageing is the process of optimising opportunities for health, participation and security in order to enhance quality of life as people age.*”¹⁰¹ Beside the ability to be physically active or to participate in the labour force, it also refers to continuing participation in social, economic, cultural, spiritual and civic affairs. Active ageing has as an aim to extend the healthy life expectancy and the quality of life as an individual gets older.

Since policies in this area are a recent development, only last year an Active Ageing Index was established in the framework of the European Year for Active Ageing and Solidarity between Generations 2012. It has been created in order to support national policy makers in planning effective responses to the challenges posed by population ageing.¹⁰² The index is based upon 22 individual indicators that are grouped into four distinct areas as represented in Figure 12, which measure the potential of older people for active and healthy ageing. The results are presented in a country ranking by the overall Active Aging Index and the domain-specific indices.

Figure 12: Active Ageing Index conceptual framework



¹⁰¹ World Health Organisation. (2002). *Active Ageing: A Policy Framework*, Aging and Life Course. http://whqlibdoc.who.int/hq/2002/WHO_NMH_NPH_02.8.pdf

¹⁰² European Commission. (2013). *Policy Brief: Introducing the Active Ageing Index*. <http://www1.unece.org/stat/platform/download/attachments/76287837/activeageingindex.pdf?version=1&modificationDate=1366286568393>

Table 7: Active Ageing Index ranking of Germany and France out of EU 27 - Source: European Centre Vienna (2013)¹⁰³

Domains/ Countries	Employment	Social participation	Independent living	Capacity for active aging
Germany - 9	Germany - 10	France - 5	Germany - 5	France - 9
France - 12	France - 21	Germany -19	France - 9	Germany - 11

In Table 7, we can see the Active Aging Index ranking of France and Germany in the context of the 27 members of the EU for 2013. Germany is generally better rated, having much better employment conditions for active aging than France (which is on the low 21st place) and having quite well conditions for independent, healthy and secure living for elderly. On the other hand, France rates better than Germany in two areas: social participation of older people and the capacity for active aging. Even though France and Germany are in the middle of the rating list of the Active Aging Index, it will take them considerable efforts to improve their score if they want to get to the top currently hold by Sweden, Denmark and Ireland, countries that invest significantly in the active aging of their populations.

To sustain the current welfare system, adaptation of the labour market to the aging population is strongly needed. Different labour market policies have been undertaken recently in the countries of the EU aiming to improve the levels of active population and of productivity by encouraging increased participation of women and older people and by investing in technology. This has been the case in France and Germany, where many active aging policies have been established including reforms of the retirement age and the early retirement schemes, more flexibility in the timing of retirement and incentives for employers to keep or hire older workers while in the same time the unemployment benefits for older people have been reduced. These policies can help the current economic dependency ratio but they do not affect the increasing old age dependency ratio. To improve the later, a positive change in the age structure of the population is needed. It can be achieved by policies that encourage bigger fertility, which are discussed in the following chapter.

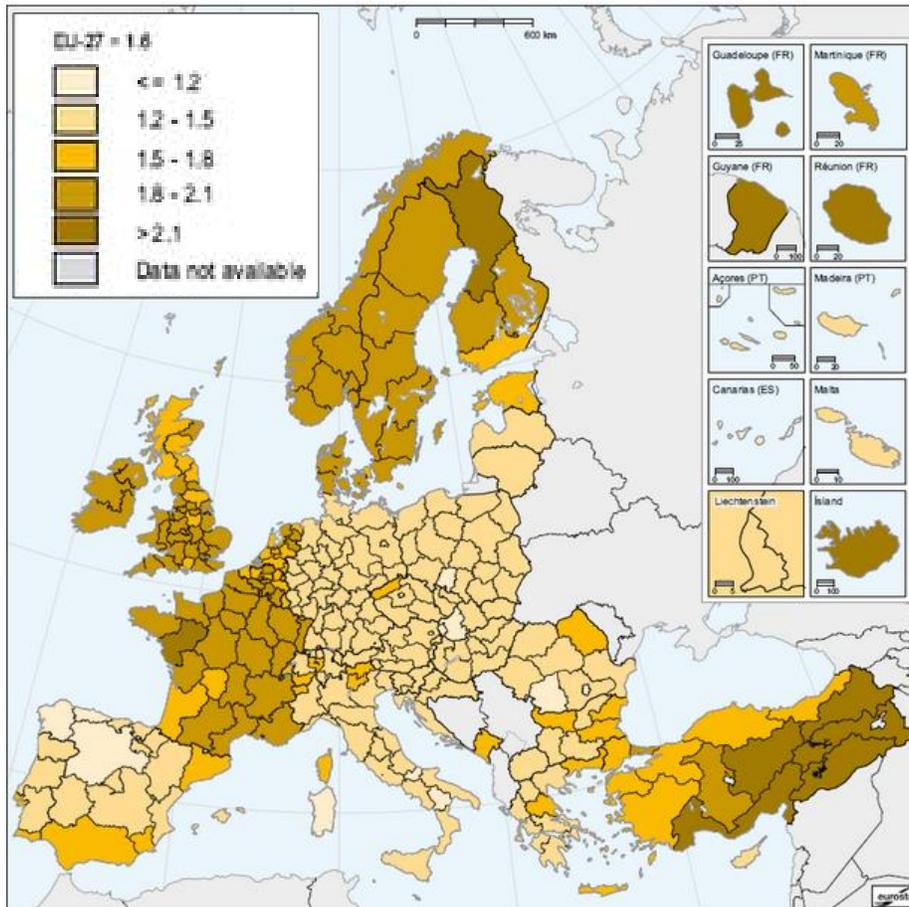
¹⁰³ European Commission. (2013). *Active Ageing Index: Ranking of countries*. <http://www1.unece.org/stat/platform/display/AAI/II.+Ranking>

5. Family policies as a response to population aging

5.1 Fertility rate in the European Union

The lower fertility rate is one of the reasons behind the population aging in Europe. The current average number of children per woman is low, at 1.5 children for EU-27,¹⁰⁴ way below the replacement rate of 2.1 needed in order to stabilise the population size in the absence of immigration. However, this trend does not affect all countries around the continent equally. As shown in the figure 13, countries in the South, Central and Eastern Europe have lower fertility rate while the countries in the western and northern part of the continent have higher fertility rates in general.

Figure 13. Total fertility rate by regions, average 2006-08 (live births per woman)¹⁰⁵



¹⁰⁴ Eurostat. (2012). *Fertility Statistics*.

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Fertility_statistics

¹⁰⁵ Source: Eurostat. (2012). *Fertility rate by regions*.

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Total_fertility_rate,_by_NU_TS_2_regions,_average_2006%E2%80%9308.PNG&filetimestamp=20111027081906

However, in all countries in the European Union, the fertility is below the population replacement level. This is a direct consequence of the baby-boomer generation having fewer children than previous generations, as a result of various factors: difficulties in finding a job, lack and cost of housing, the older age of parents at the birth of their first child as well as different study, working life and family life choices.¹⁰⁶ In continuation, I will have an overview on the past, current and projected fertility situation in France and Germany and the reasons behind it. Moreover, I will focus on the different ways the state tries to intervene in this area knowing that it is directly related to the issue of the aging population.

5.2 Fertility rate in Germany and France

Germany and France are representing very different cases regarding the fertility rate in Europe. (Figure 13) On the one hand, even though Germany is the most populous country in the European Union, its current fertility rate of 1,36 children per woman is one of the lowest in Europe and in the world.¹⁰⁷ On the other hand, France currently has one of the highest fertility rates in Europe, with a fertility rate of 2,01, being the second highest after Ireland (2,07) and almost reaching the population replacement level. In general, French fertility has been higher than the German one since the post-war period, with the difference becoming bigger since the early 2000s. (Figure 14) Consequently, the number of births in France is now significantly higher than the number in Germany: 828 000 compared with 678 000 or 22 % more births in 2011, even though France has 17 million inhabitants less.¹⁰⁸

The projections are that these trends will continue for the both countries resulting in a two radically different situations from a demographic point of view. Whereas France maintains a satisfactory fertility rate, almost enough to guarantee the

¹⁰⁶ European Commission. (2007). *Europe's demographic future: Facts and figures on challenges and opportunities*. Publications Office of the European Union. Luxembourg.

¹⁰⁷ The World Factbook Website. (28.10.2009). (Accessed: 12 June 2013)
<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2127rank.html>

¹⁰⁸ Eurostat. (2013). *Population projections*.
<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tps0002>

long-term stability of the population, Germany's low birth rate will lead to a considerable and fast decline in the total population. (Figure 15)

Figure 14. Fertility rate in Germany and France since 1800¹⁰⁹

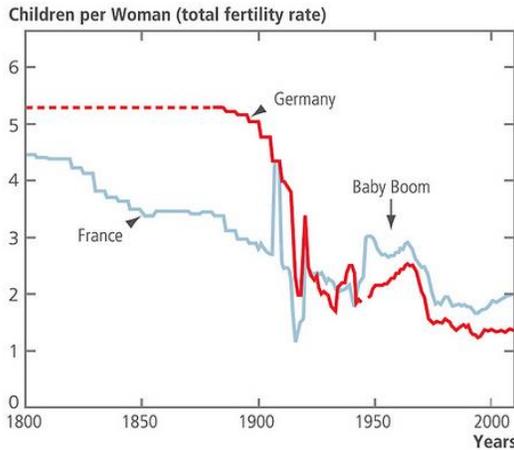
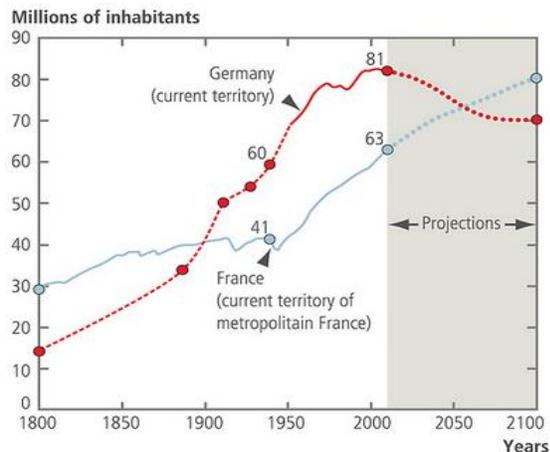
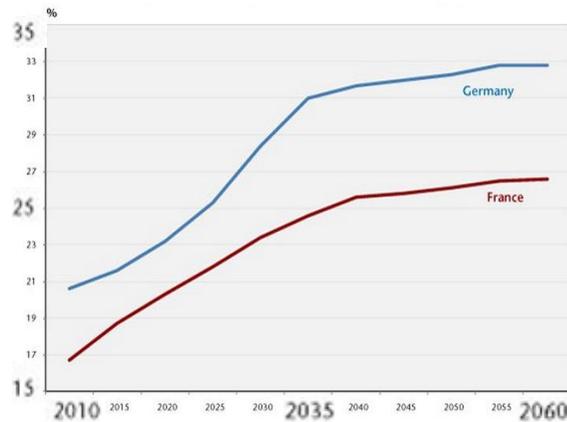


Figure 15. Population change in France and Germany, 1800 - 2100



According to Eurostat projections, France will have 75 million inhabitants, overpassing the currently most populous EU country - Germany, which will become the third after UK and France, by 2050.¹¹¹ In addition, Germany already has a larger percentage of population aged 65+ than France and this gap will only increase in future (Figure 16) due to the lower fertility rate in Germany. As a result, the population aging will be much more emphasized in Germany than in France.

Figure 16. Share aged 65 and over in the total population in Germany and France¹¹⁰



¹⁰⁹Source: Pison, G. (2012). *France and Germany: a history of criss-crossing demographic curves*. Population & Societies. Monthly bulletin of the French National Institute for Demographic Studies. No. 487. March 2012. Information Sources: INSEE (L'Institut national de la statistique et des études économiques), BIB (Bundesinstitut für Bevoelkerungsforschung) Note: For Germany, the rates correspond to the territory of the time (the Reich up to 1943, present-day Germany from 1948).

¹¹⁰ Source: Cornilleau, G. (02.10.2012). *France-Germany: The big demographic gap*. (Accessed: 2 June 2013). <http://www.ofce.sciences-po.fr/blog/?p=2586>

Information source: European Commission. (2012). *The 2012 Aging Report*. http://ec.europa.eu/economy_finance/publications/european_economy/2012/pdf/ee-2012-2_en.pdf

¹¹¹ Eurostat. (2013). *Population projections*. <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tps0002>

5.3 Family policies in Germany and France

The child care policies can be divided in three different categories: parental leave policies, child benefits (including early childhood benefits) and child care programs. *Parental leave policies* help working parents to stay at home for a certain period of time so that they can care of the new-born child. *Child benefits* are policies that support parents in their daily care of their child. The benefits include government cash grants that are used to cover the expenses of caring for an infant as well as tax refunds. *Child care programs* assist parents in non-parental care of a child by subsidizing any type of care selected by the parents. Both, working and unemployed parents can benefit from the last type of child care policy.¹¹²

Germany and France both belong to the continental model of welfare state. The characteristic features of this model include high levels of spending and payroll tax financing with most benefits depending on previous contributions and socio-professional status. In the area of the family policies, both countries have many similarities such as being linked to employment policy as well as clearly defined and generous benefits.¹¹³ However, there are also many differences in the concrete policies they undertake in this area.

It was not so long ago that Germany gave up following the male-breadwinner/female-caregiver model where the father works and the mother stays at home to take care of the children. It happened only in the 1990s, because of low birth rates and economic inefficiency caused by that model, when new laws and reforms were introduced regarding parental leave and child care. France, on the other hand, started getting out of the male-breadwinner model much earlier, in the 1970s, after the large increase in the levels of women entering the labour market in the 1960s.

In continuation, I examine specific family policies in both countries that aim at increasing the fertility rate and thus mitigating the effects of the aging population.

¹¹² Waldfogel, J. (2001). *International Policies Toward Parental Leave and Child Care*. Princeton University. pp. 98-111.

¹¹³ Fagnani, J. & Math A. (2008). *Family packages in 11 European countries: multiple approaches*. A. Leira, and C. Saraceno (eds.), *Childhood. Changing Contexts, Comparative Social Research*, 25, Bingley, Emerald, JAI, pp. 55-78.

5.3.1 Maternity and parental leave

The paid maternity leave¹¹⁴ in Germany lasts 14 weeks, 6 of which must be used before and 8 after the birth. The mother receives full monthly payment or 100 % of the salary during this period.¹¹⁵ In France, the maternity leave is 2 weeks longer i.e. 16 weeks of which 3 to 6 weeks can be taken before the expected date of birth and 10 to 13 weeks afterwards.¹¹⁶ However, a woman can receive 26 weeks of maternity leave, instead of 16, from their third child onwards. The maternity leave in France is as well paid at 100 % of the previous incomes but its starting dates are more flexible.¹¹⁷

In 2007, Germany adopted a much more generous system of parental leave benefit called Elterngeld. This system is income-related and offers a 67 % replacement rate of previous earnings from employment or self-employment for either mother or father for up to one year after the birth. If both parents participate by each taking at least 2 months, they can receive additional 2 months, and the rest of the total leave of 14 months can be freely divided between the mother and the father.¹¹⁸ Single parents can receive 14 months alone. The maximum transfer is 1800 euros per month while a minimum of 300 euros per month is given to every parent with no previous earned income.¹¹⁹

Working fathers in France could take only 3 days of paid leave until 2002. Then, a paternity leave was established and now fathers can take a mandatory leave

¹¹⁴ A maternity leave is a period of paid absence from work legally given to women during the months immediately before and after childbirth.

¹¹⁵ Blum, S. & Erler, D. (2012). *Current leave and other employment-related policies to support parents - Germany*. University of Vienna.
www.leavenetwork.org/fileadmin/Leavenetwork/Country_notes/2012/Germany.FINAL.9may.pdf

¹¹⁶ The total allowance increases to 34 weeks for twins and 46 for triplets.

¹¹⁷ Fagnani, J. & Boyer, D. (2012) *Current leave and other employment-related policies to support parents – France*. University of Paris.

www.leavenetwork.org/fileadmin/Leavenetwork/Annual_reviews/2012_annual_review_october.pdf

¹¹⁸ The benefits paid during the two months of obligatory maternity leave after the childbirth are included in the 12 (+2) parental benefit period, reducing the actual benefit period available to both parents to 10 (+2) months.

¹¹⁹ Kluge, J. & Tamm, M. (2009). *Now Daddy's Changing Diapers and Mommy's Making Her Career: Evaluating a Generous Parental Leave Regulation Using a Natural Experiment*. Discussion Paper Series. IZA.

of 11 days, limited at €77.24 per day, or 18 days for multiple births, plus 3 additional days of paid holiday for a birth,¹²⁰ which is still much shorter, compared to Germany. This spring, however, a new legislation was proposed in France which would permit fathers to take up to 6 months of paid paternity leave after a child is born.¹²¹ The idea is to promote gender equality and better reconciliation of family and professional life for both genders because currently only 3,5 % of recipients of parental leave subsidies are fathers. Moreover, this policy would theoretically allow more mothers to return to the job place faster and potentially boost the economy.

In both countries, the length of the parental leave is up to three years after childbirth.¹²² In Germany, the parental benefit can be spread over 24 (+4) months instead of 12 (+2) and in this case, the monthly benefit is halved while the total payment stays the same.¹²³ In France, there are two different allowances that can be taken during the parental leave. The childrearing benefit is a flat-rate payment of 566 euro per month given by the National Family Allowance Fund. With the first child, this allowance is limited until six months after the maternity leave while with two or more children, it can go up to three years. The other benefit is for families with 3 or more children where one parent stops working completely, it is a flat-rate payment of about 800 euros per month (2013), however, its duration is only one year.¹²⁴

Recipients of parental benefit may work with certain hour limit in both countries. It was restricted to 19 hours per week in Germany, but with the more

¹²⁰ Fagnani, J. & Boyer, D. (2012). *Current leave and other employment-related policies to support parents – France*. University of Paris.
www.leavenetwork.org/fileadmin/Leavenetwork/Annual_reviews/2012_annual_review_october.pdf

¹²¹ Telegraph Website. (08.03.2013). *Francois Hollande calls for six months paid paternity leave in France*. <http://www.telegraph.co.uk/news/worldnews/europe/france/9918846/Francois-Hollande-calls-for-six-months-paid-paternity-leave-in-France.html> (Accessed: 3 June 2013)

¹²² The final year of Parental leave may be taken up to a child's eighth birthday with the employer's agreement. For parents in the public sector can be prolonged until the child's 18th birthday if they have more than one child and for parents in the private sector often up until the age of 12.

¹²³ Blum, S. & Erler, D. (2012). *Current leave and other employment-related policies to support parents - Germany*. University of Vienna.
www.leavenetwork.org/fileadmin/Leavenetwork/Country_notes/2012/Germany.FINAL.9may.pdf

¹²⁴ Fagnani, J. & Boyer, D. (2012). *Current leave and other employment-related policies to support parents – France*. University of Paris.
www.leavenetwork.org/fileadmin/Leavenetwork/Annual_reviews/2012_annual_review_october.pdf

flexible family leave policies from 2001, parents can work part-time up to 30 hours a week during their parental leave.¹²⁵ Similarly, parents in France can work between 16 and 32 hours a week while they receive parental benefit. However, there is an adaptation of the amount of the received parental benefits payment in both cases.

Since there is an assumption that many women avoid motherhood because they might lose their income, these policies help to eliminate the financial challenges many women encounter when deciding between carrier and motherhood. In the same time, they encourage men to participate and help more in the tasks of rearing children. As a result, this measure can be considered as one aiming at supporting families and at increasing fertility rate.

5.3.2 Financial family benefits

In many developed countries, child benefit payments are used as a tool to stimulate more child births and increase the fertility rate and thus prevent the potential financial burden of an ageing population. In some countries, the benefits are offered as a direct cash payment to parents while in others, it is paid in the form of tax credits i.e. a sum decreased from the total amount a taxpayer owes to the state.

The *child benefit (kindergeld)* is universal in Germany. All children from birth until the age of 18 are entitled to it and in some cases, also up to the age of 25 if the child keeps depending on its parents' income (e.g. school, apprenticeship, studies). The benefit can be claimed as a direct cash allowance or through a tax deduction. Currently, the German government pays an allowance to families of 184 euros per month for each of the first two children, 190 euros per month for the third child, and 215 euros per month for every additional child.¹²⁶ There is a supplementary means-tested *children's allowance for families with low income* to ensure their minimum standard of living.¹²⁷

¹²⁵ Fagnani, J. & Math, A. (2010). *Recent reforms in French and German family policies. Similar challenges, different responses*. Sociologia, problemas e práticas. n.º 64, 2010, pp.11-35.

¹²⁶ German Federal Ministry of Family Affairs, Senior Citizens, Women and Youth. (2012). *The child benefit – Kindergeld*. <http://www.bmfsfj.de/BMFSFJ/familie,did=31470.html>

¹²⁷ OECD. (2012). *Family cash benefits*. Directorate of Employment, Labour and Social Affairs. <http://www.oecd.org/els/soc/PF1.3%20Family%20Cash%20Benefits%20-20updated%20310812.pdf>

In contrast to Germany, where families with one child are also eligible, the *child benefit (allocations familiales)* in France is paid only to families with two or more dependent children. It is universal and granted to dependent children up to the age of 20. The monthly child benefit is non-means-tested, 127 euros are paid for two children and 163 euros for each additional child. *The family income supplement* is another benefit, it is means-tested and paid to families with at least three children aged between 3 and 21 years at the amount of 166 euros.¹²⁸ There are many additional benefits that can be used to offset childcare costs and the expenses resulting from the birth of a child and are part of the *early childhood benefit programme*.¹²⁹ In addition, there are *benefits for special purposes* which include for example, a *back-to-school allowance*, which is a means-tested allowance for children aged between 6 and 18 years who attend school.¹³⁰

Both, Germany and France, compensate for family expenditures through the *taxation of the household income*. In Germany, the *married couple's tax splitting (ehegattensplitting)* is a tax system where each spouse pays income tax at half the total of their combined incomes, not taking into account the number of children.¹³¹ In France, however, the *family tax splitting (quotient familial)* takes the number of children into account, with an aim to offer relief to large families by giving a supplement for each child after the second child.¹³² In order to benefit from this tax splitting, there is no income ceiling in Germany and there is one in France which differs depending on the family situation, however, since the ceiling is very high,

¹²⁸ CLEISS - Centre of European and International Liaisons for Social Security. (2013). *The French Social Security System - IV - FAMILY BENEFITS*.

http://www.cleiss.fr/docs/regimes/regime_france/an_4.html

¹²⁹ Early childhood benefits include: birth/adoption grant, a means-tested monthly allowance paid from the child's birth to their third birthday or from the arrival of the adopted child, a supplement for free choice of working time, a supplement for free choice of childcare.

¹³⁰ The full rate allowance of this benefit is 358 euros for each child aged 6 to 10, 378 euros for each child aged 11 to 14 and 391 euros for each child aged 15 to 18. (2013)

Source: CLEISS - Centre of European and International Liaisons for Social Security. (2013). *The French Social Security System - IV - FAMILY BENEFITS*.

http://www.cleiss.fr/docs/regimes/regime_france/an_4.html

¹³¹ Luci, A. (2012). *Revolution of Family Policies in France*, Gender Debate Website

<http://genderdebate.com/2012/01/11/revolution-of-family-policies-in-france/> (Accessed: 9 June 2013)

¹³² Ibid.

most families can use this benefit. Even though this measure has been criticised for favouring high income families and gender inequality, we can still conclude that, by offering more benefits for bigger families this measure is more oriented towards fertility in France than in Germany, where married couples even without children can benefit from it.

5.3.3 Early childhood education and care services

In the countries of the European Union, there are different education and care systems for children under the compulsory school age. Confirming the importance of the early childhood education for children’s development, in February 2011 the member states started co-operating to develop a “pre-school” provision across the union.¹³³ They have set an objective that at least 95 % of the children between 4 and the compulsory school age should participate in early childhood education by 2020.¹³⁴ Following the line of comparison, I will continue by analysing the different situations in Germany and France in the care services and early childhood education.

In 2011, 24% of the total number of children aged less than 3 years were attending some kind of formal childcare in Germany, compared to 44% in France resulting in 20 % difference between the both. (Table 8) The numbers about the attendance of children aged between 3 and the compulsory school age in the two countries are more similar. (Table 9) However, France has already reached the EU targets of 95% attendance of early childhood education for this age group in 2011 while Germany still has to improve its attendance of 90 %.

Table 8. Child care for children aged less than 3 years in 2011 in Germany and France (Children cared for as a percentage of all children in the same age group)¹³⁵

Country	Formal child care from 1 to 29 hours weekly	Formal child care 30 hours or more weekly	No formal childcare
Germany	9 %	15 %	76 %
France	18 %	26 %	56 %

¹³³ European Commission Website. (31.05.2013) *Early childhood education and care*. http://ec.europa.eu/education/school-education/childhood_en.htm (Accessed: 15 June 2013)

¹³⁴ Ibid.

¹³⁵ Source: Eurostat. (2011). *Formal child care by duration and age group*.

epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tps00185

Table 9. Child care for children aged **between 3 and compulsory school age** in 2011 in Germany and France (Children cared for as a % of all children in the same age group)¹³⁶

Country	Formal child care from 1 to 29 hours weekly	Formal child care 30 hours or more weekly	No formal childcare
Germany	46 %	44 %	10 %
France	43 %	52 %	5 %

Since there are more differences in the child care facilities for children up to 3 between the two countries and, in the same time, their availability can influence more closely the decisions to have a child or to return to work after the child birth, both important to tackle the consequences of increasing old population, I will have a closer look at the reasons for the different outcomes.

In Germany, little has been done in order to develop public child care facilities until recently, resulting in a low coverage of day care centres for toddlers. This is, in part, an outcome of the principle of “subsidiarity” practiced in the past where, even though the government was responsible to support families, the most important sources of support were the families themselves and voluntary organisations.¹³⁷ Another reason for the low coverage is the strong believe in Germany that children, especially the ones under the age of three, should be taken care of by the mother and this is not so much the case in France. (Table 10)

Table 10. Women aged 15-39: percentage of those who agree with the statement¹³⁸

	A pre-school is more likely to suffer if his/her mother works	Ideally the woman should stay at home to look after the children	All in all family life suffers when the woman has a full time job
West Germany (Old Länder)	21	17	27
East Germany (New Länder)	6	7	9
France	14	8	13

¹³⁶ Source: Eurostat. (2011). *Formal child care by duration and age group*. <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tps00185>

¹³⁷ Wing-Kai Chiu, S., Ka-chung Wong, R. & Yip, T-S. (2008). *Germany – A Pro-traditional Family State in Transformation*. A Cross-National Comparison of Family Policy. Public Policy Research Centre. The Chinese University of Hong Kong. pp.129-149

¹³⁸ Source: Fagnani, J. & Math, A. (2010). *Recent reforms in French and German family policies. Similar challenges, different responses*. Sociologia, problemas e práticas, n.º 64, 2010, pp.11-35. Information Source: Eurobarometer (2006)

However, we can notice big differences both, in the public opinion as well as in the child care coverage, between the east and the west part of Germany which are rooted in the different previous social order. As recent as 2006, there was only 8,9 % coverage of day care centres for children under the age of 3 in West Germany. (Table 11) Aware of this, the German government implemented various public child care reforms with special focus on the care for children under the age of 3, with a clear aim to increase fertility levels. The specific objectives included: improvement of the child care coverage rate for children under 3 years to 35 % by 2013 and establishing a legal right to a place in a public day care centre (or with a certified child-minder) for all preschool children after their first birthday by August 2013.¹³⁹ For this reason, an additional stimulus package was allocated in February 2009 for educational subsidies to the federal states and municipalities in order to invest in childcare infrastructure. Even though the objective of 35 % has been reached in Eastern Germany long time ago, there are doubts if the the schedule is realistic for Western Germany.

Table 11: Development of coverage and full-time coverage over time, Children under the age of 3, Germany, 2006-2011¹⁴⁰

	Childcare Coverage (Total) (< 3 years of age)		Full-Time Childcare Coverage (< 3 years of age)		Full-Time as % of Total	
	West	East	West	East	West	East
2006	8.9	39.7	2,3	23,1	33.5	62.9
2007	9.8	41.0	3.2	26.8	32.8	62.2
2008	12,1	42.4	4.1	27.9	33.8	65.7
2009	14.4	45.9	5.1	31.7	35.8	68.9
2010	17.3	48.0	6.5	34.8	37.5	72.4
2011	19.8	49.0	7.7	36.3	39.1	73.9
<i>Δ *</i>	<i>10,9</i>	<i>9,3</i>	<i>5,4</i>	<i>13,2</i>	<i>5,6</i>	<i>11</i>

**Percentage point change between 2006 and 2011*

¹³⁹ Bauernschuster, S., Hener, T., Rainer, H. (2013). *Does the Expansion of Public Child Care Increase Birth Rates? Evidence from a Low-Fertility Country (Germany)*. Ifo Institute – Leibniz Institute for Economic Research at the University of Munich.

¹⁴⁰ Oliver, J. R. & Mätzke, M. (2012). *Regional Diversity in Public Childcare: Explaining the Varied Fate of Central Governments' Childcare Agendas in Italy and Germany*. Miami University. http://www.espanet2012.info/_data/assets/pdf_file/0007/88981/Matzke_-_Stream_12.pdf

Another difference can be noted in table 11, the length of the stay in the day care centre is mainly part-time (4 hours a day), about 60% of the total coverage, in the west and generally full-time (74 %) in the east as of 2011. As a result, there is only about 8 % of full-time child care coverage for children under the age of 3 in Western Germany compared to about 36 % in Eastern Germany.

France has a longer tradition of public child care and a more diverse offer of public childcare than Germany. The increased participation of married women in the labour market in the post-war reconstruction has caused a strong demand for more public child care facilities. As a result, the government introduced subsidies for the *crèches* (daycare facilities for children until the age of three) in 1970 and more day care centres were built since then. This has increased the number of child care places in *crèches* on average by 6400 places per year in the period between 1981 and 1996.¹⁴¹ However, this expansion has slowed down in the 1990s when publicly subsidised individual child care arrangements started to be promoted over collective ones, with the aim to increase employment levels by integrating child-minders in the formal economy.¹⁴² In the last decade, there has been pressure from parents for more collective arrangements and the government responded by increasing the coverage of the *crèches*. Still, only 18% of children below the age of 3 attended a *crèche* in 2007 for 10 % of which it was not their primary childcare arrangement.¹⁴³ However, the same year, 21 % of the children under the age of 3 were cared for by a registered child minder in France compared to only 5 % in Germany.¹⁴⁴ In that sense, the funding in France is much higher for child-rearing benefits to help families hire child-minders than for *crèches*.¹⁴⁵

¹⁴¹ Letablier, M. (2003). *Fertility and Family Policies in France*. Discussion Paper from Center for Intergenerational Studies. No 160. Institute of Economic Research, Hitotsubashi University. <http://cis.ier.hit-u.ac.jp/English/publication/cis/dp2003/dp160/text.pdf>

¹⁴² Fagnani, J. & Math, A. (2010). *Recent reforms in French and German family policies. Similar challenges, different responses*. Sociologia, problemas e práticas, n.º 64, 2010, pp.11-35.

¹⁴³ Da Roit, B. & Sabatinelli, S. (2007). *The Cost of Childcare in EU Countries, Transversal Analysis*. European Parliament. Policy Department: Economic and Scientific Policy.

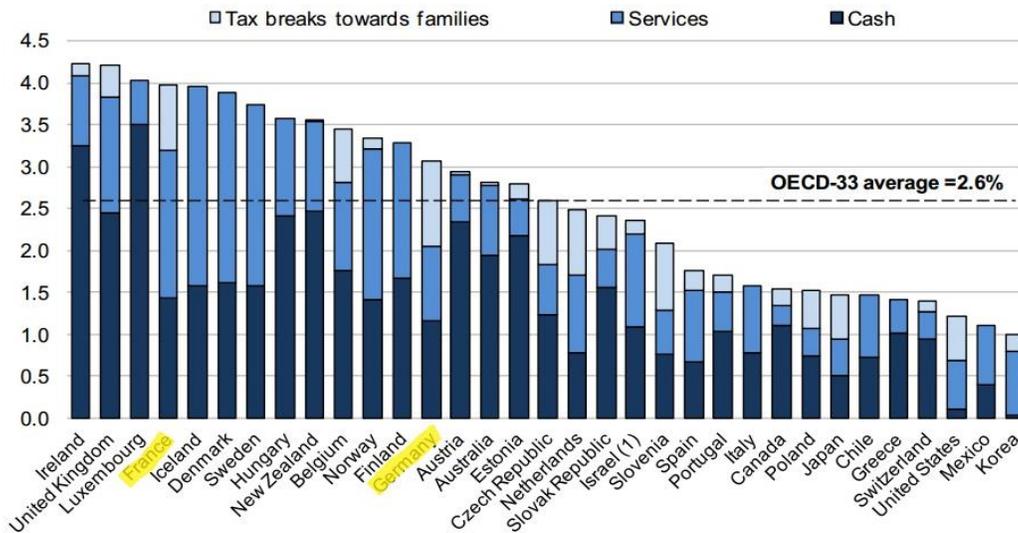
¹⁴⁴ Ibid.

¹⁴⁵ Fagnani, J. (2003). *Supporting Working Parents in France: Is Family Policy at a Turning Point?* Journal of Population and Social Security (Population). Vol.1, No.1, pp. 1-26.

Many differences can be noticed between the public child care systems of France and Germany. For example, the crèches as well as the *écoles maternelles* in France are open during the whole workday while the creches and kindergartens in Germany offer mostly full-time care in the east and mostly part-time in the west. In addition, all child care facilities in France have canteen while in Germany, in most cases, lunch is not provided and the children should eat at home. These differences influence to a great extent the decisions to have a child or to return to work once having a child. In the case in Germany, the current situation is favouring women's decision to avoid having children resulting in a low birth rate, or to avoid returning fully to the labour market resulting in part-time employment for mothers.

From the figure 17, we can compare the amounts and patterns of public spending on family benefits in France and Germany. Despite the recent considerable improvements in this area in Germany, France still allocates a bigger share of GDP to family benefits due to its long tradition and constant expansion of measures to help working parents, about 3 % to 4 % of GDP respectively. While Germany dedicates the most of its funds in cash benefits and tax breaks towards families, France is focusing the most on child care services.

Figure 17. Public spending on family benefits in cash, services and tax measures, in per cent of GDP, 2009¹⁴⁶



¹⁴⁶ OECD. (2012). *Public spending on family benefits*. OECD Family Database. http://www.oecd.org/els/soc/PF1.1_PublicSpendingOnFamilyBenefits%20-20updated%20231112.pdf

5.3.4 Child care policies and participation of women in the labour market

Labour force participation of women has been increasing in both countries together with the progress of child care policies since the 1990s.¹⁴⁷ In Germany, the employment rate for women aged 25-49 was 75.4 % in 2009, quite similar to the 76,6 % in France.¹⁴⁸ But stronger differences arise in the comparison of the maternal employment rates (Table 12): regardless of the number of children, mothers in France participate more in the labour market than their German counterparts.

Table 12. Comparison of employment patterns of parents in Germany and France (2007)¹⁴⁹

		Germany	France
Maternal employment rates by number of children under 16			
1 child		74.2	78.9
2 children		67.7	75.4
3 children		51.2	56.9
Employment patterns for couple parent families with a child under 6 in Germany and France: evolution 1994-2007			
Both parents work full-time	1994	20.6	37.1
	2007	19.6	38.4
Man full-time, woman part-time	1994	21.6	16.7
	2007	34.7	21.8
Man full-time, woman not working	1994	47.1	38.5
	2007	31.8	29.6
Distribution of working hours among women in couple families by age of mother and number of children aged 0-14 years in Germany and France			
Women with one child			
	<29	50.7	19.5
	30-39	27.4	58.8
	40+	22.0	21.8
Women with 2 or more children			
	<29	68.3	26.9
	30-39	17.1	50.7
	40+	14.6	22.4

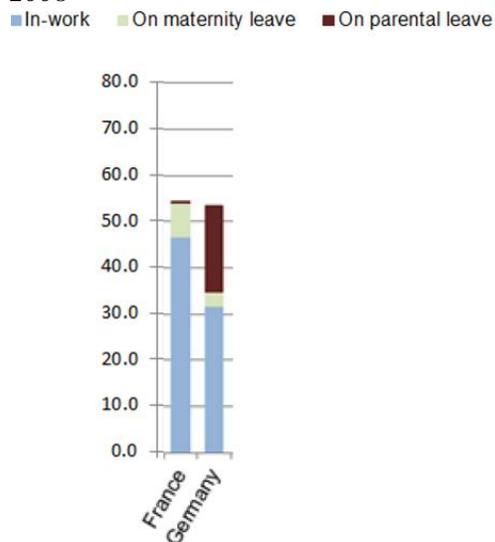
¹⁴⁷ Fagnani, J. & Math, A. (2010). *Recent reforms in French and German family policies. Similar challenges, different responses*. Sociologia, problemas e práticas, n.º 64, 2010, pp.11-35

¹⁴⁸ OECD. (2012). *Maternal employment rates*, <http://www.oecd.org/els/family/38752721.pdf>

¹⁴⁹ Source: Fagnani J. & Math A., (2010), *Recent reforms in French and German family policies. Similar challenges, different responses*. Sociologia, problemas e práticas, n.º 64, 2010, pp.11-3. Information source: OECD. (2009). *OECD Family Database*. www.oecd.org/social/family/database

In France, almost half (46.7%) of mothers with at least one child under the age of 3 were in paid work in 2008 compared to not even one third (31.9%) in Germany. (Figure 18) In both countries, the traditional model with the mother staying at home has been declining in the last two decades, however, much of the recent improvements in the employment rates for German mothers are due to their increased engagement in part-time work.

Figure 18. Employment and maternity rates for mothers with children under 3 years, 2008¹⁵⁰



(Table 12). This has resulted in replacing the dominant “*male breadwinner model*” in Germany with a “*modified male breadwinner model*”¹⁵¹ where fathers work full time and mothers are likely to work part time (34,7 % of the couple parent families in 2007). The “*dual earner model*” has not developed much and keeps being the least common choice for parents in Germany (19,6 %) while it has become the predominant choice in France. (38,4 %). (Table 12)

The difference between the employment rate of women of age 20-49 with no children and the employment rate of women with a child aged less than 6 years in Germany was -26,5 points while in France it was only -9,7 points in 2008.¹⁵² We can conclude that motherhood can influence employment much more significantly in Germany than in France. This is a result partly of the traditional norms of family care but mostly of the weaknesses of the child care policies in Germany. France is an example that high fertility and high employment rate of women are possible in the same time and the family policies have played an important role in this outcome.

¹⁵⁰ OECD. (2012). *Maternal employment rates*. <http://www.oecd.org/els/family/38752721.pdf>

¹⁵¹ Pfau-Effinger, B. (2005). *Welfare state policies and the development of care arrangements*, European Societies. 7 (2), pp. 321- 347

¹⁵² Fagnani, J. & Math, A. (2010). *Recent reforms in French and German family policies. Similar challenges, different responses*. Sociologia, problemas e práticas, n.º64, 2010, p.11-35 (Eurostat,2008)

6. Conclusion

The population aging is not a new phenomenon, it has been present in Europe for the past two decades. However, due to the increased pace of improving life expectancy and the falling fertility rates, in the recent years this trend has become more emphasised. The aging of the baby boom generation in Europe will intensify the population aging even further in the years to come. From the current situation, it is clear that this trend is irreversible, however it can be mitigated and, to which extent, it depends on the way and the speed with which the European societies respond.

Even though with a delay, the European policy makers have realised the effects of this demographic change and in the last years they have been trying to raise awareness about it. They are obliged to find proper responds to this trend since it has various negative impacts on the society that can be felt now and even more in near future. Some of the challenges that arise from population aging include: pressure on pension and social security systems, labour force and skills shortages, reduced potential for growth and changing consumption patterns affecting the whole economy as well as changing society and family structures.

Analysing the reasons and the effects of the population aging trend, numerous potential responses can be identified which could help to avoid a negative scenario. These responses should aim at: higher levels of immigration, improved labour productivity and labour market participation of older people and increased fertility. None of these policy areas can be the complete solution of this complex problem. A comprehensive response involving many policies in each of the areas is needed in order to have a bigger influence while trying to moderate the levels of impact of the aging population on the European societies and economy.

Beside aging, the Europe's native-born population is also declining, resulting in 44 million less inhabitants of working age by 2050. Consequently, there will be bigger demand for skilled workers than the supply. The European continent will become ever more dependent on foreign workforce and closed borders can be a

threat for its aging population. Even though immigration can help to lower the economic dependency ratio, if it is in too high levels it could cause a population growth that is economically and environmentally unsustainable and that can change drastically and permanently the cultural and ethnic structure of the host population. Therefore, the EU member states, being aware of both the benefits and challenges of immigration, intend to frame policies which attract skilled foreign labour and stress the importance of integration of immigrants.

Both, France and Germany make an effort to manage immigration with an aim to maximize the benefits for the economy. Therefore, they increase the immigration control and put efforts in integrating the immigrants and their descendants. These two areas are of great importance and in future the policy-makers in France and Germany will have to pay special attention to them while deciding and implementing immigration policies.

With the growing economic and old-age dependency ratios initiated by the aging population, the EU countries have recognized the need to reform the labour market and to adjust the economy. The new labour market policies have targets to increase productivity and labour market participation which can mitigate the negative impacts of the aging population. Beside improving women employment rates, a special attention to policies aiming to keep the older people in the labour market. Some of these policies include: adapting retirement schemes, additional benefits for longer work life as well as incentives for employers to retain and recruit older worker.

France and Germany have raised the retirement ages gradually linking it to the increasing life expectancy, they have reduced early retirement schemes and limited the different kinds of unemployment benefits for older people in order to stimulate their increased participation in the labour market. However, it still remains a challenge for both to use the benefits of the the knowledge, skills and competences of ageing people as well as increaring their participation in lifelong learning programs.

The low fertility rates have been present in the European continent but it has not affected all countries equally. This makes us wonder why this is so, one of the answers lies in the family policies that different nation states have undertaken.

France has a long tradition of natalist family policies and keeps promoting childcare and benefits which aim at reducing costs for families and supporting the work-family balance. Germany has just recently put an effort in catching up in this sense because of its much lower fertility rates. By analysing the concrete benefit schemes such as tax incentives, family and housing benefits, it can be concluded that the levels of financial support for parents of one or two children are still higher in Germany while France provides a more generous package for parents of three or more children which stimulates higher fertility rate.

If Germany would like to mitigate the negative effects of the low fertility rate and the growing number of old population, it should invest more in comprehensive child care policies which would increase both: the fertility rate and the employment rate of women, as it is the case in France. Some of the lessons from France are: shorter parental leave, diversification of child care arrangements and more public child care facilities as well as more support for families with more children, all resulting in better family-work balance.

Europe is already aware of the population aging and the main policy areas stated in the Europe 2020 strategy are related to: promotion of active aging, integration of immigrants and reconciliation of paid work and family balance. These policies are already there on paper and the growing pressures of the aging population signalise that, if we want to keep having a sustainable Europe, it is the right time to implement them.

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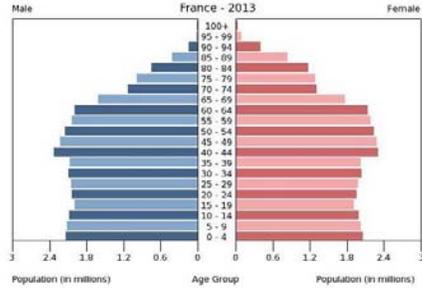
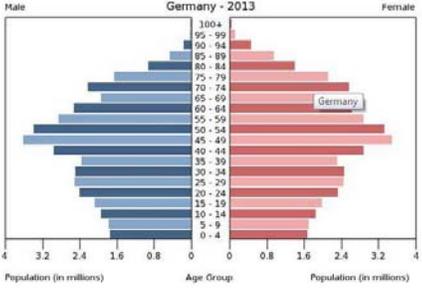
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8. Appendix

DEMOGRAPHIC OVERVIEW¹⁵³

	France	Germany
Population	65,951,611 (July 2013 est.) note: the above figure is for metropolitan France and five overseas regions; the metropolitan France population is 62,814,233	81,147,265 (July 2013 est.)
Age structure	 <p> 0-14 years: 18.7% 15-24 years: 11.9% 25-54 years: 38.9% 55-64 years: 12.6% 65 years and over: 17.9% </p>	 <p> 0-14 years: 13.1% 15-24 years: 10.8% 25-54 years: 42.2% 55-64 years: 13.3% 65 years and over: 20.9% </p>
Median age	total: 40.6 years male: 39.1 years female: 42.1 years (2013 est.)	total: 45.7 years male: 44.7 years female: 46.8 years (2013 est.)
Population growth rate	0.47% (2013 est.)	-0.19% (2013 est.)
Birth rate	12.6 births/1,000 population (2013 est.)	8.37 births/1,000 population (2013 est.)
Death rate	8.96 deaths/1,000 population (July 2013 est.)	11.17 deaths/1,000 population (2013 est.)

¹⁵³ The World Factbook. (2013). *Demography statistics for France and Germany*
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<https://www.cia.gov/library/publications/the-world-factbook/geos/gm.html>

DEMOGRAPHIC OVERVIEW¹⁵³

	France	Germany
Net migration rate	1.1 migrant(s)/1,000 population (2013 est.)	0.89 migrant(s)/1,000 population (2013 est.)
Infant mortality rate	total: 3.34 deaths/1,000 live births male: 3.67 deaths/1,000 live births female: 2,99 deaths/1,000 live births (2013 est.)	total: 3.48 deaths/1,000 live births male: 3.78 deaths/1,000 live births female: 3.17 deaths/1,000 live births (2012 est.)
Life expectancy at birth	total population: 81.46 years male: 78.35 years female: 84.73 years (2012 est.)	total population: 80.32 years male: 78.04 years female: 82.72 years (2012 est.)
Total fertility rate	2.08 children born/woman (2013 est.)	1.42 children born/woman (2012 est.)
Ethnic groups	Celtic and Latin with Teutonic, Slavic, North African, Indochinese, Basque minorities overseas departments: black, white, mulatto, East Indian, Chinese, Amerindian	German 91.5%, Turkish 2.4%, other 6.1% (made up largely of Greek, Italian, Polish, Russian, Serbo-Croatian, Spanish)
Religions	Roman Catholic 83%-88%, Protestant 2%, Jewish 1%, Muslim 5%-10%, unaffiliated 4% overseas departments: Roman Catholic, Protestant, Hindu, Muslim, Buddhist, pagan	Protestant 34%, Roman Catholic 34%, Muslim 3.7%, unaffiliated or other 28.3%
Urbanization	urban population: 85% of total population (2010) rate of urbanization: 1% annual rate of change (2010-15 est.)	urban population: 74% of total population (2010) rate of urbanization: 0% annual rate of change (2010-15 est.)
Health expenditures	11,9% of GDP (2010)	11,6% of GDP (2009)