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From: Presidency
To: Delegations

Subject: Follow-up to the Green Paper on Ageing: are social protection systems across the EU fit for population ageing?
- Presidency steering note

Delegations will find attached the Presidency steering note on the above subject, with a view to the lunch debate at the EPSCO Council on 15 October 2021.

EPSCO Lunch Debate

Follow-up to the Green Paper on Ageing: are social protection systems across the EU fit for population ageing?

Europe's population is getting older. As our median age increases, so does the number and share of people in older age groups. At the same time, the working-age population has been shrinking and this trend is expected to continue¹. The demographic changes are having a significant impact on people's everyday lives, on our societies, and on our economies and public finances. Unless accompanied by overarching reforms, population ageing will increase pressure on the financial sustainability of social protection systems and the ability to provide adequate and high-quality services and benefits for all.

In their Strategic Agenda 2019-2024, the leaders stated that demographic challenges need to be addressed, while the President of the European Commission recognised demographic change in her Political Guidelines as one of the three main challenges of our time, alongside the digital and green transitions.

The implementation of the European Pillar of Social Rights strongly relies on the capacities of Member States to understand demographic change – which is highly predictable – and integrate it into policy-making.

In June 2020, the Commission published its Report on the Impact of Demographic Change, outlining the main drivers of such change and its far-reaching impacts on the social market economy and geopolitical position of the EU in the world.

¹ According to Eurostat's latest population projections, during the period from 2020 to 2070 the share of the population of working age (20-64) is expected to decline, while older persons will likely account for an increasing share in the total population. Those aged 65 years or over are projected to account for 30.3% of the EU-27 population by 2070, compared with 20.3% in 2019. As a result, it is projected that the ratio of the number of people aged 65 or over in the EU-27 compared to the number of people aged 20-64 will reach 59.1% by 2070.

With its Green Paper on Ageing: Fostering solidarity and responsibility between generations, the Commission launched a broad policy debate on the challenges and opportunities presented by Europe's ageing society. The Green Paper takes a life-cycle approach, reflecting the universal impact of ageing on all generations and stages of life. In doing so, it highlights the importance of striking the right balance between finding sustainable solutions for our welfare systems and strengthening intergenerational solidarity and responsibility.

In the public consultation on the Green Paper on Ageing, stakeholders called for modernisation of social protection systems to make them fairer and more fiscally sound, for example by facilitating intergenerational social contracts that support equality, including gender equality, inclusivity and social justice between generations. The stakeholders underscored the importance of using existing frameworks such as the European Pillar of Social Rights. Respondents also considered that it would be useful for Member States to exchange information².

As part of the consultation on the European Pillar of Social Rights Action Plan, Member States, the European Parliament and stakeholders called on the EU to address the social and economic impact of demographic change on social protection systems³. In its European Pillar of Social Rights Action Plan, the Commission calls for a “new social rulebook” that ensures solidarity between generations and creates opportunities for all, while ensuring adequate social protection for all, and also underlines the need to make “social protection fit for the new world”.

The Action Plan states that “further reflection on the financing of social protection, and notably the financing models to enable continued solidarity between and within generations, is required to ensure equal and sustainable access to social protection in terms of groups and risks covered, while taking into account that social contributions and labour taxes may decrease given the shrinking of the working-age population”. A forthcoming High Level group will reflect on how to make social protection systems and the welfare state fit for the future, particularly in light of population ageing and labour market transformations.

² SWD (2021) 282 final. https://ec.europa.eu/info/sites/default/files/swd_2021_282_en.pdf

³ <https://ec.europa.eu/social/BlobServlet?docId=23704&langId=en>

Member States are facing a major challenge in funding their age-related spending in a way that is also fair across generations⁴. Although many Member States have already taken measures to promote longer working lives and many people stay economically active beyond the age of 65, the ratio between people paying taxes and social security contributions and those who are economically inactive is decreasing. As changes in the economy and the world of work affect the contribution base, Member States may need to reconsider how their social protection system is financed with a view of ensuring its adequacy. In this respect, a gradual shift from contributions to financing from general taxation and exploring alternative sources of financing could contribute to tackling challenges related to population ageing.

Against this background, Ministers are invited to focus on the following questions in their contributions:

- 1) Is there a public debate ongoing in your country on the need to adapt the social protection systems to population ageing? Is a mid-term or long-term strategy for the adaptation of your social protection system in place, being planned or envisaged? What are the main barriers your government is confronted with when addressing the challenge?
- 2) How could the EU support your efforts in seeking adequacy and sustainability of your social protection system and for strengthening intergenerational solidarity, responsibility and fairness across ageing Europe?
- 3) Would your country benefit from a more systematic exchange of ideas and practices on demographic change at the EU level?

⁴ 2021 Report on Long-term care and 2021 Pension Adequacy Report, the joint reports of the European Commission and the Social Protection Committee, offer a comprehensive overview of social protection for older people in our ageing societies.