



Addressing Demographic Change Through Reforms

Context

The European Union is confronted with a significant demographic change stemming from various elements, such as an aging population, a declining working-age population, de-population, skills shortages and brain drains in certain parts of the EU. These trends raise significant challenges for the economic growth, social cohesion, competitiveness, and the sustainability of public finances.

With an expected decline in working-age population over the coming decades, higher employment rates would help to ensure sustained economic growth. At the same time, a major challenge which needs to be addressed is overcoming labour and skills shortages. Nearly two thirds (63%) of small and medium-sized businesses reported in 2023 that they cannot find the talent they need. In addition, the Commission has identified 42 occupations which have shortages, including acute ones in certain

sectors – nurses, teachers, tourism, construction, and IT across the EU. At the same time, 21% of people aged 20-64 in the EU are currently inactive and require targeted assistance to enter the labour market.

Demographic change will exacerbate labour market challenges. The working age population will decline from 265 million in 2022 to 258 million in 2030 in the EU. Without concerted action, the current trends can undermine the green and digital transitions, dampen the EU's competitiveness, and weaken public services in areas already facing a shortfall of workers, such as healthcare and long-term care. Demographic change requires integrated solutions, reforms and investments, including on skills, to maintain the EU's competitive edge and to build a fairer and more resilient society.

Demographic change has a powerful impact on our economies, on our welfare and health systems as well as on housing and infrastructure needs in Europe's regions.

Objectives

The proposed flagship aims to address some of the pressing challenges posed by demographic change through reforms that range from supporting youth, the working-age population and the elderly at national and regional level, to enhancing the fiscal and data collection capacity of Member States to deal with demographic challenges.

It will **support Member States to implement** the EU priorities in the social, education and health areas including the 2024 Commission **Action Plan on Tackling labour and skills shortages** in the EU and the 2023 Commission **Communication on a Demographic change** in Europe.

Indicative support measures

The below is an indicative, non-exhaustive list of support measures:

Work package 1: Addressing skills and labour shortages at the national, regional, or sectoral level:

- Providing access to **lifelong learning and upskilling and reskilling opportunities** relevant for the labour market, including for those with **insufficient basic skills or reskilling opportunities**.
- Supporting measures to enhance **green and digital literacy and skills** for working-age adults.
- **Boosting the participation of women on the labour market**, including by strengthening quality and accessible early childhood education and care and **tackling existing gender gaps**.
- Supporting the **labour market integration of working age third country nationals**, including by strengthening language acquisition measures.

Work package 2: Supporting the **working-age** population by strengthening social protection:

- Supporting parents and caregivers by expanding access to **adequate and affordable care and work-family reconciliation measures**.
- **Providing social support for vulnerable households**, including financially vulnerable and/or single-parent households.

Work package 3: Supporting and empowering the **young generation** through education reforms:

- Improving the **inclusiveness, quality, and accessibility of education and training systems** at all levels.

- Addressing **teacher shortages and increasing the attractiveness, diversity, and prestige of the teaching profession**.

Work package 4: Supporting an active life and the **health and well-being of the elderly population**:

- Supporting the design and implementation of **active aging strategies**, to prevent cognitive decline, and improve health outcomes for the elderly.
- Support the **well-being and mental health** of the elderly to combat social isolation.

Work package 5: Supporting **regions** by:

- Tackling **labour shortages and skills mismatches**, countering the **brain drain** phenomenon.
- Addressing **local and regional discrepancies in access to social protection**, including social assistance benefits and labour market activation support.

Work Package 6: Strengthening **Member States' data collection and fiscal capacities** to mitigate demographic change:

- Strengthening capabilities to use **advanced modelling and simulation tools** to assess the impact of demographic change.
- Strengthening capacity to **incorporate demographic projections into medium-term fiscal frameworks and debt sustainability analyses**.

