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IMPROVING US AND EU IMMIGRATION SYSTEMS

# International Migration and Europe's Demographic Challenge

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European  
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**Improving EU and US Immigration Systems' Capacity for Responding to Global  
Challenges: Learning from experiences**

**Research Report  
Background paper  
EU-US Immigration Systems 2011/09**

**International migration and Europe's demographic challenge**

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## **Improving EU and US Immigration Systems' Capacity for Responding to Global Challenges: Learning from experiences**

The project is co-funded by the European Commission in the framework of the Pilot Projects on “Transatlantic Methods for Handling Global Challenges in the European Union and United States”. The project is directed at the Migration Policy Center (MPC – Robert Schuman Centre for Advanced Studies – European University Institute, Florence) by Philippe Fargues, director of the MPC, and Demetrios Papademetriou president of the Migration Policy Institute (MPI) the partner institution.

The rationale for this project is to identify the ways in which EU and US immigration systems can be substantially improved in order to address the major challenges policymakers face on both sides of the Atlantic, both in the context of the current economic crisis, and in the longer term.

Ultimately, it is expected that the project will contribute to a more evidence-based and thoughtful approach to immigration policy on both sides of the Atlantic, and improve policymakers’ understanding of the opportunities for and benefits of more effective Transatlantic cooperation on migration issues.

The project is mainly a comparative project focusing on 8 different challenges that policymakers face on both sides of the Atlantic: employment, social cohesion, development, demographic, security, economic growth and prosperity, and human rights.

For each of these challenges two different researches will be prepared: one dealing with the US, and the other concerning the EU. Besides these major challenges some specific case studies will be also tackled (for example, the analysis of specific migratory corridor, the integration process faced by specific community in the EU and in the US, the issue of crime among migrants etc.).

Against this background, the project will critically address policy responses to the economic crisis and to the longer-term challenges identified. Recommendations on what can and should be done to improve the policy response to short-, medium- and long term challenges will follow from the research. This will include an assessment of the impact of what has been done, and the likely impact of what can be done.

Results of the above activities are made available for public consultation through the websites of the project:

- <http://www.eui.eu/Projects/TransatlanticProject/Home.aspx/>
- <http://www.migrationpolicy.org/immigrationsystems/>

*For more information:*

Improving EU and US Immigration Systems' Capacity for Responding to Global Challenges: Learning from experiences

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## **Abstract**

Demography challenges Europe in three ways: 1) Europe's size: while the population of Europe will decrease or stabilise, depending upon migration scenarios, most other regions will continue to increase so that the relative weight of Europe in world population terms will dwindle, thereby endangering Europe's weight in world affairs and the institutions of global governance; 2) Europe's wealth: the European workforce is about to enter a period of fast decline that might hamper Europe's ambitious economic goals; 3) Europe's social contract: the unprecedented rise of an elderly population combined with shrinking numbers of working-age natives alters the generational contract and will put Europe's welfare systems at risk.

In order to curb negative population trends, Europe can have recourse to various strategies, each of them having though only a partial potential impact on the above challenges: 1) Geographic enlargement: including new countries in the European Union (EU) brings at once additional populations to the Union; 2) Pro-natalist policies: if successful, they would foster a higher birth rate which translates 20 years later into a corresponding increase in the working-age population; 3) Immigration policies: calling in immigrants would affect both the size and the structure of the population; 4) Retirement policies: changing the age limit between economic activity and retirement is a way to address problems brought about by demographic numbers without changing the numbers themselves; 5) Other policies, notably those on education and labour, can also contribute to addressing, albeit indirectly, some of the problems generated by a decreasing workforce.

At the dawn of the millennium, when no one would have predicted the deep economic downturn that was to hit Europe a few years later, the political discourse on the future of the Union was resolutely optimistic, if not triumphalistic. In its Presidency Conclusions, known as *Lisbon Strategy*, the European Council of 23-24 March 2000 unveiled the Union's goals for the next decade, namely that it was: "to become the most competitive and dynamic knowledge-based economy in the world" (Council of the European Union, 2000). Ten years later, with the European Union in the midst of its worst economic crisis since 1929, this ambitious goal was scaled down to the more modest, but more realistic objective of "smart, sustainable and inclusive growth" as set out in the document *Europe 2020* (European Commission 2010a). Major challenges were identified including the obvious and immediate impact of the crisis on the well-being of EU citizens, but also the gradual dissolution of the welfare state as demographic changes kick in.

While the crisis will pass, demographic change will continue unabated.

Indeed, for the first time in history, a durable reduction of population numbers which is not the result of wars or epidemics, but rather the aggregate outcome of individual free choice regarding the procreation of children made over the last half a century, will take place in Europe unless natural demography is offset by large scale immigration. Moreover, below replacement birth rates will combine with continuous gains in life expectancy to trigger unprecedented population ageing (Gavrilov & Heuveline 2003). While this process is potentially universal, it will affect Europe first and more acutely than any other part of the world.

Demography challenges Europe in three ways:

- Europe's size: while the population of Europe will decrease or stabilise, depending upon migration scenarios, most other regions will continue to increase so that the relative weight of Europe in world population terms will dwindle, thereby endangering Europe's weight in world affairs and the institutions of global governance.
- Europe's wealth: the European workforce is about to enter a period of fast decline that might hamper Europe's ambitious economic goals.
- Europe's social contract: the unprecedented rise of an elderly population combined with shrinking numbers of working-age natives alters the generational contract and will put Europe's welfare systems at risk.

In order to curb negative population trends, Europe can have recourse to various strategies, each of them having though only a partial potential impact on the above challenges:

- Geographic enlargement: including new countries in the European Union (EU) brings at once additional populations to the Union. Whether acceding countries have demographic patterns that resemble or not those of the current EU member states, enlargement affects only the size the total population or also its generational makeup, at EU level.
- Pro-natalist policies: if successful, they would foster a higher birth rate which translates 20 years later into a corresponding increase in the working-age population. An elevation of the birth rate has an impact both on the size and the structure of the population.
- Immigration policies: calling in immigrants – either temporary or permanent, depending upon whether the objective is to replace missing workers or whether it is to increase citizenry – would affect both the size and the structure of the population.
- Retirement policies: changing the age limit between economic activity and retirement is a way to address problems brought about by demographic numbers without changing the numbers themselves.

Other policies, notably those on education and labour, can also contribute to addressing, albeit indirectly, some of the problems generated by a decreasing workforce.

## 1. The demographic weight of Europe in the world\*

Commenting on the gap between political literature and statistical realities, Vaclav Smil, an influential Canadian professor, warned a few years ago that “number of recent publications are euphoric about Europe’s future trajectory [...] Such delusionary writings make one wonder whether the authors ever perused the continent’s statistical yearbooks [...] In 1900 Europe (excluding Russia) had nearly 20 percent of the world’s population and accounted for roughly 40 percent of the global economic product; 100 years later it had less than 9 percent of all people and produced less than 25 percent of the global output. By 2050 its population share will slip to about 6 percent of the global total, and [...]its share of global economic product may be as low as 10 percent: these are hardly trends leading toward global dominance.” (Smil 2005:609).

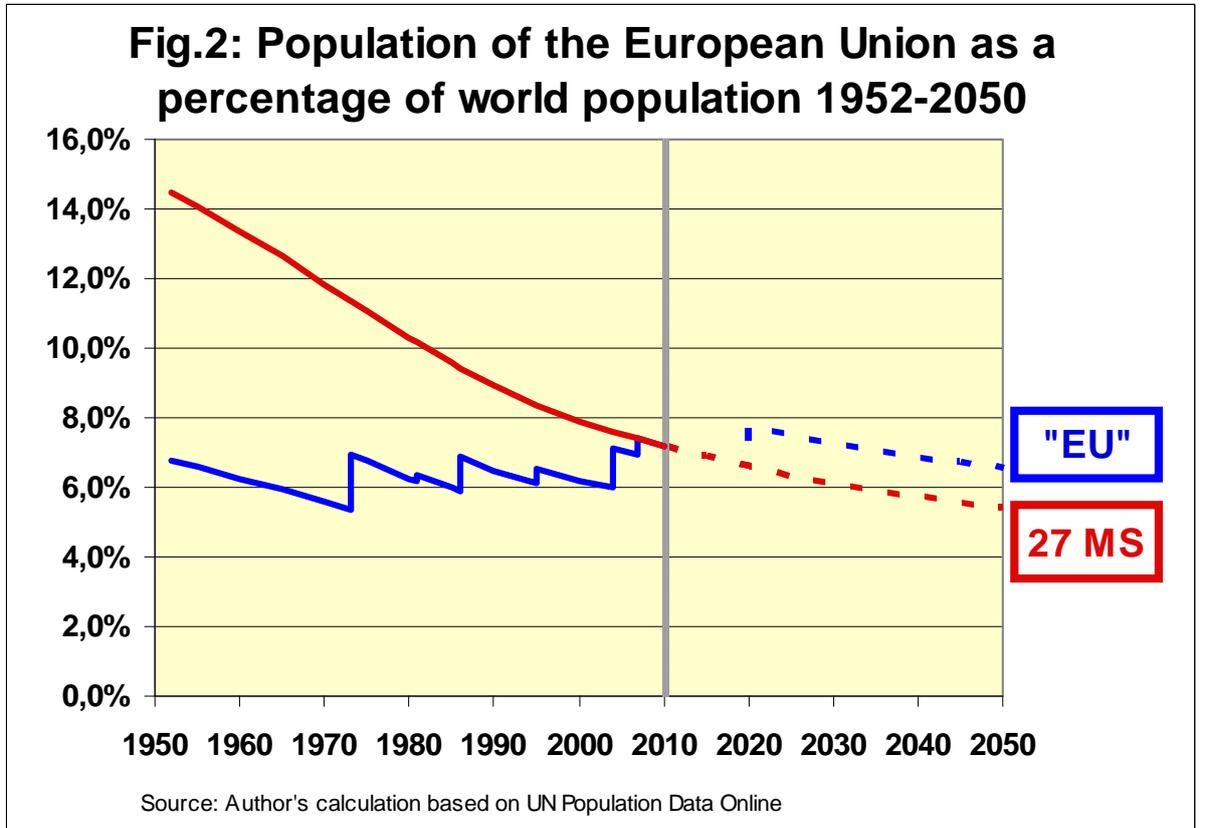
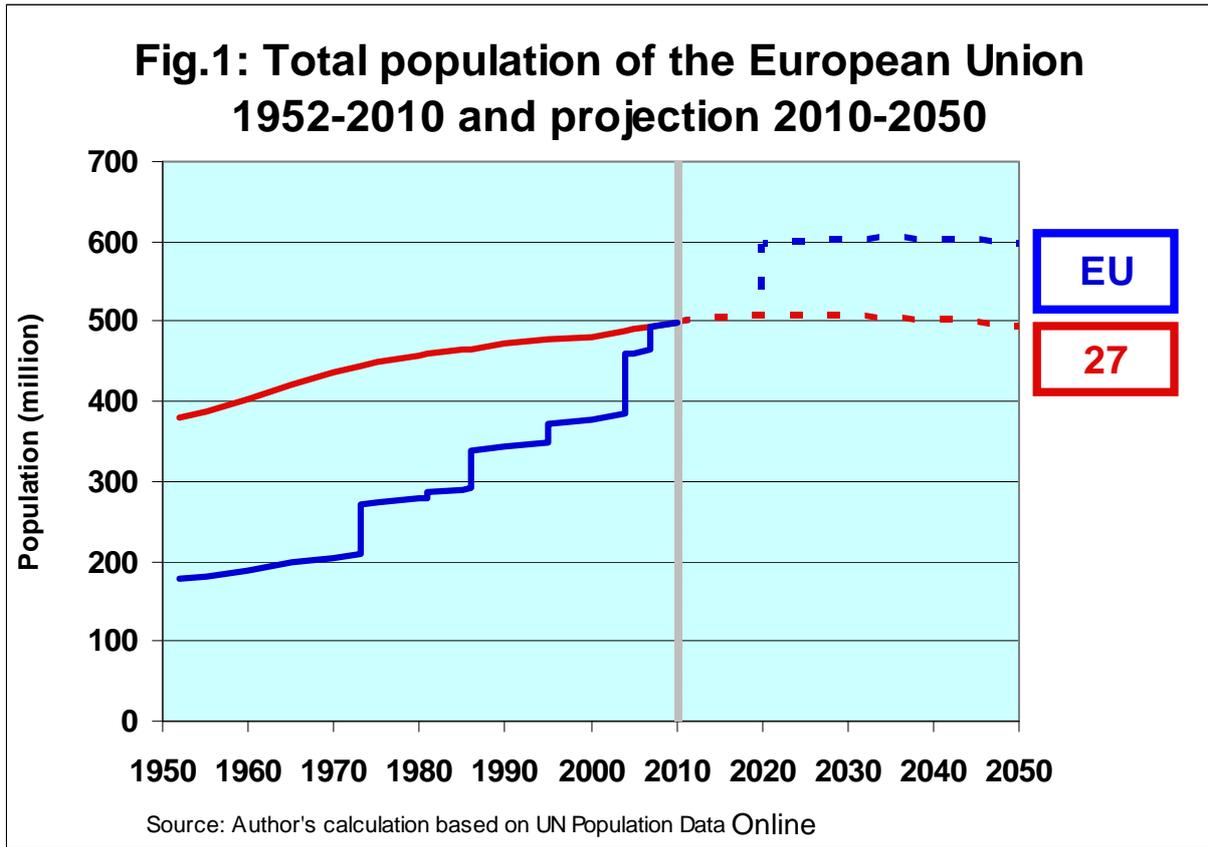
Smil’s statement applies to Europe as a continent, which is a static, geographic entity. Looking at the European Union as a political construct in progress delivers another message. Indeed, since the beginning of the European Communities, the population of what would become the European Union (hereafter “EU”, for successively the European Communities, then Union, from 1952 onwards) has continuously increased, not only in absolute numbers from less than 180 million in 1952 to 500 million in 2010, but also in relative terms, as a percentage of world population, from 6.8% in 1952 to 7.2% in 2010.

The EU’s population increase over the last six decades has been the result of both enlargement and demographic growth. From 1952-2010 six enlargements brought 248 million people into the EU, i.e. 70% of its total growth, and demographic growth, combining natural population increase and international migration, 72 million or 30% of the total.

If, instead of the expanding geography of the EU, the constant geography of the current 27 member states (hereafter 27MS) is considered, there is still growth, but slackening growth, in absolute terms and a pronounced decrease in relative terms: the 27MS had already an aggregate population of 380 million in 1952, then representing 14.5% of world population; they now have 500 million inhabitants, representing only 7% of the world population (Fig.1 & 2; Table 1). The comparison between the two entities, one political, the EU, and the other geographic, the aggregate 27MS, suggests that the “demographic marginalisation” (Demeny 2003) of Europe is not a statistical fatality but that it can be politically remedied.

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\* Note on Tables and Figures: two sets of population projections have been used provided respectively by EUROSTAT and the United Nations Population Division. Discrepancies between the two series are mainly due to hypotheses regarding international migration. For EUROSTAT “it is assumed that migration flows will converge to zero net migration in the same convergence year with the one assumed for fertility and mortality. Additionally, migration is adjusted upwards if the working age population, taking already into account the whole converging migration, presents a deficit for the respective years.” For the United Nations, “the future path of international migration is set on the basis of past international migration estimates and consideration of the policy stance of each country with regard to future international migration flows. Projected levels of net migration are generally kept constant over most of the projection period.”



**Table 1. Population growth of the European Union 1952-2010**

| Period           | Total population (millions) |       | Population increase (millions) |             |       |
|------------------|-----------------------------|-------|--------------------------------|-------------|-------|
|                  | Initial                     | Final | Enlargement                    | Demography* | Total |
| <b>1952-1973</b> | 178                         | 272   | 64                             | 30          | 94    |
| <b>1973-1981</b> | 272                         | 288   | 10                             | 6           | 15    |
| <b>1981-1986</b> | 288                         | 339   | 49                             | 3           | 51    |
| <b>1986-1995</b> | 339                         | 372   | 22                             | 10          | 32    |
| <b>1995-2004</b> | 372                         | 459   | 74                             | 13          | 87    |
| <b>2004-2007</b> | 459                         | 493   | 29                             | 5           | 34    |
| <b>2007-2010</b> | 493                         | 498   | 0                              | 5           | 5     |
| <b>1952-2010</b> | 178                         | 498   | 248                            | 72          | 319   |

\* Natural population increase + migration balance

Source: UN Population Online

The future of the EU's population will not resemble its past. Indeed, 2010 will be the turning point when natural demography will become negative for the aggregate 27MS and when, therefore, their population will decrease unless large-scale immigration takes place. Population change in the 27MS is projected to stand at somewhere between -54 millions from 2010 to 2050 in the no-migration scenario, and a slight gain of +15 million if migration levels are maintained at pre-crisis peak levels.

In the no-migration scenario, only three countries would have a positive demographic growth between 2010 and 2050: France (+3.1 million), Ireland (+0.8) and the United Kingdom (+0.3). All the others would have a negative growth with record losses in Germany (-17.9 million), Italy (-11.2), Poland (-5.7), Romania (-3.7), and between -2 and -1 million in Hungary, Greece, the Czech Republic, Bulgaria, Portugal and Austria.

If migration levels recorded before the crisis continue, sixteen countries will see their population increase, in particular the United Kingdom (+12.5 million), France (+8.5), Spain (+6.5), Ireland (+1.9), Belgium (+1.4), Sweden (+1.4) and Italy (+1.2); but ten countries will, nevertheless, have negative population growth: Germany (-7.9 million) and all the countries of Eastern Europe, Poland (-5.1), Romania (-3.4), Bulgaria (-1.7), Hungary (-1.0) and Estonia, Slovenia, Latvia, the Czech Republic, Slovakia and Lithuania with a lower than one million loss.

**Table 2. Expected population gains and losses between 2010 and 2050 by age group at EU 27 level according to enlargement and migration scenarios**

| Age group  | 2010 | 2050 | Change 2050-2010 |          |
|--|------|------|------------------|----------|
|  |      |      | Absolute         | Relative |
| <b>Scenario 1. No further enlargement of the EU</b>                            |      |      |                  |          |
| <i>1.A: No migration</i>   |      |      |                  |          |
| <b>0-20</b>  | 81   | 59   | -22              | -27%     |
| <b>20-65</b>   | 338  | 246  | -93              | -27%     |
| <b>65+</b>   | 87   | 143  | 57               | 65%      |
| <b>Total</b>   | 506  | 448  | -58              | -11%     |
| <i>1.B: Continuation of current migration trends</i>                           |      |      |                  |          |
| <b>0-20</b>  | 81   | 73   | -8               | -10%     |
| <b>20-65</b>   | 338  | 299  | -39              | -12%     |
| <b>65+</b>   | 87   | 148  | 62               | 71%      |
| <b>Total</b>   | 506  | 521  | 15               | 3%       |
| <b>Scenario 2: Entry of Croatia, Iceland, Macedonia and Turkey into the EU</b> |      |      |                  |          |
| <i>2.A: No migration</i>   |      |      |                  |          |
| <b>0-20</b>  | 81   | 83   | 2                | 3%       |
| <b>20-65</b>   | 338  | 305  | -33              | -10%     |
| <b>65+</b>   | 87   | 163  | 76               | 88%      |
| <b>Total</b>   | 506  | 551  | 45               | 9%       |
| <i>2.B: Continuation of current migration trends</i>                           |      |      |                  |          |
| <b>0-20</b>  | 81   | 97   | 16               | 20%      |
| <b>20-65</b>   | 338  | 359  | 21               | 6%       |
| <b>65+</b>   | 87   | 168  | 81               | 94%      |
| <b>Total</b>   | 506  | 624  | 118              | 23%      |

Source: Autor's calculation based on EUROSTAT and UN Population Data Online

No conceivable immigration numbers could maintain the relative weight of Europe in world-population terms. Could enlargement of the Union be a solution?

Significant population growth would be achieved through the entry of the four current acceding countries – Croatia, Iceland, Macedonia and Turkey – which had an aggregate population of 82 million in 2010: in the no-migration scenario, this would allow the EU to increase by +45 million from 2010 to 2050 and, in the pre-crisis migration trend scenario, by +118 million (Table 2).

The inclusion of Turkey would produce the most significant changes, culturally and geopolitically, since Turkey would bring to the Union its first entirely-Muslim state and boundaries with Iran, Iraq and Syria. It would also be significant demographically as Turkey would become the most populated member state of the Union, overtaking Germany by 2021. If Turkey enters the Union in 2020, it will represent 16% of its total population and 21% of its youth (below 20 years).

Beyond those already on the agenda, further enlargements may bring other European non-member states that have, in 2010, a total population of 230 million, and possibly non-European states if one imagines, for example, that countries of the Maghreb join the Union in the future. The important point is that, whatever the scenario, from now on, EU population growth can only be achieved through enlargement or immigration, no longer by natural demography, at least for the coming four decades.

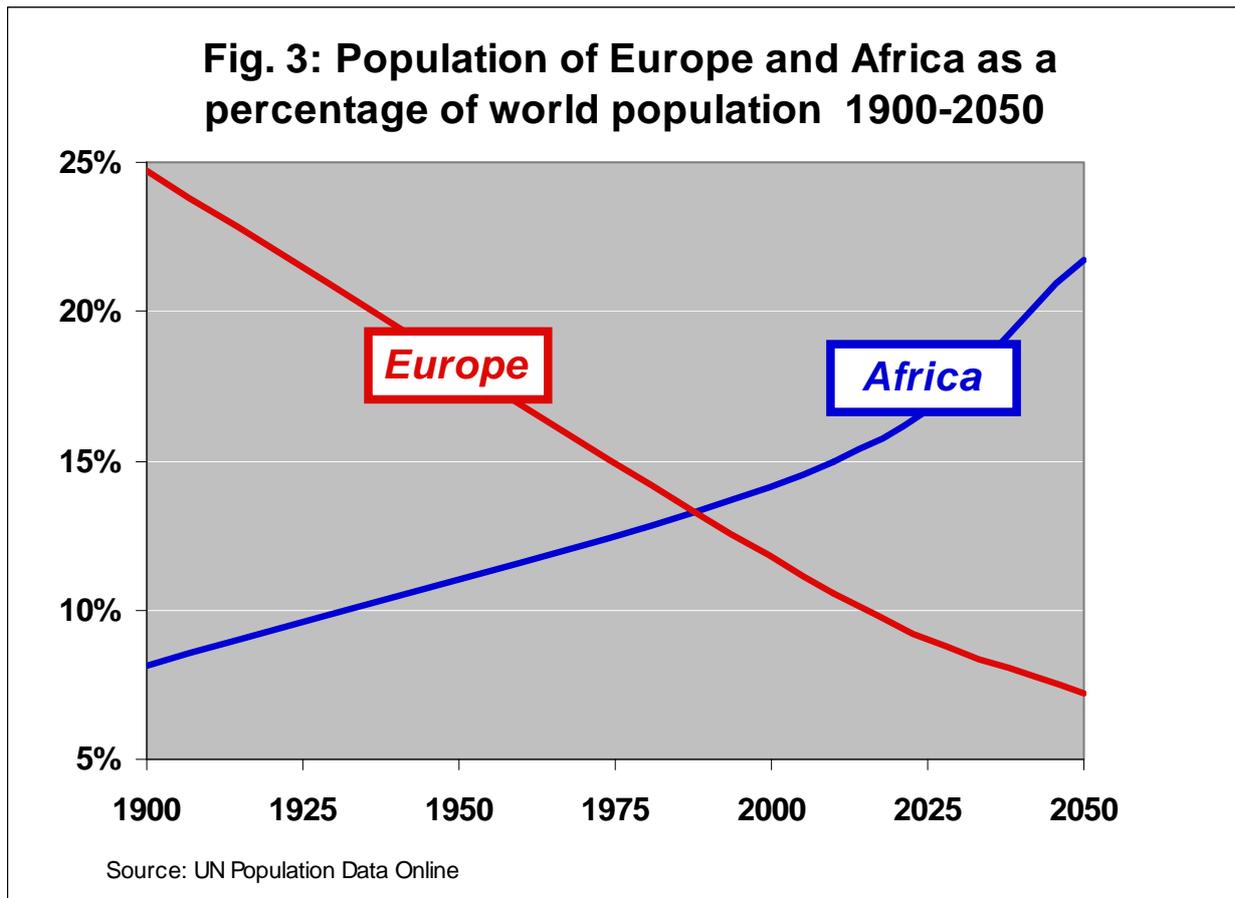
Enlargement would expand EU total population, but produce little or no impact on the population of each member state separately. Some intra-EU migration may follow the inclusion of new states in the European area of free circulation and this migration may be directed towards one particular member state, therefore affecting its population numbers, as happened with the most recent enlargement producing a significant emigration from Poland to the United Kingdom. Such movements, however, are unlikely to become large scale, sustainable streams of emigration. On the one hand, accession to the EU is expected to generate economic growth and to transform formerly migrant senders into migrant receivers, as, indeed, happened with countries such as Greece, Portugal and Ireland.

On the other hand, the migration potential of acceding countries is limited by the fact that they have the same low rates of population growth and the same rapidly ageing populations that characterise the current demography of the EU. This last point does not apply to Turkey, which still has a fast growing population, expected to increase from 75 million in 2010 to 84 million in 2020 to 90 million in 2030. But Turkey has already shifted from a mainly sending to a mainly receiving country and there are reasons to believe that its integration into the EU would see Turkey attract still more migrants, confirming this trend.

The size of the population of European states may not condition the well-being of their citizens, and this may explain why European institutions pay little attention to this question. For example, the Communication of the Commission on *The demographic future of Europe – from challenge to opportunity* (European Commission, 2006) which expresses deep concerns about the ageing of the population simply ignores problems relating to population size.

However, as stressed by the American demographer Paul Demeny “Europe is not an island, surrounded by uninhabited deserts or endless oceans. It has neighbours that follow their own peculiar demographic logic” (Demeny, 2003: 4) and demographic differentials matter because they modify the relative weight of Europe compared with its neighbours. As we have seen, even in the high immigration scenario used by the European statistical agency in its population projections, individual European nations will slip back in the world population ranking. Logically, they will no longer be in a position to keep the disproportionate weight that they have enjoyed in the institutions of global governance built up in the aftermath of WWII, from the United Nations Security Council to the International Monetary Fund.

In dramatic contrast with Europe, Africa’s population will continue to grow at sustained pace: during the period 2010-2050 its population is projected to double from 1 to 2 billion so that Africa will have 22% of world population in 2050 (Fig.3) and its migration should rise in relation to those population numbers. While most international African migration has been intra-continental in the twentieth century, the emergence of African nations has already started to make intra-African migration more difficult and therefore, migration from Africa to Europe, its closest neighbour, should increase, unless, of course, other parts of the world have become more attractive than Europe by then.



Could a major political step towards European unity respond to its demographic shrinking? If the EU becomes one nation, this nation, with a projected population of between 0.4 and 0.8 billion inhabitants in 2050 depending on the lines of its ultimate frontiers and on future migration, will rank third in the world after India (1.6 billion) and China (1.4 billion) and most probably above the US (0.4 billion): unless, of course political geography changes in other continents as well, and other groups of countries also decide to unite into one nation.

Looking at Europe's immediate and more distant neighbours, one could imagine, for example, that the members of the League of Arab States will eventually accomplish the dream of its founders and build one Arab nation, with a projected population of 0.633 billion in 2050 (against 0.357 in 2010), or that the members of the Economic Community Of West African States, ECOWAS (0.736 billion inhabitants in 2050, against 0.301 in 2010), will do the same. Not only would these two new states equal or overtake Europe in 2050 as regards population size, but their youth and their working age populations would be much larger than those of Europe (Table 3) Extrapolating the considerable progress already accomplished in the access to school and universities in the Arab countries (and to a lesser extent in Western Africa), not to mention among Asian nations, one can speculate that Europe is about to lose its human-capital lead, quantitatively if not qualitatively.

**Table 3. Population of Europe, the Arab States (LAS) and Western Africa (ECOWAS) by age group, in 2010 and 2050**

| Age Group    | EU27       | LAS        | ECOWAS     |
|--------------|------------|------------|------------|
| <b>2010</b>  |            |            |            |
| Below 15     | 78         | 113        | 129        |
| 15-59        | 313        | 219        | 157        |
| Above 60     | 116        | 26         | 15         |
| <b>Total</b> | <b>506</b> | <b>357</b> | <b>301</b> |
| <b>2050</b>  |            |            |            |
| Below 15     | 72         | 136        | 247        |
| 15-59        | 267        | 377        | 432        |
| Above 60     | 181        | 120        | 57         |
| <b>Total</b> | <b>521</b> | <b>633</b> | <b>737</b> |

Source: Eurostat (EU27) and UN Population Division (LAS and ECOWAS)

## 2. Europe's labour force and welfare

Demography cannot reliably predict future levels of fertility, and so the size of generations still to be born is unknown. But it can design highly plausible scenarios for future working-age population as the generations in question are already born (in fact, sufficiently reliable projections for the working age population can already be carried out for up until 2050). Population numbers for those aged 20 (40) for the next 20 (40) years, i.e. until 2030 (2050), depend upon two and only two factors: the age pyramid in 2010, which is a given fact, and the level and structure of future migration, which is an unknown.

If no migration and no further enlargement were to take place between 2010 and 2050, the 27MS would lose -84 million working age persons, i.e. a relative change of -27% (compared with an absolute gain of +1,349 million, or +34% at world level). All member states, without exception, will lose population at working age. The largest loss would be in Germany (-18.5 millions, i.e. -37% of the total workforce in 2010), then Italy (-3.6 millions, i.e. -37%), Spain (-10.4 millions, i.e. -35%), Poland (-7.8 millions, i.e. -31%), the United Kingdom (-5.0 millions, i.e. -13%) and Romania (-4.5 millions, i.e. -32%). The smallest loss in relative terms would be in Ireland (-0.9 million, i.e. -3%) and in France (-3.5 millions, i.e. -9%).

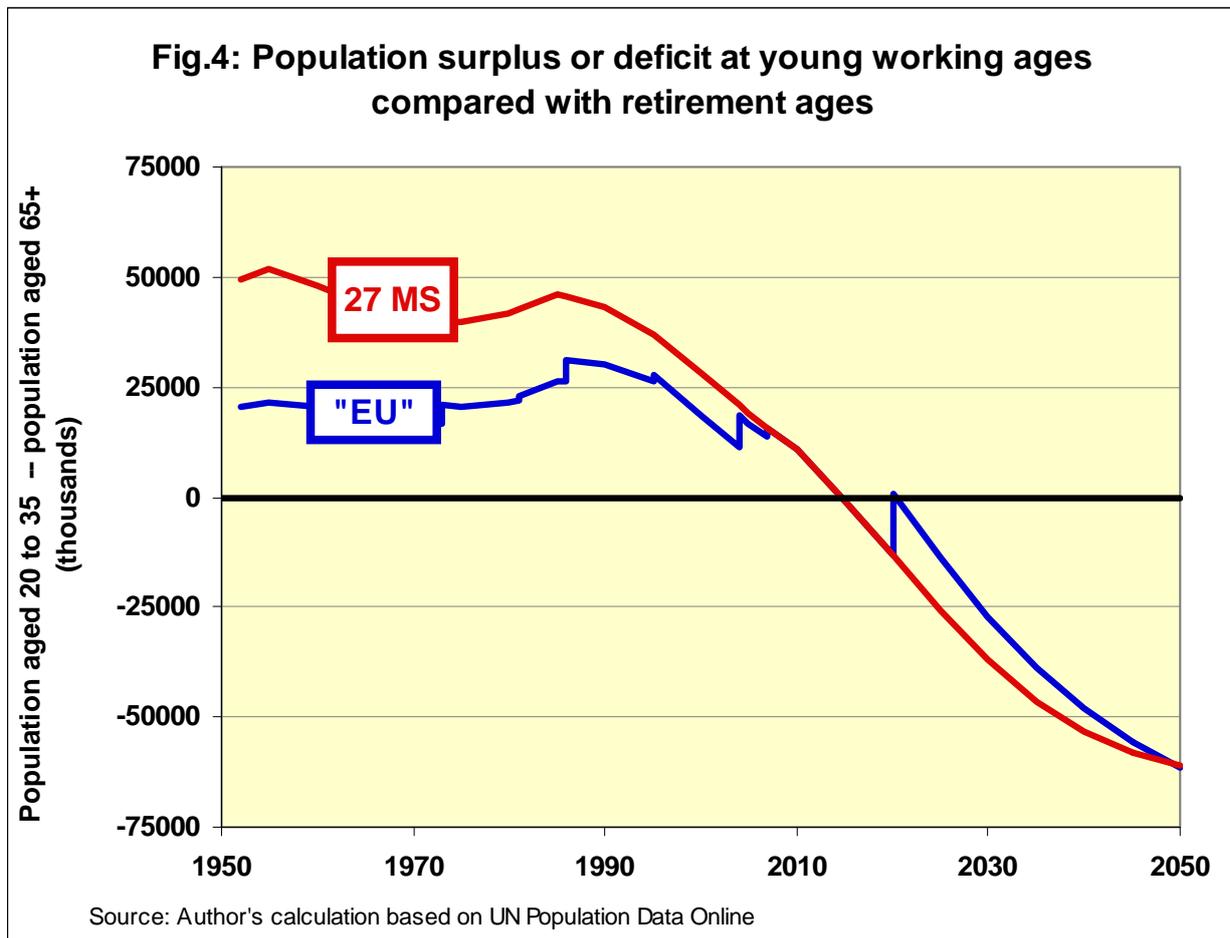
A continuation of immigration trends at pre-crisis levels would not be sufficient to compensate for declining trends in the natural demography of the 27MS. But it would reduce the loss to -37 million, or -12% in relative numbers. Seven countries would have gains at working age: the United Kingdom, Ireland, Sweden, Cyprus, Luxembourg, Belgium and Malta, while Germany, Poland and Italy would still have losses ranging between 5 and 11 million. But a scenario of migration continuing at pre-crisis levels, a scenario which the statistical office of the European Union uses for its projections, makes little or no sense: migration flows are, in large part, a response to economic and political conditions that are subject to rapid change (as demonstrated by the crisis) and assuming that migration levels observed in a period of euphoria will continue for the next 40 years is a projection too far.

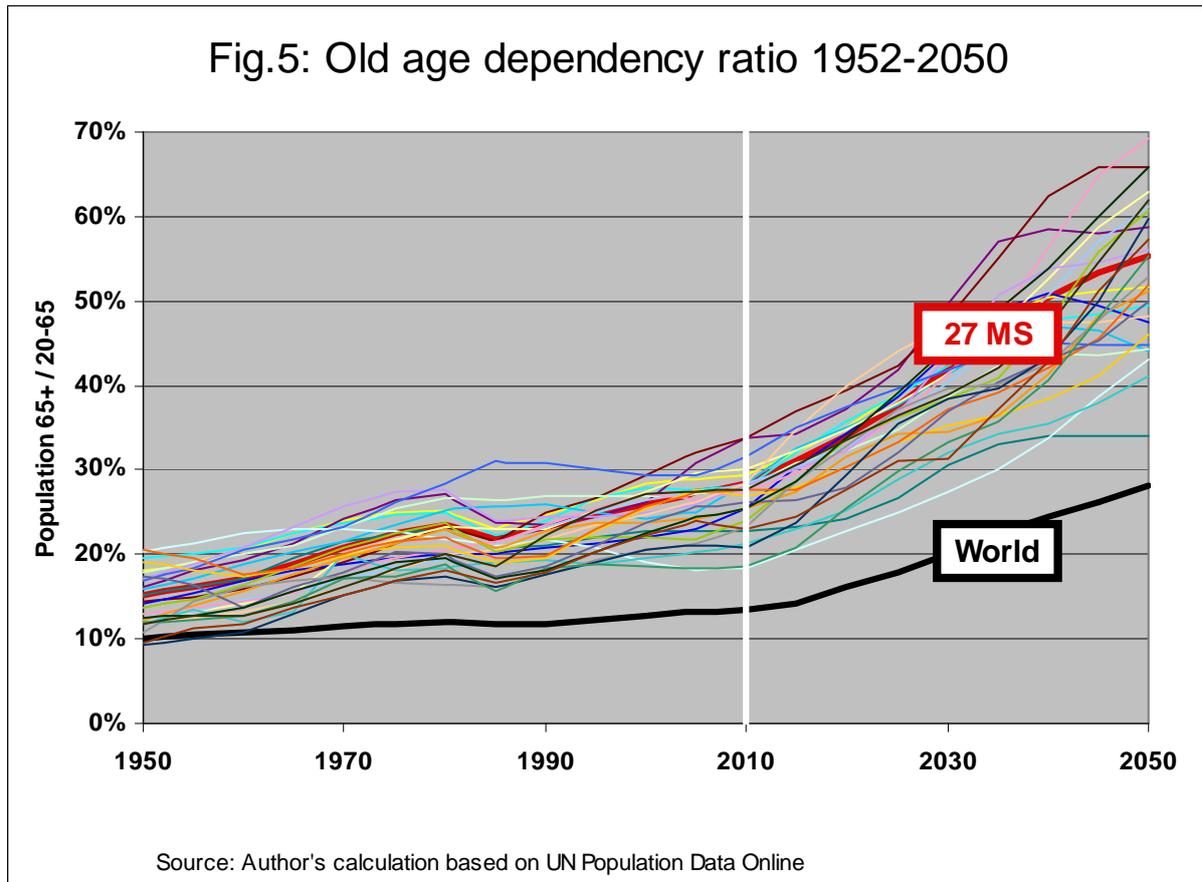
Would enlargement bring to the Union the manpower its economy needs? If Turkey, Croatia, Iceland and Macedonia were to be admitted to the EU, population change at working ages would still be negative in the absence of immigration (-33 million, or -10% of its 2010 level). It is only a combination of continuing immigration at pre-crisis levels and geographic enlargement that would allow the EU to maintain its workforce through 2050 (with a small gain of +21 million, or +6%). A

shrinking workforce might otherwise endanger the EU's competitiveness in the world economy and destroy the goals set out ten years ago in the Lisbon Strategy and more recently in the strategic document Europe 2020.

In sharp contrast with negative demographic trends at working age, populations aged 65 and over will continuously grow in the coming four decades, whatever the scenario: the 27MS will gain +57 million elderly persons between 2010 and 2050 (+65%) in the no-migration scenario, and +62 million (+71%) in the pre-crisis-migration scenario. The enlargement of the EU would bring even more gains in terms of the elderly with no migration (+76 million, or +88%), and up to +81 million (+94%) with migration. All European states will experience intense ageing. Between 2010 and 2050, numbers of persons above 65 years will more than double in Ireland (+176%), Cyprus (+143%), Slovakia (+126%), Luxembourg (+105%) and Poland (+104%). The lowest increase, in relative terms, will be observed in Germany (+38%) which has already a high proportion of elderly persons.

As shown on Fig. 4, the year 2010 is a turning point beyond which people at retirement age will start to durably outnumber young adults (20-35 years).





Decreasing numbers at working age combined with increasing numbers at retirement age will double the old-age dependency ratio in the coming 40 years, from 0.256 in 2010 to somewhere between 0.468, in the best case scenario (with migration and enlargement to Turkey and the other acceding countries), and 0.584 in the worst case scenario (no migration and no enlargement) in 2050. Though it is a universal trend, population ageing is twice as marked in Europe as in the rest of the world: in every single EU member state old-age dependency ratios will remain around two times higher than the world average from 2010 to 2050 (Figure 5).

Growing numbers entitled to a pension combined with shrinking numbers subjected to taxation will soon make current welfare schemes financially unsustainable, unless dramatic revisions of the respective levels of pension and taxation take place. This is “perhaps the single most important factor that will shape Europe’s economic and political futures” (Smil 2005: 610), requiring that responses be sought in three different areas.

A first response consists in maximizing the productive contribution of population at working age. This can be obtained either by raising activity or by curbing unemployment among the active population. The first applies in particular to women whose average activity rate (64% in the 27MS) could be raised closer to men’s level (78%), and one of the objectives set by the *Europe 2020* strategic document stipulates that “75 % of the population aged 20-64 should be employed” (European Commission 2010a). The second applies to already-settled immigrants who have been worst hit by rising unemployment since the beginning of the crisis in 2008. Between 2008 and 2010, unemployment rose by 2.5% for nationals, 3.5% for migrants from another EU member state and 5.9% for third-country nationals, a gap that reflects the concentration of migrant workers from non EU states in low-skilled occupations, occupations which have been particularly affected by the crisis (European Commission 2010b).

A variant on increasing productivity would be to make local employment in the EU less necessary for overall economic growth. This solution meets companies' and businesses' strategies for relocation, offshoring and outsourcing employment to non-EU countries where labour is cheaper. Could it bring an alternative response to labour shortages as the working-age population shrinks, even though its social acceptability as an explicit means to reduce domestic employment is disputable?

Offshoring was first a firm's strategy for expanding its activity through the establishment of new production units closer to foreign markets, in foreign countries where demand was rising. It usually resulted in an overall increase in manpower employed by the firm. Subsequently, when globalisation gained momentum in the 1980s, offshoring became a firm's way of reducing production costs, resulting in employment being transferred from a country where labour is expensive to another one where it is cheap, with no direct impact on its overall size. The process by which companies relocate part of their production to a foreign country is commonly regarded as benefiting both the source, usually developed, country where it lowers the cost of goods or services, and the destination, usually developing, country where it creates employment.

The impact of offshoring on employment in the source country is debated: in the short term it certainly results in job losses or, at least, in jobs not being created, but in the long term it is believed to produce a shift from low- to high-skilled jobs in the source labour market. An econometric analysis applied to the UK during the period 1982-96 found that offshoring strongly reduces the demand for unskilled labour, but that it is also likely to boost the demand for skilled labour (Hijzen, Görg, Hine, 2005). It is often assumed that this shift will eventually produce a positive impact on GDP, thereby increasing overall employment. In reality, this beneficial long-term effect may not occur if offshoring is accompanied by transfers of investment creating competitive businesses abroad that weaken, or even replace, the original business in the source country.

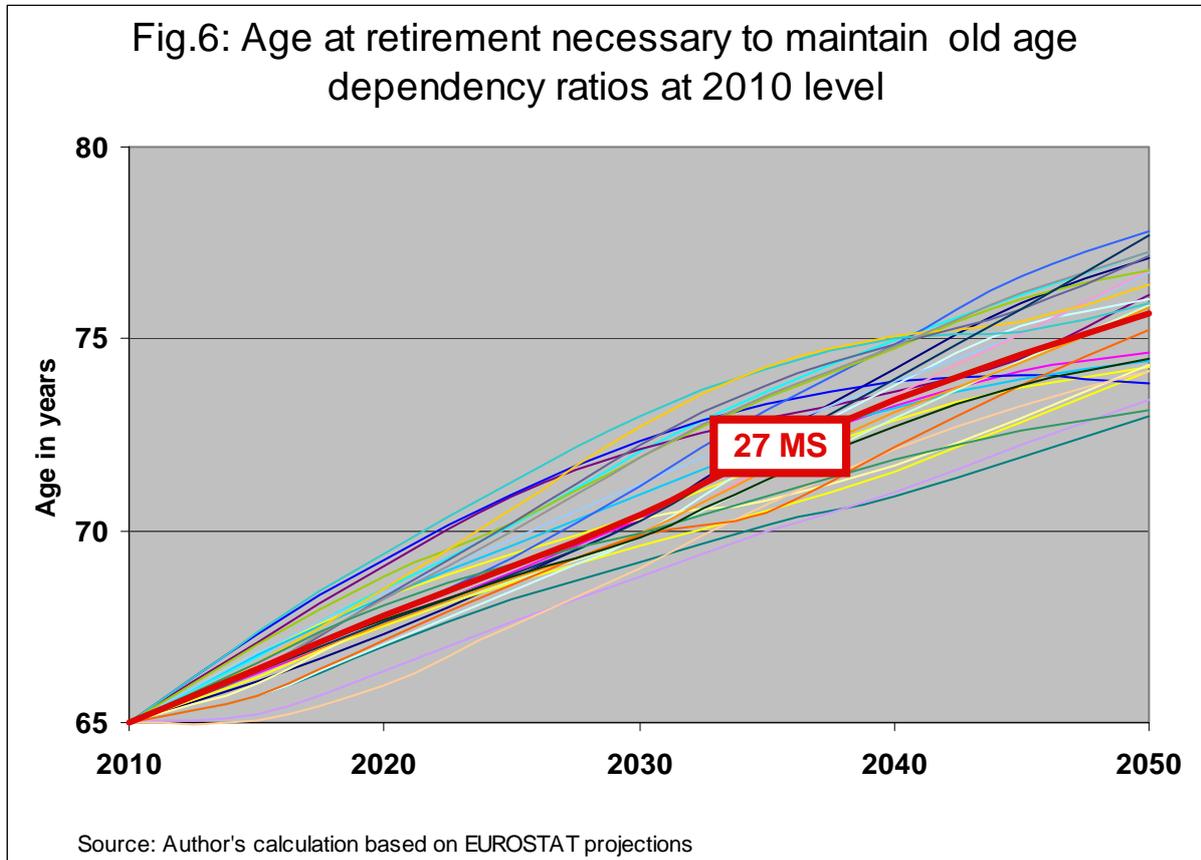
At the OECD level, partial available data seem more conclusive on short-term losses of jobs than on long-term gains: between 1995 and 2003, net job losses have been observed in the manufacturing industry, but not in the services sector where, on the contrary, gains were recorded due to the combined effect of offshoring and other factors (OECD, 2007). Using a large dataset of media reports, the European Restructuring Monitor (EMR) provides annual estimates of job losses due to restructuring at EU27 level, amounting to c. 1 million annually (against 300-400,000 new jobs) with less than 10% attributable to offshoring, outsourcing and relocation: 8.6% in the pre-crisis years (2002-Feb 2008), and respectively 3.9% and 4.4% in 2008-2009 and 2009-2010 (European Commission 2009 & 2010).

Defining "potential offshoring" as the "share of people employed who are performing mainly the types of functions that could potentially be carried out anywhere", a study conducted before the crisis of 2008-2010 found that as much as 20% of total employment in OECD countries could potentially be offshored and that this proportion has been continuously rising in recent years, suggesting that offshoring has not yet led to an *actual* decline in employment but rather to slower growth (Van Welsum & Reif 2005). Other studies suggest that, in the services sector, jobs relocated by outsourcing are offset by new jobs (Amiti, Wei, Haskel, Auriol 2005).

For a variety of reasons, the employment effect of offshoring is not accurately monitored: firms do not publish the necessary information on jobs created abroad and jobs destroyed at home; official labour surveys are located in one country and cannot capture the movement of jobs involved in several countries by businesses relocation; even more importantly, the spillover effects of employment on further job creation in a variety of sectors are themselves relocated abroad by offshoring, therefore resulting in jobs not being created at home.

A second response to rising old-age dependency ratios would be to increase retirement age. If the objective were to maintain the old-age dependency ratio at its level in 2010 and if the mean age at entry into the labour force were kept at 20 years, the age at retirement would need to be continuously raised from 65 in 2010 to 75.7 in 2050 in the no-migration scenario or 74.0 with migration. This age

varies significantly according to country, from 73 years in Sweden where birth rates have remained relatively high compared with the rest Europe, to 78 in Spain where they have declined sharply (Fig. 6). It is possible that increasing the length of active life would come at the expense of labour productivity. It is also questionable whether progress in life expectancy will bring so many additional years in good health and allow such late retirement.



A third response would be to call in migrants to fill the working-age gap. Whether replacement migration will be permanent or temporary will produce different outcomes, however.

Permanent migration adds to manpower directly, because migrants are active at the time they migrate, and indirectly, because permanent migrants found or bring a family in their host country, thereby contributing to its demographic reproduction. But the population that permanent migration adds is subject to the same process of ageing as natives and the more that migrants are called on to compensate for retiring natives, the more new migrants will be needed to compensate for former migrants retiring in their turn.

More precisely, this is what would happen if migrants had the same birth rates as non-migrants, which was the central hypothesis of a study published in 2000 by the United Nations. Using population projections to calculate “what level of migration from less developed countries would be required to compensate for negative demographic trends in more developed countries”, the study found that, in order to maintain what was called the “potential support ratio” (population aged 15-64 / population aged 65+) over the period 2000-2050, 674 million immigrants would be needed in the European Union (15 countries at that time), that is 14 million per year (United Nations 2000). The lack of realism in the result – based on flawed reasoning, since not only the EU, but the entire world, is ageing, thus the immigration of aliens from outer space would be required to neutralise global population ageing – demonstrated *ad absurdum* that migration cannot bring a durable solution to

population ageing, which is ineluctable ((MacKellar 2000, Meyerson 2001, Bermingham 2001, Alonso, 2007, Bijak & al. 2007).

In many cases, however, migrants originating in developing countries have higher birth rates and, once they enter the labour force, their sons and daughters slow down the rise of old-age dependency ratios. But, after one generation, a convergence of birth rates is expected and, in the end, permanent migration will have delayed, but not sustainably curbed, the rise of old-age dependency.

Temporary migration, by contrast, brings to the host country workers who will return to their country of origin before or at retirement. It adds to the host country's manpower with no (or little) impact on its demographic reproduction. It increases the size of the population at working age but not (or only by a small margin) at young and old ages. In a number of European countries where unemployment has recently been soaring among immigrants and their sons and daughters, and integration policies are (rightly or wrongly) considered a failure, temporary, or circular, migration is viewed as a solution for labour shortages which avoids social and cultural problems arising from permanent migration. The European Commission advocates circular migration as a means to "help EU Member States to address their labour needs while exploiting potential positive impacts of migration on development and responding to the needs of countries of origin in terms of skill transfers and of mitigating the impact of brain drain" (European Commission, 2007).

Temporary, or circular, migration presents, however, two serious limitations. The first is turnover. Table 5 summarises the number of temporary migrants that would be required to maintain the size of the working-age population at 2010 levels, if all migration from 2010 was temporary. For the aggregate 27MS it climbs from less than 5 million in 2015 to almost 85 million in 2050, compared with 246 million natives at working age in the no-migration scenario. Temporary migrants would represent up to 25% of the working age population. This would be unsustainable economically.

The second limitation of temporary migration is social and political. Temporary migration brings non-citizens with no prospect for, or no interest in, acceding citizenship. They have only limited membership in the host society and share very little with its members. They can only constitute a small minority of the population, unless one regards the segmented societies built in the oil states of the Gulf as a model for Europe. Given the size of replacement migration that will soon be needed to respond to demographic changes in major receiving countries, circular migration will, at best, offer only a partial solution. Former policies favouring settlement through family reunification should not be abandoned, but should coexist with those favouring the circulation and return of migrants.

**Table 4. Stocks of migrants aged 20-65 entering the EU after 2010 that would be required to maintain the size of the working age population at 2010 level (thousands)\***

| Country               | 2015 | 2020  | 2025  | 2030  | 2035  | 2040  | 2045  | 2050  |
|-----------------------|------|-------|-------|-------|-------|-------|-------|-------|
| <b>Austria</b>        | 11   | 107   | 328   | 638   | 963   | 1200  | 1383  | 1608  |
| <b>Belgium</b>        | 62   | 209   | 411   | 620   | 824   | 995   | 1128  | 1268  |
| <b>Bulgaria</b>       | 208  | 493   | 709   | 877   | 1052  | 1295  | 1588  | 1861  |
| <b>Cyprus</b>         | -9   | -6    | 8     | 22    | 31    | 44    | 66    | 98    |
| <b>Czech Republic</b> | 212  | 600   | 850   | 989   | 1196  | 1578  | 2071  | 2439  |
| <b>Denmark</b>        | 58   | 85    | 136   | 216   | 331   | 423   | 469   | 467   |
| <b>Estonia</b>        | 14   | 55    | 88    | 106   | 118   | 140   | 170   | 214   |
| <b>Finland</b>        | 101  | 215   | 321   | 405   | 466   | 481   | 526   | 585   |
| <b>France</b>         | 464  | 1126  | 1541  | 1998  | 2467  | 3017  | 3182  | 3513  |
| <b>Germany</b>        | 686  | 2587  | 5233  | 8951  | 12496 | 14576 | 16348 | 18521 |
| <b>Greece</b>         | 168  | 396   | 669   | 920   | 1279  | 1692  | 2126  | 2504  |
| <b>Hungary</b>        | 138  | 465   | 732   | 865   | 1071  | 1379  | 1794  | 2101  |
| <b>Ireland</b>        | -35  | -67   | -100  | -134  | -155  | -126  | -25   | 92    |
| <b>Italy</b>          | 1084 | 2260  | 3600  | 5442  | 7786  | 10274 | 12281 | 13634 |
| <b>Latvia</b>         | 20   | 100   | 172   | 227   | 267   | 317   | 379   | 466   |
| <b>Lithuania</b>      | -16  | 47    | 156   | 265   | 339   | 406   | 473   | 581   |
| <b>Luxembourg</b>     | -1   | 1     | 8     | 20    | 35    | 48    | 58    | 65    |
| <b>Malta</b>          | 5    | 12    | 24    | 33    | 38    | 46    | 58    | 72    |
| <b>Netherlands</b>    | 155  | 327   | 524   | 926   | 1362  | 1691  | 1837  | 1973  |
| <b>Poland</b>         | 134  | 1263  | 2615  | 3314  | 3773  | 4615  | 6013  | 7800  |
| <b>Portugal</b>       | 129  | 308   | 492   | 764   | 1056  | 1435  | 1852  | 2190  |
| <b>Romania</b>        | 213  | 726   | 1252  | 1485  | 2119  | 2809  | 3672  | 4465  |
| <b>Slovakia</b>       | -14  | 126   | 287   | 403   | 502   | 663   | 902   | 1145  |
| <b>Slovenia</b>       | 25   | 94    | 165   | 226   | 288   | 350   | 430   | 508   |
| <b>Spain</b>          | 565  | 1306  | 2134  | 3159  | 4525  | 6450  | 8699  | 10383 |
| <b>Sweden</b>         | 25   | 168   | 275   | 357   | 498   | 600   | 645   | 708   |
| <b>United Kingdom</b> | 292  | 616   | 1349  | 2092  | 3086  | 3755  | 4167  | 4994  |
| <b>Total EU-27</b>    | 4697 | 13619 | 23980 | 35185 | 47812 | 60153 | 72290 | 84254 |

\*Migrants required = (Population aged 20-65 in 2010) - (Population aged 20-65 according to EUROSTAT projection in the no-migration scenario)

### 3. Low fertility, high immigration and Europe's cultural identity

While European populations would be fated to shrink if only natural demography is taken into account, the immigrants they receive are increasingly from non-European parts of the world. Some scholars have interpreted the ongoing non-European immigration into European states as a gradual replacement of a native population by an immigrant one.

According to their views, current patterns of below-replacement fertility in Europe combined with high rates of immigration among young people with high fertility rates from Africa, Asia and Latin America will produce a demographic shift, whereby declining native European populations will be overtaken by fast-growing populations of non-European origin. This process would generate a cultural and ethnical shift so that Europe would increasingly resemble the origin countries of its immigrants (Teitelbaum & Winter 1998, Coleman, 2006).

These views presuppose that ethnic distinctions will stay from one generation to the next and that they durably define two distinct populations which largely reproduce themselves in isolation. They overlook the role of intermarriage in constructing a new population out of a variety of old ones. Immigration and the arrival of foreign nationals is an undisputable reality, but that it must necessarily result in something like a foreign-origin population juxtaposed with the native population is simply a logical error.

Intermarriages are usually in low proportion among first-generation migrants, become more frequent for second-generation migrants and tend to be the rule for subsequent generations. Children of mixed parentage are, therefore, a normal product of migration. How should they be classified: as persons of foreign-origin or as natives? Actually, they are members of a same population continuum in which origins are blurred by the process of demographic reproduction.

All the same, immigration from other continents brings cultural diversity to Europe giving rise to speculation that European cultural identities are ceding to African or Asian identities in Europe. There are reasons, however, to think that this is not happening, because there is a fundamental asymmetry between migrants and non-migrants. In the neighbourhoods where they live, migrants share public spaces with natives. They often work and trade with them, sometimes marry them and also consciously or unconsciously observe how they behave and listen to what they say. Migrants are continuously exposed to the ideas, values and practices of the host society that they may progressively make their own. The reciprocal influence exists, but it is likely to remain limited, because migrants are not in a dominant position: either demographically (they are a minority) or economically or, indeed, politically (few of them are in a position of power). Migrants' exposure to the host society varies according to neighbourhoods, social conditions, family status and other factors, and the better the socio-economic integration of the migrant, the smoother the encounter of migrants' and natives' cultural identities.

## Conclusion

Over the last years, unemployment has gone up and immigration has slowed down in Europe. This is a result of the current economic downturn and one should not hastily conclude that Europe has a structural surplus of manpower. The downturn will pass and the built-in imbalances in Europe's demography will then resurface. The economic crisis has been viewed by experts as a moment during which migration issues are less pressing and it offers an opportunity to rethink migration policies, including the promotion of legal migration. Demography works slowly, but also predictably. Just as the pension crisis that erupted in certain EU countries in 2010 was already visible in age pyramids of the 1980s, a workforce crisis looms up in today's age pyramids and it is important not to wait till the last moment to tackle this crisis.

The most salient feature of the demographic future of Europe will be the declining size of its total population, which is expected to lose 11% by 2050 if no immigration takes place, while the world population will gain 32%. To make geopolitical changes implied by Europe's shrinking demographic weight, Europe's closest neighbours in the Middle East and North Africa and Sub-Saharan Africa have the world's fastest growing populations. Immigration can help EU member states to maintain, or at best slightly increase, their current population size, but if the Union wants to maintain its present level of influence in world's affairs, immigration will not suffice and enlargement combined with nation building seems to be the only solution.

The second process shaping Europe's demographic future is ageing. Over the very long term, it can be reversed by birth rates returning to (or above) replacement level as populations, unlike human beings, can rejuvenate. But over the short and medium terms (the period, in short, relevant for policymaking), ageing is ineluctable. As convincingly argued by MacKellar (2000) it is not a problem that can be solved so much as a predicament to which societies must adapt. Demographers have shown that replacement migration cannot indefinitely curb ageing, but would initiate a spiral by which the ageing of migrants can only be offset by more migrants being called in.

Nevertheless, immigration is part of the short- and medium-term response to otherwise unavoidable deficits at working age. As soon as the crisis is over, aspirations of natives to better jobs and social promotion will again create vacancies at the bottom of the professional ladder and open opportunities to low-skilled migration, while the global race for competitiveness will continue to call in high- and very high-skilled workers. A balance will have to be struck between two models of migration: temporary migration, which, it is claimed, best addresses labour market needs while minimising cultural friction, and permanent migration which is the unique form that offers migrants membership in the host society and, therefore, allows for the building of a cohesive society.

The third feature is not change so much as the probable resumption of a trend that was only adjourned by the crisis: the EU will remain the major receiver of international migrants as it has been in recent years, which is the corollary of a wealthy economy and a democratic system. Migrants will no longer come from other European countries as Eastern European pools of international migrants will soon dry up. Rather the vast majority will originate arrive from outside Europe. Such a trend is regarded by large segments of public opinions and the polity as a threat for European identities, as new comers bear non-European cultural backgrounds. All will depend upon integration policies which can either fail and then leave immigrants on the margins, or succeed and produce genuine Europeans, thereby expanding Europe's demographic base.

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