



# The impact of demographic change in Europe

Opinion of the German Social Insurance of 30.08.2020

The German Federal Pension Insurance Association (DRV Bund), the German Social Accident Insurance (DGUV), the National Association of Statutory Health Insurance Funds (GKV-Spitzenverband) and the national associations for statutory health and long-term care insurance funds have joined forces to form the "German Social Insurance – Working Group Europe" in the interests of their common European policy interests.

The German Social Insurance represents the interests of its members vis-à-vis the bodies of the European Union and other European institutions and advises the relevant players in the context of current legislative proposals and initiatives.

As part of Germany's statutory insurance system, health and long-term care insurance, pension insurance and accident insurance offer effective protection against the consequences of major life risks.

## I. Preliminary remark

The demographic changes in Europe are affecting all phases of life and living environments of the population, thus placing new demands on work, care and financing concepts for the social security systems. In view of the expected Green Paper on Ageing, the German Social Insurance welcomes the debate on the consequences of the change in population structure and would like to contribute to the discussion with this statement.

Safe, healthy and adequate workplaces are important for the wellbeing of people. They are also the basis for efficient public social security systems. In the face of demographic change, the EU must contribute to the modernisation of labour market and social policies. The European Pillar of Social Rights provides a guideline for this.



## II. Comments

### 1 Occupational safety, prevention and early retirement schemes

A shrinking population in Europe, rising average life expectancies and an inverted age pyramid with a high proportion of ageing population place demands on maintaining the employability of ageing workforces, designing flexible and inclusive labour markets and promoting unused potential in terms of participation in employment and productivity. Labour market and social policy decisions to raise the statutory retirement age and, as a consequence, to extend working life, complement the increased responsibility of social actors to enable older people to participate in the labour market for a long time.

The European Pillar of Social Rights addresses the two aspects of giving workers the right to a high level of health and safety at work and of creating a working environment that meets their occupational needs and allows them to participate in the labour market for a long time.

Therefore, vocational qualifications and lifelong learning are a necessity to maintain and acquire skills in order to successfully manage transitions in the labour market. A horizontal career change is of particular importance in this context. Employees who are exposed to heavy physical and/or psychological stress in their jobs should be given the prospect of a change of career at an early stage. This "new" occupation should have fewer or different burdens but be at a similar level of qualification or hierarchy.

Preventive approaches to maintaining the workforce include health promotion throughout working life to prevent work-related health risks. The organisation and design of work, geared to the phase of life and age, e.g. through working time models, workplace design adapted or adaptable to age, and health and further training programmes, also play a decisive role in the health and motivation of employees.

Where it is foreseeable that the pursuit of strenuous or hazardous occupations will not allow the activity to continue until retirement, health and safety regulations must be supplemented by workplace and job management. The primary objective must be to maintain employability. If it is indeed not possible to identify other activities for the persons concerned, early retirement can be considered as a secondary option. Most Member States already provide for the possibility of early retirement on the basis of prior engagement in particularly demanding activities. In the



view of the German Social Insurance, a more in-depth European exchange of experience on when affected persons can retire early and what advantages and disadvantages are associated with this option is desirable.

## 2 Old age provision

One of the key features of any pension system is the definition of the statutory retirement age. In the past, it has been raised significantly almost everywhere, and further increases for the future are also being discussed. However, this should be done in an open democratic discourse at Member State level. Automatic adjustment formulas, such as linking the retirement age to the development of life expectancy, are not the right way forward. The development of life expectancy is just one of several factors that are included in assessing the appropriateness of adjusting the retirement age.

The risk of poverty in old age may increase as a result of interrupted or incomplete working careers and the expansion of employment in the low-wage sector. Unlike in other phases of life, there are only limited opportunities to prevent poverty in old age, e.g. through further training or prolonged working hours. The sometimes radically different historical development paths of old-age provision and political preferences have led to different responses in the Member States. These are found either in the pension systems themselves or in the dependent means-tested social welfare schemes. In countries, where only parts of the population are included in mandatory pension schemes, anti-poverty elements in pension systems are of limited effectiveness.

On average, women's pensions continue to lag behind those of men. In its report on the effects of demographic change in Europe, the European Commission rightly points out the causes, which often lie in the poorer employment situation of women. It is, therefore, crucial to increase the participation of women in the labour market, especially in full-time or full-time equivalent jobs and in professions with higher wage levels. A better work-life balance, supported by high quality and affordable professional child care services for children of all ages, is an essential prerequisite for this.

Another goal is to reduce the wage disparity between the genders. This gender pay gap affects the lower pension expectations of women. The aim must be to minimise or eliminate the gender pay gap. The 'principle of equal pay for equal work and work of equal value' must be applied.



### 3 Health and care

An ageing society also poses structural and economic challenges for European health systems. Under the European Pillar of Social Rights, the EU and the Member States have committed themselves to ensuring that everyone has the right to timely, high-quality and affordable health care and medical treatment, and to affordable and high-quality long-term care services, in particular home and community care services. The role of the EU is to support Member States in shaping their health systems. In view of a Europe with open borders and integrated labour markets, a good health and care provision for all EU citizens is also in the interests of patients and contributors in Germany.

#### 3.1 Resilience

The COVID-19 pandemic has once again demonstrated the importance of comprehensive and crisis-proof health systems. All Member States must ensure the functioning of their health systems and an efficient health and long-term care provision. This requires sufficient financial resources and investments. The independent EU4Health programme proposed by the European Commission can contribute to this with a focus on prevention, disease monitoring and improved access to health services.

#### 3.2 Prevention

The aim must be to maintain the health of the population for as long as possible. To this end, age-related prevention and care services must be coordinated and geared towards the needs of the insured.

Forward-looking support for health systems in Europe should take account of changes in society and strengthen generation and target group-specific care. This requires concepts that support demand-based access to prevention, health and long-term care services in line with the population structure of individual regions.

The 'From farm to fork' EU strategy aims to make it easier for EU citizens to make healthy choices in their diet. The expected European plan to combat cancer can also help to prevent the development of serious or chronic diseases through preventive approaches.



### 3.3 Supply structures in rural areas

To ensure equal access to health services for all population groups, concepts for rural regions in particular should be further developed. To this end, opportunities for the extended use of telemedicine and digital assistance systems should be exploited. There is also potential for the best possible health and long-term care in these regions in the cooperation of health care systems in border areas.

### 3.4 Cooperation

Across Europe, resources need to be pooled in research on health and long-term care services and health systems. As a result of digitisation in particular, new opportunities for cooperation are emerging. In the case of rare diseases, common diseases such as cancer and dementia, and infectious diseases, the German Social Insurance believes that there is considerable potential for European cooperation in the generation, use and evaluation of data. When setting the research agenda at EU level, health and long-term care insurance must be included more actively.

Systematic comparisons and a voluntary exchange of experience between Member States can help countries learn from each other and modernise the long-term care and health systems in Europe.

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