

CHAPTER 4

POPULATION CHALLENGES AND POLICY RESPONSES: THE AUSTRIAN APPROACH

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This European Population Forum gathering, which has assembled economists, politicians and members of civil society here in Geneva, cannot be sufficiently appreciated. We have come together in order to review what has been achieved in the ten years since the Cairo summit, to assess developments and to discuss the next steps which will be necessary to take. My special thanks therefore go to Ms. Schmögnerová, Executive Secretary of UNECE, Ms. Obaid, Executive Secretary of UNFPA, and, of course, the Swiss Federal Government for their great support granted to this conference.

Introduction

The importance of the Cairo International Conference on Population and Development

The International Conference on Population and Development (ICPD) in Cairo can rightfully be seen as a milestone: for the first time in the history of the international community of states, a direct link was established between the rapid and uncontrolled population growth in large parts of the world on the one hand and issues of social development and women's empowerment on the other. The chief goal was to curb and stabilise the rise in the global birth rate. The Conference adopted an ambitious action programme that set new guidelines for population policy at both national and international levels for the next 20 years. Among other objectives, health care for pregnancy and birth, preventive health education against HIV/AIDS and family planning were intended to be made universally available by 2015. The Cairo Programme of Action emphasised the role of women for the future of humankind. It is only where the social, political and economic position of women is improved that sustained success can be expected in family planning. Women and girls should be given access to education, income, health care and birth control. Understanding that family planning needs to be more than just the provision of birth control, delegates in Cairo produced a comprehensive programme for reproductive health, which focused on reducing the disastrously high mortality of women in

connection with pregnancy and birth, as well as infant and child mortality. Attention was thus concentrated on pregnancy health care, obstetrics and the care of newborn babies.

In the first five years of the follow-up process, it was found that the Cairo Programme of Action was being implemented, despite plenty of obstacles and many setbacks. An overview of the progress made was presented at the Special Session of the United Nations General Assembly held in New York in 1999, which produced a further impetus to implement the Cairo decisions. Much has been done over the past decade, but much more still remains to be done. To give just a few examples: we need to continue to reduce maternal childbirth mortality and check the spread of HIV/AIDS. Every 14 seconds, a child or adolescent is infected with HIV/AIDS; almost half of all the newly infected are juvenile and, with a total of 1.2 billion, we now have more young people living in this world than ever before in the history of humankind.

Dimensions of global ageing

One of the achievements of the ICPD was that the international community pointed out the enormous challenges arising from demographic ageing. Already the International Action Plan on Ageing, adopted in Vienna in 1982, highlighted this development. Since 1950, worldwide average life expectancy at birth has risen by 20 years, to 66 years. By 2050, it is expected to rise by another 10 years. This trend means that the number of over-60 year-olds will jump from some 600 million in 2000 to almost 2 billion in 2050. The growth will be most rapid and intense in the developing countries where the number of older people is envisaged to quadruple over the next 50 years.

At the second World Assembly on Ageing, held in Madrid in 2002, Kofi Annan, Secretary General of the United Nations, fittingly talked of an 'age quake'. Nevertheless, it is a positive tremor, because the rise in life expectancy which it denotes is one of the greatest achievements in human history, induced by successful social and health policies.

Dimensions of population development in the UNECE region

In his remarkable paper, Professor Coleman has provided a brilliant analysis of population trends in the highly heterogeneous ECE region. Permit me to once again summarise the chief trends:

- Population growth in the UNECE region is concentrated in West and Central Asia. North America will also add to its population thanks to its higher fertility rates and ongoing immigration.
- In most of the European States, however, the fact is that there are ever fewer children and ever more older people. Southern Europe and the transition countries of Eastern Europe are reporting the world's lowest birth rates. 'Old Europe', a term much used in global politics, is thus quite correct, at least when we refer to the demographic situation. The average age of the European population is higher than in any other region, and it continues to rise annually.

There is little to enjoy from the overall findings signalled from these figures: the ECE region in general is being 'marginalised' in terms of demography, and its share of the world population is declining, due to ever rising life expectancy, combined with declining or stagnating reproduction rates.

Consequences and challenges of the demographic developments

A decade after Cairo, the demographic developments, and specifically their consequences, are being discussed at great length at the political level. So, what are the political challenges that we face from demographics?

Challenges for the economy and labour market

A region's economic competitiveness is the foundation for employment and social security. It would appear that, contrary to earlier forecasts (such as those made by the Club of Rome) that we will run out of work, we will rather be threatened by a shortage of employees over the coming decades – in spite of current unemployment in some sectors and regions. Since 2002, some 2 million employees have retired in the EU countries alone, while only 1 million have newly entered the labour market. Due to their younger age structures, the United States, as well as the Asian economies, enjoy a clear competitive edge over us.

The central challenge for economic and labour market policies is thus to address all labour market reserves and in particular to boost employment of women and older employees. However, it requires specific policies to increase gainful employment among older

people. Business needs to expect and adjust not only to mature *consumers* but also to a mature *workforce*. In future, no company will be able to afford (as is the case today) to invest only in younger employees and push older ones into retirement. Continuing education for older employees and the best possible exploitation of their skills and understanding of their needs are the basis for tomorrow's opportunities for growth. We need to make the business and working world fit for older employees so that they can keep our economy fit for competition.

Of great importance will be the manner in which companies handle the internal generational mix and the growing number of older employees in their workforce. This is where innovative approaches are in great demand. Scandinavian countries especially, as well as Switzerland, the host of our conference, report employment rates of up to 67 per cent for their over-60s, due in part to targeted policies that create incentives for companies to employ older employees, but also due to a re-assessment of the 'right to work' in the minds of employees themselves. In Finland, to give but one example, a cross-sector training programme was developed which boosted productivity among the 55-plus generation by 50 per cent in just three years.

Increasing the share of older employees is a key objective in Austria as well. Their know-how and potential must not be lost to our economy and society.

Challenges for income equity

The second critical challenge faced by politics from the demographic changes is how to secure income equity. The social welfare systems should not just operate for today, but should still be available tomorrow. Future generations should be burdened as little as possible, not just in terms of our environment but also in the social welfare context. A particularly critical challenge is posed by the problem of securing old-age pensions. In societies where ever fewer young employees are faced with an ever greater number of pensioners it is indispensable that adjustments are made to the benefits of the old-age pension system.

The pension reforms adopted over the past three years in Austria aim to bring actual retirement age more in line with the statutory age and to have older people work longer by introducing relief measures for the economy. As an incentive to employ older employees, the unemployment insurance contribution will be waived for women aged 56 and over and for men aged 58 or over; thus the non-wage labour costs will decline by up to 12 percentage points. Increasing the employment rate of older employees obviously also has an impact on pay-as-you-go pension systems: it increases the number of contributors, a fact that is of crucial importance for the survival of any pension system.

In Austria, the further development of the old-age pension system is supported by the introduction of two complementary pension schemes in addition to the statutory one, known as the second and third pillars. For the third pillar, the State has provided an attractive retirement income provision scheme, and the second pillar is based on a new severance pay scheme that will benefit all employees rather than just those who have been fired, as had been the case in the former scheme.

Challenges with regard to the special situation of women

For women, a secure income in old age is a special challenge. Many have only an indirect claim to a pension, so poverty is an acute risk for elderly women, and this needs to be tackled at the political level. We in Austria believe that we have found a solution to this particular problem as well.

In the course of the pension reform of 2003, we increased the number of months counting towards eligibility for a pension for recipients of the Austrian childcare benefit from 18 to 24 months, thus reducing the requirement of 15 contributory years for a basic pension entitlement by two years for each child. That means, for example, that a mother giving birth to three children currently needs only nine more contributory years to receive a minimum pension. In future the contributory years granted on the grounds of giving birth to a child will be increased to four years for each child and counted as full contributory periods qualifying towards a pension, using a fictitious monthly income of €1,350. The 'new' severance pay scheme (second pillar) includes advantages for women especially who have so far been unable to become eligible for severance pay due to shorter employment periods (because of frequent breaks for family work such as child-raising or long-term care). For the first time, care of children or the elderly is recognised as work, which will have a positive impact on a woman's own retirement income.

An important innovation for female caregivers – who typically have only a derived or lower pension claim – is the option to obtain low-cost pension insurance: even in those cases where the caregiver has left gainful employment due to nursing a family member and is therefore no longer covered by the compulsory insurance scheme, she can still obtain low-cost coverage to qualify for a pension claim of her own. The family hospice leave, an initiative that has drawn considerable international attention, also provides benefits for women: such leave to care for a dying or seriously ill family member may be granted for three months and extended to six months. During this time the caregiver remains covered by health and pension insurance.

These are current examples of how to improve security for women in old age. There is still much scope for action with regard to wages and salaries. The

principle promoted by the International Labour Organization (ILO) 'Equal pay for equal work' is still mostly theory. The reality is that women on average earn a third less than men for equal work, due to their choice of occupation, interrupted employment, part-time work or the marginal part-time jobs held by women. Lower pay naturally affects retirement income. Abandoning what was once typically women's work should help narrow the pay gap between women and men. In Austria, business associations have recently introduced initiatives to recruit more women to technical jobs. Large corporations specifically target girls for what were once typically male jobs. The principle of income equity applies to the young and old as much as to men and women and those gainfully employed with children and those without children, and cannot be separated.

Challenges for fighting poverty

At the EU summit of Nice in 2000, the European governments undertook to draw up national action plans to fight poverty and social marginalisation. The goals are:

- to improve life opportunities by promoting participation in the employment process and access for everybody to resources, rights, products and services;
- to prevent poverty by preventing social exclusion;
- to fight poverty among those that are most affected by exclusion;
- to socially integrate people affected by poverty as well as launching social initiatives.

The action plan drawn up by the Austrian Federal Government was furnished to the EU Commission in August. Fighting poverty requires the bundling of all resources. To give an example: the Austrian childcare benefit introduced in 2002 has, just by itself, made it possible to raise 21 per cent of poverty-prone families above the subsistence minimum. The OECD report confirms that Austria leads other countries in support schemes for infants.

Challenges for intergenerational solidarity

A major challenge posed by demographic changes is how to secure solidarity between the generations. Fewer children on the one hand and more older people on the other create a situation where questions of income distribution arise that need active solidarity between the generations in order to be solved. Here, politics is called upon to emphasise the productive contributions made by older people towards the common wealth. Older people contribute indispensable work in the form of educational and care work for children, elderly or disabled family members. They also provide an enormous potential for intergenerational voluntary commitment. With their

increased visibility it becomes increasingly clear that older people are not just passive recipients of benefits but contribute actively to society, and that they have resources and potential that all of society can profit from. Voluntary work is not only indispensable for the community, but it also offers to the retired the opportunity to have a purposeful and self-fulfilled life – thus helping, in line with the concept of active ageing, older people to live out a healthy and socially integrated old age. Initiated already in the late 1990s by my Ministry, the Citizens' Centres for Young and Old (currently there are 30 in all of Austria), are platforms for voluntary work that enable older people to commit themselves to self-determined, interest-driven voluntary work for the common good.

Obviously, the barriers need to be dismantled that obstruct the re-entry of older people into the labour market. In Austria we have numerous senior-citizen managers who give a helping hand to young entrepreneurs in setting up their companies. This may well lead to an entrepreneurial career for the retiree. These senior-citizen supported startups make it clear that white hair can get a company into the black. All this is a loud signal that the older generation does not simply retire to their deckchairs but contributes actively to a society's well-being.

In Austria we are in the lucky position that intergenerational solidarity is at high level. The older generation still outscored the younger generations in social and monetary transfers within the family. Scientific studies have found that younger and older people are more ready and willing to approach and help each other than had been assumed. A study in 1998 on 'Intergenerational relations in Austria' commissioned by my Ministry found that it is still families which constitute the fulcrum of solidarity and which provide protection in an emergency and in situations when help and support are needed. None of the respondents was refused adequate help from their families.

Intergenerational solidarity requires older people to adequately participate in society, in life-long learning, in new technologies and, especially, in the fields of politics that concern them. With regard to the older generation's political participation, Austria has started a novel initiative. The Federal Senior Citizens Act opened a new area of representation for senior citizens in Austria: the Austrian Senior Citizens Council acts as an umbrella organisation for associations in the field and officially represents all Austrian senior citizens. In all matters concerning older people in Austria, the Council enjoys a status equal to that of the statutory interest groups representing employees, business and farmers. With our Austrian model of formally anchored participation and co-determination for older people, we are in a pioneering and exemplary situation in Europe. Subsequent to this Act, we also guaranteed similar participatory rights to young people with the Federal Youth Representation Act

of 2001. Their representatives have the same status as a statutory interest group as the Council representing older people.

Importance and tools of family policy

Family policy is the paramount instrument for population development. In any society, the future begins with children. It is important to have policies that encourage people to have children and do not leave those courageous enough to do so to their own devices. Families fulfil tasks in their role as providers – from child-raising to caring for the elderly – and they need to be strengthened and supported. This is not a purely Austrian phenomenon, but can be observed in many countries in Europe.

Key family benefits

In Austria, family benefits are paid from two sources:

- (1) from the Family Burdens Equalisation Fund, created in the 1950s and financed by employers' contributions in accordance with their payroll, and
- (2) from general tax revenues.

The Fund is based on the political concept that the additional financial burden caused by children should at least partly be covered by the state. In the late 1990s, Austria furthermore returned to the idea of granting tax breaks to families and financial benefits to families with multiple children.

Key benefits for families are:

1. the family allowance, paid to the parents or mother, regardless of employment and income. A multiple-child bonus is paid for every child after the second one;
2. a tax credit for children, which is the same for all eligible persons;
3. a confinement benefit and temporary help allowance for self-employed women. This benefit is paid for a period that starts eight weeks prior to the expected delivery and ends eight weeks afterwards.

Family policy was given a substantial re-orientation with the childcare benefit introduced two years ago. Contrary to its predecessor, the parental leave benefit, which was paid only to gainfully employed women or men as a benefit from unemployment insurance, this new benefit is due to all women and men, thus enabling students, farmers and the self-employed to enjoy equal rights. It is paid for 30 months, or even 36 months if both partners alternate in their childcare work. The limit for a permissible additional income was set high so that a parent can remain gainfully employed and keep in

contact with the working environment while still caring for the child. This benefit has made the Austrian system for helping families among the best in Europe.

The childcare benefit is financed from the Family Burdens Equalisation Fund, which also pays for credits towards a pension and for the health insurance linked to payment of the childcare benefit. It also supports severance pay contributions for the periods in which childcare benefit is received, as well as during parental leave, educational leave, part-time employment and family hospice leave.

A scientific study of the effect of the childcare benefit has shown that:

- Our innovative family policy approach is widely accepted: two out of three beneficiaries polled viewed the childcare benefit as better than the former parental leave benefit which had been paid only to gainfully employed mothers or fathers.
- Three out of four people polled felt that the childcare benefit adequately recognises the work put into family- and childcare and enables beneficiaries to reconcile work and family.
- The evaluation showed that low-income families in particular profit from the childcare benefit. For such families, the benefit constitutes a substantial contribution towards ensuring a minimum standard of living.
- About one quarter of those who receive the childcare benefit are 'new beneficiaries', i.e. housewives and students who, thanks to the benefit, find themselves as recipients under the new social legislation and who are even awarded contributory years to qualify for their old-age pension.

Measures to reconcile work and family

Apart from improving family financial support, measures to reconcile work and family are a key field for family policy action. Women are increasingly entering gainful employment in a trend that can be observed in all industrialised countries. In combination with a change of values, women's growing participation in gainful employment is having an impact on reproductive behaviour. Marriage is postponed and women are having fewer children. Austrian women on average would like to have 1.9 children, whereas the actual reproduction rate is 1.34. The problem is whether and how to reconcile the wish for children and work. Some countries of the ECE region have shown (at least at some point in time) that high employment rates among women do not necessarily translate into a decline of fertility rates. One example of this was Sweden in the 1980s. The still satisfactory population development in France is primarily the result

of the wide range of whole-day childcare services which have been traditionally offered: from the nursery-stage *école maternelle* to the subsequent whole-day school programmes (*école primaire, collège, lycée*). Full-day schooling has been the standard in France since 1881 in comparison to the Austrian norm where regular school finishes at lunchtime or in the early afternoon. This educational tradition enables women to both work and raise children.

Childcare services

For parents to be able to reconcile work and family, they need to have adequate and – even more importantly – flexible childcare facilities at their disposal. Parents' employment opportunities directly depend on the childcare facilities available for their children. Extension schemes at state and municipal levels and federal financial support have in recent years added a large number of additional places and extended opening hours to afternoons and holiday periods.

A family-friendly work environment

The basis for new Austrian family policy focuses on measures promoting a family-friendly work environment.

All measures towards this end are based on ensuring the parents' **discretionary choice** in arranging family and work, because it is only the parents who know what works best for themselves regarding their partnership and children.

Family and work must not stand in each other's way, yet it must also be possible for people to choose a temporary phase of exiting from work or reducing working hours. Society as a whole needs both: work in the family and independence within the scope of work – especially for women. It is a key aspect of a country's economic development potential.

The **Family and Work Audit**, carried out by the Federal Ministry for Social Security and Generations, is used to make an internal evaluation within enterprises with the aim of implementing family-conscious human resources policies and attendant measures within three years.

A programme to translate **family skills** into qualifications for the labour market is offered by Austrian family counselling services as a key qualification for greater success at work. This coaching programme helps men and women to re-enter the working world after a prolonged period of family-caused absence.

In this field, my department was, in the last quarter of 2002, entrusted by the European Commission to carry out an EU project on the reconciliation of work and family. Contributors to the project were Italy, France, Germany and Hungary. All reconciliation activities are bundled at a national level and networked at a European

level in a way that allows single member states to adopt good practice and to implement it on the national level.

Together with the business community, we have also found ways and means to enable women to enter part-time jobs up to the time the child attends school, which is what is desired by many women. The right to a part-time job until the child is seven years old is designed to help working women to re-enter the working world, while at the same time preserving time resources to raise their children. This scheme is an important contribution to reconciling work and family.

Evaluation by the OECD

The impact of measures taken by Austria to improve the reconciliation of work and family was recently evaluated in an OECD audit. Together with Ireland and Japan, Austria participated in the second round of country audits on this subject, which analysed the issue from an economic point of view.

The OECD report points out, among other aspects, the comprehensive benefits allowed to infants, the high women's employment rate and the effectiveness of the Family and Work Audit. With the introduction of the childcare benefit, births in 2002 rose by 2,941 to 78,399 (an increase of 3.6 per cent), which translated into a surplus of 2,268 births over deaths (compared to 691 in 2001), the largest since the early 1990s. The preliminary total for the 12 months from September 2002 to August 2003 shows an increase of 1.3 per cent compared to the previous 12-month period. Although no concrete figures can be given regarding a connection between births and family benefits, we have nevertheless seen birth rates beginning to stabilise at a higher level.

The assumption made in the OECD report for 2002-2003 that the childcare benefit would reduce the pool of female employees turned out to be wrong. Between January and December 2002, the number of beneficiaries whose work put them above the marginal earnings threshold doubled. Altogether, about a quarter of beneficiaries were working at the end of 2002. The additional income option also enables women in an effective employment relationship to respond more flexibly to the requirements of the labour market.

Résumé and outlook

In an ageing society such as ours, policies to improve population development need to focus on fertility. Any change in fertility has an impact not just on the number of children, but also has a ripple effect on the number of grandchildren and great-grandchildren. For this reason, a relatively minor change in the fertility rate can substantially affect the size and age structure of the future population. This offers us a window of opportunity which we must use by pursuing a pro-natal family policy.

In advocating a policy that encourages people to start a family and have children, we need specifically to establish a positive framework to:

- improve the overall climate of child-friendliness in our society;
- work towards further improving the compensation for the burden borne by families with children;
- improve the reconciliation of work and family;
- offer women fair opportunities and fair earnings in the labour market;
- extend childcare facilities so that they offer flexible services in line with the needs of parents.

These are the key factors that we need to develop in order to obtain an intelligent policy mix that will boost fertility rates.

Migration – as sometimes proposed as an option to cope with the consequences of populations ageing – is not a solution. Immigration cannot be expected to inject dynamism into demographic processes, as immigrants tend to adapt quickly to European fertility rates. In addition, Europe needs to ask the question of whether it wishes to follow its own trajectory regarding the preservation of cultural identity and spiritual traditions, which would doubtlessly be changed by immigration from outside Europe. Understanding and using migration solely as a measure to obtain labour would surely be wrong. And as a family politician I am primarily talking about human beings and their individual interests rather than about human resources development.

There is no doubt that ensuring the future wealth of our region is a challenge to our innovative capacity. Our region will be successful in the medium to long term not because we have the largest and cheapest labour force, but because our countries are high-tech locations. And, indeed, this is the best insurance - to make sure that up- and downstream economic sectors and service providers do not vanish into a global nirvana but continue to operate and be available to us in our own countries. In a globalised and competitive world it is necessary, in spite of the merits of an international division of labour, to further develop our own strengths rather than to trust on support from others. This applies to the economy as much as to population policy.

New social challenges need new social answers.

Against this background, I hope that the European Population Forum 2004 will provide us all with a fruitful platform to exchange information and experiences on the most effective responses to meet the major challenges of our current demographic transformation.