

# The economic imperative for Lifelong Learning in Europe: Challenges from Demographic trends 1995 - 2045

## Abstract

The article introduces the demographic development in Denmark and Europe 1995 - 2045. The general belief in a similar development in the US is a myth - the American population projections for the next generations leave the US with a strong competitive advantage as the American enterprises will have a larger input of young labour at their disposal than the European enterprises, which are facing a labour force growing older and at the same time an increase in spendings on social welfare. The article claims that the demographic changes constitute one of the most significant milestones in the development of Lifelong Learning systems in EU during the first half of 2000+. Facing the challenge, Lifelong Learning has lost its virginity, changed its basic paradigm from "education" to "learning" and has become a vital element in the handling of major problems in the globalized competition between nations and regions.

## Background 1995 - 2005

In the mid-90s the then director general of the EU DG Employment Mr. Allan Larsson made a round trip to the European capitals to market the EU basic findings on trends in labour market developments and ways forward into the 21st century. Whether it was the director general's educational gifts, his experiences as former Swedish prime minister or his staff of qualified officers that made the strength of the message so clear - the rhetoric of "the message from Brussels" was in any case clear in its prediction of the development and primary challenges of the coming decade, 1995 - 2005:

- In 2005 80% of the technology would be less than 10 years old, that is in principle unknown at the time (1995)
- In 2005 80% of the labour force would have an education or training that would be more than 10 years old, thus tending to be based on obsolete knowledge.

Simplified in a graphic model the message looked as follows:

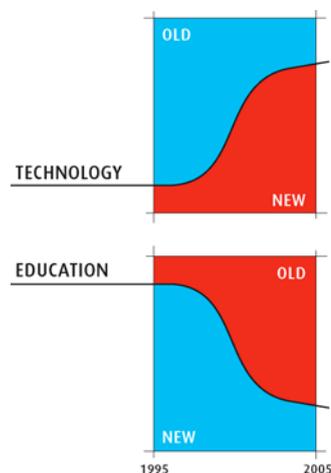


Figure 1. The Skills Gap

The answer to the problem: *The Skills Gap*, was obvious: if not trade and industry get an adequate input of new knowledge and new skills at a sufficient level of competence via newly educated young people, then permanent continuing education of the labour force will be the only way to compensate for an inescapable demographic development. The educational sector was, of course, in ecstasies - as the amount of young classes grew smaller, the excess teachers could undertake adult and continuing training instead. A win-win strategy for both the community, trade and industry and the educational sector had been launched.

The basis was the EU Commission's publication of the 1994 White Paper: "Growth, Competitiveness, Employment – the challenges and ways forward towards the 21st century", better known as "Delors' White Paper"; an analysis of the European situation and a roadmap to a further development of Europe in the competition with Japan and the US. The very foundation of the prediction of the demographic development was indisputable (the classes HAD BEEN born), and everybody recognized the technological development. One of the central graphic presentations in the paper alone could shake most people: the increase in international telephone traffic, from app. 20,000 million minutes in 1986 to app. 70,000 million minutes in 1994, was a fact that not only conjured up the advanced stage and rapidly accelerating spread and influence of globalization, but also put focus on the transport routes of globalization in the form of the rapid development of information and communication technologies.

Bearing these 1995 milestones in mind, we now change our forecast position to 2005: what are the social expectations to and the goals of the European development of Lifelong Learning in the coming years?

## **Lifelong Learning benchmarks 2005 - 2010**

Since 2000 the "Lisbon Process" has been the trend-setting standard for European Lifelong Learning policies. Backed in principle by all EU nation states (15 and 25) and backed by the OECD, Lifelong Learning has been given priority as one of the most important instruments to make the EU the strongest knowledge economy in the world before the year 2010. There is a consensus of opinion that both the economic development worldwide and the strongly greying labour market in the EU prompt that a thorough and continuous improvement of the ability of the European labour force to act within the knowledge society will be the only negotiable way to maintain the European welfare states in the competition with Japan and the US.

At the meeting of the European Council in Brussels on 5-6 May 2003 precise benchmarks were adopted (in the light of the EU-25 enlargement) for the further implementation of the Lisbon Process. One of the most significant goals was to reach a level in 2010 where 12.5 % of the adult population between 25 and 64 years participate permanently in continuing education and/or upgrading of qualifications<sup>1</sup>. To follow up on this the Danish prime minister has invited to three-party discussions between the government and the parties of the labour market on the future adult and continuing education; three-party discussions that will be going on till spring 2006 and that must be expected to play a central role with a view to introducing radical reforms of the area or at least a significant improvement of today's efforts in conformity with our international declarations of support to the European benchmarks for the development within the EU as such towards 2010. Similar political processes are ongoing in the other EU-25 states, with varying strength and varying actors in conformity with the traditions of the individual countries.

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<sup>1</sup> At the time of the analysis and decision the level was measured as the percentage share of the population who indicated, in an interview inquiry, to have participated in education/upgrading within the past 4 weeks.

On line with the other European countries, Denmark will have to step up its efforts to live up to the May 2003 benchmarks. If we translate the ambitions of the EU in broad terms, Denmark will have to produce an increase of app. 50 % towards 2010, namely from the present participation rate of 8.5 to 12.5 % in continuing training and/or upgrading.

Still more production-heavy jobs are moved to parts of the world with lower wage costs, including at present Eastern Europe and Asia. In the coming years Western European and Danish enterprises will have to shift over to other types of productions in the global division of production, in respect of which the core product of the Western world is specialist knowledge rather than production. As a consequence of the outsourcing of Western European jobs, the rate of unemployment in Western Europe will increase primarily among unskilled workers and people with a short education, at the same time as the demand for labour with other and broader competences will increase correspondingly. For some time the unskilled workers will have the opportunity to go from one unskilled job to the next *pari passu* with the outsourcing of productions - a flexibility which is highly characteristic of the Danish labour market and which has for a number of years resulted in a relatively low rate of unemployment compared with countries that we normally compare ourselves with. The problem is, however, that the unskilled workers tend to change to other jobs within the industrial sector where it is only a matter of time before they will again be forced to find a new job for as long as there are jobs available for which they are qualified. And they won't be available in future. This is the basis of the EU strategy and the Danish government's and parliament's clear focus on research and continuing education as a high-profile area, and the plan is that the continuing development of competences in adult life shall be a phenomenon that employees at all levels must consider and participate in much more actively as a natural part of their working life.

The political consensus on this point is quite clear, from left to right of the political spectre. And in the same way the Lisbon Process is not a political battleground, but a common reference framework.

Thus the answer is continuing education, but what was the problem? Demography? Competitive strength? The US and Asia?

## **The demographic development in Denmark and the EU**

Two strong factors will together create dramatic changes in the demographic pyramid in both Denmark and the EU as a whole: falling birth rates and an increased life expectancy<sup>2</sup>.

A general minor fall in the number of EU citizens is expected towards the year 2020. In 2050 the working part of the population<sup>3</sup> in the EU is expected to be 15 % lower than today. Whereas the older part of the population<sup>4</sup> is expected to increase by 60 %. This will mean a significant change in the age distribution:

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<sup>2</sup> Facing the Challenge. The Lisbon Strategy for Growth and Employment ("The Wim Kok Report", 2004)

<sup>3</sup> 15 - 64 years

<sup>4</sup> + 65 years

### Development of distribution by age groups of elderly citizens and working citizens

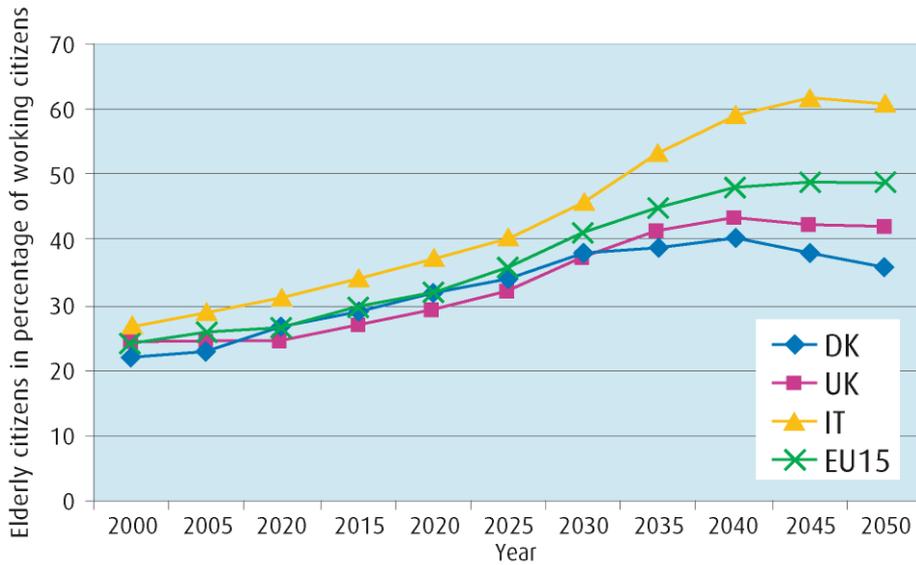


Figure 2. A general increase in the share of elderly citizens in relation to the working population<sup>5</sup>.

Denmark and the EU are thus faced with an inescapable challenge in the coming 30 to 40 years: there will be considerably fewer young citizens and considerably more old citizens in both Denmark and the EU. The population projection for the EU15 distributed by age groups looks as follows:

### Population projection in the EU

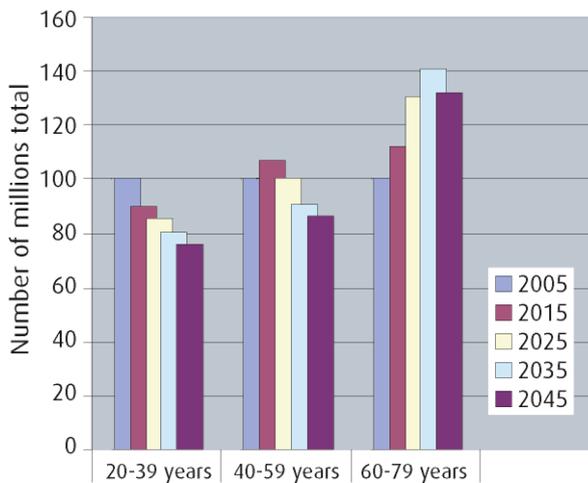


Figure 3. Population projection 2005 - 2045 EU15<sup>6</sup>.

Compared with Danish figures, the number of 20-39 year-olds in Denmark is expected to drop by 9 %, the number of 40-50 year-olds to drop by 13 %, whereas the number of 60-79 year-olds will increase by 26 %. There will be considerably fewer people to perform the work, and considerably more people to provide for. A similar development is expected on average in the rest of the EU, cf. Figure 3, whereas a few countries, such as Italy, will be hit much harder than Denmark, cf. Figure 2.

This development will create not only a much higher liability for maintenance for the coming

<sup>5</sup> Wim Kok, op cit note 2

<sup>6</sup> US Census Bureau

economically active population, it will also create a serious problem for the enterprises whose activities and production are to create the economy of the future through a constant input of new knowledge and new competence: where will this input come from?

Given the development outlined above, the enterprises of the future will have considerably fewer young employees at their disposal. This means that we will have enterprises with much older employees, enterprises that will at the same time have to manage in a world of globalized competition. This presents the Danish and European enterprises of the future with challenges of hitherto unseen dimensions. The grey labour market is no longer a theory, but very much a reality.

The trend in the EU is thus clear, however with rather large variations from one country to the next. But is this the situation throughout the Western World?

## The demographic development in the EU and the US

Basically, "the grey labour market" is no new phenomenon - we have been talking for years about how falling birth rates will change the composition of the labour force and how the younger generations will in future have to support an increasing number of old people. The only comfort you could find in this connection was that this was also the situation in all other western countries; it was "part of modernity".

The immediately obvious conclusion has, however, proven to be incorrect.

What has come as a surprise for most people is that in the course of the next generation (30-40 years), the US is expected to outgrow Western Europe or the former EU in terms of population. The adult share of the American population (20-79 year-olds) is expected to increase from app. 203 million to 277 million, whereas the corresponding adult share in Western Europe is expected to fall from app. 291 million to app. 263 million, both in the period toward 2050. This means that from having a population lead of 88 million adult citizens, Western Europe will drop behind the US by 14 million adult citizens.

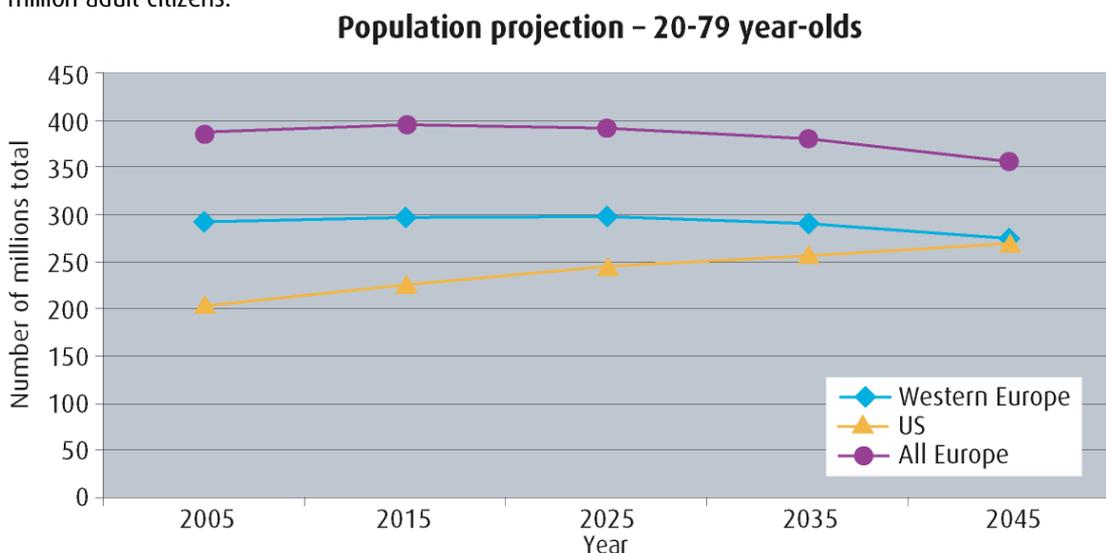


Figure 4. Population projection 2005 – 2045 (20-79 year-olds)<sup>7</sup>

If you look at the development of the various age groups: 20-39 years, 40-59 years and 60-79

<sup>7</sup> US Census Bureau

years, it is clear that while the younger age groups continue to diminish, the older age groups grow larger and larger in Europe. But in the US the situation is different. In the US the younger age groups are expected to increase rather much, whereas the older age groups also increase to some extent, but flattens earlier than in Europe<sup>7</sup>.

This involves that in future the US will have a good many more active workers than Western Europe, whereas we in Europe will have a good many more elderly people to provide for than the US.

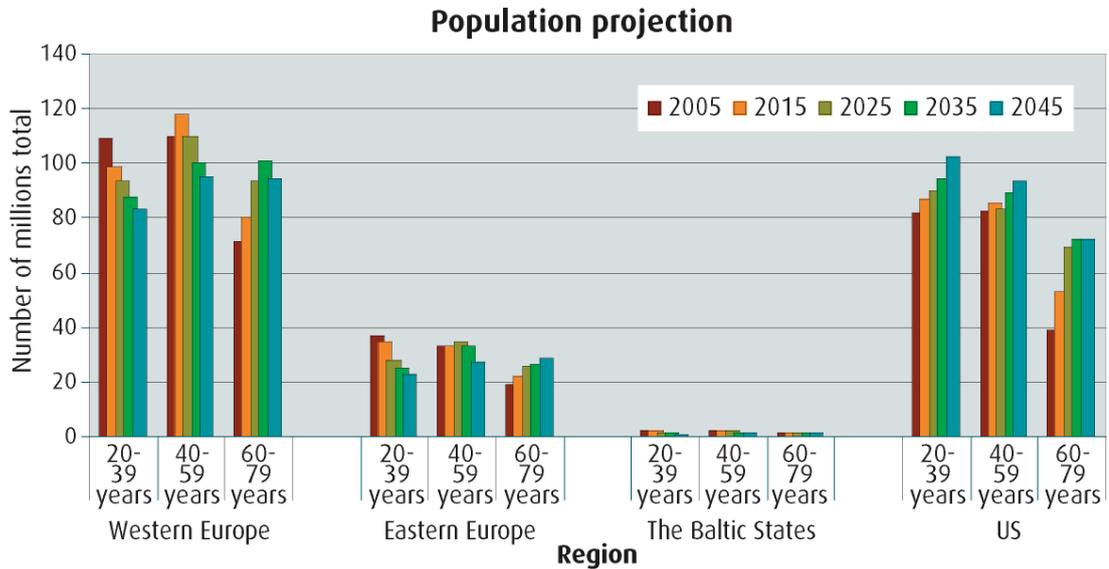


Figure 5. Population projections in EU regions/the US<sup>8</sup>

As the population development in Eastern Europe must be expected to follow the same pattern as in Western Europe, the inclusion of the Eastern European countries does not disturb the general trend, and the overall picture Europe/the US thus looks as follows:

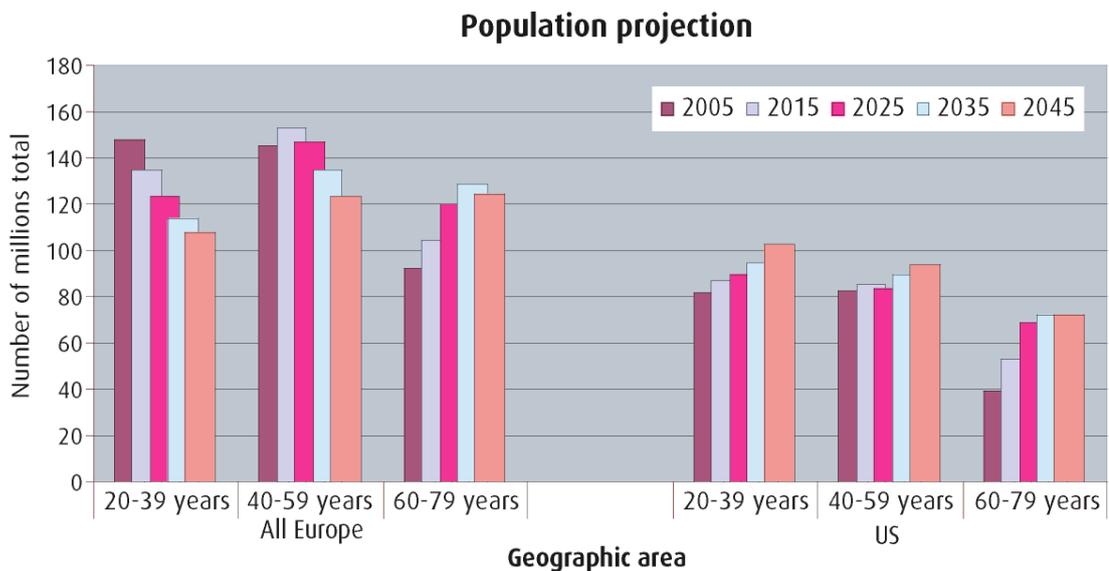


Figure 6. Population projection, Europe/USA<sup>9</sup>

<sup>8</sup> op cit

<sup>9</sup> op cit

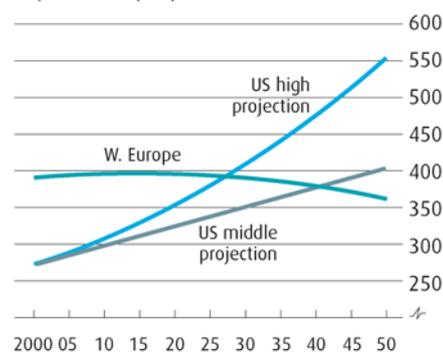
Even when we compare the new EU25 with the US, the projected total population in Europe is expected to drop from 385 million to 343 million, that is by 42 million. At the same time the old age group is projected to increase by 28 million, from 92 million to 120 million. This development involves a significant decrease of the group of active workers in Europe.

In the same period the old age group in the US is projected to increase from 29 million to 75 million, but even with this significant increase the US does not come on a level with the European 2005 figures. This means that the American liability for maintenance will all the time be considerably lower than the European one, not only by virtue of the number of persons who need being provided for, but also by virtue of considerable differences in the social systems.

The above population projections in the US are based on a conservative estimate. If you believe in a more rapid development of the American figures - high projections - the development looks like this:

### Old world and new

Population projections



Source: US Census Bureau

Figure 7. Population projections, US high projection<sup>10</sup>

It is a well-known fact that traditionally Western Europe has spent a large part of its public funds on welfare and social services, whereas the US has traditionally spent a relatively larger part of its public funds on research and military expenses.

If you assume that this trend in the application of public funds will continue relatively unchanged, the US will in the next generation still be considerably stronger than Europe in military and research terms and at the same time have many more hands to manage a considerably smaller liability for maintenance than Europe in relation to its demographic development<sup>11</sup>.

Other things being equal, the demographic development will thus change the mutual relative competitive positions of the US and Europe, with a clear demographic advantage to the Americans.

In times when Green Card arrangements for foreign specialists are in focus, you might imagine that Europe could meet some of the competition from the US by heavily increasing the importation of brainpower from all over the world. At least, there is a strong political wish in EU-memberstates for being able to compensate for the inadequate supply of brainpower this way, and also in Denmark we have this discussion, including proposals to give preferential treatment to brainpower. A condition for fulfilling this political wish is, however, a change in the difference known today between the ability of the "old world" and the ability of the "new world" to attract immigrants. If the trend that

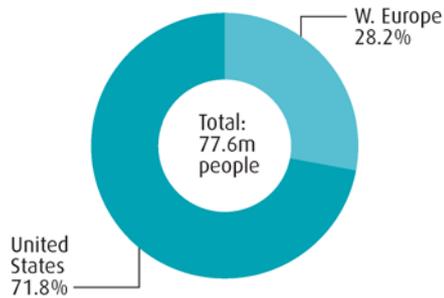
<sup>10</sup> op cit

<sup>11</sup> See f. ex. the discussion in The Economist, 22. August 2002: "Half a billion Americans?"

we know today continues, the development can be forecast as follows:

### The magnet effect

Net number of immigrants, Europe and US combined 2000-50, forecast



Source: US Census Bureau

Figure 8: Net number of Emigrants, EU/USA, 2000 – 2050 forecast

Traditionally, the US has staked much more vigorously on this field than Europe, and there does not seem to be anything that suggests that the development should change that much for many years to come: The US will continue to attract the majority of the world's immigrant to the western world. As appears from Figure 8, the US will attract more than 70 % of the immigrants in the forecast period toward 2050, whereas Europe will attract less than 30 %<sup>12</sup>.

## Conclusions on demographic challenges and a discussion of the perspectives for Lifelong Learning systems in Europe

The launching of the Soviet Sputnik in 1957 created a great stir in the US in the form of what seemed to be a rude awakening to a new awareness. Europe is or should be in a similar state, recognizing the demographic facts as at 2005 and their implications. Solutions must be found, they must be found now and they must be effective - "belief" simply is not good enough. We have to range the target properly as we cannot afford to miss the mark: because time flies, of itself.

Basically, there are three ways of compensating for the demographic development (beyond a mere increase in working hours, postponement of the retirement age etc.):

- **»and the birth rate«!** Not many European politicians would survive an open incentive policy within this field – for cultural reasons it is hardly possible to believe in any essential change in the will of the population as such or in the women's necessary contribution to increasing their number of children.
- **»and immigration«.** Again you have almost automatically to call a miss – there are no signs at present that a strongly increased immigration could be a culturally viable project in Europe giving the tensions that immigration at the present relatively low level already provokes.
- **»education, education, education«!** Basically, there are here 2 parallel ways: first, the children and the young people need to be better educated than ever before (and fewer fall through the education network) and second, the existing labour force must be constantly upgraded, just as unemployed hands must be upgraded into the labour force.

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<sup>12</sup> US Census Bureau, op cit

In the superior scenario the choice among the three solutions has been on the European agenda ever since Delors' "Growth, Competitiveness, Employment" saw the light in 1994. The European choice has leaned towards the Lifelong Learning strategy, and if the European heads of state and government do not want to give up on the goals of the Lisbon Process and the later ratifications and implementations hereof, it will be important in the coming 10 to 20 years for Europe to make the best possible of the education-economy equation:

learning output = knowledge capital => competitive strength

An increased learning output must come from the education of the young generations as well as from the participation of the existing (ageing) labour force in Lifelong Learning – not because we feel sorry for them, but because their input is needed.

This brings us to the fundamental reasons for the change of paradigm in European educational thinking over the past years. The old concept of "education" was based on humanistic thinking (the church) while the new concept of "learning" is based on economic thinking (the company). "The teacher" is moving his or her focus from "teaching" to "learning" and the investors in LLL are focusing on the learning output and best ways of achieving it.

With focus on Lifelong Learning systems in Europe, the logic is now simple and rooted in economic or industrial policies rather than in traditional educational policies:

When the European enterprises do not have an adequate supply of skills and know-how at an adequate level at their disposal in the form of new young employees (as compared with our competitors) having the necessary competences, then it will become of decisive importance that Lifelong Learning becomes a realized life style in Europe and not only a well-intentioned slogan.

This is conditional upon the developing European LLL systems becoming capable of managing the demographic problem:

- Is the educational sector able to produce the results demanded by society?
- Is it able to do so at the necessary pace, which is after all set by the globalization and the increased intercontinental competition?
- And can it do so at expenses that are manageable for the government finance and/or the private users who will have to pay the bill?

This thus makes effect, time and money the decisive questions for Lifelong Learning. And the questions are rhetorical, because if you cannot answer YES with some strength to all 3 questions, then education is not the answer to the demographic challenge in Europe. Or in other words: if the answer is not affirmative, then the LLL concept cannot alone in itself justify an increased private or public demand for more or better education and/or learning.

Lifelong Learning is not the only answer. Retirement age, employment percentage, incentive structures towards more working hours and less leisure time etc are all tools that may be used in the political debate on the organisation of the society of the future in Europe in conformity with the demographic challenge. But where the debate of a number of already existing and right-involving schemes<sup>13</sup> can agitate the public mind, it seems to be widely agreed that education is the area on which to stake. Perhaps because "social cohesion" and "social inclusion" are still considered natural by-products of education, thus contributing additional justification of the consumption of time and money on the cause, in conformity with European tradition and history, prolonging the shift from the

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<sup>13</sup> Statutory rights in Europe such as early retirement, unemployment schemes etc.

concept of Education to the concept of Learning?

No matter how, it must be assumed that the users or the payers, if you like, will on the short or at least on the long view demand more value for money, the payers being the government, the enterprises or the individuals. The faith in educational efficiency must be maintained, and this is up to the suppliers of education:

Never before has the discourse of Lifelong Learning been faced with so hard challenges, and depending on attitude or temperament you may discuss whether the demographic development is a driver for Lifelong Learning or an imperative?

In the political reality it is an imperative.

The sector itself seems to be a little more reluctant to undertake the task or clearly make itself available for solving the problem.

However, the political pressure is clear and should not be expected to diminish in the coming decades unless Lifelong Learning becomes privatized to an increasing extent and thus becomes a clean market in which the (private) supply and the (private) demand regulate the relation between the demand for the learning and the interest in supplying it.

It is certain that the European communities see Lifelong Learning as the possible cure of a serious supply and renewal problem. The alternative is a seriously threatening Skills Gap that places the EU in a very difficult competitive position, in particular in relation to the US.

One might say, that over the last 10 to 20 years the concept of Lifelong Learning has lost its virginity and has become a vital element in the handling of major problems in the globalized competition between nations and regions.

How to address this loss of innocence is a choice that every educational policy, every institution, every teacher will have to make, facing the reality that no community, no enterprise, no individual can afford not to care or just to maintain old paradigms. Facing that challenge starts by realizing the huge demographic changes as a significant milestone – maybe the most significant economic and political milestone - in the development of Lifelong Learning during the first half of 2000+.

Jens-Jørgen Pedersen

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