

European Population Conference 2008

Topic/Session: 1001 Economics and Labour Market Issues

Title: Demographic change and the labour market in Spain

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In order to understand the impact of population ageing on the labour market, it is first necessary to provide an explanatory framework giving at least the broad outline of the different aspects of this relationship. Let us start by defining the phenomena that we are going to analyse. When discussing population ageing, what exactly are we referring to? The demographic ageing process is the redistribution of the age structure of a population, with a proportional increase in the number of people in the older age groups. In other words, population ageing creates a society in which there is an increasing proportion of older people.

But why is this process taking place? What are its causes? Demographic ageing is the fruit and consequence of the demographic process experienced over the last few decades. The intensive and sustained fall in fertility, together with increased life expectancy, has produced a profound transformation in the age structure. The low fertility and birth rates account for the reduced size of the new generations, whilst increased life expectancy (which many generations are benefiting from) is behind the important presence of these generations in the older-age groups. On occasions, this ageing process has been accentuated by the dynamics of migration (rural areas with a marked exodus, the arrival of a population of pensioners in search of the sun) whilst, on other occasions, it has slackened (the arrival of a young, working age population, such as those urban areas receiving the rural exodus, international immigration over the last decade in Spain). In conclusion, the ageing process is the result of the interaction between changes in fertility, mortality and migration.

Once at this point, and taking a step further, we need to consider the relationship between this ageing process and the dynamics and functioning of the labour market. How and why does the demographic ageing process affect the labour market? There is no simple response to this question, given the fact that the relationship is complex and many-sided, although it can be synthesised into three levels of relationship:

Firstly, there are **the inter-generational relationships** between the active population and the dependent population. As the ageing process gathers pace,

there are an increased number of people at a non productive age who “depend” on the productive efforts of the working population. However, we should clarify that, for this relationship, there is not necessarily a continuous, positive correlation, but it will depend on the size of the generations that are at a working age, assuming a constant age at retirement. In Spain, the ageing process in the eighties and nineties was not accompanied by a reduction in the size of the generations at a productive age, given the fact that their ranks included the “full” generations of the *baby boom*. As the “empty” generations – born as a result of the birth rate decline (baby bust) occurring from 1975 onwards – gradually join the productive age group, the size of the working age population is gradually decreasing. However, this demographic imbalance between the dependent and active population shall be a particularly problem from the year 2020 onwards, the year in which the baby boom generations, born between 1955 and 1974, will start to retire.

The Spanish Welfare State and, accordingly, the Navarre Welfare State, is supported by a Social Security System nourished, basically, by the contributions of the working population. If the non-working population increases (either due to demographic ageing or to an increase in the unemployed or incapacitated population, regardless of age) or if there is an increase in the expenses to be covered, the economic capacity of the State could be affected. Although population ageing is not the only factor affecting the balance of this system, it is one of the factors having the greatest implications.

A distinction should be made between the population of working age and the active population, given the fact that this difference is one of the keys to understanding the need to include other variables, apart from the demographic structure of the population, in the relationship between the labour market and population ageing. Not everyone at a working age is in fact working. The age for joining and retiring from the labour market, in addition to the employment rates for men and, in particular, for women, are going to be key factors in maintaining the balance in this distribution system. A policy favouring or even providing incentives for all types of inactivity (early retirement or incapacity to work) would accentuate the system imbalance. On the contrary, a policy that, favours a delay in the retirement age, an increase in the female activity rates and a regularization of the immigrants workers would favour the system.

The second level of this relationship between the demographic structure and the labour market is related to the **ageing of the working age population**. In this case, the labour market must be considered from an internal point of

view, in order to analyse the consequences of this increased working-age population on the labour market. This growth in the number of older workers is occurring in an environment of rapid innovation and new technologies, a situation which presents new challenges when seeking to maintain these older workers in the labour market.

And, finally, the third level of this relationship refers to the **consequences that this change in the population structure will have on the country's economy**. Consumption, savings and investment patterns are gradually changing in line with the increased age of the majority of the population making up society. This aspect is more difficult to quantify and, in particular, it is difficult to determine a cause – effect relationship between these changes and demographic ageing, however it should unquestionably be taken into account in order to complete the holistic view of the phenomenon being studied.

To all this, we should add the need to include the historical dimension in the analysis. This dimension is necessary, not only to understand the changes that have already taken place, but also to venture to predict the changes to come. Social transformations cannot be understood without considering the historical context in which they are taking place. A clear example, closely related to our study, is the change in the social perception of ages and of the life cycle accompanying widespread longevity. Longer life spans, together with the profound social changes accompanying the modernisation of Spanish society, have brought about a change in the age thresholds marking the different life cycle stages. There has been a lengthening of youth and old age. In the past, retirement was socially experienced as the prelude to the end of one's life. This perception has now changed, thanks not only to the increased number of years that a retired person can expect to live, but also thanks to improved health conditions, delayed widowhood and the development of the Welfare State that offers security for this stage of life. And, as society has gradually changed throughout the process, it will continue to do so in the future. It is therefore not plausible to tackle the future based on an unchanging model of social organisation.

Whilst taking these initial premises into account, we have accepted that it is impossible to make an in-depth study of all those aspects that are included in one way or another in the relationship between demographic ageing and the labour market. In this paper we are therefore going to illustrate this reality in Spain, focussing primarily on how the incorporation of women into the labour market and increased international immigration are playing an important part in reducing the effect of the population ageing process on the labour market.