 „The greatest improvements in the productive powers of labor, and the greater part of the skill, dexterity, and judgment, with which it is anywhere directed, or applied, seem to have been the effects of the division of labor”

 „It was not by gold or by silver, but by labor, that all the wealth of the world was originally purchased; and its value, to those who possess it, and who want to exchange it for some new productions”

Adam Smith „The Wealth of Nations”
Share of world population by level of life expectancy
1950–2010


Change of population in age 15-64 years (per cent)
Share of people aged 65 and more years in total population(per cent)

- Countries that expect largest population decline are mainly from CEE region
- They „will become demographically old before they were economically rich”

Source: Eurostat EUROPOP 2010
Demographic divide in Europe

Source: European Demographic Datasheet 2012, Wittigstein Centre, VID, IIASA

Two points for further consideration

• Population change and human capital development – do countries substitute a quantity with a quality?

• Population change and consumption patterns
Demographic change and human capital development

- The demographic change and ageing of baby-boom generation leads to changes of the age structure of the working-age population
- Development of human capital should not rely only on increasing qualifications of younger workers
- Persistent differences in LLL participation by age can also lead to increasing inequality in human capital distribution across age
- Education and life-long learning policy should focus on both young and adults to maintain LLL activity throughout all ages

Why LLL is needed?

- Technological changes and globalisation also lead to dynamically changing demand for competencies at the labour market
- Competencies acquired during formal education tend to depreciate in time
- LLL of adults can help to reduce the skill gap resulting from formal education
- It also helps to catch up with the changing demand on the labour market
Fertility and investment in human capital (2011)

- Countries with low fertility rate don’t invest in adult learning
- This leads to divergence of human capital development between countries (both in quantitative and qualitative terms)

Source: Own calculations based in Eurostat LFS data 2011

Participation in formal and non-formal learning by age (2011)

Line - average EU 27
Highest values for Sweden, lowest for Romania

Source: Adult Education Survey, Eurostat
Participation in E&T and employment rate of older workers

- In the light of increasing retirement ages in EU, there is a need to promote participation of adults in education and training.

Source: Own calculations based in Eurostat LFS data 2010

The challenge of life-long learning

- Current developments in LLL show that
  - countries with strongest changes in the age composition would not compensate them through quality improvements
  - education inequalities between generations or groups with different educational attainment would be hardly reduced

- LLL policies should focus on older age groups as well as those with lower formal qualifications
Demographic change affects economic development and consumption patterns

Age profiles: consumption and labour income

Source: Ron Lee & Andy Mason, May 27 2012
Population structure affects consumption patterns

- Economic model and cycles are consumption driven
- Changes in age structure and household structures due to demographic change affect consumption models
- Second demographic dividend?

Source: NTA brochure, www.ntaccounts.org

Conclusions

- Demographic change will impose a re-definition of economic and social policies
  - Social Investment Package in EU
- The scale of necessary adjustments is unprecedented
- Europe divide regarding the second demographic dividend - little chances for CEE countries to benefit from this dividend
- Risk of increasing divergences
  - Within countries
  - Within regions
  - Globally
- Margin for policy inefficiencies narrows