

Introduction

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The European welfare state is being challenged by new realities. People's outlooks on life have changed dramatically over the past decades, including their views on religion, the family and work. The consequences of these societal changes include rising life expectancies and stagnating fertility rates that are insufficient for the natural increase of the population. Humanity's efforts to curtail overpopulation and increase longevity have caused the ageing of our societies, a trend that has been under way for decades.

Our institutions and policies are not ready for these developments. National social security systems lack sustainable funding. Labour market rules are lagging behind the needs of the ageing societies, and these rules do not capitalise on the experience that older workers can bring in. In general, pronatalist policies in the form of cash transfers to young families have not fulfilled their objective. The EU's population has been growing only thanks to immigration from outside the bloc, but family reunification—the most frequent type of EU-bound immigration—has not improved the ratios of workers to non-workers. In Southern and Eastern Europe and in many regions elsewhere on the continent, depopulation and emigration are compounding the problems caused by ageing. Moreover, the Covid-19 pandemic has contributed to a worsening of mental health. This has impacted young people with particular severity, keeping them out of schools and jobs.

To mitigate the effects of population ageing and the other phenomena mentioned, it is incumbent on the EU's national governments to create institutional environments that increase human capital and make it easier for women and men to both pursue a career and raise a family. As for the numbers of children born, the fact that fertility rates in some EU countries are higher than in others suggests the crucial importance of national social policies. It used to be assumed that a woman who 'stays at home' is more likely to have children than a woman who 'pursues a career.' Contrary to that outdated notion, it now appears that having stable work allows those who wish to have children to choose to do so.

Health care, affordable housing and lifelong learning have become crucial for maintaining the well-being of the population and a productive labour force. The participation of women, older people, young people and immigrant groups in the labour market must be increased. The state pension age should be increased, albeit with elements of flexibility to allow for individual choice. Finally, innovative solutions are needed to address both depopulation in some countries and areas and the growing regional imbalances within the EU.