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Critical Assessment of the Labour Force Evolution in Europe

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1. Introduction

Any projection of changes that may affect various economic or social phenomena is burdened by a large degree of uncertainty, being obviously the larger, the longer time horizon is involved. Likewise projections of phenomena taking place in the labour market, where the major players are individuals – employers and employees – who make decisions that are not always guided by strictly rational criteria in economic terms, and mentally predictable. An additional obstacle is the variability of factors comprising the social, economic and political milieu of the labour market. We have good knowledge of the existing factors, but in the future, especially that to come in fifty years, new and unknown factors may appear and those identified today may profoundly change their power and directions of impact.

Despite these reservations, it is worthwhile and advisable to make an effort to identify changes that may influence the future labour market. For that reason, results of work related to the research project „The Impact of International Migration on Population Dynamics and Labour Force in Europe” carried out by the Central European Forum For Migration Research¹ (CEFFMR) deserve attention. The project aimed to explore interrelationships occurring between international migration, the aging of population and the labour force evolution, as well as present recommendations concerning a broadly understood demographic policy, including the policy of migration, the labour market and social security. Forecasts and simulations were produced for 27 European countries and covered the period 2002-2052. Their findings indicate the probable evolution of demographic phenomena (e.g. the number and structure of labour force) by three scenario variants. The variants were based on different

¹ Complete descriptions of the assumptions, theoretical basis and survey results can be found in the following reports: Saczuk 2003, Kicingier, Saczuk 2004, Bijak 2004, Bijak, Kupiszewski, Kicingier 2004, Saczuk 2004, and Bijak, Kupiszewska, Kupiszewski, Saczuk 2005.

assumptions concerning the levels of international migration in Europe determined by the evolution of the socio-economic situation, the rate of economic growth, the degree of convergence of incomes in European countries and the migratory policy they pursue. Scenario 1 (base) assumed international migration in Europe to stabilize at the present level, scenario 2 (high) anticipated an expansion of international migration and scenario 3 (low) – its decline.

According to the research findings, the most important problems of the European labour market that are well-defined already today and show a tendency to deteriorate in time – will unquestionably be the **shrinking (or stagnation) of labour force** in the first place and then its **aging**, connected with the aging of societies caused by the declining numbers of births and extending average life expectancy.

This study covers both the issues. They will significantly determine socio-economic processes in the next half century in Europe in general, and particularly the condition of the European labour market. The study is structured as follows. Part one presents tendencies characterising the evolution of the European labour force with regard to its size and age structure in the light of findings provided by the CEFFMR. Part two examines determinants and factors underlying the economic activation of population, with special focus on the economic activation of older persons, and presents a case study exploring the position of those persons in the Polish labour market and the measures launched to help them re-enter the labour force. Part three concentrates on the economic activation determinants related to the demand side of the European labour market. The study closes with final comments discussing the most important conclusions derived from the analyses made.

2. Tendencies in the size and age structure evolution of labour force in European countries

This part of the study discusses changes expected to take place in the labour force size and age structure in the next half century, according to forecasts covering that time horizon and developed for 27 European countries under the research project „*The Impact of International Migration on Population Dynamics and Labour Force in Europe*”.

2.1. Forecasted variations in the size of labour force

Evolution of the labour force numbers in the 27 European countries covered by the survey is illustrated in table 1.

Table 1. Labour force in 27 European countries in 2002 and 2052

Specification	2002	2052		
		Base Scenario	High Scenario	Low Scenario
Million	232.8	209.7	246.6	183.6
%	100.0	-9.9	5.9	-21.1

Source: Bijak, Kupiszewska, Kupiszewski, Sączuk 2005, p. cxii, calculated by the authors.

The variations show that labour force can be expected to grow (by 5.9%) only when the actual developments comply with the high scenario predicting a considerable expansion of international migration. The other scenarios suggest labour force declines, larger for lower intensity of international migration (by 21.1%) and smaller, if the migration stabilizes at the present level (by 9.9%). Generally, labour force in the 27 surveyed countries can be expected to shrink or to grow slightly in the next fifty years.

In addition, the labour force share in the total number of population is predicted to go down (from 47.1% to 42.4%, i.e. by 4.7 percentage points), likewise in the number of population aged 15 years and older (from 56.6% to 48.7%, i.e. by 7.9 p.p. (table 2).

Table 2. Labour force share in total population and population aged 15-plus in 27 European countries in 2002 and its 2012-2052 forecast (%)

Share of labour force	2002	2012	2022	2032	2042	2052
Total population	47.1	46.3	44.9	43.6	43.1	42.4
Population aged 15-plus	56.6	54.4	52.1	50.2	49.5	48.7

Source: Sączuk 2004, pp. xxx-xxxii.

Toward the end of the forecast period labour force will make up less than a half (48.7%) of population aged 15 years and older. One reason for that proportion is the extending human lifespan and the aging of population, whose larger and larger part withdraws from the labour force because of reaching the retirement age.

2.2. Forecasted variations in the labour force age structure

Table 3 presents results of forecasts regarding the labour force age structure. From the data it follows that the share of persons aged 55 years and older in the labour force will almost double between 2002 and 2052 (the most in the low scenario (to 21.2%), the least in the high scenario (to 18.8%)). Shares of persons aged 15-24 years and 25-54 years will decrease in all forecast variants.

Table 3. Labour force age structure in 27 European countries in 2002 and 2052 (%)

Age group	2002	2052		
		Base Scenario	High Scenario	Low Scenario
15-24	12.0	11.6	11.7	11.6
25-54	76.6	68.3	69.4	67.2
55 years	11.3	20.1	18.9	21.2

Source: Bijak, Kupiszewska, Kupiszewski, Saczuk 2005 p. 31.

The identified variations in the shares of particular age groups suggest progressing aging of labour force in the surveyed countries. Noteworthy, the unfavourable changes in the labour force age structure appear in every projection, even though three different variants of the evolution of migratory phenomena are taken into account: the base variant (immigration stabilized at its present level), the high variant (building up spatial mobility in Europe) and the low variant (declining migration to Europe, at least the official one). Consequently, the contribution of migration to relieving the aging problem of the European labour force was assessed as minor and insufficient to offset changes induced by demographic processes, even under the assumption about a higher economic activity of populations.

The scale of the labour force aging process is relatively well illustrated by changes predicted in two indicators:

- Economic old-age dependency ratio (ODRE – the ratio of the economically inactive population of retirement age (i.e. persons aged 65 years plus) to the entire active population aged 15 years plus), which is expected to grow from 32.4% in 2002 to 66.4% in 2052;
- Labour market dependency ratio (LMDR – the ratio of the entire economically inactive population to the entire active population – both aged 15 years plus), which is predicted to go up from 76.8% in 2002 to 105.2% in 2052.²

The second ratio – LMDR – is particularly unsettling, as its 2052 value is anticipated to exceed 100%, which means that the economically inactive persons will outnumber then the active population. It is obvious, however, that economic inactivity does not always follow, either directly or indirectly, from the aging of the labour force. Nonetheless – taking into consideration variations shown by the age structure of population – there is undoubtedly an associative relationship between the number of those economically inactive and the number of elderly persons. Its existence is acknowledged by the ODRE ratio suggesting that over the

² Changes anticipated in so-called base scenario that assumes a similar course of external migrations as in the past. Source: Bijak, Kupiszewska, Kupiszewski, Saczuk, 2005, p. 20.

next fifty years the number of the economically inactive persons of retirement age (65 years plus) per 1000 of the economically active will double (from 324 to 664).

The labour force aging process and variations in the ratio of the economically active to economically inactive persons it causes give rise to numerous and adverse phenomena. The major consequence of the aging of labour force is spreading economic deactivation and its effects, mainly (Urbaniak 1998, pp. 43-44):

- more and more persons deriving their income from social benefits, which enlarges public spending; the possible effects are, for instance, a stiffening of the government's fiscal policy and its further consequences;
- growing inefficiency of public pension systems based on revenue redistribution;
- building up tax and quasi-tax burden (social security contributions and other charges) resting on the economically active persons and employers;
- problems with maintaining the real value of old-age pensions, which for social security systems translates into higher transfers of income earned by the economically active population to pensioners;
- decreasing number of pensionable years of service per one year of drawing an old age pension, which makes individuals put aside larger portions of their incomes to fund their future pensions.

It is believed that an inflow of immigrants, particularly legal economic immigrants, might correct the labour force age structure (more precisely, to rejuvenate it). This opinion, however, was not confirmed by the discussed survey. Researchers view that the case of the 27 analysed European countries suggests that growing fertility (indirectly) and higher economic activity of labour force (directly) are more effective and probable factors cushioning the economic impacts of the aging of labour force than increased immigration (Bijak, Kupiszewska, Kupiszewski, Saczuk 2005, p. 32). This opinion should be fully supported. Let us consider therefore the basic factors that help improve the economic activity of population.

3. Economic activation of population

It is out of the question that the fundamental preventive measure in the labour market that allows to reduce potential risks involved in the aging of the European labour force in the next half century is economic activation of population in all age groups.

Both theoretical studies and empirical research enabled to identify the key factors that determine the level of population's economic activity. Divided roughly into economic and

non-economic, the first group of factors would primarily contain the level and rate of economic growth, the effective demand for labour, the level of wealth and non-wage sources of households' incomes and the real level of wages. The other group would include the degree of development of institutions, social facilities and legislation, the level of personal services, the length of the education period and the youth enrolment ratio, pensionable age, the level of education, social attitudes to work and the preferred family model. These factors are objective, but the decision to take a job (and to choose a workplace) is a subjective decision of an individual changing his or her labour market status, and it is underpinned by a complex assessment of a whole range of economic, socio-living and psycho-social factors. The question arises therefore about the type of factors that can essentially improve the economic activity of population. Trying to give the answer, I am fully aware of its incompleteness arising from my concentration on the labour factors.

3.1. Factors stimulating the economic activity of population

The basic stimulants of economic activity were assumed to include improved levels of population's education, development of atypical forms of employment, making employment a more attractive source of income against its alternative sources and combating discrimination in the labour market.

3.1.1. Improving the level of knowledge – education

In the modern labour markets, the essential qualitative feature of labour force is the knowledge, qualifications and vocational skills possessed by its members, and the level of education is the key determinant of employability. Labour market surveys distinctly indicate that the higher level of individuals' education, the more often they participate in the workforce, while the risk of unemployment and economic inactivity is declining. At the same time, in all developed countries a high demand for high-skilled personnel can be observed, whose qualifications allow to take up challenges faced by modern economies. The economic activity of population can therefore be improved by enhancing the labour force's pool of qualifications via developing education and investing more in human capital. The intensity and extent of investments in human capital does not depend only on its owner. However, employers cannot be expected to put their money into something they do not own, so the role of the state is growing in the following areas: 1) designing and improving the system of education, and 2) creating incentives for employers and labour force to invest in education.

Education understood as a process in which knowledge and skills are acquired, i.e. learning, takes three forms (Okoń 1992):

- formal education represented by a system based on solutions that are constant in terms of time and content (classrooms, marks, schools, curricula and textbooks); the system starts with the elementary education and continues as far as higher learning institutions. In addition to general education courses, formal teaching includes also a range of special programs and institutions offering full-time technical and vocational training;
- informal education, i.e. intentional and organized educational activities provided outside the formal school system; it allows a given group of its participants to attain the assumed learning goals;
- incidental education being a lifelong, spontaneous and irregular process, in which individuals absorb information, skills, beliefs and attitudes arising from daily experiences and educational impacts of the environment.

Quite naturally, school is the first step in the process of education. Because of that, it is necessary to remove all barriers impeding access to school education at all levels (financial, institutional and psychological) and to reduce the number of dropouts from the system. Another important issue is the high quality of education and its structure, whose integral element is – in labour market terms – a necessary adjustment of the imparted knowledge and vocational skills to make them correspond to the qualitative characteristics of the demand for labour. A gap between the structure of workers' skills and occupations, on one hand, and the demand for labour, on the other, makes them more exposed to the risk of unemployment. Besides, schools should teach young people how to be creative and resourceful, as these qualities are indispensable to promote entrepreneurialism. For that reason, school curricula need to include topics such as economic life and ways of entering actively the labour market.

The renewal, expansion and enhancement of skills, both vocational and general, should be related to lifelong education. Regardless of its other functions, lifelong education in the modern world comes to be an instrument for restoring and maintaining the labour market balance, but also a way of reducing an individual's exposure to unemployment or economic inactivity. It is necessitated by the dynamic development of sciences, manufacturing techniques and technologies, and by the increasingly sophisticated labour market. Knowledge and skills acquired in schools quickly become obsolete and so we must learn throughout our lives. Lifelong education should be generally available and vigorously promoted. Naturally, the promotion must be accompanied by initiatives beefing up such education, primarily

focused on the provision and expansion of institutions offering curricula and forms of instruction meeting the needs and possibilities of the labour force.

The system of incentives encouraging employees and employers to invest in education should take advantage of the following elements:

- dissemination of the lifelong education concept and, particularly, a removal of barriers stuck in the minds of the low-skilled persons, emphasising the effectiveness of outlays allocated to education, teaching to perceive education as an investment and not cost, promotion of good practices within educational investments.
- information and consultancy – improving information about the market of educational services and the quality of available education, expansion of a vocational guidance system open to all individuals and development of advisory services for employers.
- establishment of a financial support system for persons inclined to raise their qualifications, particularly for the low-income and unskilled groups of workers (e.g. education vouchers, scholarships, tax relieves).
- establishment of a system for certifying skills acquired via informal and incidental education.

3.1.2. Development of atypical forms of employment

Atypical employment³ involves the following types of workers: persons contracted by an enterprise for a fixed time or to complete a designated job, part-time workers, some categories of independent workers, workers paid by the day or homeworkers, and some categories of subcontractors.

Atypical employment helps adjust the supply side and the demand side of the labour market to changes taking place in product markets. Its forms are believed to be one of the measures that allow to solve the labour market imbalance problems and especially to reduce the structural and business cycle-related unemployment. In addition, they contribute to lower transaction costs represented by outlays spend on handling the buy-sell transaction concluded between an employer and an employee, thus adding to lower labour costs. As regards this study, their most important feature is their being also an instrument for economic activation of persons who, for a variety of reasons, might have problems with taking a steady, full-time job for an unfixed period of time.

³ Atypical employment can take various forms, the most important of which are: part-time jobs, fixed-time contracts, self-employment replacing employment contracts, on-call jobs, homeworking and teleworking. (see, for instance, Chrobot 1997, Hajn 2003)

The important thing for the future of the European labour market is (at least today) that the demand for atypical forms of employment is expanding among both enterprises (especially large ones) and labour market policy makers.

Atypical forms of employment are widely applied in large supranational corporations that subject their strategies not only and not mainly to the maximization of profits, especially in short term, but also to prospective expansion. The corporations develop so-called „global network”, whose particular elements function differently than traditional enterprises. This process was evocatively described by Robert B. Reich (Reich 1996). The „global network” emerges in the first place from adjusted strategies pursued by large supranational corporations, mainly:

- product strategies are modified to meet the needs of individual buyers rather than the mass of customers,
- profits derived from the scale or magnitude of production are replaced by profits provided by problem solving and meeting buyers’ needs.

Strategy changes involve the reorganization of enterprises that cease to be hierarchically structured, solid pyramids having the characteristics of traditional internal labour markets and become a „spider’s web” instead, with the creative team responsible for identifying and solving strategic problems of its corporation sitting right in its very centre. Organizational and management adjustments in large corporations that entail a departure from the hierarchical management toward functionalization and decentralization are accelerated and enabled by the expansion of information distribution technologies. In labour market terms, the major effect is considerably lower numbers of permanent staff in modern corporations. On the corporations’ peripheries can be found workers contracted to do specific jobs and to provide certain services. Their engagement period is precisely defined and it corresponds to the strategic concepts of the creative team. Because in this world of global competition labour force happens to be perceived exclusively from the angle of costs, limiting the permanent staff is one way of becoming and staying competitive in a changeable market environment. Permanent workers are replaced by growing numbers of atypical jobs – temporary, usually contract-based, forming no long-term relationship between an employer and an employee, allowing enterprises to respond flexibly to changes in the product markets.

Also Lester Thurow (Thurow 1996, pp. 20-43) pointed to the expansion of temporary and occasional employment instead of permanent employment as a result of the globalization of the world economy (among other reason, of course).

One source of the expansion of atypical employment, whose solutions are different than in the traditional system with its unfixed-period employment contract, eight-hour working day, fixed working hours, that we can observe today is its importance for making the labour market more flexible and for reducing unemployment. In particular, the development of atypical forms of employment improves quantitatively (numerically) the overall flexibility of employment represented by the adjustability of the number of enterprise workforce to variables such as business cycle variations, profitability, real wages and the productivity of labour, as well as changes arising from technological progress and those induced by the government's structural policy (see Rosenberg 1989, Solow 1998, Wiśniewski 1999, Standing 2000).

In the developed countries, we can observe today legal and promotional actions intended to expand the range of atypical employment applications and to support flexitime in a manner that accommodates the needs of both employers and employees. The promotion of atypical forms of employment, however, must meet two basic requirements:

- 1) atypical workers have to be provided with essentially the same level of protection regarding the terms of their employment, as those employed in the traditional system;
- 2) the principle of workers' freedom to choose atypical employment must be respected.

Application of atypical forms of employment and work organization should always have a rational basis and they should not be overused by employers to reduce their other liabilities. In other words, they cannot serve an instrument of dictatorship of the strong over the weak (Wratny 2001). It should be borne in mind that jobs created in that regime frequently show unfavourable characteristics: they are lower paid, less stable, prevent workers' identification with the firm and the employer, impede improvement of their skills and promotions, do not ensure the feeling of security in the workplace. For many workers atypical forms of employment, associated with auxiliary jobs, may mean higher uncertainty of their existence, lower wages and dependence on changes in economy.

Economic activation of population based on atypical employment produces therefore an extremely serious problem – the need to develop ways of winning social partners' acceptance. Experience of some EU Member States shows that this process takes time and negotiations, because most atypical forms of employment deprive workers of part of their existing privileges. The bottom line is, however, that absolutely all labour market players should make an effort to facilitate and encourage the creation of new jobs, even those less attractive, by providing employment opportunities.

3.1.3. Making work more attractive as a source of income against its alternative sources

The known sources of households' incomes are proceeds from the sale of production factors (labour, land and capital) and from other sources, among which benefits paid out by the social security system are most important. On one hand, a free and relatively unrestricted access to the benefits encourages economic deactivation and, on the other, it makes the non-wage labour costs grow, with the following decline in the demand for labour. It is also obvious that social security benefits intended to provide a relief in cases of poverty and shortage of resources, when predefined circumstances occur, have to be available. Nevertheless, they should not be a substitute for earned income, serving rather as a supportive measure in specific life situations.

In labour market terms, it is important for a welfare system protecting the unemployed to secure primarily the persons' incomes in periods, when they actively seek employment and to create conditions for their economic activation. However, the range of benefits offered cannot divert workers from seeking jobs. Besides, social benefits offered to persons without jobs or other sources of income that are not considered unemployed should to be tied up with some obligatory activities, e.g.:

- seeking a job (if a person is fit for work), or
- other undertakings, if worker's physical or mental condition prevents him or her from taking a job (for instance „inclusion activities”, e.g. taking up education or starting a treatment, etc.)

In other words, the economic activity of population could be improved, if unemployed but employable persons that could take jobs if they wanted to were removed from the group of the welfare system beneficiaries. The simplest solution allowing to stimulate economic activity in that area imposes certain requirements or responsibilities on the beneficiaries (e.g. verification of the means of support, examination of the employment record, limiting the benefit payment period, or obligatory job seeking).

The last issue is the ratio of the amount of social benefits received by employable persons to the level of earned income. The thesis that in order to stimulate economic activity the ratio should clearly indicate point to higher attractiveness of employment than economic inactivity does not need a special body of evidence. The correct relation should be as follows:

$$\text{Poverty line} < \text{social benefit} < \text{minimum wage} < \text{average wage}$$

Social security systems are different in particular European countries. Many of them seem to need a review that should be followed by the restructuring of social benefits (including benefits paid from the welfare system) toward supporting active job seekers and enhancing motivations for taking jobs.

The labour taxation system also requires a revision and possibly transformation targeted to economic activation of some groups of workers within the labour force. The goal is to make workers' take-home pay sufficiently attractive and competitive compared with incomes derived from sources other than official (legal) employment. High labour taxation encourages people, especially those with relatively low earned income (i.e. typically low skilled), to conceal their jobs (to seek income in the "grey" part of the economy), or to apply for various benefits (Sztanderska 2003). A high "tax wedge" has a particularly negative impact on the employment of the least productive persons, whose potential wages are close to the minimum wage.

3.1.4. Combating discrimination in the labour market

The term discrimination involves cases, when people are either disadvantaged or persecuted because of their background, class, nationality, religion, race, etc. Discrimination is easier to define than to discern. In the labour market discrimination appears, when some groups within the labour force, having same abilities, education, experience and skills are treated less fairly than others as regards their access to jobs, professions, promotion and wage rates. Other examples of discrimination may include unequal access to education, apprenticeship or training in the workplace. For that reason, discrimination adds to the emergence of barriers separating workers from the workplace, and produces distinct inequalities in the labour market. The major obstacle impeding access to jobs is employers' discriminatory procedures, who apply permanent human traits such as sex, age, nationality, race, etc., to select and assess their future workers.

Discrimination of individuals and entire groups of the public and blocking their access to jobs results in cases of exclusion from the labour market. Exclusion, regardless of its source, always marginalizes persons in the labour market. As a result, they have problems with integrating into the working population and in extreme instances such integration becomes virtually impossible. Social and economic consequences of discrimination and inequality in the labour market cause that modern labour market policies, especially in the

developed countries, try to launch large-scale measures to support integration of the marginalized population into the workforce.

Measures preventing labour market discrimination have to be preceded by the proper identification of the discriminated groups and the practices they are exposed to. This knowledge allows to design solutions (mostly legal) that counteract discriminatory practices and their acceptance by the labour market players. Such initiatives, however, represent only a fraction of the set of necessary measures that need to stress adjustments in the mentality of employers, employees, job applicants and new attitudes of all labour market institutions. The measures should first emphasise the promotion of anti-discriminatory solutions in the labour law to improve the awareness and legal knowledge and then disseminate appropriate attitudes among all labour market actors. It is also important for the discriminatory practices (also those outside the labour market) to be disapproved and rejected by the public.

3.1.5. Final comments

The set of factors stimulating the economic activity of labour force discussed in this section was compiled by way of a subjective selection, with the basic criterion being a given factor's weight and importance for producing the expected effect. Other factors, less significant and relevant to the economic activation of population (e.g. improved institutional service to the labour market), or those assumed to have rather loose relationships with the process (for instance, encouraging entrepreneurialism), were therefore skipped.

3.2. Extending the economically active life of elderly persons

A precise definition of “an elderly person” is quite troublesome, as aging is a multidimensional process, specific to individuals, and having its ecological, cultural and historical determinants (Urbaniak 1998, pp.15-16). Realizing that the age criterion is an arbitrary measure, “an elderly member” of the labour force will be assumed a person aged 50 years and older, with the reservation, however, that particular individuals may escape that criterion.

3.2.1. Determinants of economic activation of the elderly

The process for stimulating the economic activity of elderly persons covers:

- activation of persons deciding to take a job at older age;

- economic reactivation of persons returning to the labour force after a period of inactivity caused by extended sickness or their becoming entitled to the old age or disability benefit;
- keeping up the economic activity of employed persons;
- activation of the unemployed.

Stimulation of economic activity of the elderly is expected to extend their economically active life. There are at least three reasons though that make this goal difficult to attain.

Firstly, it is commonly believed (and quite often, it is true) that workers' productivity is wearing away with their aging. This can be typically observed in places, where productivity depends on physical strength. Technological progress and structural changes in economy have challenged the weight and importance of workers' fitness. Unfortunately, the same factors generate new risks, because older workers become unable to catch up with the pace of changes (being, no doubt, faster and faster). The changes force workers to learn about new equipment, modes of operating and applying it, etc., that is to upgrade their knowledge and occupational skills on an on-going basis.

Secondly, older persons are more frequently than the younger found to show a lower creativity, dynamism and entrepreneurialism combined with an inclination for conservative attitudes.

Thirdly, the probability of impaired health, disabilities or even dependence on a third-person's care is increasing with age.

For that reason employers may deem an elderly person "a high risk worker" that does not guarantee the expected degree of involvement in his or her firm's operations. This frequently renders employers reluctant to employ such persons and/or they are made redundant in the first place.

As a result, workers in the older age groups (50 plus, but under the retirement age) are exposed to economic deactivation rather than activation. The typical causes of the process are given below and they operate either individually or as combinations:

- occupational qualifications and skills falling short of the modern labour markets' demands;
- discriminatory practices on the side of the employers;
- early retirement and pre-retirement benefits readily available.

3.2.2. Economic activation of the elderly

It should be stressed that the earlier indicated factors stimulating the economic activation of population are very useful for extending the period of economic activity as well.

As for factor one – **improving the level of individuals’ knowledge via education** – we need to stress that all members of the public, regardless of their age, should be guaranteed the access to lifelong learning. In fact, this approach is entirely accepted and treated in the Community as one pillar of the educational system. Characteristically, numerous educational programs in the EU serve older workers that were earlier perceived as a group difficult to develop and relatively inflexible⁴. The main argument used in the EU to target training to these persons and to provide them with the possibility of extended participation in the labour force is the aging of societies.

Lifelong education of the elderly should address three important issues. One is the need to customize the educational path by varying the measures and methods used to impart new knowledge and occupational skills, or to enhance the existing ones. Beside traditional methods, particularly important becomes the introduction of long-distance learning, personal instructors or instructors training small, age-homogenous groups. Another issue is customization of curricula to allow for the diversity of knowledge and occupational skills possessed by the elderly. The most adequate approach in this case seems to be application of the modular education and development of programs meeting specific needs of small groups of students, or even individuals. The third issue – perhaps the most difficult – is triggering the demand for self-investment among the elderly.

The second stimulant of the economic activity of population – **development of atypical forms of employment** – is also recommended as an incentive supporting longer participation in labour force. According to surveys’ results, the atypical forms of employment enable the elderly persons to retire gradually and smoothly by providing a sort of a bridge between full-time employment and complete economic inactivity (Morris, Mallier 2003)⁵. For that reason, governments and employers’ organisations in the EU Member States recognising

⁴ For instance, one program addressing adults is GRUNDTVIG, being a component of the program SOKRATES II. It aims to support lifelong education through innovations introduced to educational offers, raising their quality and making them more available for individuals who want to continue their education and gain new skills at any period of their life to strengthen their labour market position. The major groups of the program’s beneficiaries are adults with special educational needs, low-skilled or unskilled adults, adults residing in rural and underdeveloped areas, or socially and economically disadvantaged persons, as well as other groups of the public facing impeded access to education.

⁵ The study referred to discusses two forms of atypical employment, i.e. part-time jobs and own-account work.

the need to keep elderly workers active should make atypical employment available for them, as recommended by the European Commission.

Regarding the third stimulant – **making work more attractive as a source of income against its alternative sources** – a radical measure discouraging aging workers from withdrawing from the labour market narrows down the range of options that might lead to illegitimate disability benefits or early retirement benefits.

Economic activation of the elderly requires one more measure – **elimination of employers' discriminatory practices**. Its implementation is not easy, because, as we already said, discrimination is easier to define than to discern. This measure aims to remove barriers blocking the access to jobs, e.g. discriminatory practices of employers who make their personnel decisions conditional on employees or applicants' age. Age is known to be one of the basic socio-demographic variables that determines many phenomena. Both results of scientific research and everyday observations explicitly reveal a relationship between the possibility of getting and keeping a job and age, but the "pure" impact of age is difficult to capture, as the variable is „interrelated”, correlated with other socio-demographic characteristics such as age, sex, education, or years of service. These reservations aside, the need for measures preventing discrimination of the elderly seems to be undisputable. Such measures should be provided by laws and consistently applied by the involved institutions and the elderly themselves. The usefulness of elderly workers' talents and experience needs to be promoted among employers.

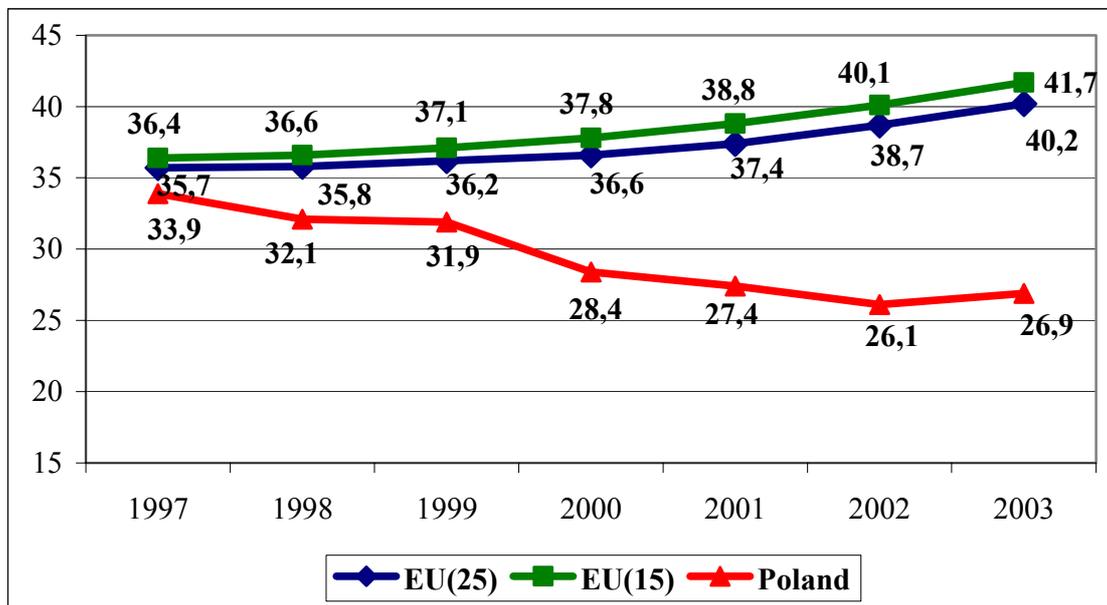
3.3. A case study. Economic activation of the elderly in the Polish labour market

The labour force-aging problem is especially troublesome in the Polish labour market, where unemployment is very high. The attempts to reduce unemployment using instruments enlarging the pool of the economically inactive persons of retirement age had serious and negative impacts on public finance. Consequently, it will be necessary to make the elderly more active in the labour market both today and in the foreseeable future.

3.3.1. Labour force participation of the elderly

The Polish labour market shows a very low rate of employment (**51.2%** in 2003 compared with 64.3% in EU-15 and 62.9% in EU-25)⁶. Its value is strongly affected by the low economic activity of the elderly persons. In Poland, the 2003 rate of employment for persons aged 55-64 years was **26.9%**, i.e. it was by **14.8** percentage points lower than in EU-15 and by **13.3** p.p. lower than in EU-25. Noteworthy, between 1997 and 2002 the rate showed a distinct downward trend (Graph 1).

Graph 1. Unemployment rate of persons aged 55-64 years in Poland and EU, years 1997-2003



Source: *Employment in Europe 2004, Statistical Annex - Key employment indicators*, http://www.eu.int/comm/employment_social/employment_analysis/employ_2004_en.htm

In 2001, the European Council recommended that the 2010 rate of employment for the elderly workers (55-64 years) should be **50%**. In Poland, the gap between the 2003 rate of employment in this age group and its suggested 2010 value was as much as **23.1** of percentage points.

Observations taken in a longer time horizon indicate that in Poland the labour force participation of persons aged 50 years plus has been declining. Between 1992 and 2004 the rate of employment decreased the most for persons aged 60-64 years (from 26.5% to 17.4%) and for those aged 65 years and older (from 13.1% to 6.6%) (table 4)

⁶ Eurostat data, <http://epp.eurostat.cec.eu.int/portal/>.

Table 4. Employment rate for persons aged 50+ in Poland in 1992 (Nov.) and 2004 (4th quar.)

Age	1992	2004	2004-1992 difference
50-54	62.9	56.7	-6.2
55-59	41.2	33.0	-8.2
60-64	26.5	17.4	-9.1
65 years plus	13.1	6.6	-6.5

Source: *Aktywność ekonomiczna ludności Polski IV kwartał 2004*, (Economic Activity of Poland's Population 4th Quarter 2004) GUS, Warsaw 2005, *Aktywność ekonomiczna ludności Polski w latach 1992-2001*, (Economic Activity of Poland' Population Between 1992-2001), GUS, Warsaw 2002

In that period, the employment rate of persons aged 50 years plus fell due to the unemployment policy pursued by the government. Escalating unemployment lowered the effective retirement age, because some groups of workers were allowed to exercise the early retirement option. This instrument was intended to regulate the labour market and to cushion the impacts of unemployment and industrial restructuring. In other words, the pension system was used as shield against unemployment. Besides, persons that did not meet some retirement criteria were provided in 1997 with the option of taking the pre-retirement benefits⁷. As the number of available jobs was limited, elderly persons frequently decided to become economically inactive.

In addition, we can observe in Poland a young average age at withdrawal from the labour force. In 2003, it was by three years lower than EU-25 average and by 3.4 years lower than in EU-15.

Table 5. Average age at withdrawal from the labour force in Poland and EU

Specification	2001	2002	2003
EU(25)	59.9	60.4	61.0
EU(15)	60.3	60.8	61.4
Poland	56.6	56.9	58.0

Source: Eurostat Yearbook 2004, *Long-term indicators*, <http://epp.eurostat.cec.eu.int/portal/>

The major target of the Polish labour market policy is the worryingly high level of unemployment. The 2005 National Employment Action Plan has defined a specific objective: rate of unemployment brought down to 15% in 2006; however, the plan does not specify the expected rate of employment, stressing only the need to stimulate the demand for labour. Employment must grow in order to improve the condition of the Polish labour market and to increase households' incomes, to lower the non-wage labour costs, to reduce the budget deficit and to restore the balance of public finance. Additionally, it is necessary for attaining goals formulated under the Lisbon Strategy (with their following modifications). Also

⁷ Pre-retirement benefits were abandoned in 2002.

demographic processes that make societies age to a degree that endangers the efficiency of the social security systems must be borne in mind. One way of increasing employment is supporting longer economically active life by creating relevant incentives for the elderly to take jobs and to continue employment.

3.3.2. Measures supporting longer economic life – Program 50 PLUS

The key instrument designed in Poland to support extended economically active life is the government's program *50 PLUS - Program for Economic Activation of Persons Aged 50 Years and Older* presented in November 2004. Its strategic goal is improving the rate of employment in this age group, while retaining the necessary social security instruments for persons having the worst position in the labour market⁸. The goal will be attained by:

- promoting among employers non-discriminatory recruitment policy toward workers and job applicants aged 50 years plus;
- active pro-employment government's policy toward beneficiaries of the pre-retirement and early retirement benefits, or those that might acquire rights to such benefits, in order to keep the group within the labour force;
- enhancing measures that activate unemployed persons aged 50 years plus in order to enable a possibly large group of the unemployed to find gainful employment, or to participate in active labour market programs;
- supporting persons aged 50 years plus whose employment status may soon deteriorate, because of their dismissal for employer-related reasons.

The Program *50 PLUS* is targeted to persons beyond 50 years of age, either unemployed or exposed to the risk of redundancy, as well as persons that become disentitled to regular support such as temporary disability pensions, because of their entitlement verification process.

The program is intended to assist persons having the worst position in the labour market:

- unemployed persons, especially the long-term unemployed, registered in Labour Offices;
- persons approaching the age of pre-retirement benefits or early retirement, or becoming entitled to them;
- workers exposed to the risk of redundancy;

⁸ Information about the *Program for Economic Activation of Persons Aged 50 Years Plus* has been derived from the website of the Polish Ministry for Economic Affairs and Labour (<http://www.mgip.gov.pl/Programy/Program+50/>).

- persons whose rights to disability pensions and rehabilitation allowances are expiring.

The Program *50 PLUS* has the novelty value in Poland for two reasons.

Firstly, there has never been a central, regional or local program with the elderly as the final beneficiaries. The problem of their employment used to be resolved by dismissing them or making them withdraw from the labour force – sometimes voluntarily, but frequently under the pressure of the employer. Thereby the cost of supporting elderly, but employable persons was transferred onto the pension system, social security system, or the Labour Fund.

Secondly, the program was developed by the government and its main executors are regional and county authorities and labour market institutions (particularly the public employment service). Its new dimension is the possibility of inviting social partners to help carry out its tasks, for instance organizations of employers, trade unions, or non-governmental organizations.

The Program *50 PLUS* formula assumes the enhancement of services provided by institutions that help workers struggling in the labour market. The Program's measures take the form of local and regional projects.

There are three separate lines of action distinguished within the Program:

- economic activation of the unemployed;
- assistance to retaining workforce;
- helping people re-enter the labour force.

Measures intended for **the economic activation of unemployed persons** aged 50 years and older take advantage of:

- **prioritization of such persons by the labour offices**, which means that in the first six months of their drawing the unemployment benefit Labour Offices are obligated to present them an employment offer, other gainful job offer, training in the workplace or employment under intervention work or public works.
- **individual action plans** designed by Labour Offices for the long-term unemployed,
- **enhanced instruments of subsidized employment**, i.e. special types of intervention work for periods longer than in the case of other unemployed persons, i.e. 24 months (alternatively 48 months, if the wage costs or social security contributions are refunded every second month). Additionally, in the case of workers referred to intervention jobs, their employers can receive a grant of up to three average wages to equip the new workstation.
- **prevention of social exclusion** via extended public works (to 12 months) organized by the Labour Offices.

- **promotion of temporary work and rotational jobs** among the high-skilled unemployed persons – Labour Offices help find replacement workers on a rotational basis for periods when the permanent company staff takes training, and fill temporary position on request from temporary work agencies.
- inducement **to start up one's own business** in the form of one-off, non-repayable grant amounting to 500% of the average wage paid out by the county authorities.
- **incentives to employ jobless persons** – part of costs spent by an employer on equipping and refitting a workstation is refunded by the county authorities (up to 300% of the average wage).
- **financial incentives discouraging from economic inactivity in the labour market** – persons entitled to unemployment benefits and taking a job can receive an activation allowance representing a difference between the lowest wage and the earned pay.

The following **employment supporting measures** are applied to persons aged 50 years plus who are employed, but at risk of redundancy due to the economic condition of their enterprise or discriminatory practices of their employer:

- **standard Labour Office services** (placement, EURES services, job counselling and occupational information, assistance to active job seeking, etc.)
- **monitoring of mass dismissals.** An employer intending to make redundant at least of 100 workers over the period of three months must agree the scope and types of assistance available for the dismissed workers that combine a program of labour market services with the Labour Office.
- **training.** Workers seeking jobs in the notice period and dismissed for employer-related reasons and persons working for employers covered by the bankruptcy proceeding or liquidation are allowed to participate in training financed by the Labour Fund.
- **assistance to retraining.** Training allowance is paid out to persons taking training and dismissed by an employer who set up a training fund. Relevant projects will be carried out by the County Labour Offices and training institutions.
- **Regional job retention programs.** Regional authorities independently or in cooperation with county governments can initiate regional programs to retain and to create jobs for persons aged 50 years plus based on the regional employment plan.

Measures intended to **facilitate the re-entrance to the labour market** of persons losing rights to benefits actually resemble those presented above. However, their application requires a large degree of cautiousness, as the benefit-drawing period is typically connected with economic inactivity. The level of skills and mental readiness to take a job in that group

of persons correspond to those characterising the long-term unemployed. Another consequential aspect is that such persons have already benefited from various forms of welfare, which does not make economic activity very attractive for them.

3.3.3. Summary

On the whole, actions launched within projects submitted to the Program *50 PLUS* do not go beyond statutory unemployment combating instruments. They only add individual action plans for older unemployed to their scope or set up special support groups for such workers.

The program is expected to help activate every year around 50,000-80,000 unemployed workers and persons drawing pre-retirement benefits, as well as reduce numbers of persons dismissed before their retirement age.

The hopes for positive results of the program are connected with the fact that for the first time special measures address the older members of labour force.

Actions being taken under the Program *50 PLUS* are entirely harmonized with the EU guidelines. They primarily help improve the efficiency of the public employment service, lift barriers impeding older workers' access to jobs and support social partners' involvement. Altogether, they should encourage larger number of elderly persons to enter (in most cases to re-enter) the labour market and to stay there.

4. Demand-side determinants of the economic activation of population

The labour market always has two dimensions. The supply-side represented by the labour force is accompanied by the demand side, i.e. the absorption of workers by an economy, expressed by the number of jobs. Let us therefore analyse the basic determinants of the economic activity of population rooted in the demand side. The findings will be used to attempt indication of the most likely change trends in the long-term demand for labour in European countries, and their influence on the economic activation of population.

The basic factors that produce variations in the long-term demand for labour are: technological progress, relocation of business activities and jobless growth.

4.1. Technological progress

Technological progress belongs to civilisation, so it is not a new phenomenon. In the modern times, it has clearly accelerated and its main source is the expanding computerization

of the information distribution processes and manufacturing technologies. Among researchers investigating relationships between the current development of sciences, manufacturing technologies and communication, on one hand, and the demand for labour, on the other, a bipolarity of opinions can be found.

One position is that the technological progress will bring about a dramatic fall in the demand for labour soon, mainly due to labour's increased productivity. That fall will be accompanied by an unequal access to benefits offered by the changes, as well as other phenomena resulting in the social exclusion and marginalization of individuals and entire groups of the public, growing income inequalities coupled with a spreading poverty zone, building up risk of social pathologies and, subsequently, worldwide social and political shock. The most catastrophic vision of impacts generated by processes taking place in modern economies was formulated by Jeremy Rifkin who believes that the progressing globalization, particularly the IT and technological revolution with its reengineering, will dramatically curb the demand for labour, especially hired labour. The present age of information is forecasted to liquidate mass employment as we know it today and to increase informal employment. Following that, it will expand unemployment coexisting with a global depression. In other words, „an end of labour” can be expected, because in the modern world we cannot hope that the concept formulated within the neoclassical stream of economic theory and stating that employment declines brought about by the technological progress are offset by the demand for labour triggered by the growing productivity, falling prices and growing global demand (Rifkin 2001) will be realised.

The other pole is researchers who reject such risks, and sometimes even ridicule them. They believe that globalization, so strongly associated with technological progress, is becoming the engine of all positive changes for both individuals and entire groups of the public, as it makes higher earned incomes more readily available, improves educational opportunities (especially for lifelong education), reduces pollution in the natural environment, improves health determinants, etc. (Reich 1996, Reich 2000). In the labour market, the effects of technological progress can be found in the restructuring of the demand for labour rather than its changing magnitude. It is worth remembering though that the demand for labour can be treated as constant (or expanding) only in absolute terms, as jobs may become less stable – some will disappear to be replaced by others. This makes employees adjust their qualifications profiles: new technologies typically involve a higher level of qualifications, also those unrelated to a specific enterprise. Many traditional trades are declining. The swift progress and diffusion of new technological solutions accompanied by new forms of work

organization clearly abate the demand for low-skilled and unskilled labour. The most spectacular phenomenon here is the replacement of direct human involvement by new technologies, which reduces the demand for labour in many fields of activity (mainly manufacturing) and takes it instead to areas, where direct human intervention is still needed (mainly some types of services).

According to Witold Morawski, and his view must be agreed with, both positions about the effects of technological progress and globalization processes on the demand for labour should be treated as extreme, whereas „*the truth cannot be found in some literal centre – this would be absurd – but in the wide and changing zone that divides the extreme positions*” (Morawski 2003, p. 244).

Beside the issue of technological progress impacts on the size of the demand for labour, there is another dimension of its influence that has to be raised. Technological progress, particularly in the field of telecommunications and information technologies, makes it easier to coordinate manufacturing processes that one firm runs in its plants located in many countries. For that reason, technological progress essentially shapes the geographical distribution of the manufacturing industry that becomes more and more universal and global, while preserving its natural local roots.

4.2. Relocation of business activities and jobs

One feature of modern economies is the perfect mobility of financial capital that has evolved from international agreements on the functioning of capital markets, particularly in the area of their deregulation that enables a free movement of capital. The relatively easy coordination and organization of work in plants held by one enterprise, combined with the freedom of making the geographical expansion decisions provides actually unlimited possibilities of relocating the manufacturing industry and some types of services.

Enterprises subject their allocation decisions to the economic calculus and their mobile assets go to places, where they may turn out the most profitable. Naturally, one of the factors is the price and productivity of labour (another factor of production) that is less mobile than financial capital. The ease of capital movement actually cancels formal borders between national labour markets. Management boards analyse characteristics of labour markets (its structure of labour supply, the rate of unemployment) and workers' qualities in different countries, but most of all their price and productivity. As a result, the international demand for labour emerges that essentially determines the size and structure of the local, regional,

national and finally continental demand for labour. For instance, we can observe today an inclination to locate production requiring unskilled labour in the developing countries, where its supply is abundant and the price relatively low. The side effect of locating businesses in countries with a relatively high supply (of low-priced) unskilled labour is the falling demand for this type of labour in the developed countries.

The area within which job relocation decisions can be made has been considerably widened by **teleworking**. Teleworking is the most recent form of remote working that takes advantage of computers and telephone lines, i.e. modern ICT solutions enabling to render work at any distance from the place, where it is settled in the traditional manner. As regards the evolving demand for labour, it is important that teleworking has an international range and it is very meaningful for the promotion of equal employment opportunities. It is crucial for the underdeveloped countries and regions, where the developed countries can relocate jobs. Obviously, the prerequisite for taking them is access to and skills of using modern information technologies and telecommunications solutions (particularly the Internet).

The importance of teleworking expansion for the labour market has two dimensions. Firstly, teleworking contributes to job relocation. There are no substantive obstacles that might prevent designing work or computations commissioned by a Norwegian-based firm from being carried out by providers residing in Sudan or Mozambique. Information centres providing services to European customers can be located in the same place. Secondly, in the future teleworking may become a perfect substitute for geographical migration of workers doing jobs that do not require direct contacts with customers and/or other company staff.

Besides, because of the development of information carriers and teleworking, knowledge has become the most mobile production factor in modern economies and – according to Peter Drucker – it circulates even easier than the money does (Drucker 2001). Every individual can use knowledge freely, for instance to transfer it to any corner of the world, if such a need be. At the same time, the international capital that travels unrestricted seeks and finds high qualifications where they are, not only in the developed countries. This is consequential for the relocation of the demand for labour.

4.3. Jobless growth

An important factor that significantly determines the evolution of the demand for labour observed in developed countries is so-called jobless growth.

Records of relationships occurring between the labour market and the economic growth processes reveal certain regularity; namely, after each recession an economy absorbs less labour force than it might result from proportions observed in the expansion period of the previous business cycle phase. In other words, in every successive expansion phase following the contraction phase the number of workers is increasing later and more slowly than the relevant indicators of economic growth. Under very high GDP growth rates, a significant increase in employment seems to be guaranteed. However, when the growth rates are moderate, the relationship is much more variable and dependent on political and institutional decisions.

Jobless growth can be frequently spotted in modern developed economies. Its sources are the subject of numerous discussions and research studies (Kwiatkowski, Tokarski, 2004, pp. 281-284). They are sought in the steadily growing productivity of labour combined with technological progress that introduces labour-saving techniques and technologies of manufacturing, but primarily in the development of information technologies. In the developed countries, the role that labour once played has been taken over by capital and knowledge. Also high wage and non-wage costs of labour are emphasised. When wages are high and rigid, tax and quasi-tax burdens heavy, social standards exorbitant, selection and recruitment costs high, etc., workers become costly. Paying overtime or outsourcing the necessary services becomes much less expensive. Additionally, workers have institutional protection provided by less or more powerful organizations of labour and the labour law, which does not spur the demand for labour, either.

Of course, jobless growth cannot be found in every country (e.g. not in the USA), and where it does take place it is either stronger or weaker. Relations between the pace of GDP changes and their directions, on one hand, and the directions of changes within the demand for labour, on the other, are specific to a country and they depend, *inter alia*, on the degree to which national labour markets are regulated, on labour costs and many other factors. The point is, however, that until now jobless growth has been characteristic of the majority of European countries.

Jobless growth lessens (and it will be so in the foreseeable future) the relationship between the rate of economic growth and the growth rate of the demand for labour.

4.4. Conclusions

A scrutiny of the key factors that will determine the evolution of labour demand in the foreseeable future allows to conclude about the lack of arguments substantiating the demand's considerable growth in the European countries. There are two main reasons for such inference:

- part of the demand for labour (jobs) will relocate from the developed countries to low-developed countries. This process will be facilitated by the continuing technological progress. Even though the latter will not replace human labour with automation, it will certainly reduce the demand for workers, especially the low-skilled ones. This will make it possible to take the demand for labour (jobs) to less developed countries, where labour costs are lower and labour markets more liberal. Another reason for the relocation of jobs from developed countries to the less developed ones will be changes in the organization and functioning of large corporations and the expansion of atypical forms of employment, especially teleworking, as a substitute of geographical migration of labour force.
- despite the positive rate of economic growth in the long term, its effects on labour demand will be limited, because of the consolidating jobless growth. The phenomenon is extremely difficult to eliminate for two major reasons. One is social resistance against labour market deregulation aimed at abolishing the already acquired rights (e.g. protection of employment). The other is constantly rising productivity of labour and of other production factors, as a result of technological progress.

The intensity of the processes will vary in different countries. Nevertheless, in the foreseeable future we can expect building up tensions in the European labour markets, even if the labour force declines are taken into account. The EU strategic goal set in the Lisbon strategy (sustainable development with more jobs) may be equally important also beyond the year 2010.

The conclusions are based on analyses of the evolution of the existing and identified phenomena. Quite naturally, the analyses omit events that have not occurred yet, and whose occurrence cannot be anticipated. And the latter can disassemble an entire, even the most elaborate construction, which should always be taken into consideration.

5. Final comments

Demographic phenomena are objective in relation to those taking place in the labour market, but they determine the latter to a large degree and indirectly set the trajectory of the

labour market' states. Surveys investigating relationships between international migration, the aging of population and the labour force variations under the research project „Impact of International Migration on Population Dynamics and Labour Force in Europe” carried out by the Central European Forum for Migration Research allow to formulate two essential conclusions. One is about the labour force evolution in the next half century in the 27 examined countries: depending on the course of the migratory processes, labour force will either decline or slightly grow. The other conclusion concerns the labour force age structure – the labour force will be aging. Both the forecasted phenomena have serious consequences (mainly negative) for the European economy and public finance in individual countries. The consequences need to be counteracted using a set of diverse measures focused mainly on the labour market area.

Since the compensating effect of migratory processes on the natural movement impacts is very limited (as shown by the quoted surveys), the strongest emphasis should be put on improving the economic activity of population. However, the aggregated level of economic activity of population hinges on individuals who decide to take, to give up or to change jobs in response to a sizable and heterogeneous set of economic, social, customary or psychological factors. An attempt to shape them is always burdened by a degree of uncertainty as to the outcomes. Nevertheless, it is useful to identify factors that explicitly stimulate the economic activation of population. The following have been classified as such:

- **better knowledge (occupational skills and qualifications) arising from the development and higher availability of education**, both school and lifelong education. The significance of the factor is revealed by the existing empirical research on the main determinants of economic activity. In addition, research shows that the high-skilled persons are more adaptable to labour market variations. This finding will be particularly important both today and in the foreseeable future, considering the fast pace with which the effects of technological progress are implemented in the manufacturing processes and exchange.
- **development of atypical forms of employment** as a result of adjusted strategies pursued by businesses, on one hand, and as a way of reducing the imbalance in modern labour markets, on the other. Atypical forms of employment allow economic activation of persons who (for various reasons) either cannot or do not want to take jobs in traditional systems. They also enable at least temporary integration into the working population of persons who, because of their limited productivity, do not receive typical employment offers.

- **Making work more attractive as a source of income against its alternative sources** in order to enhance the motivation for seeking jobs. The pertinent measures in this case are limiting the availability of various options within the social security system, on one hand, and strengthening the motivating function of wages earned by the lowest paid workers (typically the low-skilled ones) by reducing the tax and quasi-tax burden on their wages, on the other.
- **combating discrimination** that limits employment opportunities available for individuals and entire groups of the society.

The labour force aging process demands special attention to be paid to the issue of extended working life, i.e. to economic activation of elder persons. With respect to this, the natural determinants of the process should be considered, such as frequent cases of older persons' being unable to catch up with the fast changes in the management processes and the labour market, or equally frequently observed their departure from creative attitudes and behaviours toward a conservative mindset. Because of that, when the elderly are planned to be exposed to the same set of the economic activity stimulants, in the majority of cases the stimulants should allow for individualized approaches, sometimes adapted to meet the possibilities of even a single person.

Measures improving the economic activity of population will only be practical, when coupled with the creation of new jobs, i.e. with a favourable evolution of the demand side of the labour market. According to our present knowledge, however, there is no reason to expect a rapid growth in labour demand in the European countries. This pessimistic conclusion comes from the analysis of the influence exerted by technological progress, job relocation processes and so-called jobless growth on the demand for labour generated in the countries. The power and direction of the three factors may take away some part of jobs from the European countries that will not be offset by jobs generated by economic growth. This may considerably reduce the demand for labour, or make it stagnate at best. In these circumstances, the process of economic activation of population will actually require implementing all available measures in order to retain the existing jobs and to create new ones.

The labour market always has two dimensions. Whatever line of action is followed to address one of them, it has to be supported by an in-depth analysis of determinants underlying the other dimension.

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