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IMMIGRATION IN EUROPE**

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LABOUR FORCE TRENDS AND IMMIGRATION IN EUROPE¹

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Labour force trends up to 2025 for the 15 countries (before May 1st 2004) of the European Community are examined. Will demographic decline have an early effect on manpower volume? Should a labour-supply deficit be expected, and in this case, how great will it be in various countries and when will it occur?

An estimation is made to determine whether present migratory flow levels will be sufficient to counter labour force stagnation.

Manpower trend scenarios are proposed for each country. They show up highly contrasting situations. These countries favour different policies for mobilising and increasing their manpower volume. There is wide divergence between the various EU countries as concerns their demographic situation and labour force participation rate as well as their social security systems. Considering these highly diverse national characteristics, the difficulty in arriving at a consensus on EU migratory policy harmonisation is stressed.

1. The immigration and labour force issue

Both public authorities and public opinion have shown, in the last few years, a growing interest in international migrations, largely explained by the anxieties generated by economic globalisation and population aging in the developed world.

It is not possible, even with a wide margin of error, to estimate the fluctuations in the migratory flow over recent years. Only indirect data for measuring varying international migrant stocks are available for appreciating these movements. It is frequently stated that international immigration may have more than doubled in 30 years from 82 million in 1970 to 175 million in 2000. To be more accurate, these figures are in fact the result of a methodological artifice since “international migrants” are counted as persons born in a

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different country from that in which they reside². If “false migrants” are excluded and only those having “crossed a frontier” taken into account, the figure is 148 million, i.e. a mean annual rate of increase over this period of 2%, slightly above the 1.7% global population increase rate. The total stock of “foreigners” over the same period has risen from 2.21% to 2.44% of global population. Migratory movements have recently undergone profound changes mainly through a wide diversification of immigration sources as well as destination countries (UN, 2003). In Europe, immigration has been on the rise since 1997 and this trend, although moderate, is a new phenomenon concerning all categories, including labour migration (Sopemi, 2003).

On May 1st 2004, the European Union reached the end of a long process of enlargement to 10 new Central European countries. This enlargement will significantly influence the economic, social and demographic characteristics of this new entity. It is therefore important to examine the trends that will continue to develop in the geographical area covered by the 15 “old” European Union countries. How great will the extent and impact of foreseeable demographic changes be? Firstly, will demographic decline be very pronounced, will it affect all countries and will it influence the size of the labour force? In other words, can a substantial manpower shortage be predicted and, in this case, how big will it be in the various countries and when will it appear?

Next, in view of this risk, should there be a recourse to a wider immigration policy than at present? How far are present migratory flow levels able to compensate for the tendency to labour force size stagnation where it appears? The part played respectively by demographic and economic factors must be assessed in order to highlight divergent or convergent trends that will lead to different countries adopting highly differentiated migratory policies.

The debate on the role of migration in Europe has been largely undermined by the fact that it has been saddled with a wide range of functions that should be aiming each at a different objective. Depending on the case in point, the aim was to avoid total population decline, to slow or even prevent aging, to prevent deterioration of its main age structure ratios, to stop the downward trend in labour force volume and make up for manpower shortages in certain sectors. The debate took off with the publication of the UN report, *Replacement Migration* (2000), which has often been badly interpreted. It presents 5 migratory scenarios, depending on more or less binding criteria. The scenario fixing the immigration level needed to avoid total population reduction is, for the countries as a whole, the only one that is realistic. It involves annual flows of 900,000 immigrants, i.e. a level slightly above that of the last 10 years³. Little notice was taken of the fact that “this exercise demonstrates the impossibility of maintaining certain parameters and consequently suggests the need for wide-ranging social and economic changes. So these are purely hypothetical scenarios, including some that are obviously unrealistic but very useful for clarifying and quantifying the demographic situation in the different countries. These scenarios should not be confused with variants of the “global population forecasts”, which are considered to be realistic (Grinblat, 2003, p.97).

A large number of demographic analyses, carried out at both European level and within each of the countries concerned, have definitely shown that population aging is an inescapable phenomenon that can in no way be remedied by migratory flows. The problem is clearly summed up by Blanchet who illustrates two contradictory scenarios: aging results either from

² On account of the dismemberment of the ex-USSR and ex-Yugoslavia, 27.5 million people found themselves “foreigners” in a new country without crossing any frontier (UN, 2004 box II.1). It is obvious that the more countries there are, the more potential “foreigners” there are!

³ The scenario, which foresees working-age population stabilisation, also appears realistic for France and the United Kingdom in view of recent trends.

a fall in labour force numbers with a stable number of pensioners, or from a rise in pensioners' numbers with labour force numbers remaining stable. In the first case, it is possible to make up the labour force shortfall partly by immigration, whereas in the second case – now prevailing in the European countries – the long-term numbers are unsustainable: “doubling the labour-force tomorrow means four times as many pensioners the day after tomorrow compared with today's level, so that the labour force must be quadrupled the day after tomorrow and so on” (Blanchet, 2002, p.363).

Few analyses concern the interaction between labour force forecasts and immigration. Some of them analyse the labour supply and various migratory hypotheses in European countries and take up the scenarios that cover the trajectory of labour force trends in these countries up to 2020 (Feld, 2000). For 16 industrialised countries, projections up to 2050 have been made concerning relationships between below-replacement fertility level, the long-term labour supply and immigration (McDonald and Kippen, 2001). One of their scenarios considers fertility levels remaining constant with migratory flows keeping to their present level, but also an overall increase in labour force participation, which, over a 30-year period, would reach the Swedish level. On these hypotheses, according to Mac Donald and Kippen, all European countries will show a labour force rise in 2025. It is however true that for 2050, the situations are in greater contrast. Projections have also been drawn up for measuring migratory flow impact compared with increased labour market participation objectives decided at the Lisbon Summit (Fotakis, 2003).

Forecasting of total labour force trends in the 15 European countries offers an interesting general view, but with the drawback of concealing sometimes widely differing situations between countries. This analysis will try to identify each country's specific trajectory. It covers the period up to 2025. The choice of a median-term horizon was determined by the nature of the phenomena analysed. Short-term observation depends too much on changing economic circumstances and erratic migratory movements. Long-term forecasts are a good way of demonstrating the effects of demographic developments, but there is no way to foresee economic policy parameters for tens of years ahead. The median term has the advantage of a foreseeable social and economic environment and is not too far ahead of possible future interventions by the public authorities normally concerned.

It is however important to note that the slight tendency towards total population increase forecast for 2025 will not be a lasting one, although it must be pointed out that the slowdown will be fairly gradual in its first phase for the 15 countries as a whole. While total population growth from 2000 to 2025 will reach 0.17% according to the latest forecasts (UN, 2003b), for the period between 2000 and 2040, it is only 0.13%, becoming more or less stationary. Only from 2000 to 2050 will a – 2.0% decrease appear.

On the other hand, considering not only population size but also changes in structure, particularly its progressive aging, Lesthaeghe (2000) rightly notes that two periods must be distinguished: the first, up to 2025, during which it will be possible to compensate for structural modifications by appropriate economic policies, and the second from 2025 to 2050, when purely demographic constraints will take over and fundamentally influence the major trends for future European populations. Let us therefore admit that the conclusions of this study are only relevant for the next 25 years and cannot apply beyond that limit. Very long-term demographic forecasts (UN, 2003b) describe upheavals facing economic theory with problems to which it seems as yet unable to propose satisfactory solutions.

With this reservation, this study will try to determine whether, for the period in question, present trends of immigration flow into Europe are at a sufficient level or if there are pertinent arguments to justify major migratory policy modifications in the 15 EU countries. The zero immigration option never having been seriously considered or effectively applied, the

question is whether it is necessary to fundamentally alter migratory flows in a purely demographic or labour force perspective, or if, on the strength of the forecasts presented, such measures appear useless and very likely to fail.

2. Total population trends

The demographic slowdown typical of Western Europe will not, contrary to a widely-held opinion, translate, during the next 20 years, into a total population decline in these countries. There will rather be, in most countries, a tendency towards quasi-stagnation, with only a slight decline in Italy, for the two scenarios considered.

The data given in Table 1 concern the 2000 population for each country according to Eurostat, in the Eurostat projection for total population, the scenario called “baseline”⁴ and the UN “medium” scenario⁵.

As a first step towards labour force assessment in §3, and concerning a comparative analysis of trends in these 15 countries, it may be useful to present and compare estimates from the two main international institutions⁶. These do not deviate much from the estimates carried out by national statistics institutes.

The reliability of these projections can be initially appraised by comparing figures for 2002, the last year available for the 15, with projections for the same year made by Eurostat in 1995. There is a 0.09% discrepancy between the projection and actual figures over the first seven years. A slight overestimation in projections (compared with real figures) can be seen for the United Kingdom and Italy and underestimation for Greece, Portugal and the Netherlands⁷.

By 2025, both scenarios, depending on the hypothesis of regular decline from 2000 on, foresee net migratory flows at about the same level, i.e. slightly above 600,000 a year. It should be stressed that these figures are well below the migratory average for these countries over the last five years, mainly marked by a net immigration drop in Germany, until recently the principal receiving country, but overtaken by Italy and the United Kingdom. The recent migratory increase can be explained mainly by the massive regularisations carried out in the last few years by the southern European countries (Portugal, Greece, Spain and Italy (Salt, 2004).

⁴ **TFR (2000-2025):** Austria (1.31-1.47), Belgium (1.54-1.75), Denmark (1.77-1.80), Finland (1.73-1.70), France (1.73-1.80), Germany (1.40-1.50), Greece (1.34-1.54), Ireland (1.89-1.82), Italy (1.22-1.45), Luxembourg (1.72-1.80), Netherlands (1.71-1.78), Portugal (1.53-1.70), Spain (1.19-1.45), Sweden (1.50-1.74), United Kingdom (1.72-1.80).

EOMales (2000-2025): Austria (74.98-77.86), Belgium (74.82-79.23), Denmark (74.19-77.91), Finland (73.92-78.09), France (74.80-78.82), Germany (74.74-78.70), Greece (75.91-79.69), Ireland (74.02-77.78), Italy (75.50-79.56), Luxembourg (74.39-79.38), Netherlands (75.49-78.75), Portugal (72.04-76.13), Spain (74.89-77.55), Sweden (77.33-79.54), United Kingdom (75.21-78.87).

EOFemales (2000-2025): Austria (81.17-83.52), Belgium (80.94-84.38), Denmark (78.97-81.61), Finland (81.10-84.03), France (82.83-85.88), Germany (80.82-83.94), Greece (80.96-83.97), Ireland (79.42-82.78), Italy (81.95-84.96), Luxembourg (80.81-84.16), Netherlands (80.86-83.63), Portugal (79.19-82.57), Spain (82.10-84.52), Sweden (82.02-83.94), United Kingdom (80.03-83.61).

⁵ The population in the 15 European countries in 2025, according to the UN 2000 Revision population forecasts, was 371,349,000; the figures for the 2002 Revision are 383,939,000. They result from an upward revision of the fertility forecast and from higher net migratory figures than in the previous estimation.

⁶ The differences are explained by the fact that the baseline scenario fertility hypotheses foresee a small fertility rise but much higher than the median UN hypotheses and rather corresponding to the “low” Eurostat scenarios. These hypotheses, which foresee a slight rise in fertility rate, are far from unanimously accepted by experts. However, these divergences in fertility trends will have scarcely any impact on manpower size since all the first cohorts (18-22 year-olds) entering the labour market around 2025 will have fairly low participation rates.

⁷ Note that the gap between the high and the medium variant for 2025 is +3.06 and between the medium and the low variant -3.31% (UN 2003b). For 2040, the gaps are + and - 7.1% and for 2050 +11.5% and -10.8%.

By 2025, the 15 European countries' population will show a slight 10 million increase, from 375,967,900 to 385,866,000, i.e. an average 0.10 annual increase rate (0.07% according to the UN estimation, and still a positive average 0.01% annual increase rate in 2040 and only a slight decrease of -0.01% in 2050).

Table 1 : Total European Population 2000- 2025

	Population at 1/1/2000 EUROSTAT (1)	Population projections at 1/1/2025 EUROSTAT (2)	Average Annual Population Increase (in %)++	Population at 1/1/2000 UNITED NATIONS (3)	Population projections at 1/1/2025 UNITED NATIONS (3)	Average Annual Population Increase (In %)++	Net Migration in 2025 EUROSTAT	Net Migration in 2025 UNITED NATIONS
Austria	8 091 800	8 159 020	0.03	8 102 000	7 979 000	-0.06	20 000	14 000
Belgium	10 239 000	10 529 973	0.11	10 251 000	10 516 000	0.10	15 000	13 000
Denmark	5 330 000	5 603 020	0.20	5 322 000	5 469 000	0.11	10 000	10 000
Finland	5 171 300	5 317 472	0.11	5 177 000	5 289 000	0.09	5 000	4 000
France	58 746 500	63 336 194	0.30	59 296 000	64 165 000	0.32	50 000	75 000
Germany	82 164 700	82 817 741	0.03	82 282 000	81 959 000	-0.02	200 000	211 000
Greece	10 545 700	10 761 301	0.08	10 903 000	10 707 000	-0.07	25 000	30 000
Ireland	3 775 100	4 533 312	0.73	3 819 000	4 668 000	0.81	5 000	10 000
Italy	57 680 000	55 069 404	-0.19	57 536 000	52 939 000	-0.33	80 000	62 000
Luxembourg	435 700	514 840	0.67	435 000	580 000	1.16	2 000	4 000
Netherlands	15 864 000	17 519 422	0.40	15 898 000	17 123 000	0.30	35 000	30 000
Portugal	9 997 600	10 602 554	0.24	10 016 000	9 834 000	-0.07	25 000	10 000
Spain	39 441 700	39 093 032	- 0.04	40 752 000	40 369 000	-0.04	60 000	56 000
Sweden	8 861 400	9 213 430	0.16	8 856 000	9 055 000	0.09	20 000	10 000
United Kingdom	59 623 400	62 795 388	0.21	58 689 000	63 287 000	0.30	70 000	135 000
UE-15	375 967 900	385 866 103	0.10	377 334 000	383 939 000	0.07	622 000	674 000

Sources: (1) Eurostat, Statistiques en bref, *Population et conditions sociales*, 10/2000, « Premiers résultats de la collecte de données démographiques pour 1999 en Europe ».

(2) Own calculations.

(3) United Nations Population Division, *World Population Prospect: The 2002 Revision, vol.1* Comprehensive tables.

3. Labour force trends in the 15 countries up to 2025

The labour force trends scenario presented here combines the Eurostat “baseline” demographic hypothesis shown in §2, and a “median” scenario of slight progress in labour participation rates calculated by Eurostat for each of the 15 countries. The data are broken down according to country, gender and year-by-year age group for each of the 25 years. Using annual data and for each separate age rather than five-year age groups has the considerable advantage of allowing accurate spotting of changes in trends and their extent.

The choice of these two median combinations is open to discussion, but has the advantage of presenting a range of sufficiently reliable probabilities for proposing alternative hypotheses and highlighting the impact of different economic and social policy options.

These data compiled from concordant sources and using a methodology common to all countries at once provide a range of significant indications.

A first important point becomes obvious : for the 15-state Europe as a whole, the labour force will go on growing steadily up to 2020, then fall back gradually to the 2000 level by 2024. Over the whole of this 25-year period, Europe's working population loses 2,864,000 members, falling from 175,828,000 to 172,964,000, i.e. a slight drop of 1.63%.

This regional trend covers highly differing national situations, which appear quite clearly in Graph 1.

With the exception of Ireland and Luxembourg on one hand and Italy on the other, all the 15 EU countries fall within a fairly narrow overall trend, somewhere between a +5% and -5% labour force variation in 2025 as against 2000. Very few labour force forecasts venture beyond the year 2025. Attention should however be drawn to estimates (De Jong and Broekman 2000) which, starting from lower hypotheses, propose a median scenario resulting in a 12% total decrease between 2000 and 2050. A scenario incorporating a whole series of measures targeted all at once on young people, women and older workers in order to increase their labour market participation rate shows up the decrease in total labour supply from 2025 to 2050, distributed very unequally between countries as can be seen in Table 2, column 4 (Burniaux, Duval, Jaumotte 2004). This calculation is rather the indication of a trend insofar as any scenario looking half a century ahead amplifies the results of the hypothesis chosen.

If the analysis is confined to the medium-term period considered in the projections proposed here, the general tendency for the 15 EU countries falls within a narrower range and yet covers well-contrasted national situations, as Graph 1 clearly shows.

There are two distinct groups of countries, a first group of seven countries, including those already mentioned, which by 2025 will have a larger labour force than in 2000: Denmark, France, the Netherlands, Portugal and the United Kingdom and a second group of eight countries that will see its labour force decline over this same period: Greece, Sweden, Austria, Belgium, Germany, Finland, Spain and Italy. Of course, the impacts of their demography and of the labour force participation rate have differing influences on the trend shown in each country.

The general movement towards demographic convergence in Western Europe is still far from resulting in behavioural consistency, and even less in similar population structures in these countries. These differences remain considerable, concerning both the demographic and economic parameters. Spain's TFR is 1.19, while Ireland's is 1.89. Male life expectancy ranges from 77.3 years in Sweden to 72.0 in Portugal. These indicators take concrete form in fairly diversified population structures, these countries having started on the aging process at different times and at different rhythms. Labour force participation also varies greatly, with the total labour-market participation rate (between 15 and 75 years old) between 36.7% in Italy and 67.1% in Sweden.

Thus most countries have hardly any difficulty in maintaining steady manpower growth during the first half of this period, while later some will face stagnation and some a slight reduction. These trend differences can be expected to influence in part these countries' perception of the need to have recourse to migratory flows and to what extent.

Questions arise however as to the extent and consequences of the labour force to be experienced by nearly all countries at a certain point of time. When the rate of decline is considered, as calculated for each country from the year of maximum labour force, and up to 2025, there is clearly a considerable fall in numbers for at least six of them. How can the impact of this reduction be assessed? One way to do this would be to compare the flow of decline with the capacity for potential manpower mobilisation at the margins of the labour market. Preferably, in order to do this, the average annual rate of decline should first be calculated. Manpower loss percentages are presented in Table 2. How far will it be possible

to make up for this reduction, and will it in this case be necessary to have recourse to a massive increase in immigration flows? The policies advocated go beyond the simple question of maintaining a certain labour force size or ratio. The incentives designed to increase older workers' and women's participation have to be accompanied by more general measures in order to offset the effects of demographic change on the economy (International Monetary Fund, 2004). Increasing capital stock per worker, fiscal modification, adapting the labour market, accelerating the introduction of technical progress, guaranteeing a high level of yearly gains in labour productivity: all these strategies are more and more often suggested, but no consensus has so far appeared.

Nevertheless, the labour force has, up to now, been growing at a high and steady rate. In the baseline year 2000 for these projections, the labour force size in each of the 15 EU countries reached an unprecedented level, still fed by the presence of the last of the baby boomers.

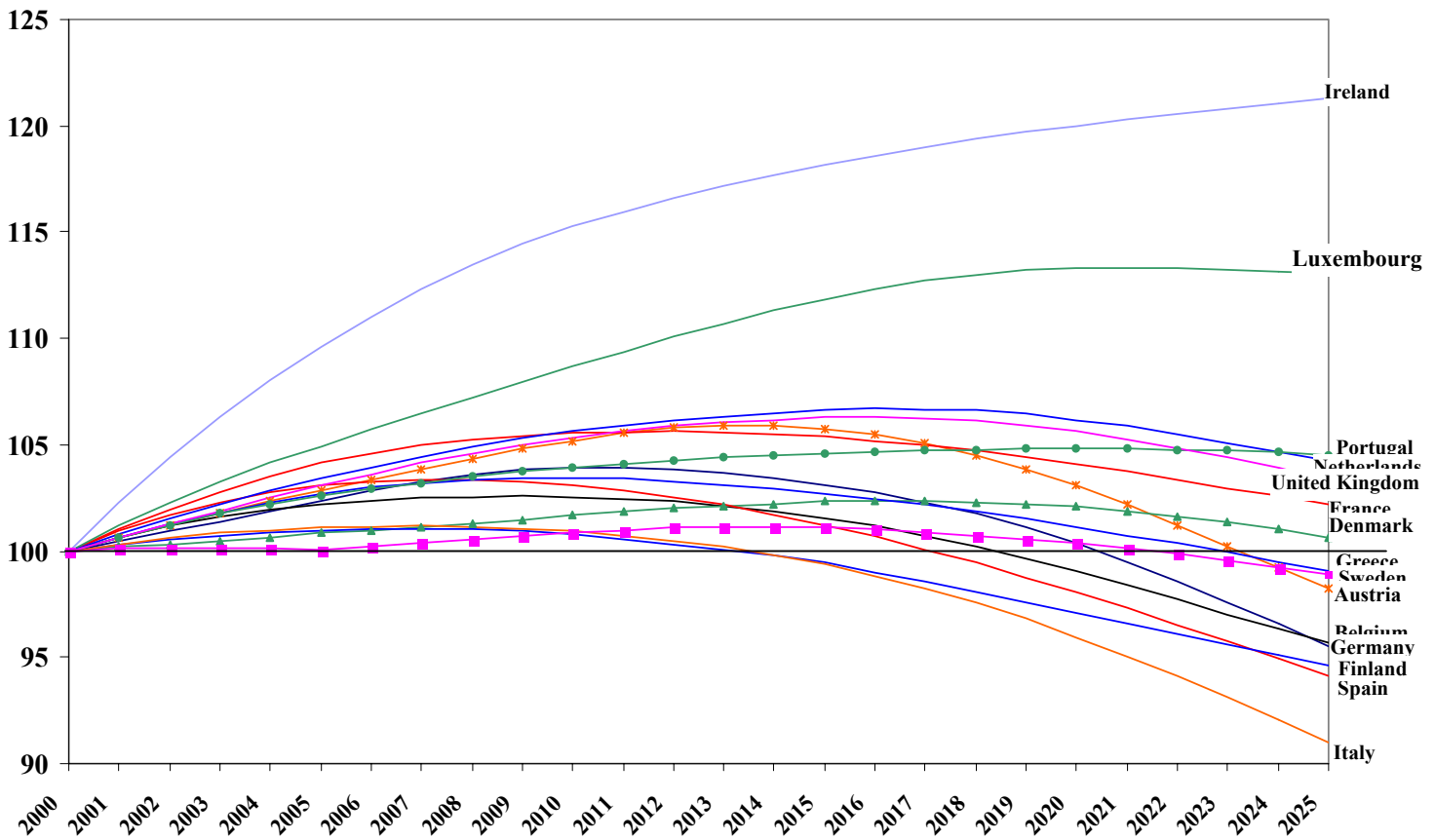
Table 2 : Maximum labour force and labour force rate of growth(2025-2050)

Country	Maximum labour force year	Aggregate growth rate as from turning point year up to 2025 (%)	Mean annual rate of growth as from turning point year up to 2025 (%)	Total Labour Supply 2025-2050*
Austria	2013	-7.85	- 0.68	-15.4
Belgium	2009	-7.19	-0.47	-4.1
Denmark	2016	-1.75	-0.20	-3.5
Finland	2007	-6.83	-0.39	-8.4
France	2012	-3.34	-0.26	-6.6
Germany	2010	-8.75	-0.61	-13.4
Greece	2010	-4.45	-0.30	-11.1
Ireland	2025	--	--	-0.8
Italy	2007	-11.16	-0.66	-24.7
Luxembourg	2021	-0.21	-0.05	+5.5
Netherlands	2016	-2.37	-0.27	-2.2
Portugal	2020	-0.27	-0.05	-5.4
Spain	2008	-9.84	-0.61	-15.2
Sweden	2014	-2.32	-0.21	+0.8
United Kingdom	2016	-2.84	-0.32	-2.3

Sources : *own Calculations*

* *BURNIAUX, J-M and alii, OCDE ECO/WKP/2003/25 Appendix Tab6.*

Graph 1: Labour force projections for the 15 EU countries 2000-2025



Between 1985 and 2000, it was mainly the demographic factor that drove annual manpower growth by over 0.7% in western European countries as a whole, inasmuch as total labour force participation rates were marked by stagnation and in some countries reduction. Thus the manpower rise during these years in Belgium, Denmark, France, Luxembourg, Portugal and the United Kingdom resulted solely from demographic growth (Bagavos & Fotakis 2001).

In the coming years, of course, the trend will be completely reversed, mainly because there is the prospect of a rise in labour market participation, which will contribute to continuing labour force growth, while the demographic effect stays negative in almost all countries⁸. To explain this change, if we propose a projection centred on the hypothesis of population size and structure remaining constant at the 2000 level, a 5% manpower rise by 2025 is observed, that is to say 8,780,000 more workers rather than 2,800,000 fewer. Only Sweden would see quasi-stagnation.

⁸ With the exception of Luxembourg, where the migratory flow is essential for the labour force stock in this country as well as in Ireland.

Labour force size depends firstly on the fertility rate, life expectancy and migratory flows. It then relies on labour market participation among the various population groups, the young, working adults, older workers, working women. Finally, it depends on institutional factors such as the compulsory school-leaving age and retirement age.

Comparison between the respective impacts of these factors in different countries at different times throws an interesting light on their capacity for combining demographic and economic determinants.

We will here only present the effects of the two main determinants: demography and participation behaviour as a whole, without breaking them down into finer components.

Table 3 shows that the behavioural effect will be enough to make up for the demographic effect in ensuring labour force growth in France, the Netherlands and the United Kingdom, but it will be clearly insufficient to prevent a labour force drop in Germany, Belgium, Spain and Italy, while this balance will be just sufficient for maintaining the quasi-*status quo* in the other countries.

Table 3: Breakdown of labour force variation through demographic and behavioural effect 2000-2025

	Labour force		Labour force variation		Demographic effect	Behavioural effect
	2000	2025	Real figures	%		
Austria	3 976 500	3 905 000	-71 500	-1.8	-10.3	8.5
Belgium	4 346 000	4 159 800	-186 200	-4.3	-9.6	5.3
Denmark	2 890 800	2 908 500	17 700	0.6	-3.3	3.9
Finland	2 501 700	2 366 500	-135 200	-5.4	-10.1	4.7
France	27 263 100	27 861 900	598 800	2.2	-4.2	6.4
Germany	40 058 000	38 276 900	-1 781 100	-4.4	-10.1	5.6
Greece	4 685 000	4 639 700	-45 300	-1.0	-4.8	3.8
Ireland	1 680 200	2 038 500	358 300	21.3	15.8	5.5
Italy	23 717 600	21 587 500	-2 130 100	-9.0	-16.9	7.9
Luxembourg	182 100	206 000	23 900	13.1	5.0	8.0
Netherlands	7 757 400	8 084 800	327 400	4.2	-3.9	8.1
Portugal	4 995 500	5 221 600	226 100	4.5	1.0	3.6
Spain	17 359 100	16 336 400	-1 022 700	-5.9	-10.1	4.2
Sweden	4 436 200	4 385 400	-50 800	-1.1	-1.2	0.0
United Kingdom	29 978 600	30 985 100	1 006 500	3.4	-0.7	4.0
EUR-15	175 827 700	172 963 700	-2 864 000	-1.6	-7.1	5.5

Source: Own calculations

Several points stand out concerning the pertinence of hypotheses centred on a reversal of the participation rate reduction trend. The recent decline in participation rates in certain age groups can be explained by factors that have probably already had their full impact in the last 10 years. The 15- to 24-year-old participation drop and the pre-pension programs designed to avoid unemployment among older workers affected by industry and service restructuration have probably reached an end-point. A continuing rise in female participation can also be expected, as well as an increasingly positive effect of improvement in the general level of education on participation rate in future generations. It is to be noticed that for the EU, in the 55-64 age group, 46% of men with basic education are in work, the percentage rising to

67.5% for the university-trained. For women, the difference is even more marked: the participation level is only 37.4% for those with basic education and 78.4% for the university-trained (European Commission, 2002).

The hypothesis of recourse to increased labour immigration must also depend on the timing specific to each of the 15 EU countries. The year by which the labour force will have fallen back to its 2000 level also marks a precious indication of the urgency of the constraints imposed by the tempo and the nature of the adjustments made necessary by a possible labour shortage.

Graph 2 distinguishes several categories of countries: those whose labour force is already in decline or will be in a few years, those which will only reach their 2000 level between 2014 and 2025, and those like Denmark, France, Ireland, Luxembourg, the Netherlands, Portugal and the United Kingdom, who face this prospect only well after 2025.

Graph 2: Year by which the labour force (projected and constant rates) will have fallen to 2000 level

	Projected rates (real)	Constant rates
<i>Countries whose labour force is still falling (and is thus still below the 2000 level)</i>		Austria Belgium Denmark Finland Italy
<i>Countries whose labour force will have fallen to the 2000 level within 10 years (by 2014)</i>	Finland Italy	Germany Greece Spain EU15 The Netherlands France
<i>Countries whose labour force will have fallen to the 2000 level within 20 years (by 2024)</i>	Germany Greece Spain UE15 Sweden Austria Belgium Denmark	Sweden United Kingdom
<i>Countries whose labour force will have fallen to the 2000 level after 2025 ; Or countries whose labour force is still growing (and is thus still above the 2000 level)</i>	France The Netherlands Ireland Luxembourg Portugal United Kingdom	Ireland Luxembourg Portugal

4. Potential manpower mobilisation

Total population and particularly labour force aging, arising from the demographic situation, will inevitably burden dependence ratios. This trend gives rise to fears that go far beyond the possible risk of an overall labour supply shortage and, for all countries, raises the question of pension systems viability, their transformation and financing. This problem has been in debate for many years within international and national bodies, where a consensus has formed on a wide panoply of instruments that should be put in place (UN, 2000). The aim of all these measures is to boost latent or inactive manpower mobilisation and raise labour productivity.

The recourse to more intensive labour migration to cope with the labour force-aging phenomenon is considered only as a marginal expedient (Coppel, Dumont & Visco, 2001).

Nevertheless, for some years there has been the question of sectorial manpower shortages that should be compensated for by higher foreign worker recruitment.

Defining the exact nature of a manpower deficit is a delicate exercise. A total shortage means that it is impossible to fill vacancies whatever the wage the employer is prepared to offer.

From structural manpower shortage situations to shortfalls in certain sectors or caused by short term economic circumstances, the range of measures to be put in place, among them taking on migrant workers, obviously differ greatly. The reality of considerable shortfalls in certain sectors cannot be denied, but it must be stressed that it is extremely difficult to foresee them in time as well as to determine exactly when the turnaround will come.

Examination of the main research works on manpower shortages has not made it possible to reach a consensus either as to its definition or its measurement, nor, a fortiori, as to the means to be mobilised to combat the situation since the causes of labour market tensions are specific to each country. Existing analyses work at various levels. At the macro-economic level, there is often reference to the vacancy rate in a given occupation (defined as the relation between the number of vacant posts and the number of workers employed in an occupation), while other studies focus on labour need projections in a certain occupational sector and find themselves faced with the difficulty of making reliable forecasts on the connections between new entrants for each type of training and the needs of certain professions. A general review carried out by OECD based on enquiries in collaboration with the main business organisations, chambers of commerce and of public institutions in most of the 15 EU countries does not present any decisive lessons on this subject (Doudeijns and Dumont, 2003)

4.1 Higher employment objectives

The EU is unanimous in considering that an increase in labour market participation is essential for most countries, not only to ensure social security financing, but also simply to guarantee a high level of economic productivity. As we know, at the Lisbon summit, the EU solemnly declared its objective of making Europe the most productive economy in the world! And yet there is no doubt that the performance of the 15 EU countries is poor, in comparison with most other OECD industrialised countries as concerns geographic and labour mobility as well as unemployment rates, potential labour force participation and retirement age.

In the first place, in spite of recent but still fairly modest progress, occupational and geographical mobility within the Community remains very low, although most of the obstacles have disappeared thanks to EU measures enabling freedom of movement. International migration within the European Union mainly concerns migrants from outside the Community, not nationals of the member-states.

Europe also suffers from very high unemployment levels, permanently above those of other developed countries. Unemployment rates for the region as a whole have been rising for some years and affect nearly 9% of working-age population, roughly 14 million individuals.

These figures underestimate the extent of under-employment insofar as they do not include involuntary part-time work, which is relatively common in certain countries.

Poor mobility and high unemployment are the two foremost indicators of manpower reserves to be exploited, ahead of the measures designed to increase labour-market participation.

4.2 Increasing labour-market participation

Table 4: Progress made towards achieving the Lisbon and Stockholm objectives

	Total employment rate				Female employment rate				55-64 employment rate				(5)
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	
Austria	69.3	0.7	1.01	0.13	63.1	-	-	-	30.0	20.0	66.67	6.59	59.3
Belgium	59.9	10.1	16.86	1.97	51.4	8.6	16.73	1.95	26.6	23.4	87.97	8.21	58.5
Denmark	75.9	-	-	-	71.7	-	-	-	57.9	-	-	-	60.9
Finland	68.1	1.9	2.79	0.34	66.2	-	-	-	47.8	2.2	4.60	0.56	60.5
France	63.0	7.0	11.11	1.33	56.7	3.3	5.82	0.71	34.8	15.2	43.68	4.63	58.8
Germany	65.3	4.7	7.20	0.87	58.8	1.2	2.04	0.25	38.6	11.4	29.53	3.29	60.7
Greece	56.7	13.3	23.46	2.67	42.5	17.5	41.18	4.40	39.7	10.3	25.94	2.93	na
Ireland	65.3	4.7	7.20	0.87	55.4	4.6	8.30	1.00	48.1	1.9	3.95	0.49	62.4
Italy	55.5	14.5	26.13	2.94	42.0	18.0	42.86	4.56	28.9	21.1	73.01	7.09	59.9
Luxembourg													59.3
g	63.7	6.3	9.89	1.19	51.6	8.4	16.28	1.90	28.3	21.7	76.68	7.37	
Netherlands	74.4	-	-	-	66.2	-	-	-	42.3	7.7	18.20	2.11	62.2
Portugal	68.2	1.8	2.64	0.33	60.8	-	-	-	50.9	-	-	-	62.9
Spain	58.4	11.6	19.86	2.29	44.1	15.9	36.05	3.92	39.7	10.3	25.94	2.93	61.5
Sweden	73.6	-	-	-	72.2	-	-	-	68.0	-	-	-	63.2
United Kingdom	71.7	-	-	-	65.3	-	-	-	53.5	-	-	-	62.3
EU15	64.3	5.7	8.86	1.07	55.6	4.4	7.91	0.96	40.1	9.9	24.69	2.80	60.8 ^e
2010 OBJECTIVE	70				60				50				

(1) 2002 Employment rate

(2) Absolute gap compared with Lisbon objective

(3) Percentage gap compared with Lisbon objective

(4) Annual rate of increase necessary for achieving Lisbon objective in 2010

(5) Average retirement age – total⁹

e estimation ; na : not available

Sources: Eurostat, NewCronos data base,

P. Scherer (2002)

The Lisbon summit had fixed the objective of achieving participation rates of 70% for the whole of the labour force and 60% for women by 2010, which of course implies that men must show a much higher participation rate than the global 70%. The Stockholm summit added the objective of 50% for 55- to 64-year-old potential workers.

⁹ This indicator shows the average age at which workers finally withdraw from the labour market. It is based on a probability model considering relative changes in labour force participation rates for a given age from one year to another.

The participation rate is derived from a Community enquiry concerning (LFS) labour forces covering the whole of the private household population. The definitions used are based on the ILO (International Labour Organisation) recommendations.

The realisation of this program by the European economy necessarily involves creating 15 million extra posts by 2010 for the resident population alone (European Commission, 2002). This additional labour stock mobilisation will of course have to develop independently of any recourse to immigrant workers.

Table 4 presents a panoramic view of the current situation in all the countries, showing the progress made and how far they are from the objectives to be achieved. There are three distinct groups of countries: four countries, Sweden, Denmark, the Netherlands and the United Kingdom have already gone beyond the Lisbon criteria, not only for men but for women and older workers; certain countries have nearly reached them, but the majority of countries were still a long way from these objectives, less than seven years from the date fixed. The gap is mainly due to women's and older workers' participation level. Will these countries be able to catch up by 2010? Column 4 figures give the annual rates of increase required to do this (they are especially high for Belgium, Greece, Italy and Spain). To take the measure of the effort involved we must point out that, on the basis of 1995 to 2002 data, not one of these countries has achieved equivalent growth rates, while in the last few years some even record negative rates¹⁰.

Note that the countries achieving the lowest results in comparison with the Lisbon objectives are also those which, on account of demographic factors, will see the greatest decline in their labour force. The only outstanding exception is France, where the labour force will continue to grow despite its poor employment rate performance.

The other means of mobilising manpower resources concerns retirement age. However the number of years counting for a completed career is calculated, the overall tendency is towards raising the legal retirement age. Austria and France have already modified their legislation with this in view, and in many other countries legislative changes are being prepared. It is, however, less the official pensionable age than the actual age of retirement that represents the true criterion for assessing the potential labour force increase. The average age of withdrawal from the labour market (see column 5) is, in several countries, far lower than the legal pensionable age because fiscal and financial incentives which were counterproductive on the macroeconomic level were used to discourage employment of the oldest workers. In the general context of labour force aging, this type of policy can no longer be pursued.

What part will migratory labour play beside this overall plan for mobilising large segments of potential manpower?

The measures which in the coming years will have to be fine-tuned and given force in order to increase labour participation concern a whole range of policies, including the raising of education levels, occupational recycling, family policy, and social security reform. Locally and selectively, migratory flows can make a contribution to this mobilisation by providing labour market flexibility, particularly in sectors where foreign labour and native labour to a great extent complement each other.

Nonetheless, migrant worker flows are, generally speaking, only very marginal to the receiving countries' labour force as a whole. But, immigrant manpower flows must be put into perspective in relation to total labour stocks as well as to annual manpower entries into the labour market. Table 5 shows that the contribution of migrant workers will stand at roughly 320,000 a year for the 15 EU countries as a whole, representing about 0.18% of total labour force stock. But, as already noted, old immigration countries have, in recent decades, experienced regular arrivals of foreign manpower which have largely contributed up to now to

¹⁰ The 10 countries joining the European Union on May 1st 2004 all have participation rates inferior to the Community average.

their labour force increase. Structurally speaking, they will have to go on representing, in most countries, a considerable proportion of the total labour supply¹¹ (Tab.5, col.5) (

Table 5: Annual migrant labour force flow as a proportion of total labour force in 2003 and in 2025 foreign labour stock

COUNTRY	Migrant labour force		% of total labour force		Foreign Labour Force 2002 (% of total labour force in 2002) *
	2003	2025	2003	2025	
Austria	7 129	11 373	0.18	0.29	9.9
Belgium	5 232	6 944	0.12	0.17	8.2
Denmark	6 413	5 941	0.22	0.20	1.0
Finland	2 747	2 545	0.11	0.11	1.4
France	24 792	25 793	0.09	0.09	6.2
Germany	138 508	105 683	0.34	0.28	8.9
Greece	10 487	11 890	0.22	0.26	9.5
Ireland	6 995	2 693	0.39	0.13	5.6
Italy	24 871	36 385	0.10	0.17	3.3
Luxembourg	1 223	986	0.65	0.48	43.2
Netherlands	18 720	19 976	0.24	0.25	3.6
Portugal	7 359	12 420	0.14	0.24	2.5
Spain	17 324	28 044	0.10	0.17	2.7
Sweden	8 060	10 171	0.18	0.23	4.6
United Kingdom	46 973	39 098	0.15	0.13	4.8
EU- 15	326 833	319 942	0.18	0.18	

Sources : own Calculations

* OCDE (2004) *Trends in International Migrations*, p50

5. Divergences between countries and the European harmonisation problem

Exact forecasting of migratory flow movements is a practically impossible task. The best that can be done is to show how migrant numbers would develop if current trends continued and, in addition, propose a few realistic alternative hypotheses covering a range of the most plausible possibilities. Going beyond this would involve tentative answers based on uncertain foundations. These precautions are all the more necessary in view of the fact that migratory movements in the last few years in Europe show wide fluctuations that could be called “erratic”, inasmuch as they in no way result from the effect of economic or demographic determinants¹². In 2001, Austria, Finland and France saw a large immigration increase of 15%, while Belgium, Italy and Portugal recorded a decrease (Sopemi, 2003). This situation, where certain countries have a short period of high entry-flow increase while others suddenly

¹¹ It must again be noted that unlike in traditional immigration countries, EU statistics are based on workers’ nationality, not on their country of birth).

¹² Two main reasons explain the wide differences that exist between years in the host country table, in spite of recent efforts to harmonize European migration statistics: the lack of precision and sometimes absence of exit flow data for the last few years in certain countries, and “clandestine” regularisation measures that cause very high but temporary peaks in the entry flow.

find themselves with a decreasing trend, obviously makes it extremely risky to try to modify the trends described here by making a forecast for controlling them.

In this case, is it advisable or even possible to set up migratory policy harmonisation mechanisms at the European level?. With regard to the question of asylum policy and the granting of refugee status, the directives decided by the European Commission definitely tend towards greater coherence and improved efficiency. But where labour migration is concerned, there are other essentials and each country faces its own constraints. It seems inappropriate to try to cope with European labour force decline through a common migratory policy, and this for two reasons: firstly, because of the wide disparities between countries; secondly on account of the priorities to be respected for the drawing-up of a European social policy.

5.1 Wide migratory and demographic disparities between European countries

There are striking contrasts between demographic situations as well as labour force behaviour in the European countries, as seen in the previous paragraphs. Only the most outstanding differences will be described, without dealing with either economic growth performance diversity and unemployment levels or historical contexts or well-known institutional factors.

5.1.1 From the demographic standpoint

An initial disparity, already noted, concerns total labour force size by 2025. The variations from the -1.6% European average are quite considerable (-8.9% decrease in Italy, -5.9% in Spain and -5.4% in Germany on the one hand, and, apart from Ireland and Luxembourg, increases reaching +4.2% in the Netherlands, +3.3% in the United Kingdom and +2.2% in France, on the other). (A more detailed analysis for United Kingdom is presented in Coleman & Rowthorn, 2004)

Secondly, the demographic change timetable also presents wide contrasts. As shown in Graphs 1 and 2, certain countries have already started on the labour force decline process, while for others this will only occur in about 10 years' time, whereas for some the probable decline will only take place after 2025. We can expect that, with these very different time-spans, these countries will have to face more or less tight constraints and that their order of priorities will vary according to the point at which this movement takes effect. We may even see conflicts of interest arising between these countries.

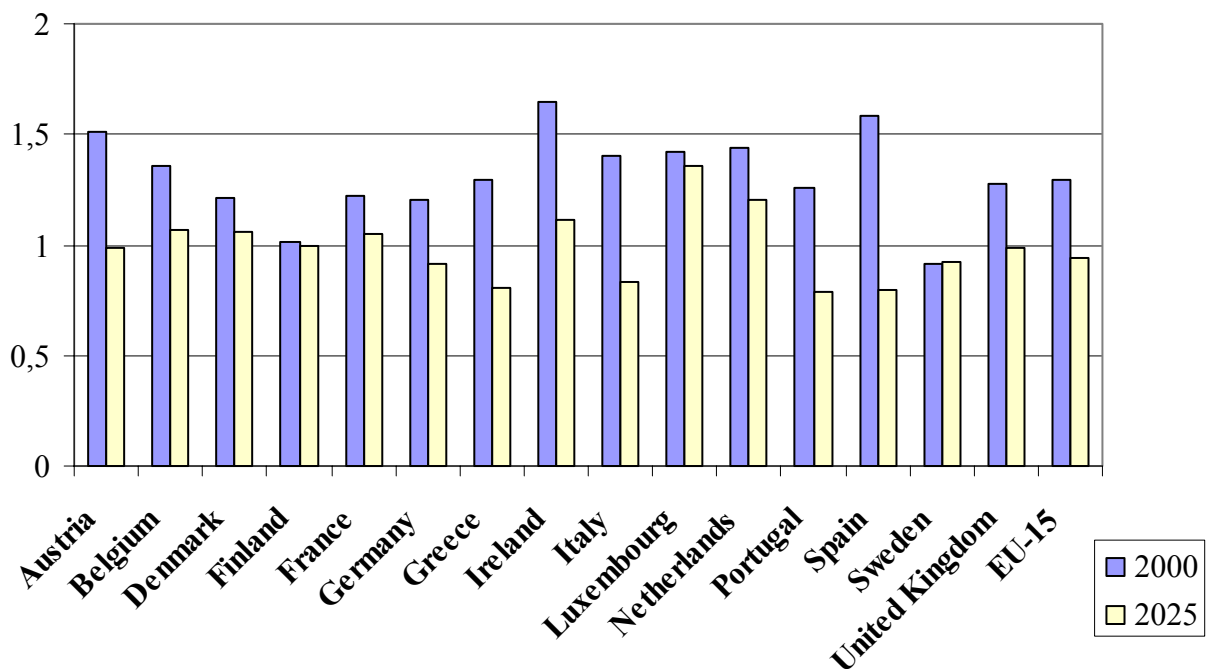
Thirdly, some striking contrasts can be observed between neighbouring countries. Three pairs of countries share a border: Germany (-1,781,000) with France (+ 598,000); Belgium (-186,000) with the Netherlands (+ 327,000) and Spain (-1,020,000) with Portugal (+323,000). It is impossible to foresee how far these highly differing situations will influence these countries' attitudes to the trends in question. Neither can we exclude the prospect that commuters and border populations will, as is already the case in Luxembourg, partly act as a substitute for the role of external migrations.

5.1.2 From the manpower standpoint

European countries have performed very differently in their efforts to increase their labour supply. Among them, four countries: Denmark, the Netherlands, Sweden and the United Kingdom now already have employment rates distinctly higher than the Lisbon objective, while others will definitely not attain this objective by 2010 (Feld, 2005). The capacity to mobilise potential manpower reserves depends on a range of economic, social and educational incentives specific to each country in their abundance and effectiveness.

Nonetheless, whatever attempts are made to stimulate labour stock, there remains the problem of the overall labour force aging process, which is more acute in some countries than in others.

Graph 3: Under -40 labourers / over-40 workers ratio, 2000 and 2025



Graph 3 demonstrates the labour force-aging phenomenon. While for Europe as a whole, the trend is, generally speaking, very marked, the under -40/ over-40 worker ratio falling from 1.29 to 0.94, there are strongly diversified situations. In northern European countries, the ratio remains almost stable (Finland 1.00 to 0.98, Denmark 1.21 to 1.05), while all the countries in southern Europe will see a large-scale and extremely rapid aging process (Spain 1.57 to 0.79, Italy 1.40 to 0.82, Portugal 1.25 to 0.79). This can be explained by the fact that the former entered the final phase of demographic transition many years ago whereas the latter have only recently seen a sharp and rapid fall in the birth rate. Demographic factors can in no way modify this inescapable phenomenon. Neither foreseeable changes in the fertility rate nor in expectation of life over these 25 years would have the effect of modifying these ratios. As to migratory flows, considering the hypotheses put forward in the scenarios, they can, as we know, only slightly affect the labour force age structure.

It must nevertheless be pointed out that, for countries undergoing these sudden manpower aging shifts, there may appear considerable imbalances in the ratio of potential entry-flows to

exit-flows on the labour market. For them, recourse to more intensive migrant labour recruitment will certainly represent a quick and easy means of coping with occupational and sectorial manpower shortages.

5.1.3 From the social standpoint

Most European countries face having to transform their social security system to cope with aging, the rise in medical costs and in those for the non-working population. Certain lobbies have constantly invoked the slogan “Let immigrants pay our pensions”, in spite of the endless repetition of all the demonstrations showing the demographic impossibility of this proposition. In certain cases, older labour force rigidity can be profitably balanced by migratory flows, but most countries will inevitably be obliged to delay the retirement age, no matter how the pensionable years of service are calculated. Some countries, such as Austria and France have already made legislative modifications to this end. But efforts should be directed rather to the actual age of withdrawal from the labour force than to the official retirement age. In some countries, there is a very wide gap between legal retirement and actual withdrawal age. Nearly all countries will have to endeavour to diminish this gap, which has multiple causes and leads to very high budgetary costs, but the capacity for adaptation of their social security systems varies greatly.

In short, there are several distinct categories for the 15 EU countries: the northern countries recording good performance, an intermediate category with mixed results and the countries of southern Europe where the indicators are all well below the European average. These countries will suffer from a fall in labour force size and there are still only modest attempts to increase labour-market participation among women and older workers. In fact, the southern European countries will be handicapped in the coming years by an accumulation of specific features: they suffer from both weak demography and the lowest TFR in the world, with particularly low female labour market participation as well as overall labour force participation rates below the European average. These are also the countries that in the last few years have seen large-scale immigration flows. This raises the question whether, in this situation, the migratory flow might provide a convenient alternative to social policy reforms that would thus become less urgent.

We also see a wide diversity in migrant flow nature, composition and level of qualifications according to the receiving country. It is not easy to identify migrant flow characteristics, while it is possible to have a good overall view of the immigrant population stock in each country. Labour force participation, and unemployment and education levels show very wide discrepancies largely explained by historical factors and specific admission procedures. Particularly in the case of education levels, considerable disparities appear in the non-European foreign population data. In certain countries, the proportion of university-trained foreigners is very small: 4% in Portugal, 9% in Italy and in Austria, while it is much higher in other countries: 20% in Finland, 21% in the United Kingdom and 29% in Sweden¹³.

These disparities obviously influence integration policy priorities and procedures.

¹³ Eurostat, Labour Force Surveys, unpublished data

5.2 Migratory policy harmonisation prospects.

Should it have been expected that a common European labour migration policy would be put swiftly and efficiently into practice, in spite of all the disparities mentioned above and which suggest such disparities might create conflicts of interest between countries or at least wide divergences in their order of priorities? Since the Tempere European Council declaration which fixed the objectives proposed in the May 1, 1999 Amsterdam Treaty, little progress has been made. The five-year period allowed for this program to come into force ended on May 1st 2004 with no concrete measures in view for the coordination of legal migrant flow control. And yet the guiding principles for this initiative take fully into account the specific needs of each country. It was, moreover, urgent to define this policy and put it into practice inasmuch as it was to serve as a reference framework before enlargement to the 10 new member-states.

A recent Commission statement refers explicitly to the difficulties and slow progress of this procedure; “an open method of coordination for Community immigration policy adopted by the Commission on 11 July 2001 and inspired by the coordinated strategy for employment has not yet drawn any explicit response from the European Council-COM (2001/387)” , Sopemi (2003). However, while it has made substantial progress in the last few years with regard to coordination of external border control policies, migrants’ rights, the initiation of integration procedures, as well as measures to combat illegal immigration, the Commission has so far failed to persuade member-countries to accept common rules for labour immigration. Very recently, in the Hague programme the European Council of 4-5 november stressed the importance of the debate on the Green paper which should be taken as a basis for" a policy plan on legal migration including admission procedures capable of responding promptly to fluctuating demands for migrant labour in the labour market"¹⁴. This Green Paper initiative, drawn up in view of the probable ratification of the European Constitution, represents one initiative among others in what appears as “a first step legislation”

The debates arising from this in-depth discussion process that the Green Paper hopes to initiate within the institutions and civil society will certainly be of great interest but, in fact, we may wonder whether, in the absence of tight social policy harmonisation, it is realistic to propose a harmonised migratory policy. It could be argued that, prior to the drawing up of a common migratory policy, a certain degree of convergence is required in employment and social security policies.

A comparison may be useful for throwing light on the issue: it was possible to put the Euro, the common EU common currency, into circulation only after the Maastricht criteria for monetary and budgetary policy convergence had been met, criteria then made permanent by the Stability Pact. Without wishing to exaggerate the parallel between monetary and migratory policy¹⁵, it must be pointed out that, in the context of freedom of movement within Europe, the risk of conflicting interests between industry, trade unions and national authorities is all the greater when labour markets and social security systems show wide disparities.

In conclusion, a wide range of policies exists, from family measures enabling mothers to have easier access to the labour market to measures designed for reducing financial incentives that encourage men over 50 to retire too early from the labour force. Such programs, targeted at the young as well as women and older workers, cover a social, political and economic field of action holding priority over migratory policy adjustments, which can be only of secondary importance.

¹⁴ European Council conclusions, Annex I, point III4

¹⁵ For the reader who might be surprised by the comparison of monetary with migratory policies, we recall a recent episode in intra-European relations. Soon after the fall of the Berlin Wall, the German Chancellor H.Kohl decided that the East German mark exchange rate would be fixed at parity with the West German mark. The aim of the over-evaluation of the East German currency was to prevent a rush of workers to the West. The effect of this monetary policy was obviously an alternative to a migratory flow.

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