

CHART OF THE WEEK

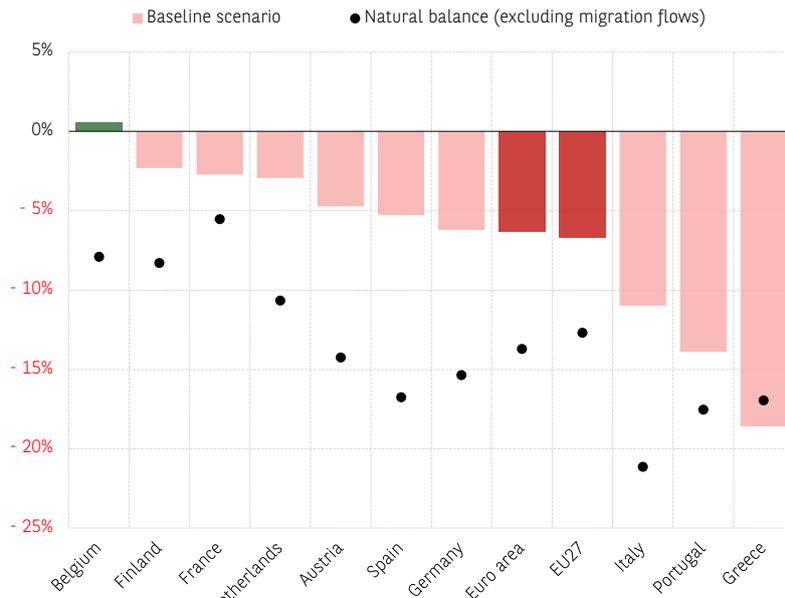
CHART OF THE WEEK

6 March 2024

EUROPE: A FUTURE BETWEEN AGEING AND GREENING

Jean-Luc Proutat

Projections of working age population (15-64) from 2023 to 2040



Source: Eurostat (EUROPOP 2023), BNP Paribas

To achieve its climate goals, the European Union (EU) should cut by 90% its greenhouse gas emissions by 2040 (compared to 1990 levels), according to a recent recommendation by the European Commission¹. This means rapidly increasing investment in renewable energies, electricity grids, transport infrastructure and thermal renovation of buildings. The result is a substantial financial burden (estimated at between 58 and 66 billion euros per year in France²), but also a heightened quest for technological and human resources. For its ecological transition, the Old Continent is looking for computer scientists, civil engineers, electromechanics, building and public works managers, plasterers, electricians, roofers and more.

In the same way, because it calls for a limitation of phytosanitary inputs, an extension of organic farming areas, and the restoration of hedgerows, the greening of agricultural practices as set out in the "Farm to Fork" strategy implies more mechanical and manual work, and therefore more hands.

Which brings us back to a question that has been debated since the origins of economic thought, namely the supply of available labour and its adequacy to needs. In this respect, Eurostat's recently updated demographic projections point to scarcity³. Experiencing the combined effect of longer life expectancy and declining birth rates, Europe's working-age population (aged 15-64) is set to fall sharply between now and 2040 (by almost 7%, or 19 million individuals in Eurostat's baseline scenario, cf. graph), while the senior population (aged 65 and over) is set to grow (by 26 million individuals).

To offset this phenomenon, most EU countries have long pursued policies aimed at maximizing employment rates (by extending the legal retirement age, tightening unemployment benefit rules, encouraging the hiring of young people, strengthening vocational training etc.). They are also resorting to immigration, without which the fall in Europe's working age population would be twice as fast, and the immense task of greening the economy more complicated to carry out.

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¹ European Commission (2024), *Securing our future, Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society*, February 6.

² The additional investments needed to decarbonize the French economy (net of divestments from fossil fuels) are estimated at EUR 66 / 67 billion per year by 2030 (at constant 2023 prices) by the "Pisani-Mahfouz" report; a more recent assessment by the Institute for Climate Economics estimates the same surcharge at EUR 58 billion per year over the period 2024-2030. Institute for Climate Economics (I4CE, 2023), *Panorama des financements climat*, November. Pisani-Ferry J., Mahfouz S. (2023), *Les incidences économiques de l'action pour le climat*, Rapport de France Stratégie, May.

³ Eurostat, "Europop 2023" Base, <https://ec.europa.eu/eurostat/web/population-demography/population-projections/database>

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