

# Demographics and the economy: how a declining working-age population may change Europe's growth prospects

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According to Eurostat's demographic projections, Europe's working

age population (aged between 20 and 64 years) will be declining by 0.4% every year between now and 2040, a decline that has already started in 2010. This will have major implications for the EU's growth potential in the long run.

Economic growth can come from two sources – and things are not looking too bright in Europe for either of them:

- **Productivity gains** (GDP per employed) in the EU have been lagging behind US labour productivity that grew by 1.5% per year since the beginning of the decade compared to around 0.9% in the EU.
- **Employment growth** in the EU is also trailing the US performance. Moreover, the 'demographic dividend' of the baby boomers (the fact that large cohorts born after WWII were of working age) is coming to an end and the working-age population will be shrinking over the next five decades – an unprecedented situation for the EU.

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