



## Every Age Counts

Greater prosperity and better quality of life for all generations

The further development of the Federal Government's demographic strategy

### I. Introduction

Demographic change is both an opportunity and a challenge: Never before have people lived so long in good health, and never have so few children been born as in Germany today. Life expectancies are steadily rising, and the number of young people is falling. Migration within and among countries has been a fact of life for decades. These trends require all of us to be flexible and open to change, and they require forward-looking policy for our country.

The Federal Government has taken on this task: In 2011, it presented a report on demography, and in 2012 it published a comprehensive demographic strategy. The report described the demographic change and its impacts on Germany in the medium and long term. The demographic strategy, "Every Age Counts", aimed at taking advantage of the opportunities offered by population trends. It described for the first time all fields of action important for making policy in response to demographic change. On this basis, the Federal Government launched a dialogue with representatives from every level of government, from the private sector, the social partners, the research community and civil society. Joint working groups formulated concrete approaches and presented their initial results to the public at the Federal Government's demography summit in May 2013.

On 14 January 2015 the Federal Government decided to follow up on this approach and further develop its demographic strategy under the heading "Greater prosperity and better quality of life for all generations".

In doing so, it has formulated the goals of the strategy more precisely and pointed out what has already been achieved and where further efforts are needed. It also points out the connection between the fields of action and the concrete results of the working groups and makes clear which priority measures the Federal Government will take to manage demographic change.

In addition, the Federal Government has increased its cooperation with its partners in a total of ten working groups:

- "Good partnerships for strong families"
- "Young people shape the future"
- "Motivated, skilled and healthy workers"
- "Living independently in old age"

- “Alliance for people with dementia”
- “Strengthening regions undergoing demographic change – promoting quality of life in cities and rural areas”
- “Mobilizing all potential to ensure the supply of skilled workers”
- “Tapping the potential of foreign workers and creating a welcoming culture”
- “Promoting educational careers”
- “The public service as an attractive and modern employer”

The partners are crucial to the success of the overall process. They contribute ideas and suggestions based on valuable experience and expertise. Under the direction of one or more chairpersons from the Federal Government and one or more co-chairs representing the partners, they and the representatives of the federal ministries discuss the demographic challenges in the various fields of action, develop new proposals for solutions and help carry them out. The working groups’ proposals cover all areas of life and policy affected by demographic change.

The main results of the working groups have been incorporated into the updated strategy. Together with the Federal Government measures, they will enable greater prosperity and better quality of life for all generations.

## **II. Summary**

The demographic situation in Germany<sup>1</sup>

Demographic change and its impacts have been making themselves felt in almost every area of life in Germany for many years. Demographic change is caused primarily by steadily rising life expectancy, continuing low birth rates and growing national and international mobility. These three long-term trends have already changed the population structure and will continue to do so.

For more than 40 years, women in Germany have had, on average, 1.4 children. Each generation of children replaces only two-thirds of the previous generation; 2.1 children per woman are needed for full replacement. High levels of childlessness and few families with three or more children are typical for Germany.

Life expectancies in Germany have risen steadily for more than 50 years: Since 1960, life expectancy for men has risen by an average of 10.8 years and for women by an average of 10.4 years. Life expectancy will probably keep rising in the future as well. More and more people are living to older ages while remaining physically and mentally fit. People are staying healthy until later in life.

Since 1950, overall net migration has increased, despite swings in both directions. Immigration has risen since 2010, after a long lull. Germany has become a country of immigration, with more immigrants coming from other EU countries, workers coming from outside the EU and a growing number of migrants coming for humanitarian reasons. In general, the new immigrants have much higher levels of skills and qualifications than those of the past.

---

<sup>1</sup> For explanations and detailed descriptions, see Chapter III: The demographic situation in Germany.

In 2012, net migration was 369,000; in 2013, this figure was roughly 429,000. Further increases are expected for 2014 and 2015.

In 2013, 16.5 million people in Germany were of immigrant origin, or 20.5% of the total population. About one-third of all persons having an immigrant background were born in Germany (6 million), while two-thirds were born outside Germany. Of these, 36.6% come from other EU countries.

By 2030, Germany's total population is forecast to be about the same size as today; it is expected to rise initially and then fall. But the size of the working-age population, that is, persons from 20 to 66 years old, is expected to shrink by up to 3.5 million during the same period. The average age of the overall population will continue to rise. The "baby boom" generation will have retired by the end of the 2020s, and the share of those over age 67 will increase relative to the share of those of working age. By 2030, the group of persons over 67 will grow by 27%, while the group of those over 80 will grow by 43%. Demographic change will continue to 2060. The total population could shrink to 73.1 million.

The share of persons under age 20 would then be only about 16% of the total population. And the working-age population is also expected to shrink significantly, while the share of the old and very old continues to grow.

Other assumptions about fertility rates result in different population forecasts: For example, if one assumes a fertility rate of 1.6 children per woman, a moderate increase in life expectancy and long-term net migration of 200,000 per year, total population would only fall to 76.9 million. While the fertility rate could theoretically rise, there are currently no signs of it doing so. But according to all the model calculations, population shrinking and ageing are not reversible.

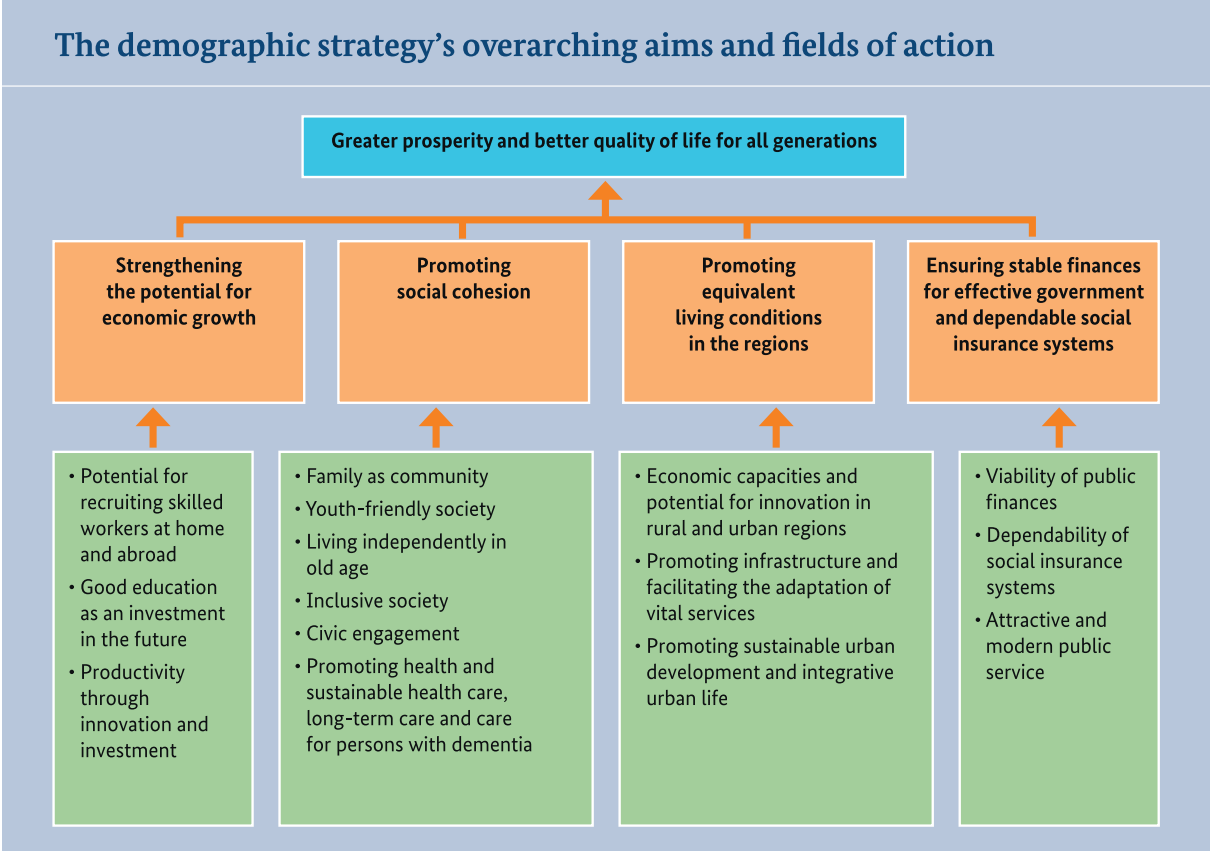
The Federal Government's demographic policy: Aims and fields of action

Demographic change will have a major impact on society and the conditions for developing prosperity and quality of life in the coming decades. The Federal Government's demographic policy is therefore aimed at creating the necessary conditions to increase prosperity for all generations in our country and further improve the quality of life.

In particular, this policy is intended to

- strengthen the potential for economic growth, in order to build on the material well-being already achieved and be able to pass it on to future generations;
- maintain and promote social cohesion – within families, between generations, between the healthy and the sick, wealthy and poor, persons with a disability and without and among people from different cultural backgrounds;
- promote equivalent living conditions and a high quality of life in rural and urban areas differently affected by demographic change;
- ensure the long-term effectiveness of government, the dependability of the social insurance systems and an attractive and modern public service through stable finances.

The Federal Government believes that achieving these goals requires a broad package of measures in numerous fields of action. The overarching aims of the demographic strategy and the central fields of action to achieve these goals can be represented as follows:



As recent experience has shown, immigration from abroad cannot reverse demographic change, although it can influence its extent. A slight increase in fertility could also help reduce the undesirable effects of demographic change over the long term. For this reason, in recent years the Federal Government has taken a number of measures, also as part of its demographic strategy, to help families have the children they want.

The aims and fields of action of the Federal Government’s demographic policy: Related measures

The Federal Government and its partners have developed approaches and initiatives covering all areas of life and policy affected by demographic change.

**Strengthening the potential for economic growth: Fields of action and measures**

One overarching aim of the Federal Government’s demographic policy is stabilizing the potential for economic growth for the long term and enabling a further increase in prosperity to pass on to future generations. Key factors here are ensuring the supply of skilled labour and strengthening the potential of education. These are tasks for society as a whole which encompass child-raising and schooling, occupational training for young people, continuing education, activating potential skilled labour in Germany and tapping into the potential for skilled labour outside Germany, as well as

ensuring appropriate wages and salaries. It is also necessary to permanently strengthen economic development through innovation and investment. Over the long term, the most important thing is to maintain and increase per capita income despite demographic change.

Field of action: Potential for skilled workers at home and abroad

Germany still has no acute nationwide shortage of skilled workers, although there are shortages of workers with certain skills in some regions and industries. The Federal Government's plan for ensuring the supply of skilled labour calls for making use of all available potential and has helped keep the current situation from getting worse. The Federal Government regularly reports on developments in the supply of skilled labour, and an interministerial working group on skilled workers of the future reviews the Federal Government's aims and measures every year.

Selected measures

- In November 2014, the Federal Government, its social partners, companies and chambers of trade and industry founded a partnership for skilled workers with the aim of better identifying and mobilizing existing potential. The partnership focuses in particular on strengthening the workplace as a starting point for measures to ensure the supply of skilled labour.
- The "Inclusion Initiative" provides about €140 million to support the labour market participation of skilled workers with a severe disability. By creating at least 1,300 new training posts, this funding especially benefits young people with a severe disability.
- The multilingual website [www.make-it-in-germany.com](http://www.make-it-in-germany.com) was created as part of the Federal Government campaign to attract skilled workers. With 7.7 million visitors from around the world, the website serves as a "welcome mat" for Germany. A telephone hotline for skilled workers and students abroad was added in December 2014 to answer questions about working and living in Germany.

Field of action: Good education as an investment in the future

Germany's ability to innovate and compete rests on its well-trained workforce. Good education is an important prerequisite. As the population shrinks, it is more important than ever to make sure that every individual successfully completes the necessary education and training. Specifically, the Federal Government is helping create high-quality early childhood education, improve teacher education, offer systematic and practical vocational counselling, strengthen the dual system of vocational education and training, increase participation in continuing training and ensure excellent higher education. A special priority is making sure that all young people complete school.

Selected measures

- A joint federal–state conference was held on 6 November 2014 to address the system of early childhood education and child care. The conference initiated a dialogue process among the responsible federal and state ministers and the national associations of local authorities about the quality of publicly sponsored child day care. A regular expert dialogue is under way, and a progress report will be presented in late 2016.

- To strengthen the dual system of vocational education and training, in late 2014 the Federal Government joined with the Federal Employment Agency, the federal states, trade and labour unions and the private sector to form the Alliance for Initial and Continuing Vocational Training 2015 to 2018. The Alliance fulfils the “training guarantee” in the Coalition Agreement.
- With its funding priority on skills management in the workplace in the face of demographic change, the Federal Government is exploring how to promote previously undiscovered skills in the workforce, for example through new models for organizing work, through human resources policy oriented on workers’ life phases or through new strategies for managing skills in the workplace.

Field of action: Productivity through innovation and investment

Innovation and investment are crucial for a competitive national economy. It is important to continue to generate growth, particularly if the population is shrinking. The necessary investment depends not only on the amount of capital already invested, but also on the future tasks to be carried out: In Germany, these include the transition to affordable, reliable and environmentally sustainable energy and the increasing digitization of society and the economy. The Federal Government aims to permanently increase public spending in areas such as infrastructure, education and research and to significantly improve the conditions for private investment.

Selected measures

- The first step in implementing the new high-tech strategy was the programme “Innovations for the production, service and work of tomorrow” launched in September 2014. This was followed in April 2015 by the new platform “Industry 4.0”, which builds on the project of the same name, part of the high-tech strategy.
- The Federal Government is investing in nationwide broadband infrastructure in the framework of its Digital Agenda for 2014 to 2017. One of the goals of Field of action I, Digital Infrastructures, is to create a nationwide broadband infrastructure with download speeds of at least 50 megabits per second by 2018.
- Investment to improve transport infrastructure will increase from €10.8 billion in 2015 to a new high of about €12.8 billion by the end of the current legislative term.

Promoting social cohesion: Fields of action and measures

Demographic change is a challenge not only in economic terms, but also when it comes to the social fabric and cultural diversity. The Federal Government wants to make policy for all generations that will enhance social cohesion. To do so, it is taking forward-looking measures especially in its policy for families, young people and seniors, health and long-term care and civic engagement.

Field of action: Family as community

Family and children continue to play an important role for the population. Family will continue to be an issue of lifelong significance also in the future. The fair division of labour between mothers and

fathers at work and at home is a key field of action for policy-makers, the private sector and society as a whole. The Federal Government wants to help families and potential parents achieve a fair division of labour and better balance family and career obligations. To do so, it has taken important legislative measures.

#### Selected measures

- The introduction of **ElterngeldPlus** makes it easier to combine the parental allowance (*Elterngeld*) and part-time work.
- The new law on reconciling family, career and care for family members makes it easier for workers to balance obligations in all three areas.
- The new law on increasing the supply of child day-care centres helps improve the division of labour between parents and the balance between family and career obligations.

#### Field of action: Youth-friendly society

About 14 million young people between 12 and 27 years of age currently live in Germany. As part of the demographic development, this age group will shrink, while the share of older citizens steadily grows. So demographic policy must figure out how to reconcile the different expectations and needs of young and old.

#### Selected measures

- The dialogue process launched in 2011 to develop a stand-alone youth policy was completed in 2014.
- Now the Federal Government's activities to make society more responsive to young people's needs and expectations are being consolidated within the youth strategy for 2015 to 2018.
- Young people in rural areas can participate in regional projects, and recommendations for action will be drafted by 2017.

#### Field of action: Living independently in old age

Demographic change has the greatest obvious impacts on older people. Seniors in Germany today live more than 30 years longer than people their age did a century ago. They are also more likely to remain in good health and be able to live independently. At the same time, however, a growing need for assistance can be expected. Key factors for being able to live independently in old age can be found in our social environment. For this reason, many of the Federal Government measures provide support for intact neighbourhoods and local community networks as well as to improve the living situation of older people.

#### Selected measures

- With its action programme for multi-generational housing, the Federal Government is helping to develop communities of care.
- Supporting age-appropriate conversions is intended to help older people continue to live in their own homes. This is also the goal of the Development Loan Corporation (KfW) programme for home conversions to meet the needs of older people.

- The Federal Government's guide to accessible construction sets new standards for federal buildings.

Field of action: Inclusive society

The UN Convention on the Rights of Persons with Disabilities entered into force in Germany on 26 March 2009. The main focus of policy for persons with disabilities has shifted from care to self-determination and participation. The Federal Government introduced this change of perspective with the Act on Equal Opportunities for Persons with Disabilities (BGG) and the General Equal Treatment Act (AGG).

Selected measures

- The National Action Plan has more than 200 measures for inclusive society to ensure the right to live independently. It is being revised under the working title "NAP 2.0" with the broad participation of civil society.
- Two important legislative initiatives are to be implemented in 2016: The law on equal opportunities for persons with disabilities is to be amended, and a federal law on participation is to be drafted, which will improve the overall living situation of persons with disabilities.

Field of action: Civic engagement

More and more older people value the assistance of volunteers in their daily lives. And we know that older people are more interested in civic engagement themselves after they retire. The Federal Government wants society to focus on the growing group of fit older people and their potential. Over the long term, the Federal Government hopes to create a network of partners from government, civil society and the private sector to help them better coordinate their activities.

Selected measures

- Together with five major foundations (Bertelsmann Stiftung, BMW Stiftung Herbert Quandt, Herbert Quandt-Stiftung, Körber-Stiftung and Robert Bosch Stiftung) and the Generali Zukunftsfonds, the Federal Government has launched the network programme "Engaged City" to systematically develop and strengthen local engagement.
- The second report on civic engagement is entitled "Demographic change and civic engagement: How engagement can help local development". It is intended to show how civic engagement can encourage positive interaction and improve community life, and what is needed for success.

Field of action: Promoting health and sustainable health care, long-term care and care for persons with dementia

Because people are living longer now, the health of every individual is increasingly important. People are more likely to develop chronic illnesses or multiple health conditions as they age. This trend creates additional burdens for health care systems and services. The Federal Government wants to help people stay healthy as they age; it also wants to ensure the provision of dependable, age-



appropriate and accessible health care; encourage the further development of hospice and palliative care; and ensure the provision of good quality, properly targeted long-term care.

#### Selected measures

- The First Act to Strengthen Long-Term Care calls for service improvements at a cost of roughly €2.4 billion. The act covers both at-home and institutional care.
- With its Second Act to Strengthen Long-Term Care, the Federal Government introduced an important new perspective: The new legislation will redefine the need for long-term care and introduce new evaluation procedures, putting the statutory long-term care insurance on a new footing.
- To secure the provision of the necessary health care services wherever they are needed, the Federal Government has drafted legislation to strengthen the statutory health insurance system.

Fields of action and priority measures for the overarching aim of promoting equivalent living conditions in the regions

Decentralized settlement and cultural and geographical diversity are characteristic of Germany and an important factor in its economic success. Urban and rural areas complement each other. But there is a danger that imbalances between and within regions may continue to grow. The Federal Government is already working in all relevant policy areas to buffer the effects of demographic change and offer the regions long-term perspectives for the future: from regional, economic, transport, infrastructure, environmental and regional planning policy, to rural and urban development policy and labour market, education, health and family policy.

Field of action: Economic capacities and potential for innovation in rural and urban regions

Demographic change has a major economic impact where the working-age population is shrinking and approaching retirement, and the local economy has structural weaknesses and poor access to population centres and major cities. There are still significant differences between western and eastern Germany in this regard. Support for the regions is important for strengthening economic capacities and the potential for innovation in regions with less-developed economies. When the Solidarity Pact ends in 2019, the federal system of support for less prosperous regions will be reorganized. The new system of support will focus on measures to strengthen the potential for growth and innovation in less-developed regions; additional measures will provide funding for infrastructure and vital services.

#### Selected measures

- The Federal Government has increased funding for regional support within the joint federal/state programme to improve regional economic structures (GRW).
- The joint federal/state programme to improve the agricultural sector and coastal protection (GAK) has been expanded to fund a greater range of projects in rural areas and take better advantage of funding offered by the European Agricultural Fund for Rural Development (EAFRD).

- A task force on rural development was established in early 2015 at the level of parliamentary state secretaries to better coordinate activities within the Federal Government on behalf of rural areas, with the help of an interministerial working group on the same subject.

Field of action: Promoting infrastructure and facilitating the adaptation of vital services

Population trends are creating different regional challenges for ensuring the provision of vital services (social infrastructure such as schools, medical care, cultural and leisure activities; technical infrastructure such as the drinking water supply, sewerage, waste disposal, energy, roads), which must respond to population changes: a growing, shrinking and/or ageing population. New and flexible solutions are needed. Accessibility of vital services is key. For this reason, the Federal Government has identified nationwide access to broadband as a priority, along with promoting flexible, demand-oriented services in local public transport.

Selected measures

- The Carriage of Passengers Act has been amended, expanding the possibility to offer flexible transport services, for example by making it easier to issue permits.
- Investing in nationwide, high-capacity broadband infrastructure will help ensure equivalent living standards and the provision of vital services everywhere in Germany.
- The federal rural development programme launched in early 2015 will promote new ideas for ensuring the provision of vital services in rural areas.

Field of action: Promoting sustainable urban development and integrative urban life

For a high quality of life, urban and rural areas must be attractive to both young and old. The Federal Government's policies on urban development, housing and the environment are therefore designed to help make cities, towns and regions more attractive at a time of demographic change.

Selected measures

- The Federal Government has significantly increased funding for urban reconstruction and development assistance programmes to help prepare communities for the future. The functionality of city and town centres is being improved, public buildings and spaces are being made accessible for people with a disability and strong infrastructure is being created.
- The social integration programme "Socially Minded City" (Soziale Stadt) alone has a budget of €150 million. And policy action is increasingly focusing on the future of smaller cities. Funding for the programme to promote cooperation between smaller cities and communities (Kleinere Städte und Gemeinden - überörtliche Zusammenarbeit und Netzwerke) has been increased in order to strengthen small and medium-sized cities as regional anchors.
- All levels of government and all relevant actors are involved in the alliance for affordable housing and building (Bündnis für bezahlbares Wohnen und Bauen). The field of action concerning age-appropriate renovations (Altersgerechter Umbau im Quartier) is especially important for dealing with demographic change.

Fields of action and priority measures for the overarching aim of ensuring stable finances for effective government and dependable social insurance systems

As the population ages, there are fewer and fewer people of working age compared to those of retirement age. This means that fewer and fewer workers must pay into the pension insurance system for more and more retired people. This also has an impact on our social insurance systems. At the same time, if no corrective action is taken, tax revenues will fall, especially revenues from payroll and income taxes. This can lead to financial risks. This is why one of the Federal Government's core tasks within its demographic policy is ensuring dependable social insurance systems and viable public finances at every level of government. Effective government requires a competitive and efficient public service able to meet the challenges of demographic change.

Field of action: Viability of public finances

Viable public finances are one essential factor for ensuring that government retains its ability to function in a time of demographic change. The state must have enough resources to meet greater expenditures arising from demographic factors and to manage possible structural changes in revenues without overburdening future generations. The Federal Government's rigorous budget consolidation and greatly increased investment for the future have helped in this regard.

Selected measures

- The federal budget is now balanced, and by 2023 total government debt will be less than 60% of gross domestic product (GDP), so that solid finances will make sure the government can continue to function.
- Financial relations between the Federation and the federal states are to be restructured in line with their interests and to strengthen federalism overall.
- The Federal Government regularly publishes viability reports; together with a research project on challenges of demographic change for tax law, they identify long-term finance policy risks.

Field of action: Dependability of social insurance systems

In view of demographic change, dependable social insurance systems are especially important, both for benefit recipients and for the state. This is why the social insurance systems must be sustainable and able to cope with demographic change, so that benefit levels remain stable and the long-term financing remains secure. To this end, the Federal Government relies on the sustainable organization of the health and long-term care insurance schemes and on measures to ensure the viability of the retirement insurance system for the future.

Selected measures

- A long-term care fund has been created to ensure the financial sustainability and intergenerational fairness of the long-term care insurance scheme. Effective January 2015, more than €1 billion per year will be paid into a fund managed by the Bundesbank.
- The finance reform effective 1 January 2015 has improved patient-oriented price and quality competition in the health-care sector: To attract patients and insured persons, service providers and health insurance companies are supposed to strive for high-quality care and the efficient use of funds.

- Government-subsidized private pension schemes will become more consumer-friendly: A binding, standardized product information sheet will be introduced and a product information office will be set up to improve transparency of private pension products.

#### Field of action: Attractive and modern public service

Like private-sector employers, the public service will also have to face the impacts of demographic change. Federal, state and local government employers will have to adapt to smaller numbers of workers, while the share of older workers will continue to grow to 2030, when the last of the “baby boomers” will have retired. The average age of employees in the public service is relatively high, which will only intensify these impacts.

#### Selected measures

To prepare for demographic change,

- the central federal training capacities for high-demand occupations will be expanded and the resources of the Federal University of Applied Administrative Sciences distributed accordingly;
- the Federal Government will propose setting up a central pool from which the federal ministries can recruit high-demand younger workers before older workers retire and the market for skilled labour becomes even more competitive.

#### Outlook

With its updated demographic strategy “Greater prosperity and better quality of life for all generations”, the Federal Government offers responses to population trends in the short, medium and long term. To carry out its demographic strategy, the Federal Government will continue the working group process and its cooperation with its partners. The latest results will be presented at the next demography summit in 2017.

Find out more about the Federal Government’s demographic policy, the working groups and developments in the federal states at the website [www.demografie-portal.de](http://www.demografie-portal.de)