CHAPTER 8

DEMOGRAPHIC CHALLENGES – LABOUR LAW RESPONSES



NÓRA JAKAB

Abstract

Demographic challenges raise complex cross-policy issues. This chapter addresses the narrow issues of labour law regulation and the broader issues of employment and social security in the context of the ageing society as a demographic challenge. The chapter first examines issues related to labour law issues, which is the broad framework within which we can present the qualitative criteria for a life worthy of the active and inactive (i.e. once working) person. To find solutions to the demographic challenges, the chapter briefly summarises the results of two recent studies. A well-functioning social system goes hand in hand with a well-functioning economy. The challenge is combining both economic and social aspects in a balanced manner.

Keywords: labour law regulation, employment, social security, sustainability, human resources, generation gaps

1. Identifying the problem

All countries face major challenges to ensure that their healthcare and social systems are ready to face the current demographic shift. In 2050, 80% of older people will be living in low- and middle-income countries. The pace of population ageing today is much faster than in the past: in 2020, the number of people aged 60 years and older outnumbered children younger than 5 years.

Nóra Jakab (2024) 'Demographic Challenges – Labour Law Responses'. In: Tímea Barzó (ed.) *Demographic Challenges in Central Europe. Legal and Family Policy Response*, pp. 229–251. Miskolc–Budapest, Central European Academic Publishing.

https://doi.org/10.54237/profnet.2024.tbdecce_8

Between 2015 and 2050, the proportion of the world's population over 60 years will nearly double from 12% to 22%.¹ The complexity of the problem is compounded by the fact that the ageing of society poses several challenges for labour law, employment policy, fiscal policy, and social care systems. At the same time, fertility rates and youth employment are falling (see the data below), with youth unemployment also forming part of the demographic challenge.

Pressure persists to maintain adequate and financially sustainable levels of pensions as population ageing is accelerating in most OECD countries. In 1980, there were two people older than 65 years for every 10 people of working age in the OECD countries. That number increased to slightly over three people in 2020 and is projected to reach almost six people by 2060. The working-age population, measured using fixed age thresholds, is projected to decline by more than one-third by 2060 in several countries.²

Pressure on social care systems can be reduced by reforming the pension system; however, at the same time, the demand for workers, services, and industries to care for older adults will increase. A large number of new jobs and businesses that are adapted to the needs of older citizens will be created in sectors such as health and long-term care, pharmaceuticals, and housing. The growing number of people of non-working age is increasingly dependent on the declining number of people of working age (see the data below). This could slow economic growth, lead to lower tax revenues, and threaten the financial sustainability of social protection systems. One obvious solution is to keep older workers in the labour market, but this requires increased attention to health and safety at work, working hours and work organisation, and retraining and training.³

- 1 WHO, 2022.
- 2 Pensions at Glance 2019: OECD and G20 Indicators.
- 3 European Council, 2005.

Particular attention should be paid to policies for the sustainable integration of young people into the labour market in the context of the European Commission's mutual learning programme on employment. The aim should be to increase youth employment; priority should be given to improving the situation of the most disadvantaged young people, particularly those living in poverty, and to initiatives to prevent early school leaving, in national policies for social inclusion. Employers and businesses should be called upon to demonstrate their social responsibility in the area of the professional integration of young people. In addition, young people should be encouraged to develop their entrepreneurial spirit, and the promotion of young entrepreneurs should be facilitated.

In this regard, an important document is the Communication from the Commission to the Council on European policies concerning youth. Agenda for Europe's youth: Implementing the European Youth Pact and promoting active citizenship. European Commission, 2005, COM(2005)206 final. This document sets out measures for the employment, integration, and social advancement of young people.

The Employment Guidelines, now part of the Integrated Guidelines, proposed for the period 2005–2008, are at the heart of the European Employment Strategy and play a key role in coordinating Member States' employment policies. The guidelines address the question of how employment policies can promote quantitative and qualitative job creation and set out three priorities in this context: sustainably increasing employment rates and modernising social protection systems; improving the

As indicated above, the situation of young people is a major demographic challenge. Compared with previous generations, the life stages of today's young people are being extended, and the road to the next stage of their development is longer and more circuitous. In preparing the mid-term review of the Lisbon Strategy, the European Council considered the importance of demographic factors in shaping Europe's future. As the European Commission's Green Paper on the challenge of demographic change concluded, the decline in the birth rate and the increase in life expectancy have led to dramatic changes in the number and age composition of the European population. The number of young people aged 15 to 24 is expected to fall by 25% between 2005 and 2050, from 12.6% to 9.7% of the total population. On the other hand, the proportion of the population aged 65 and over is expected to increase from 16.4% to 29.9%. The Green Paper draws attention to the implications of these changes for Europe, particularly for young people. Young people can make a significant contribution to the Lisbon Strategy's objectives of job creation and growth as they are the workers and employers of the future and a source of much-needed skills in research, innovation, and entrepreneurship. These objectives can only be achieved if young people are provided with high-quality education and training adapted to the needs of the labour market and are equipped with the necessary knowledge, skills, and competences. This can only be achieved by removing the obstacles of poverty and social exclusion. Efforts must also be made to tackle gender inequalities, with young women experiencing higher rates of unemployment and poverty and young men higher rates of early school leaving.⁴

In July 2023, 2.683 million young persons (under 25) were unemployed in the European Union (EU), of whom 2.206 million were in the euro area. The youth unemployment rate in the EU was 13.9%, down from 14.2% in June 2023, and 13.8% in the euro area, which was stable compared with the previous month. Compared with June 2023, youth unemployment decreased by 58,000 in the EU and increased by 12,000 in the euro area. Meanwhile, compared with July 2022, youth unemployment decreased by 85,000 in the EU and 80,000 in the euro area.⁵

adaptability of workers and enterprises and increasing the flexibility of labour markets; and investing in human resources through education and skills.

Member States will take steps to promote youth employment. They aim, *inter alia*, to reduce youth unemployment, create employment opportunities, develop personalised action plans to help job-seekers and provide them with advice and training in the job search process. In 2005, the Commission and the Member States put young people at the centre of the mutual learning programme for employment. Through the social inclusion strategy, the Commission and the Member States aim to help the young people most in need.

See: Communication from the Commission to the Council on European policies concerning youth. Youth issues on the agenda: Implementing the European Youth Pact and promoting active citizenship European Commission, 2005, COM(2005) 206 final.

⁴ See: Communication from the Commission to the Council on European policies concerning youth. Youth issues on the agenda: Implementing the European Youth Pact and promoting active citizenship European Commission, 2005, COM(2005) 206 final; Communication from the Commission Green Paper, 'The challenge of demographic change: New forms of solidarity between the generations', European Commission (2005) COM(2005) 94 final.

⁵ Eurostat, 2023a.

In addition to young people, older people also play a significant role in the current demographic challenges. The number of older people in Europe is rising rapidly due to increasing life expectancy and declining fertility. The proportion of people aged 65 and over in the working-age population (15–64) is expected to reach 50% by 2050, double the current rate. These demographic developments have significant social and economic consequences. While the positive effects of longer life expectancy should not be overlooked, this situation creates significant challenges for labour supply and the functioning of social protection systems. As the latter is based primarily on the principle of solidarity within and between generations, we must preserve a balanced distribution of resources between the different age groups.

Older people make a significant contribution to the economy and society; however, their contribution can be further enhanced by improving their health and education levels. To this end, their potential should be harnessed by optimising opportunities for their physical, social, and mental well-being throughout their lives. This is the aim of the 'active ageing' policy approach: to ensure a better quality of life for all ages, improve productivity, and develop strong solidarity between generations in our ageing societies. The policy approach of 'active ageing' promoted in the context of the European Year for Active Ageing and Solidarity between Generations will also facilitate employment and reduce poverty and social exclusion, thereby contributing to the Europe 2020 goals.⁶ An active ageing approach should be promoted in relation to employment, social inclusion, and independent living, taking into account the differences in institutional arrangements and resources between Member States and the specific circumstances and challenges they face. Promoting active ageing requires action by a wide range of stakeholders across various policy areas. These stakeholders include public authorities at different levels, employers, businesses and social partners, civil society organisations, service providers, and the media. Social innovation and the better use of new technologies can make a significant contribution to promoting active ageing. Moreover, opportunities for active ageing should be available to all groups of older people, regardless of gender, origin, cultural background, or disability. Active ageing can also encourage greater solidarity among older people. By increasing the number of older people who are able to meet their own needs, active ageing will enable society to better support those older adults who are most in need. 7

⁶ Europe needs to act on the Europe 2020 strategy in the areas of employment, skills, and the fight against poverty. See: Europe 2020.

⁷ Council of the European Union (EPSCO), 2012.

See also Decision 2011/940/EU of the European Parliament and of the Council of 14 September 2011 on the European Year for Active Ageing and Solidarity between Generations (2012), the Council Decision of 14 September 2011 establishing a general framework for equal treatment in employment and occupation (2000/59/EC), the Council Decision of 14 September 2011 on the European Year of Actnive Ageing and Solidarity between Generations (2012), the Council Decision of 14 September 2011 on the European Year of Ageing (2012) and the Council Decision of 14 September 2011 on the European Year of Equal Opportunities for All.

Demographic changes will reduce the working-age population in the future. Currently, only two-thirds of the working-age population is employed: in the US and Japan, this figure is over 70%. Employment rates are particularly low for women and older people. Young people have been hit hard by the global financial crisis, with a 21 % unemployment rate. There is a high risk that those who are not in the labour market or are only loosely connected to it will lose this connection altogether. Approximately 80 million people have only low or basic skills, and lifelong learning mostly benefits the most skilled. By 2020, the number of jobs requiring tertiary qualifications will increase by 16 million, and the number of jobs for the low-skilled will fall by 12 million. For longer careers, we may need to learn or develop new skills throughout our lives. Before the crisis, 80 million people were at risk of poverty, including 19 million children. In addition, 8% of people in employment do not earn enough to live above the poverty line. The unemployed are particularly at risk.8

Action to address these priorities will require the modernisation and strengthening of employment, education and training policies, and social protection systems by increasing labour market participation, reducing structural unemployment, and strengthening corporate social responsibility among business actors. Access to childcare facilities and other care for dependents will play an important role in this respect. Implementing flexicurity principles and enabling people to acquire new skills will be key in adapting to new conditions and possible career changes. We need to make a major effort to tackle poverty and social exclusion and reduce inequalities in health, ensuring that everyone benefits equally from growth. Just as important is the ability to ensure healthy and active ageing and, through this, social cohesion and greater productivity.⁹

It can be seen, therefore, that demographic challenges raise complex cross-policy issues. Among these issues, this chapter focuses on labour law regulation in the narrow sense and employment in the broader sense, as well as social security issues, in the context of the ageing society as a demographic challenge.

2. Labour law legislation - values

This chapter first examines labour law issues. This is the broad framework within which we can present the qualitative criteria of a life worthy of the active and inactive (i.e. once working) person. Heracleitos stated that the only constant is change itself. So it is with labour law, which is constantly changing. In this change, we have sought permanence, which we have seen only in fundamental rights and other values.

⁸ Europe 2020 Strategy, p. 20.

⁹ Ibid. For more on the problem, see: Mélypataki et al., 2023, pp. 38–54; Hajdú and Chen, 2022, pp. 536–546.

In the 20th century, farming organisations were transformed into huge, vertically structured production systems that shifted to mass production. Employment relationships were created for full-time, indefinite periods, with the hope that the job would last for the worker's lifetime. Of course, these jobs have not disappeared, but there are clear signs of change, which is weakening the employment model that was prevalent in the 20th century. People are changing jobs more frequently, with fixed-term contracts, seasonal work, and temporary agency work. More people are self-employed, working hours are flexible, and the nature of work has become more varied and flexible. New forms of employment have, therefore, emerged.

Over the past 25 years, labour market flexibility has increased. In 2016, a quarter of all new contracts were for 'non-traditional' forms of employment, and over half of all new jobs in the past 10 years have been in 'non-traditional' forms. 10 Digitalisation has facilitated the emergence of new types of employment, and demographic changes have led to a more diverse active population. The flexibility provided by the new forms of employment has contributed significantly to job creation and labour market growth. More than 5 million jobs have been created since 2014, of which almost 20% correspond to new forms of employment. The ability of these employment forms to adapt to economic change has allowed new business models to emerge, including in the social economy, and has enabled people who were previously excluded to enter the labour market.¹¹ The EU currently has 236 million women and men in employment, representing the highest employment level ever in the Union. Self-employment and atypical forms of employment together account for a significant share of the labour market. In 2016, 14% of workers in the EU were self-employed, 8% were temporary full-time employees, 4% were temporary parttime employees, 13% were permanent part-time employees, and 60% had a full-time contract of indefinite duration.12

The prevalence of atypical work and self-employment varies widely across Member States, regions, sectors, and generations. The share of younger workers aged 20 to 30 working under temporary contractual arrangements or 'on other contracts or without a contract' is twice as high as in the other age groups. The gender distribution is also evident, with men dominating among the self-employed and women in temporary and/or part-time positions.¹³

Social exclusion affects many groups that are unable to participate in the benefits of the labour market, influencing the aim to increase employment rates through

¹⁰ Non-traditional forms include permanent part-time and temporary full-time and part-time employment. COM (2017) 797.

¹¹ Here, we note that equal opportunity policy may strongly discourage labour law from applying flexible rules.

¹² European Commission, 2018, COM(2018) 132 final, p. 1.

¹³ Ibid.

macroeconomic policies.¹⁴ New regulatory techniques are needed, as opposed to the previous system based on hierarchy and instruction. Examples include tax relief for employees and the self-employed, the operation of occupational pension schemes, employee share ownership, or temporary subsidies for business organisations when they employ long-term jobseekers. New information and consultation mechanisms are required that favour a partnership between employer(s) and the worker community.¹⁵

The fundamental value of labour law is that it provides economic security and, thus, predictability, both internally, by providing rules to protect workers, and externally, through the state's provision of a social safety net if workers are unable to work in a situation of disruption. Labour law is underpinned by core values that are the building blocks of decent work. Since the European Pillar of Social Rights, this branch of law has been based on rights and principles that, in my view, list the qualitative criteria for a life worthy of an active and once-working person.

The Pillar changes the game in European politics in general and, in particular, in the way we think about social Europe. Its content has clear implications for labour law and employment. However, we must be critical as to whether this document really changes the rules of the game in European labour law. We can assume that the Pillar is indeed a decisive moment in this respect, but for this to be true, it must be able to resolve the tension between the economic and social dimensions of the Union.¹⁷ In my view, a minimum standard of *life worthy of a working person* is set out in this document, in which the value of work is unquestionable. A work-based society is one that can remain truly competitive in the 21st century. In the Pillar, the European Commission provides a guideline on how and under what conditions this should be achieved.

The preamble of the Pillar stresses,

Economic and social development are closely linked and the creation of a European Pillar of Social Rights should support efforts to develop a more inclusive and

- 14 The assessment of policies and institutions is determined by their ability to fulfil the potential of the individual. Consequently, those who have been outside the labour market for a long time have good reason to question why its functioning does not allow access to paid work. Deakin and Rogowski, 2011, pp. 238–241.
- 15 Hugh et al. 2012, pp. 38-44; see also: Rogowski et al., 2011.
- 16 The role of labour law is not only to reduce the risk of exclusion: it is also important to give people as much freedom as possible through labour relations. The aim is the well-being of the individual, which the legal system either helps or frustrates. The capability-based approach to understanding the relationship between the legal system and the market (labour market) is based on two assumptions: 1. There is a role here for legal regulation, which can transform the functioning of the market. This is the key to the co-development and interaction of the legal system and the economy. In other words, access to the market is not only a negative freedom of the individual but also a real capacity to enjoy the social rights recognised by the legal system. 2. A reflexive and learning-oriented approach to regulation and governance is needed to ensure the effective co-development of institutions, that is, learning from coordination problems through a diversity of living models. Deakin and Rogowski, 2011, pp. 238–241.
- 17 Hendrickx, 2018, p. 49.

sustainable employment model, which will improve Europe's competitiveness and strengthen investment, job creation and social cohesion.¹⁸

The Pillar states that economic and social development can be pursued together in line with the following principles: *equal opportunities and the right to work*, ¹⁹ *decent work*, ²⁰ and *social protection and social inclusion*. ²¹ I believe that these are the principles and values that should guide the employment of all workers, including active older people. ²²

- 18 European Commission, 2017, COM(2017) 2600 final.
- 19 The employment model is based on equal opportunities. In this framework, everyone has the right to quality and inclusive education, training, and lifelong learning. The equal treatment of women and men and equal opportunities must be ensured in all areas. Everyone has the right to equal treatment in employment, social protection, and education, as well as access to the goods and services available to the public.
- 20 The section on fair working conditions describes the basic rules of the game of labour law, with the following principles and rights as the main pillars: safe and flexible employment; protection of wages; information on terms and conditions of employment; protection against dismissal; social dialogue and worker participation; work-life balance; a holistic, safe, and decent working environment; and data protection.
- 21 Childcare and child support: children have the right to affordable, high-quality early childhood education and care. Children also have the right to protection from poverty.
 - Social protection: irrespective of the nature and duration of their employment relationship, employees and self-employed workers are also entitled to adequate social protection under similar conditions. Unemployment benefits: unemployed people have the right to receive activation allowances and job-search allowances from public employment services for a reasonable period of time, in proportion to the contributions they have paid and in accordance with national eligibility rules, to help them (re)enter the labour market. These allowances should not act as a disincentive to a rapid return to employment.

Minimum income: everyone who lacks sufficient resources has the right to benefits that guarantee an adequate minimum income, ensuring a decent life and effective access to goods and services at all stages of life. For those who are able to work, minimum income benefits should be combined with measures to encourage (re)integration into the labour market.

Retirement income and old-age pensions: retired workers and self-employed persons are entitled to a pension providing an adequate income in proportion to the contributions they have paid. Women and men should have equal opportunities to acquire pension rights. In old age, everyone has the right to the resources they need to live with dignity.

Healthcare: everyone has the right to timely access to affordable preventive and curative healthcare. Social inclusion of people with disabilities: people with disabilities have the right to income support that provides them with a life with dignity, services that enable them to participate in the labour market and society, and a working environment adapted to their needs.

Long-term care: everyone has the right to affordable, long-term, quality care services, especially home care and community-based services.

Housing and assistance for homeless people: people in need should have access to good quality social housing or housing assistance. Vulnerable people have the right to adequate assistance and protection against forced eviction. Homeless people should be provided with adequate shelter and services to promote their social inclusion.

Access to basic services: everyone has the right to good quality basic services, including water, sanitation, transport, financial services, and digital telecoms. Support for access to such services must be accessible to those in need.

22 European Commission, 2021, COM(2021) 102 final.

3. Outline of demographic trends

People worldwide are living longer. At present, most people can expect to live into their 60s and beyond. Every country in the world is experiencing growth in both the size and proportion of older persons in the population. By 2030, one in six people in the world will be aged 60 years or over. At this time, the share of the population aged 60 years and over will increase from 1 billion in 2020 to 1.4 billion. By 2050, the world population of people aged 60 years and older will double (2.1 billion). Further, the number of people aged 80 years or older is expected to triple between 2020 and 2050 to reach 426 million. While this shift in the distribution of national populations towards older ages – known as 'population ageing' – started in high-income countries (for example, in Japan, 30% of the population is already over 60 years old), it is now low- and middle-income countries that are experiencing the greatest change. By 2050, two-thirds of the world's population over 60 years will live in low- and middle-income countries.²³

The young population is decreasing worldwide, including in the EU and the Central European countries,²⁴ whereas the older adult population is increasing.²⁵ Fertility rates currently average 1.67 across OECD countries, well below the level that ensures population replacement. The trend to fewer children has been ongoing since the late 1950s but slowed, on average, around the turn of the century. The fall in fertility rates reflected changes in individuals' lifestyle preferences, family formation, and the constraints of everyday living, such as those driven by labour market insecurity, difficulties in finding suitable housing, and unaffordable childcare. 26 Remaining life expectancy at 65 significantly contributes to well-being at older ages. It also influences the finances of retirement income systems. From 2015-20, in OECD countries, women aged 65 could expect to live on average an additional 21.3 years, which is forecast to increase to 25.2 years by 2060-65. Men of the same age could expect to live 18.1 more years in 2015–20, with a projected increase of 4.5 years by 2060-65 to reach approximately 22.5 years. Gender gaps are, therefore, expected to decrease slightly over the next 45 years (from 3.3 to 2.7 years on average in OECD countries).27

²³ WHO, 2022.

²⁴ OECD, 2023a.

²⁵ OECD, 2023b.

²⁶ Pensions at a Glance 2021: OECD and G20 Indicators. The total fertility rate is the number of children that would be born to each woman if she were to live to the end of her child-bearing years and if the probability of her giving birth to children at each age were the currently prevailing age-specific fertility rate. It is generally computed by summing up the age-specific fertility rates defined over a five-year interval. A total fertility rate of 2.1 children per woman – the replacement level – broadly ensures a stable population size given the assumptions of no migration flows and unchanged mortality rates. By 2060, the total fertility rate is projected to be 1.74 in Poland, 1.71 in Slovakia, 1.78 in the Czech Republic, 1.75 in Slovenia, and 1.70 in Hungary.

²⁷ Pensions at a Glance 2021: OECD and G20 Indicators.

From 2020 onwards, the COVID-19 crisis had a significant impact on employment in many countries. Nevertheless, the broad pattern of employment rates across countries and age groups remains structural. The employment rate falls with age in all OECD countries, often sharply. The average employment rate across all OECD countries in 2020 was 71.9% for individuals aged 55 to 59, 50.7% for the 60–64 age group, and 22.9% for those aged 65–69. Employment rates for men are higher than for women among older workers in all but two OECD countries, Estonia and Finland, averaging 14 percentage points across all countries.²⁸

The average effective age of labour market exit remained below 64 in 2020 in more than half of OECD countries for men and in more than three-quarters of these countries for women. Average exit ages are at 61 years or below for men in Belgium, France, Greece, Luxembourg, the Slovak Republic, Spain, and Turkey and at 60.5 years or below for women in Belgium, Colombia, Greece, Hungary, Luxembourg, Poland, the Slovak Republic, Slovenia, Spain, and Turkey. The expected life years after labour market exit indicator measures the remaining life expectancy at the average age of labour market exit by gender. In 2020, the OECD average was 23.8 years for women and 19.5 years for men.²⁹

Expenditure for 'social protection' remained by far the most important COFOG (Classification of the Functions of Government) division³⁰ in 2021 in the EU and in all reporting Member States and EFTA countries. This reflects the core function of government to redistribute income and wealth, financed by compulsory payments. Unsurprisingly, the expenditure category dominating this division is 'social benefits and social transfers in kind (purchased market production)'. Social benefits are paid to households to alleviate social risks and needs. Examples include unemployment benefits and pension payments. In the EU in 2021, social benefits and social transfers in kind (purchased market production) comprised slightly more than 89% of expenditure in the social protection COFOG division. Additionally, in 2021, expenditure on social protection in the EU stood at €2,983 billion, equivalent to 20% of total expenditure on social protection, 5 % of GDP, and 39.9 % of total expenditure. By far the most significant expenditure group in this division, 'old age' (10.8 % of GDP), relates mainly to pension payments. Expenditure in 'sickness and disability' (2.9 % of GDP), the second largest group, comprises mainly social payments in cash or in kind related to social insurance schemes. Social protection accounted for the largest area of general government expenditure in 2021 in all EU Member States. The ratio of government social

²⁸ Ibid.

²⁹ Ibid.

³⁰ This classification divides general government spending into 10 categories according to their purpose: general public services; defence; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture, and worship; education; and social protection. See: https://www.insee.fr/en/metadonnees/definition/c1064#:~:text=The%20 COFOG%20(Classification%20Of%20the%20the%20funds%20are%20used (Accessed: 15 July 2023).

protection expenditure to GDP varied across EU Member States from 8.7% of GDP in Ireland to 24.8% in France.³¹

While the COVID-19 pandemic has naturally taken centre-stage in people's and policy makers' minds, the biggest long-term challenge for pensions continues to be providing financially and socially sustainable pensions in the future. As stressed regularly in previous editions of *Pensions at a Glance* and the *Pensions Outlook*, putting pension systems on a solid footing for the future will require painful policy decisions: asking citizens to either pay more in contributions, work longer, or receive lower pensions.³² Between 2000 and 2017, total (public and private) pension expenditure increased by 1.5% of GDP on average among OECD countries. Demographic changes alone are estimated to have contributed to raising pension expenditure by 2.5% of GDP; this increase was partly offset by strong labour market performance in many countries, especially among older workers. There were no common trends across countries in changes in pension benefit ratios (average pensions relative to average wages). Ageing is expected to further raise spending pressure in the OECD by an additional 3.5% of GDP on average by 2035. In the absence of new resources for pension financing, it is crucial to continue increasing employment prospects for older workers, including through the design of pension policies, in order to preserve the level of old-age benefits while limiting spending increases.³³

4. Strategies to address demographic challenges

As early as 1999, Samorodov noted that older workers were the losers in the labour market as a result of official employment policies and labour market measures, especially in OECD countries. Current policies on older workers still tend to

³¹ Eurostat, 2023b. Nine EU Member States – France (24.8% of GDP), Finland (24.6% of GDP), Italy (23.4% of GDP), Austria (21.9% of GDP), Denmark (21.1% of GDP), Belgium (21.0% of GDP), Germany (20.9% of GDP), and Greece and Spain (both 20.6% of GDP) – devoted at least 20% of GDP to social protection, with Norway being the highest among the EFTA countries (18.6%). At the other end of the scale, Ireland (8.7 % of GDP), Malta (11.0% of GDP), Cyprus (12.5% of GDP), Hungary (13.1% of GDP), Romania (13.3% of GDP), Bulgaria (13.4% of GDP), Estonia (13.5% of GDP), Czechia (13.6% of GDP), and Latvia (13.8% of GDP), as well as Iceland among the EFTA countries (13.2 % of GDP), each spent less than 14% of GDP on social protection.

³² Pensions at a Glance 2021: OECD and G20 Indicators.

³³ Ibid. On average in the OECD, people aged 65 and over receive 88% of the income of the total population. Those aged over 65 currently receive about 70% or less of the economy-wide average disposable income in Estonia, Korea, Latvia, and Lithuania, and about 100% or more in Costa Rica, France, Israel, Italy, Luxembourg, and Portugal. Based on current legislated measures, the normal retirement age will increase by about an average of 2 years in the OECD, from 64.2 years in 2020 to 66.1 years in the mid-2060s for men. The future normal retirement age is 69 years or more in Denmark, Estonia, Italy, and the Netherlands, which have all linked the retirement age to life expectancy, while it is 62 years in Colombia, Luxembourg, and Slovenia.

view them as a labour reserve rather than as active labour market participants. The widely used 'early retirement' is effectively a 'hidden inactivity' approach. In the long term, early retirement policies are not sustainable for addressing the employment consequences of ageing: such policies reduce the revenue side of social security systems while increasing expenditure. It is already very costly, and early retirement may become economically unrealistic, especially in view of the impending crisis in the financing of pension systems.³⁴

In 2020, Harasty and Ostermeier outlined the projected trend in the labour market participation of older workers up to 2030. Regarding activating the potential labour force, a large proportion of the young population is not in education, employment, or training. In addition, young and adult women in particular are disproportionately excluded from the labour market, often because of their involvement in family caring responsibilities. At the company level, workplaces and work organisation need to be adapted to the needs of older workers, for example, by providing flexible working arrangements and removing physical barriers. Public awareness campaigns, close cooperation with employers' organisations, and the provision of financial incentives to recruit or retain older workers could support these efforts. Public employment services should offer training opportunities and career guidance services tailored to the needs of older workers.

Creating better and more productive jobs, investing in training and education throughout the lifecycle and providing opportunities for continuous retraining and upskilling can make social protection systems sustainable and strengthen labour market information systems. Employers and public employment services can help overcome the difficulties that older workers face in using new technologies through targeted training. Employers could also promote intergenerational teamworking, which would increase the exchange of knowledge between younger and older workers and break down prejudices and stereotypes.

Harasty and Ostermeier's predictions proved to be correct. To address the current demographic challenges, I now propose solutions based on the results of two studies.

4.1. Employment crises and how to deal with them

Demographic changes mean that, as technology advances year on year, there is a growing gap not only between the old and the young but also between the generations that are closer together. Different skills mean different motivations, which can lead to conflicts. Employers need to be able to manage these conflicts, all the more so as the current labour market is characterised by a high turnover of staff. Managing intergenerational differences is in the interests of both the employer and employee representatives: it is in the joint interest of employers and trade unions to address the problems arising from the generation gap, and it would be important for

both organisations to retain young workers and motivate the older generation at the same time. This problem is a serious issue for human resources policy, which the institution of generational management can help to address.³⁵

Some research shows that there is a wide variation in the proportion of people of different generations in the labour market. In half (52%) of the organisations surveyed, the average age of employees was between 36 and 45. In the second most common case, the average age of employees fell into the younger age group between 26 and 35. Employees in only 7% of organisations had an average age above 45 owing to a higher proportion of older workers. Some argue that micro-generations³⁶ (those born at the borderline between two generations) should also be addressed separately. In the case of multigenerational teams, generational conflicts may inevitably arise. To keep up with the constant changes, companies need to create a multigenerational work environment that ensures that each generation contributes its most valuable knowledge to the company's activities. The technical innovation of the younger generations needs to blend with the professional knowledge of the X and Boomer generations. However, this inevitably leads to conflicts in the workplace. It is precisely these two areas, knowledge sharing and technology, that are most prone to conflict.

Conflicts that arise, and their resolutions, are always an opportunity for a company to introduce appropriate changes. The success of the management of such a conflict is an indicator of the success of the subcontracting itself, whether it is an internal or an external stimulus. All generations agree that there is usually a difference in values behind their conflicts. However, the development of values does not only depend on generational affiliation. The fact that generations do not always have a conflict of values as a result of working together demonstrates that this is the case, evidenced by the fact that generations tend to use the same negative labels for each other. As such, the real cause of conflicts is usually deeper than differences in values. One possible problem is when there is an inadequate flow of communication within the company. The importance of this is illustrated by the fact that different generations have different needs in terms of the amount of information they require. However, it should also be noted that some conflicts arise precisely because the information received is sufficient for members of one generation and insufficient for members of the other generation to do their job properly. Another common problem is that members of different generations do not interpret the same information in the same way. In such instances, it is important to encourage team members to get to know each other and giving too much information in meetings can be a good practice. There has never been a problem with giving too much information; thus,

³⁵ The management of employment crisis situations was examined in the course of the GINOP -5.3.5-18 'Supporting the implementation of thematic projects aimed at improving adaptability in the labour market', entitled 'Promoting intergenerational cooperation in retail workplaces; with the cooperation of stakeholders and the involvement of the University of Miskolc'. The study was led by the author of this chapter.

³⁶ Csutorás, 2020, p. 38.

essentially, all generations get what they want and leave the meeting with the right amount of information. As no two company structures are exactly the same and are comprised of different-sized groups according to the characteristics of the company's activities, each company must be individually prepared to deal with the generational problems that arise if it is to operate effectively in the future.³⁷

Intergenerational understanding can be fostered by encouraging dialogue and promoting cooperation. Annual satisfaction surveys, the selection of the right leadership style, and mentoring programmes involving several generations can also be effective solutions. Promoting diversity in the organisation itself (not just generationally) creates an inclusive environment, which also encourages acceptance of any differences in attitudes.

To address the employment crisis in a given workplace, I consider it important to highlight the Council declaration on the European Year for Active Ageing and Solidarity between Generations. Demographic change can be successfully managed, inter alia, by adopting a positive, life-course approach that focuses on the potential of all generations, especially the older age groups. Actions are needed to enable both men and women to remain active as workers, consumers, carers, volunteers, and citizens, and to preserve solidarity between generations. Generational differences and the resulting conflicts between workers in all workplaces are not a new problem of the 21st century. However, never before has there been such a deep divide between active generations working in the same workplace. The widening of the generation gap is also exacerbated by the continuous development of technology. While there are smaller gaps between Generation X and the Boomer generation, Generation Y and especially Generation Z are much further apart. Consequently, there is a need for labour market and social programmes based on solidarity and shared values to resolve intergenerational conflicts. These programmes should focus on vocational education and training in later life, healthy working conditions, age management strategies, employment services, actions to prevent age discrimination, employmentfriendly tax/benefit schemes, experience transfer, and reconciling work and care.

Increasing social cohesion, inclusion, and empowerment can be realised by giving people opportunities to participate in political, social, recreational, and cultural activities throughout their lives; volunteering to maintain social networks and reduce isolation; and acquiring new skills that contribute to personal fulfilment and well-being.

Labour market participation can be encouraged through actions to involve younger and older people in training and lifelong learning, facilitating intergenerational knowledge transfer, and measures to reconcile work and private life.

Recognising the values and contribution of all age groups to society is important and helps create a positive image of and attitude towards all age groups. Different age groups should be involved in decision-making (policy formulation and implementation), paying particular attention to their concerns and listening to their views in research processes that may affect them.

Promoting research and innovation to improve the lives of older people is also crucial, including ensuring a barrier-free environment for all.

Social inclusion can be fostered to enable longer and independent lives by facilitating e-inclusion, e-health, and other innovations in information and communication technologies, thus contributing to the development of a 'silver economy'.

Health promotion, disease prevention, and early diagnosis throughout the life cycle, as well as rehabilitation for active and healthy ageing and independent living that takes into account the different needs of women and men for each service, and future research, are all important issues.

Adapting social security systems is also crucial to be able to provide sustainable and adequate pensions, which will contribute to reducing the number of older adults, especially women, living below the poverty line and enable them to live with dignity.

Vocational education and training in later life means women and men of all ages should have the opportunity to participate in education, training, and skills development to help them enter (or re-enter) the labour market and find quality jobs.

Healthy working conditions result in a working environment that enables workers to maintain their health and well-being and, thus, ensures their lifelong employability.

In terms of age-management strategies, careers and working conditions should be adapted to the changing needs of ageing workers, avoiding early retirement.

Employment services for older workers include counselling, job placement services, and support to re-enter the labour market, which should be provided for those who wish to remain in work.

Preventing age discrimination means younger workers should have the same rights as older workers. Age should not be a determining factor in deciding whether a worker is suitable for a job, negative age stereotypes and discriminatory treatment of older workers in the workplace should be eliminated, and the contribution of older workers should be highlighted.

Employment-friendly tax/benefit systems need to be adapted to make it worthwhile for older people to work, while ensuring adequate levels of benefits.

Experience transfer involves tapping into the experience of older workers through mentoring and mixed-age groups.

Reconciling work and care involves creating appropriate working conditions and leave schemes for both women and men, which should be put in place to enable workers to keep their jobs as non-professional carers and to re-enter the labour market.

Specific labour market and social programmes should be based on openness. These may stem from the need to introduce skills already in public education that facilitate the development of generational intelligence. It is necessary to develop programmes that support both younger and older generations. In addition to supporting these generations, companies should also be encouraged to develop policies and programmes that can address generational conflicts and, thus, stop – or at least slow down – labour market turnover.

The labour market and social programmes to be developed should be based on knowledge sharing through a specific mentoring programme, in which both older and younger generations can mentor older adults. With the development of digital technologies, reverse socialisation has already taken place. Future labour market programmes should be multi-layered, taking into account the specificities of each generation. They should also facilitate a healthy degree of both intergenerational competition and solidarity.

In the light of the above, I propose, first and foremost, the development of active labour market instruments that can help to address generational conflict on a societal scale and include the above-mentioned elements. This is all the more important because members of the early-career Generation Z and the older generation, even those approaching retirement, are equally at risk and can be significant competitors. The competition between members of school cooperatives and members of public interest pension cooperatives is a good example of this. Such a programme will help employers develop an organisational culture in which the generational problem can be addressed through both generational management and corporate social responsibility.

The source of the problems and the extent of the conflicts also depend on the representation of each generation in the workplace: the number and size of multigenerational groups is important. Successful HR management is only possible if we identify and understand generational differences and their impacts on employees. A realistic goal is not to eliminate generational differences but rather to create generational harmony (synergy). We need to find ways to focus on the similarities between generations and respect any differences. All generations have a preference for value-creating work, a decent living, and satisfactory working conditions; thus, a common intrinsic motivation can be created through the contribution they can all make to the success of the commercial business that employs them. Furthermore, a discourse between employees and employer is essential for finding common values.

Based on generational considerations, a personalised incentive scheme can be developed that is tailored to the different needs of the generations and, thus, motivates employees in an individualised manner. By improving working conditions, companies can also help to keep employees healthy. This is important not only in jobs that pose obvious risks to physical health because, today, work stress is one of the major problems affecting health and, thus, a country's human resources.

Tackling the employment crisis resulting from demographic change appears to warrant a comprehensive set of policy and HR tools. However, there are also relevant labour law regulatory instruments, among which I highlight partnership-based negotiations between workers' representatives and employers. These instruments allow for more efficient communication in the workplace and more effective information and consultation rights, which are critical but currently seem to be weak in many countries. All this is made meaningful through social dialogue. It is also important to introduce or enhance family-friendly labour laws, such as paid parental leave, flexible working arrangements, and support for caregiving responsibilities, and to

encourage and regulate flexible work arrangements like remote work, part-time work, and telecommuting to adapt to changing workforce demographics.

In summary, this section sought to address the crisis situations arising from generational differences by looking at broader employment issues and solutions.

4.2. Conclusions of the Central European research

Demographic changes have a major impact on the functioning of the social security system, as described above. Among the responses to demographic challenges, social security issues are summarised in this section. The Central European research, supported by the Central European Academy, has identified good practices and actions for the sustainability of social security systems in the region, based on reports on eight countries (Poland, Slovakia, the Czech Republic, Slovenia, Romania, Croatia, Serbia, and Hungary).

Social security law is specific in that it not only covers social events that occur to individuals but must also consider the overall social policy, social protection, and challenges of a society as a whole. The scope and extent of the provision of social security and social services is historically and economically determined. The social safety net in any given country is dictated by political, economic and, as a direct consequence, legislative conditions. As a result of the oft-mentioned social conditions, it is the legislation of social security and social assistance that particularly comes to the forefront of political interest. With regards to different crises, one of the greatest challenges in the long term is undoubtedly to deal with the demographic crisis, which is defined by low birth rates and an ageing population.³⁸

Bearing in mind the numerous social factors that affect the functioning of the social security system, most modern pension systems, whose main source of financing is mandatory pension and disability insurance contributions, cannot smoothly ensure the payment of benefits without appropriate state intervention, which covers the deficit. In the 1950s, the FPR Yugoslavia spent a total of 11.04% of its national income on social benefits, including allocations for benefits other than pensions. In the 1990s, the Netherlands allocated 13.6% of GDP, Italy 13.5%, Greece 12.7%, France 12.2%, Sweden 10.3%, and Germany 10.3%. Another group includes countries that set aside between 8% and 10% of GDP for the sustainability of pension systems, including Spain (9.4%), the United Kingdom (8.9%), Poland (8.5%), and New Zealand (8.2%). A third category includes countries that allocated between 3% and 7%: the United States of America (6.6%), Chile (6%), Japan (5.5%), Canada (4.8%), Australia (4.6%), Argentina (3.6%), and Turkey (3.3%). A fourth group includes countries that spent between 1% and 3% of GDP - China (2.6%), Brazil (2.4%), Egypt (2.3%), Tunisia (2.3%), Costa Rica (2.0%), and Singapore (1.4%). A final group comprises mostly developing countries that allocated less than 1% of GDP for the sustainability of pension systems, including Kenya. Though these data were recorded in 1990s, recent statistics indicate that there have been no major changes, although owing to numerous demographic shifts, especially the rise of the average life expectancy, allocations for pensions are higher than before. Most authors believe that the ideal proportion for the sustainability of a country's pension system is four employees who will pay contributions for pension and disability insurance per one pension beneficiary.³⁹

Regarding the sustainability of pension systems, the report of the Committee for Social Protection of the European Union should be considered. An alternative model should be sought, instead of strictly tightening the conditions for the old-age pension and other benefits that are provided within pension and disability insurance systems. Appropriate proposals relate to the sustainability of the appropriate amount of pension that would ensure an adequate level of social security, guaranteeing intergenerational fairness, and maintaining the idea of solidarity within the pension system and a balance between rights and obligations.⁴⁰

According to the country reports on sustainability issues, it can be concluded that good practices have been related to the employment and rehabilitation of people with disabilities, which undoubtedly has a positive impact on the sustainability of the social security system. The social security system could also be largely steered towards sustainability by the development and implementation of long-term care rules. We have paid special attention to this in the country chapters; however, apart from the Slovenian and Romanian examples, no progress has been made in the region so far.

Th Czech proposal is to ensure the greater financial stability of social insurance. To do so, it is necessary to consider unifying the collection of public health insurance premiums with social security premiums and contributions to state employment policy. In this way, the considerable administrative costs associated with the operation of these systems can be reduced. The idea *de lege ferenda* is also to unify administrative decision-making and remedies in all sectors of social insurance and social security by introducing a two-stage administrative procedure that involves non-independent administrative tribunals as a second administrative instance body deciding on appeals against decisions.

According to the Slovenian proposal, the constitutional review concerning future amendments and the enforcement of the human right to social security certainly seems more important than ordinary judicial review. From this perspective, it is important that the right to social security, protected by Art. 50 of the Slovenian

³⁹ Boiić, 2023.

⁴⁰ Bojić, 2023. Based on the reports submitted by the Member States, the Committee for Social Protection of the European Union issued a special report in which, among other things, the issue of the sustainability of pension systems was addressed. The Member States previously agreed on 10 common goals for future pension reforms: 1. sustainability of a more appropriate pension amount; 2. ensuring intergenerational equity; 3. maintaining the idea of solidarity within pension systems; 4. maintaining a balance between rights and obligations; 5. ensuring that pension systems support equality between men and women; 6. ensuring transparency and predictability; 7. ensuring that pension systems are even more flexible in light of the constant social changes; 8. facilitating the adaptability of the labour market; 9. ensuring the consistency of pension schemes in general pension systems; and 10. ensuring the sustainability of public finances.

Constitution, can, alongside several other social (human) rights, be enforced before the Constitutional Court. Following the exhaustion of domestic legal remedies, a motion can be filed before the European Court of Human Rights whenever any social right protected by the Council of Europe can be merged with a breach of a Convention right. Furthermore, the interplay between public and private health insurance or, put differently, public and private income protection in times of incurred sickness and injury, will be crucial in the future to safeguard the long-term financial sustainability of public healthcare and health insurance, especially occupation-based social insurance schemes developed around 150 years ago.

Several changes have occurred and several measures have been taken to achieve the sustainability of the pension system in the Central European countries. For example, a person who retires prematurely may experience a 15% reduction in the level of their calculation percentage; public expenditure in the field of pensions has been limited, regulated by a limited calculation but an unlimited contributory base; the years of salaried employment that make up the pension base are still limited; a process of gradually increasing and equalising the universal retirement age for both sexes is underway; conditions for pension eligibility have been tightened; and a points-based calculation of pensions has been applied.

In most modern countries, the number of employees who support the number of existing pensioners is unsustainably small owing to the policy of full employment from the period of socialism and the possibility of early retirement during the period of the transition process. This dependency ratio can be improved by boosting fertility through an increase in financial support for pregnant women (pregnancy allowance, increasing maternity pay) and, subsequently, for families (tax bonus, increased child-birth allowance, etc.), as observed in Poland, Hungary, and Slovakia.

Here, I stress that the sense of vulnerability could be overcome by strengthening economic resilience. There will be no well-functioning social system without a well-functioning economy. The challenge is combining both the economic and social aspects in a balanced manner. In this dilemma, considering how best to finance social security is crucial. The public expenditure on social protection is very high; therefore, in times of demographic challenges – whether they are a result of migration or an ageing society – it is critical to find sustainable ways of financing social expenditures.

5. Summary

Following this chapter's analysis, several important findings can be highlighted. The pressure on social care systems can be reduced by reforming the pension system, as we have seen in the Central European Region. However, at the same time, the demand for workers, services, and industries to care for older adults will increase. A large number of new jobs and businesses that are adapted to the needs of older

citizens will be created in sectors such as health and long-term care, pharmaceuticals, and housing. Further, the growing number of people of non-working age is increasingly dependent on the declining number of people of working age. This could slow economic growth, lead to lower tax revenues, and threaten the financial sustainability of social protection systems. One obvious solution is to keep older workers in the labour market, but this requires increased attention to health and safety at work, working hours and work organisation, and retraining and training.

Addressing the current demographic challenges requires modernising and strengthening employment, education and training policies, and social protection systems by increasing labour market participation, reducing structural unemployment, and strengthening corporate social responsibility among business actors. Access to childcare facilities and other care for dependents will play an important role in this respect. Implementing flexicurity principles and enabling people to acquire new skills will be key in adapting to new conditions and possible career changes. We need to make a major effort to tackle poverty and social exclusion and reduce inequalities in health, ensuring that everyone benefits equally from growth. Just as important is the ability to ensure healthy and active ageing and, through this, social cohesion and greater productivity. It can be seen, therefore, that demographic challenges raise complex cross-policy issues, of which this chapter addressed the narrow issues of labour law regulation and the broader issues of employment and social security in the context of an ageing society as a demographic challenge.

This chapter first examined labour law issues. This is the broad framework within which we can present the qualitative criteria of a life worthy of the active and inactive (i.e. once working) person. In the face of constant change, we have sought permanence, which we have seen only in fundamental rights and other values. The European Pillar of Social Rights states that economic and social development can be achieved together on the basis of the following principles: equal opportunities and the right to work, decent working conditions, and social protection and social inclusion. I believe that these are the principles and values that should guide the employment of all workers, including active older people.

To find solutions to the current demographic challenges, I briefly summarised the results of two studies. One of these studies found that labour market and social programmes based on solidarity and shared values are needed to resolve intergenerational conflicts. These programmes should focus on vocational education and training in later life, healthy working conditions, age management strategies, employment services, the prevention of age discrimination, employment-friendly tax/benefit systems, experience transfer, and the reconciliation of work and care. Addressing employment crises arising from demographic change appears to warrant a comprehensive set of policy and HR tools. However, there are also relevant labour law instruments, among which I highlight partnership-based negotiations between workers' representatives and employers. These instruments allow for more effective communication in the workplace and more effective information and consultation rights, which are very important but currently seem weak. All this is made

DEMOGRAPHIC CHALLENGES - LABOUR LAW RESPONSES

meaningful through social dialogue. Based on another study, which analysed reports on sustainability issues from individual countries, it can be concluded that good practices have been related to the employment and rehabilitation of people with disabilities, which undoubtedly has a positive impact on the sustainability of the social security system.

The social security system would be largely steered towards sustainability by the development and implementation of long-term care rules. We have paid special attention to this in the country chapters; however, apart from the Slovenian and Romanian examples, no progress has been made in the region thus far. Several changes have occurred and several measures have been taken to achieve the sustainability of the pension system in the Central European countries. The dependency ratio can be improved by boosting fertility through an increase in financial support for pregnant women (pregnancy allowance, increasing maternity pay) and, subsequently, for families (tax bonus, increased childbirth allowance, etc.)

A well-functioning social system goes hand in hand with a well-functioning economy. The challenge is combining both the economic and social aspects in a balanced manner. To complete this task, each participant – including the state, public authorities at different levels, employers, businesses and social partners, civil society organisations, service providers, and the media – must take responsibility.

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