



Managing European Demographics by Inclusion Sourcing

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Introduction

The most critical threat to economical development in the European Union is its demographic trends occurring over the past [40](#) years. On the one side, people live longer and the population is getting older, on the other, insufficient children are born to replace the elderly who die. This emergency has hardly been entirely acknowledged by politicians, while tangible action is needed without any further delay.

Europe's native population is currently slightly [decreasing](#) and is, without countermeasures, expected to start [shrinking](#) more rapidly over time. It is estimated that by 2050 [25%](#) less people will be available as a workforce in Europe. This will have direct financial impact on the entire government sector and will, for example, limit its ability to provide pensions and healthcare to Europe's greater share of elderly. In the more distant future, the continent's relative global importance will also be reduced because Europe's projected [share](#) in the world population will be smaller than today.

Strategically, there are currently three main scenarios to prevent or address ageing of a population:

- increase fertility
- stimulate inward migration of young people
- adapt to a decline in population by increased use of technology

Seeking inequality reduction, Refival developed [Inclusion Sourcing](#), a conceptual framework to improve economic equality via relocation of geographically independent jobs to where they are needed the most. Moving employment substantially influences demographics. This "long read" will therefore examine the interaction between the two domains from a European economical perspective. Potential solutions for arising problems – as these are proposed by Refival – will be elaborated upon.

Increasing Europe's Fertility – Life-Work Balance and Affordable Housing

The average number of children estimated to be born to a woman over her lifetime (Total Fertility Rate, TFR) in the EU was [1.6](#) in 2015, which is well below the [2.1](#) TFR needed to target a stabilization of the European population. The trend of a low TFR is the outcome of several factors, one of them being [increased living cost](#) and a change in [housing standards](#), which in turn have mostly not been offset by higher earnings. These circumstances make it more difficult to [afford](#) larger families and, since most people are nowadays not willing to compromise on their living conditions, dependency on dual income participation in the labor-market is inevitable.

Not all European countries face equal fertility. France, for example, shows a higher birthrate than most other EU members ([2.0](#) TFR in 2015). However, compared to women with a migration background, the fertility rate of women born in France is on average [0.4](#) TFR lower. Therefore, some part of the high fertility rate may be related to (past) migration. At the same time, France's public spending on family benefits ([2.9%](#) of GDP in 2013) and the availability of [childcare](#) facilities are far more important factors, as they allow parents to stay employed and reduce disruption of their careers. Optimized work-life balance [options](#) stimulates both women's labor participation and their TFR. A similar [pattern](#) is noticed in Sweden, where the TFR was [1.9](#) in 2015.

Looking into more detailed regional differences and comparing urban and rural fertility, the first impression is that in rural areas fewer children are born. However, if examined more carefully, the age composition of people living in an urban environment is, on average, younger and because of this, [urban crude birthrates](#) generally higher. Yet, this does not imply that the [rural fertility](#) is lower. The very opposite is actually true.

Rural fertility rates have traditionally been substantially higher than urban ones, though, over time, the gap between them has become [smaller](#), mainly due to improved levels of education and modernization of the rural life-style. Nevertheless even today many rural areas show about [0.3-0.4 higher](#) TFR than urban ones. In Refival's opinion, this advantage is most likely due to the availability of affordable and spacious quality housing in combination with a "norm" of a slightly larger family size.

This higher European rural TFR is mostly hidden. Decades of poor economic outlook caused by a lack of good non-agricultural job opportunities in countryside areas, have resulted in strong [out-migration](#) to [urban](#) areas. Excessive [depopulation](#) of women in childbearing age has even lead to the appearance of "nonfertility" areas. Revitalization of rural areas through improvement of their economic outlook by relocation of Internet based jobs and inward migration of young people – [as suggested by Refival](#) –, would likely have a side effect of elevating the rural TFR by an additional [0.1-0.2](#). Though this increase may not seem significant, combined with the general higher TFR of rural areas (1.8-1.9), it would actually mean that the countryside would structurally reach a 0.4-0.6 higher average TFR than urban areas. **Therefore, moving jobs and people to rural areas would result in a TFR of 1.9-2.1 for the countryside, the exact numbers needed for a stable population replacement in Europe.** Since [25%](#) of its citizens still live in rural areas and with a potential to stimulate 5-10% of the population to migrate from city to countryside, this can make a real difference for the fertility rates of the European continent. Besides, if the pressure created by a severe [shortage of urban housing](#) is reduced, it would make housing cost in cities more affordable and would, in turn, likely initiate a raise in urban fertility as well.

Internal EU Migration – a Sustainable Forestry Proposition

Successful economic areas in Western and Northern Europe have been attracting large numbers of relatively young educated people from [Eastern](#) and [Southern](#) Europe. When people have less or insufficient opportunities for economical development at their place of origin and when better chances appear elsewhere, they are tempted to move and adjust to a new, presumably better environment. Relocation is expected to increase their quality of life or to create a better possibility to support their families which stayed in their native country.

For the European Union, internal migration has substantial demographic effects since all countries are at a similar stage of [demographic transition](#) and therefore also have similar TFR levels. Due to the fact that, in case of living standards being better, migrant women usually give birth in their “destination” country and not at home, their place of origin becomes “disadvantaged” and is left behind with lowered fertility and a disproportionally ageing population. Following the same principle, but at a more local – largely rural – level, industrialization and urbanization have been [depopulating](#) villages for decades.

Although the EU freedom of movement is a catalyst, its internal migration is predominantly based on pull-factors. Before relocation, people need to match qualification requirements, find jobs and obtain housing. If they do not manage to settle, they are “forced” to return to their place of origin, because only there they are entitled to receive social benefits.

Push-factors also exist and are mainly caused by a lack of economic development and attractive local work chances. The majority of internal migrants have ample work-experience prior to their resettlement, although unemployment plays a role in migration. Still, they are rather driven to other countries by economic improvement than by joblessness. Their move can be considered mostly as voluntary, since without opportunities elsewhere, people would likely stay at home.

From a macro EU perspective, the internal economical unbalance and demographic effects resulting from it deserve much more attention. There is an urgent need for a more even division of the existing economic workload and its financial rewards in Europe. At the same time, sharing the workload should not block chances for migration-based upward social mobility of European citizens.

Internal EU migration is in principle advantageous for all involved as long as those who move from one place to another are substituted by others and do not leave unfilled job spots behind. When such replacement is lacking, the increase in economic prosperity of one area can easily cause underdevelopment or [deprivation](#) of another. Furthermore, if existing jobs – even though less attractive – vanish due to out-migration, direct as well as indirect employment may get permanently lost. The conditions for sustainable migration are very similar to those of sustainable forestry: one can cut trees as long as one plants and grows new ones; without doing so the forest soil erodes.

Financially, remittances of internal EU migrants can generate part of the local investments needed to prevent decline. However, circular or inward migration – compensating the human outflow – is crucial to [fill-up](#) the local labor force deficits and prevents a vicious downward economic spiral.

If people and funding are available, the strategic goal should rather be improvement or revitalization of the local economy as well as preventing out-migration. Sharing the available European workload more evenly can contribute to achieving a more balanced economy within the EU. To address this, Refival proposes to implement [Inclusion Sourcing](#) and, wherever possible, to relocate jobs instead of people.

Outside Migration Pressure – Population Growth at Europe’s Borders

The trend of having low fertility rates – typical for Europe’s demographics – looks quite different beyond its borders. With the exception of Turkey, Tunisia, Lebanon and Iran, the TFR of Middle Eastern and Northern African ([MENA](#)) countries is – though mostly steadily declining – around [3.0](#), or in other words, on average one child per woman above replacement level. The Sub Saharan African countries ([SSA](#)), being even in an earlier stage of demographic transition, are facing a high and relatively slowly declining TFR of around [5.0](#). In combination with a decline in child mortality and an increase in life-expectancy, these fertility levels imply a strong population growth, which further on creates great challenges to educate a surging number of young people and develop job opportunities for them. Although this stage of [demographic transition](#) generates by itself the labor capacity required for economic progress, it comes with the necessity to capitalize on this labor potential by providing jobs.

Lack of utilization of human capital can easily create pressure to migrate to locations with supposedly better economic perspectives (such as the EU in case of MENA and SSA). Due to a [surplus](#) of forcedly inactive (non-employed) people, absence of such destinations can, in turn, cause political instability and turmoil, as this was the case in the [Arab spring](#).

Looking at history, there has been a number of ways to handle “explosive” population growth. When the United States went through its transition ample [space](#) in its sparsely populated interior was still available and capable to accommodate all the “excess” people. Not much later the industrial revolution happened, that lead to technological progress and creation of large numbers of new types of jobs, which in turn generated a strong demand for labor. In Europe of that time, there was significantly less physical space for its population growth, which led to waves of substantial [emigration](#). Luckily, continents like North and South America still had capacity to [absorb](#) an extra number of people, though [return](#) migration was high as well. In Asia the demographic transition came more recently. Here, creation of [export](#) oriented jobs produced many additional work opportunities and it also established the savings potential needed to invest in upgrading the local economies. Alongside this, in 1979, China introduced a restrictive [one child](#) birth control policy

in order to regulate its population growth and gain more economic prosperity for its future generations.

A strongly growing population automatically creates a bigger demand for food, housing and other basic necessities. However, under today's economic prerequisites, such increased demand is far from enough to generate hundreds of millions of extra [decent jobs](#) needed to employ the future workforce in [MENA](#) and [SSA](#). In order to achieve creation of sufficient jobs and connect to advanced global development and prosperity levels, huge investments in infrastructure, education and business development are compulsory in these countries. Such investments should then lead to an optimized exploitation of natural and human resources. However, since the required investment capital is not available locally, countries of MENA and SSA must – among other things – attract sufficient [Foreign Direct Investment](#) (FDI).

Compared to the past, it seems that availability of a vast low-cost labor force has become a less crucial [development and investment factor](#), while automation, robotization and artificial intelligence have become alternatives by now. Furthermore, due to globalization and Internet, [labor competition](#) and greater transparency from a cost perspective has become a world-wide phenomenon. Finally, related to this and despite of increasing labor productivity, real wages have been stagnant and the [share](#) of GDP paid for labor has been declining in many countries.

This global complexity creates certain dilemmas in developing countries. In order to be able to compete in an open market, traditional agriculture needs to be [modernized](#) and industrialized. At the same time, reduces agricultural industrialization the amount of labor required, which then does not contribute to solving the unemployment issues. Therefore, to be able to connect currently developing countries to globalization, one needs not only additional, but also [different types of jobs](#). However, looking at the current employment issues in [MENA](#) and [SSA](#), a problem is evident, as the creation of such jobs does not match its population surge.

An alternative to “explosive job creation” is to speed-up the demographic transition and to rapidly reduce fertility. Since MENA and SSA have a substantial gap between (higher) rural and (lower) urban fertility, it is advisable to primarily focus on [rural areas](#) instead of on urban ones to achieve this.

In case of Europe, Refival proposes **increase in fertility** via rural revitalization. However, if similarly – but with a focus on general employment instead of on Internet based jobs – the same [Inclusion Sourcing approach](#) would be implemented in developing countries, it would, very likely, quickly **decrease** the fertility rates. Due to improved education and increased non-agricultural employment, women would likely opt to give birth to fewer children. Implementing Inclusion Sourcing could thus, in principle, reduce population growth and – over time – the number of jobs required for full employment. Therefore, creating rural jobs in the present can prevent a surplus of births and can maximize future economic prosperity of the

regions. The outcome would be partially similar to what happened in the exceptional demographic transition of [Iran](#).

To conclude: generating large amounts of jobs under the current globalized economical prerequisites is unfortunately rather difficult for [MENA](#) and [SSA](#). Therefore the growth of employment in these countries is currently lagging behind their population growth. In many countries this results in political instability and outward migration pressure. In order to address these issues, substantial investment in job creation and/or a faster decline in birthrates must be realized.

Absorbing Migrants – Humanitarian and Skills Based Entries

Although migration pressure from MENA and SSA currently leads to substantial irregular migration into the EU, it offers neither a safe nor a sustainable passage for people to relocate. Meanwhile, the external European border control has been tightened and economically motivated migrants entering this way are denied access to the European labor market and sent back. Shamefully and unacceptably, the present situation leads to a lot of human suffering and inhumane treatment of people. It means that there is a lot of room for improvement and an obligation for the European Union to urgently get organized better.

Being much more specialized and having reached both a high [GDP](#) and labor [productivity](#) per capita, Europe is globally no longer competing on the basis of low labor cost. Its production advantage is based on capital and/or knowledge intensity. In order to preserve this advantage, Europe's economical structure is unable to generate millions of extra labor opportunities which would be required if it is to absorb all migration pressure from outside of its borders. In addition, next to having a high population [density](#), the European Union already faces difficulties to offer sufficient [decent](#) and matching employment opportunities to all of its own citizens.

The above does not imply that Europe, being rich in comparison to the developing world, cannot or should not contribute to the progress of other countries outside of its borders. Naturally, it is able to provide [development-aid](#) or fulfill its moral obligations towards refugees by [helping](#) a reasonable number of people and provide temporary shelter or permanent resettlement. Welcoming a small percentage of newcomers every year does not represent a crisis situation. It, nevertheless, requires a substantial welfare budget. Due to a high percentage of mismatches between the general refugees' educational background and the required skills of the European labor market, refugee integration comes at [high](#) cost. On average, it takes a [long](#) time before refugees are able to financially contribute to the European economy. However, this should not be a criterion for offering asylum to people in need. Different from migrants who are driven by economic opportunity, refugees have no other choice than to seek refuge. Therefore Europe has a moral obligation to help them to its best ability. With social budgets and integration capacity available, Europe can handle a fair but limited influx of people.

The amount of time a refugee needs to adapt to European circumstances can vary. For those who need a longer period of time, Refival [proposes](#) to optimize integration cost and maximize the investment in the refugee's skills development. By relocating non-agricultural jobs to rural areas and offering people improved startup chances, these low-living-cost areas can be revitalized and can synergistically offer refugees a more effective basis for labor market connection. Further on this solution can provide them with chances for upward economic mobility and facilitate their eventual internal European migration.

What Europe cannot offer, without compromising its economically advanced position and its related structure of social security, is to unconditionally open its doors to millions of economically motivated migrants who are looking for a better future. Economic migration in a capitalistic environment needs to be in balance with the demand of the labor market and it can certainly not rely on welfare structures. To allow people to freely move to the most prosperous economic areas, without providing matching employment to them, would cause a burden on the existing social structures and would also cause strong competition between internal EU migrants and those from outside of the EU. In the end, it would result in a lower GDP per capita caused by the presence of additional unemployed people. Since this cannot be considered a valid economic target from a European perspective, it should be avoided.

The above neither means that there are no reciprocal benefits to economic migration nor that nothing can be done to stimulate it. In the near future, Europe will need to fill in many of the positions of its retiring workforce. With its current TFR under replacement level, it will likely be able or even be forced to employ a substantial amount of migrants from outside of the EU. However, in order to have added value, these migrants must be qualified in advance and possess skills required by the European labor market. Besides, external migration must not cannibalize the internal upward mobility chances for EU citizens, as this could increase economic disconnection and stimulate deprivation of Europe's less developed areas. Finally it is Important that these migrants are neither under- nor overqualified for the needs of the EU labor market, since also over-qualification could hinder local mobility.

With labor requirements becoming more and more specialized and dynamic, developing skills to match job requirements should no longer be exclusively a migrant's or worker's responsibility. Companies will have to train their future workers before employing them, as well as to continuously educate and re-train them. Refival proposes to use a [remote apprenticeship](#) approach for this purpose. Implementing this approach would enable companies and migrants to create a proper competence match beforehand. Besides this, it would offer a solution for replacement of irregular migration by a relocation scheme based on structured skills and work-experience development.

Such a remote apprenticeship path leads to migration, but not necessarily to settlement in the richest areas of Europe. In Refival's opinion, many job opportunities based on matching skills can be created by revitalizing Europe's less prosperous areas and this may actually require the majority of apprentices from outside of the EU. Continuous development of one's skills and possibly to relocate several times in case chances for [upward mobility](#) become available, can result in a fluid multi-step adaptation. The first step of relocation may be to "upgrade" from a pressure situation outside of Europe to a job in a less developed European country. From this position one can then prepare oneself for the next move within the EU.

Besides, the above remote apprenticeship model could also be helpful and be implemented between rural and urban areas within the countries of MENA and SSA. With skill requirements likely being lower at a local level, this could be the first – internal migration based – adaptation step, and prepare rural migrants to eventually continue their later way to Europe. Connecting rural areas in developing countries to regulated migration would open the door for everyone and would leave no-one behind – regardless how remotely he or she has been born . As a result this would create labor-market and upward mobility opportunities for all people.

In respect to the general expectation that external migrants need to adapt to basic European values, Refival thinks that this can be facilitated with greater success if relocation to rural areas instead of urban ones is the first-step provided to migrants. A village life-style is normally less anonymous in comparison to the urban one. Therefore the countryside offers a much more intense opportunity for interaction with local people and their cultural values. Gaining such experience is important for the reciprocal cultural understanding and can, upon an eventual further move to urban areas, be very useful for the migrants.

Migrants originating from countries with a high TFR face a fertility adjustment process. The TFR of the first generation of migrants is usually significantly higher, while (almost) full [adaptation](#) is achieved within one or two generations after them. If carefully planned, the extra fertility of the first generation can be used to fill up birthrate gaps at locations within the EU areas where the TFR is below replacement level. However, this is not a structural solution, since this option would mean that survival of the European society and economy will – unless the European native population works longer or retires later – be in constant dependence on a permanent stream of young migrants arriving from other continents.

Robotization – More with Less?

A third strategy to cope with the ageing and declining population in Europe is to rely on increased [automation](#) and [robotization](#). It means producing the same or even a higher GDP with a smaller workforce. Besides using a technology based approach for production, it can also be used in public services, as this is, for example, envisioned in [Japan](#) in case of robots being used to assist in the care of elderly.

One challenge with such approach is how to derive "[income tax](#)" from robots so that they contribute to overall public funding and not exclusively to the income of a [small](#) number of individuals who own or operate them. Closely related to this is the importance of making sure that the general population has enough disposable income left for consumption. Without their spending power, a decline in demand of goods and services, resulting in a shrinking economy, will occur.

Last but not least, the population in MENA and SSA is expected to grow from [1.2](#) billion people in 2010 to [2.5](#) billion by 2050. This brings the question whether a declining, relatively rich but ageing European population will be able to protect its borders against (potentially) billions of people who may wish to flee from the developing countries, seeking for a better place to live. Compared to today's European population, these migrants would accept and be more than satisfied to receive much less than the average income current European citizens do. Therefore, their arrival would likely lead to strongly reduced average living and social security standards. Europe would – economically speaking – become part of the Middle East or Africa.

Although an uncontrolled number of outside migrants entering Europe – without any ability to connect to the European labor market – would result in them living in relative poverty, this still will not make Europe a less attractive destination for those who have significantly lower living standards and no job prospects in their native countries. At the same time it would likely destroy accomplished EU welfare structures and possibly mean an abrupt end to the [nation state](#) based European societies as we know them today. Refival targets towards preventing such a decline by structurally addressing inequality and proposing [Inclusion Sourcing](#) access to prosperity for everyone.

Refival – Relocating Jobs to Reduce Inequality

The principle thought behind Refival is to relocate geographically independent, primarily Internet based, jobs to areas and people who suffer from limited employment options and therefore need them the most. Starting from executing simple tasks – whilst incorporating distance learning into distance working – job complexity can gradually grow and enable their upward social mobility and migration.

Refival is a conceptual framework developed to facilitate business and project development. Though it uses a wide range of academic study results to verify its ideas, Refival itself is not an academic research project but a practical scheme that can be easily implemented for various socio-economical problems. It therefore seeks private sector and government stakeholders to join its activities.

After conducting a theoretical analysis on its feasibility, Refival is now ready to practically apply its [Inclusion Sourcing](#) approach to a number of social experiment-based pilot projects.

Please [contact](#) me if you are interested to participate in the mission of Refival.

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