

ABSTRACT

How can we ensure prosperity in South Tyrol?

Along with climate change and technological change, demographic change is one of the biggest challenges that will characterise our society in the coming years. In future, there will be fewer and fewer people of working age and more and more of retirement age. This change in the age structure of society has far-reaching consequences – including for the prosperity of South Tyroleans. In this study, the IER – Institute for Economic Research of the Chamber of Commerce of Bolzano/Bozen analyses the effects of demographic change on the prosperity of the South Tyrolean population in 2050 and the factors that influence prosperity. These include the employment rate, the retirement age and, last but not least, labour productivity. Firstly, several scenarios are used to analyse how a change in the individual factors will affect future prosperity. Finally, a so-called consensus scenario is presented in which moderate, plausible changes are assumed for all the factors analysed.

In 2022, South Tyrol's resident population totalled 532,616 people and has thus grown by around one sixth (16.2%) since 2000, when South Tyrol still had fewer than 460,000 inhabitants. According to ISTAT forecasts, the population of South Tyrol will grow to just over 575,000 by 2050, which corresponds to a population increase of around 8 per cent compared to today.

Looking at the age structure of the population, it is clear that the ageing of society that has taken place over the last 20 years will continue and intensify in the future. Due to the low birth rate and increasing life expectancy, the proportion of people of retirement age (65 and over) is rising continuously, while at the same

time the proportion of people of working age (20 to 64) is falling. Whereas in 2000 there were still around four people of working age for every person of retirement age, today there are only three. From around 2045, there will only be two people of working age for every person aged 65 and over. This change in the age structure of society has far-reaching consequences – also for the prosperity of South Tyroleans.

Assuming that all economic conditions such as the employment rate or labour productivity remain unchanged from today, the prosperity of the South Tyrolean population (measured as GDP per capita) will fall by 13.6% by 2050 (base scenario) due to the expected decline in the number of people of working age and the simultaneous increase in the total population, particularly people of retirement age.

On the one hand, this loss of prosperity can be counteracted by increasing the volume of labour, e.g. by increasing the labour force participation rate, raising the retirement age or reducing the emigration of workers living in South Tyrol. The results show that an increase in the volume of labour alone will not be sufficient to fully compensate for the demographically induced loss of prosperity by 2050. An increase in labour productivity, such as that observed in recent decades, is therefore essential in order to increase prosperity by 2050 or at least maintain it at today's level.

Overall, the results of the study show that a combination of several factors and corresponding economic policy measures will ultimately be required to maintain prosperity at today's level and secure it in the long term.

Utilisation of untapped labour potential – increasing the employment rate

The results show that there is still room for improvement in South Tyrol in terms of both female and male labour force participation. An increase in the labour force participation rate would also have a significant positive effect on the prosperity of the South Tyrolean population. In order to increase the labour force participation rate, especially among women, measures are needed to improve the work-life balance, such as longer childcare hours, flexible working hours and the option of working from home. In addition, two groups in particular need to be considered with regard to the untapped labour force potential: People with a migration background and young people who are neither in education nor active on the labour market (NEETs). Young people need targeted measures in youth and social work as well as in education, with low-threshold educational programmes being particularly important. For people with a migrant background, on the other hand, the rapid acquisition of at least one language of the province and post-qualification in the event of existing professional deficits are of central importance for a successful entry into the labour market.

Increase incentives for full-time work

South Tyrol is one of the regions in the Alpine region with the highest number of hours worked per employee, although there has been a clear trend towards shorter working hours in the last two decades. An end or even a reversal of this trend is not to be expected in the future. As a future reduction in working hours will have a negative impact on the volume of labour and subsequently on prosperity and an end to the trend towards shorter working hours is not in sight, it is desirable from an economic perspective

that this trend should at least be slowed down. In order to achieve this, measures to reconcile family and career are important on the one hand, and on the other hand it is important to make it easier for employees to switch to full-time work or to work more hours if they wish to do so.

Extending working life

Working life, i.e. the time a person is active on the labour market, plays an important role in prosperity. Many people in employment are prepared to work longer under certain conditions, e.g. with better pay or fewer working hours per week. Flexible transitions from working life to retirement could help to make better use of the labour force potential of older people. Raising the retirement age is another necessary, albeit controversial, measure to extend working life.

Counteracting the emigration of young South Tyroleans and promoting the immigration of qualified labour

Immigration and emigration have a considerable impact on prosperity. Well-educated young people who move to South Tyrol at the beginning of their working lives or stay here generally have a very positive effect on the volume of labour and prosperity. South Tyrolean companies should do more to attract students, e.g. by offering attractive internships and trainee positions. The dual study programme model, which combines a university degree with vocational training or work experience in a company, is another way of retaining skilled workers at an early stage. In addition to employment opportunities and conditions, aspects such as the housing situation also play a role in the decision to come to, return to or stay in South Tyrol. Many young South Tyroleans consider emi-

grating, as the desire to own their own home is often unrealisable. The creation of affordable housing therefore poses a particular challenge.

Promoting productivity growth

In order to counteract the demographically induced loss of prosperity, an increase in labour productivity is essential. Innovation, a focus on sophisticated products and technologies and the exploitation of efficiency improvements are crucial for increasing productivity, with a well-trained and highly qualified workforce providing important impetus for innovation and the further development of products. Investment in training and further education is therefore essential. In addition, it is important to create better development opportunities for highly productive sectors such as manufacturing by supporting the growth of existing companies on the one hand and the creation of new companies on the other. Overall, the issue of productivity needs to be brought more into the economic policy discourse. This requires not only scientific and technical proposals on how to increase productivity, but also an open discussion among all stakeholders on how to improve productivity and thus regional competitiveness.