

## SOCIAL AND ECONOMIC SITUATION OF SILVER GENERATION IN SLOVAKIA

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### **Abstract**

*Accelerating demographic ageing of European population has become a focus of scientific attention in recent years. Senior population comprises an important and growing part of the overall population. It has its own characteristic consumption patterns, savings, investments and income-expense situation and it plays different social, professional and family roles. The objective of the article is to characterize the situation of silver generation in Slovakia using the Statistics of Household Budget Survey, EU SILC and sociological survey of ISSP Slovakia. Description of the social and economic situation of seniors is complemented by the information of their quality of living. The data are compared in time and the silver economy in Slovakia is assessed in the context of other EU Member States.*

**Key words:** *silver economy, demographic changes, ageing population.*

### **1. Introduction**

Although the world population exceeded 7 billion people in 2012, the increase rate of about 2% in 1963 – 1972 was declining gradually to 1.13% in 2014 and the world population growth has been very uneven across the globe. In Europe, the population growth is slow with very low natural increase and is accompanied by longer life expectancy. Rising proportion of the older age groups in Europe, population ageing, is the result of four main demographic trends (Páleník, 2012). Firstly, low fertility rate is well below the survival limit for keeping at least stagnating trend of population growth. The average number of children per woman was 1.55 in Europe (EU 28) in 2013 with the number even lower in Slovakia – 1.34. Secondly, post war baby boom resulted in a high increase of the population that is now getting into the retiring age. The share and number of people over 60 is rising and it is rising more and more quickly. In addition, life expectancy is rising too, with 77.4 years for men and 83.1 for women

in 2012 (72.9 for men and 80.1 for women in Slovakia, in 2013). Finally, growing immigration leads to the heterogeneity of European population and only partially compensates for low fertility rate and high proportion of the older population.

The aforementioned demographic processes that are typical of the last decade in Europe have not had only social but also economic consequences. This fact is dealt with in the literature in two different ways. The first view is that ageing population means economic burden for the society, mainly due to the higher public expenditure on healthcare and social services. The second view considers ageing population as an opportunity for economic growth through the creation of silver economy, i.e. economy driven by the consumption of the generation of people in the post reproductive age –aged over 50 (Commission, 2009).

In our article we analyse some of the recent demographic trends in relation to the potential of the silver economy in Slovakia in comparison with the EU member states. Our analysis is based on the data of the Household Budget Survey 2005 and 2012, survey EU SILC 2005 and 2012 and ISSP Slovakia 2012, module Health. It has been processed with the use of the software SPSS. In order to eliminate the price effect, the data for 2005 were recalculated to the constant prices of 2012.

## 2. Demographic Trends of Silver Generation

As noted above, the long term decline of both natality and fertility levels in Europe have caused changes in the population age structure. Not only is the proportion of pre-productive population decreasing, but also the proportion of the population in the productive age under 50 is stagnating or decreasing slightly. On the contrary, the population cohort of over 50 (silver generation) is growing in number and its ratio to the overall population has increased from almost 34% to over 38% in the last 12 years. These changes are also reflected in the growth of old-dependency-ratio, i.e. the ratio of the population of over 65 to productive population, which reached the average of 28% in the EU 28 countries. In 2013, this indicator was the highest in Italy (32.7%) and in Germany (31.3%). In Slovakia, this ratio is approximately 18% and its growth is accelerating (Table 1).

Table 1. Population by age groups (% of total population) – EU 28 countries.

age / year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
0-14	16.6	16.4	16.2	16	15.9	15.8	15.7	15.7	15.7	15.6	15.6	15.6
15-24	12.9	12.9	12.8	12.6	12.5	12.4	12.2	12	11.8	11.7	11.5	11.3
25-49	36.5	36.5	36.4	36.3	36.2	36.1	35.9	35.7	35.4	35.2	35	34.7
50-64	17.7	17.9	18	18.2	18.4	18.7	18.9	19.1	19.4	19.6	19.7	19.9
65-79	12.5	12.5	12.6	12.7	12.7	12.7	12.7	12.8	12.8	12.9	13.1	13.4
80+	3.7	3.9	4	4.1	4.3	4.4	4.5	4.7	4.8	4.9	5.1	5.1
50+	33.9	34.3	34.6	35	35.4	35.8	36.1	36.6	37	37.4	37.9	38.4

Source: Eurostat.

In the view of the population structure development it is obvious that the national economies, including that of Slovakia, will have to adapt to the future needs and potential of the older population. Older people will create more demand for services and products connected with their personal preferences and requirements that are subject to change with age. As this population segment is not economically and socially homogenous, it is

reasonable to differentiate between its several subgroups – young old (50 – 64 years of age), middle old (65 – 79) and the oldest-old (aged 80 and over). Each of these subgroups will have different attitudes, opinions and behavior patterns. People aged over 50 gradually change their economic activities and assume other social, family and professional roles.

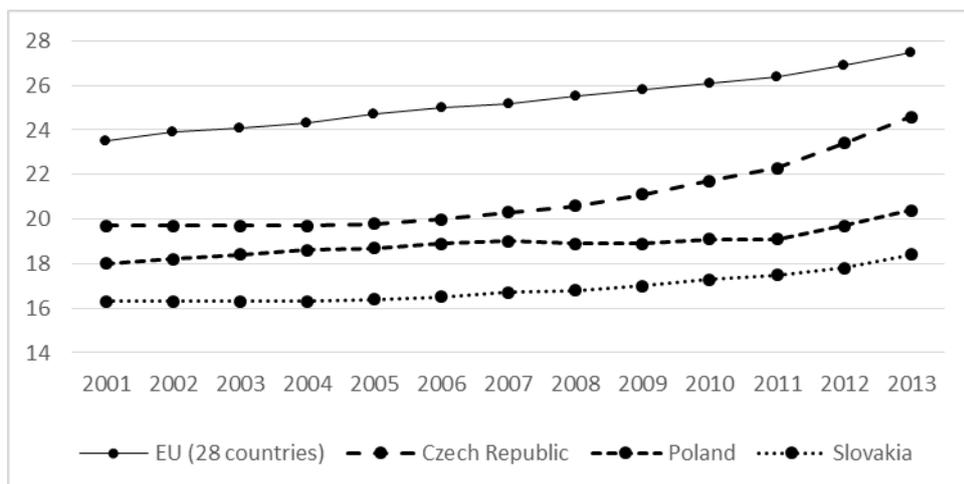


Figure 1. Old-age-dependency ratio in 2001-2013  
 Source: Own calculation based on data from Eurostat.

In 2012, the share of 50 - 64 age group in the population of Slovakia was 20.3 %, while 65 - 79 age group accounted for 10.5% and 80 year olds and over for 3.1% of the Slovak population. In addition to the specific needs and preferences, the different income levels of these subgroups will also determine the extent of their consumption in different expenditure categories.

### 3. Household Economy and Consumption

Changes in the population structure lead to changes in the structure of demand for products and services. The demand is affected by the different level and structure of consumption, which is also due to considerably lower income of individuals at the retiring age.

In the period of 2005 – 2012 the incomes of Slovak households were rising continually. Based on the statistics of Household Budget Survey for 2005 and 2012 we have found that on the average, the annual income per Slovak household member was EUR 3,014 in 2005 and it rose to EUR 4,463 in 2012. When recalculated to the constant prices of 2012, we can see the growth of real income in a more detailed structure in relation to the age category of the reference person in the household. As the Figure 2 shows, the highest incomes were in the age category of 25-49 years, but they grew the least, only by 11.3%. The fastest income growth was recorded at the categories of over 65 years of age and it was related to the valorization of old age pensions. The more populous age group of 65–79 recorded a 30% increase in incomes, whereas the incomes of the age group of 80 and over increased by 26.7%.

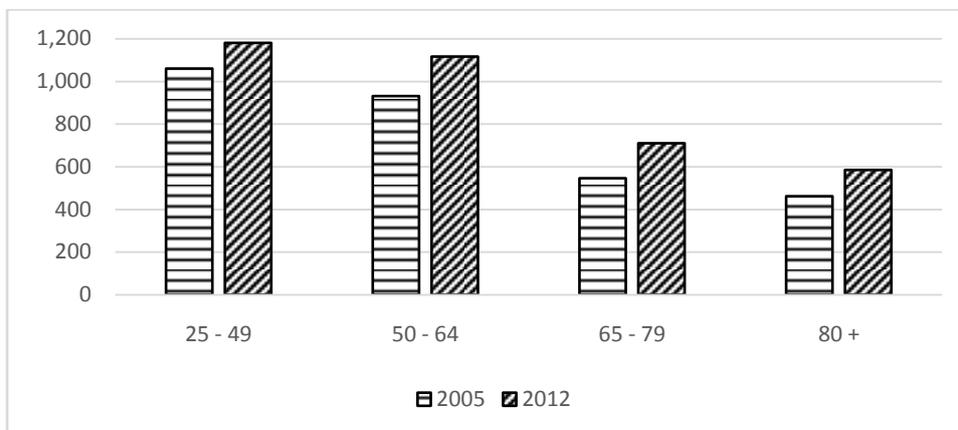


Figure 2. Net money income per household by age category of reference person in Slovakia.  
 Source: Own calculation based on the Household Budget Survey.

As for the structure of income items from total money income by age groups, the statistics shows that already in the first sub-group of the young-old the incomes from employment and business activities drop considerably in favour of increase of the incomes from pensions and in the cohort of the middle-old and old-old, almost all incomes come from received pensions, which should be taken into consideration when projecting the silver economy growth in the future.

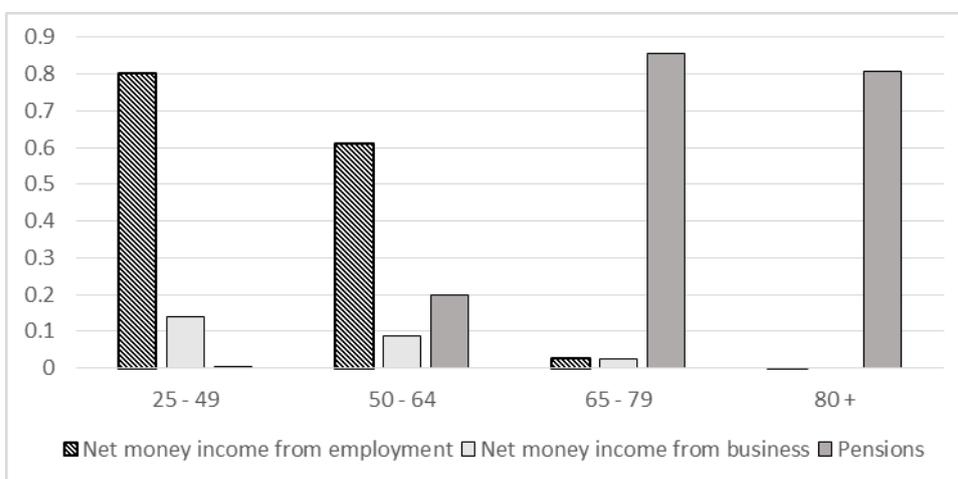


Figure 3. Structure of income items from total money income by age groups in 2012  
 Source: Own calculations based on EU SILC.

In view of the incomes structure it is also interesting to look at the changes in the volume and structure of expenditures. In 2005, the average value of expenditure per household member was EUR 2,935, whereas in 2012 it reached EUR 3,950. However, the expenditure rose more slowly than income, which allowed for accumulation of savings. In 2012, the highest monthly savings were created in the age group of 50 – 64 year olds with EUR 181 per household, followed by 65 – 79 cohort with EUR 103 and the group of 25 – 49 year olds with EUR 97 per household. The lowest savings were created in the age group of 80 + with

approximately EUR80 a month per household. Different income levels and consumption patterns of individual age categories also resulted in a different structure of their expenditures.

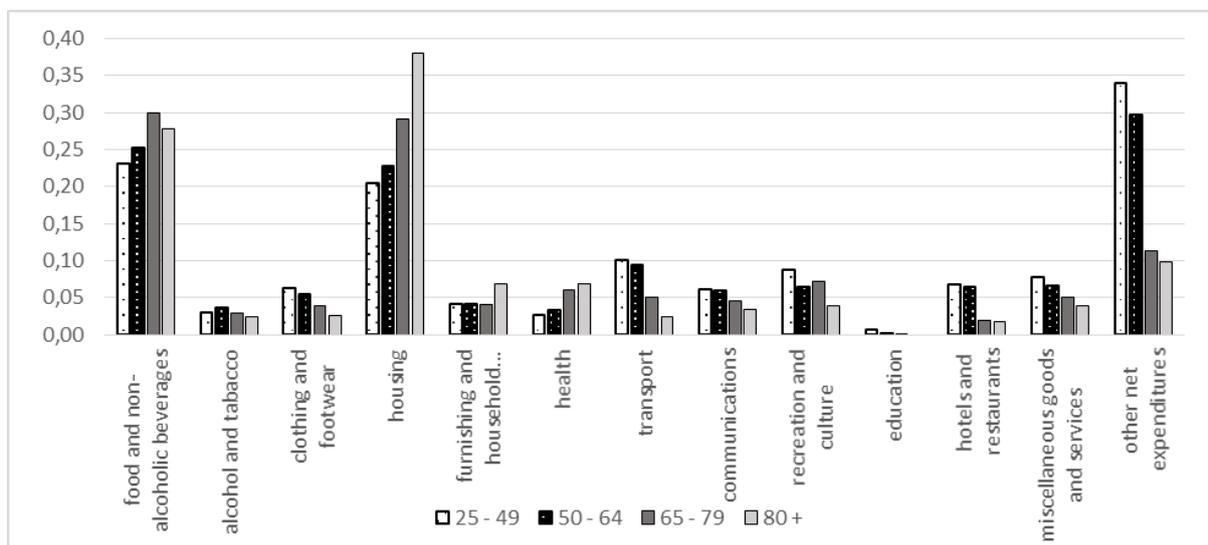


Figure 4. Overall structure of consumption expenditure by detailed COICOP level by age category in 2012 in Slovakia

Source: Own calculation based on Household Budget Survey.

We can see a positive correlation between expenditure and age in the group of so called obligatory expenses, i.e. expenses for food and housing, and health. Other expenditure categories decrease their shares on total household expenditure with age (Fig. 4). While the households with a reference person of 25 – 49 years old spend 43.5% of their expenditure on obligatory expenditures, at the households with a reference person of 50 and over the ratio climbs to over 65%. This leaves the older households with little money to spend on other types of expenditure. If we add health expenses to the obligatory expenditures, the total ratio reaches 72.7% at the older households, which means that these households spend only a little above a quarter of their total expenditure in other expense categories than food, housing and healthcare.

In comparison with other European countries, then, most Slovak silver households are not able to allocate as much of their expenditure to the so called facultative expenditure items as the silver households in most EU countries, which might be due to the high relative prices of food, housing and low levels of old age pensions. For comparison, the average EU household with a reference person of 60 or over needs to allocate approximately 15 percentage points less expenditure in obligatory categories than a comparable Slovak household.

Clearly, the growing proportion of older population increases demand for certain type of products and services, ranging from healthcare, personal care to age-friendly technologies and other solutions that would enable these people lead healthy, independent lives. Older people thus represent a huge potential market and growth of the “silver economy” (Ahtonen, 2012).

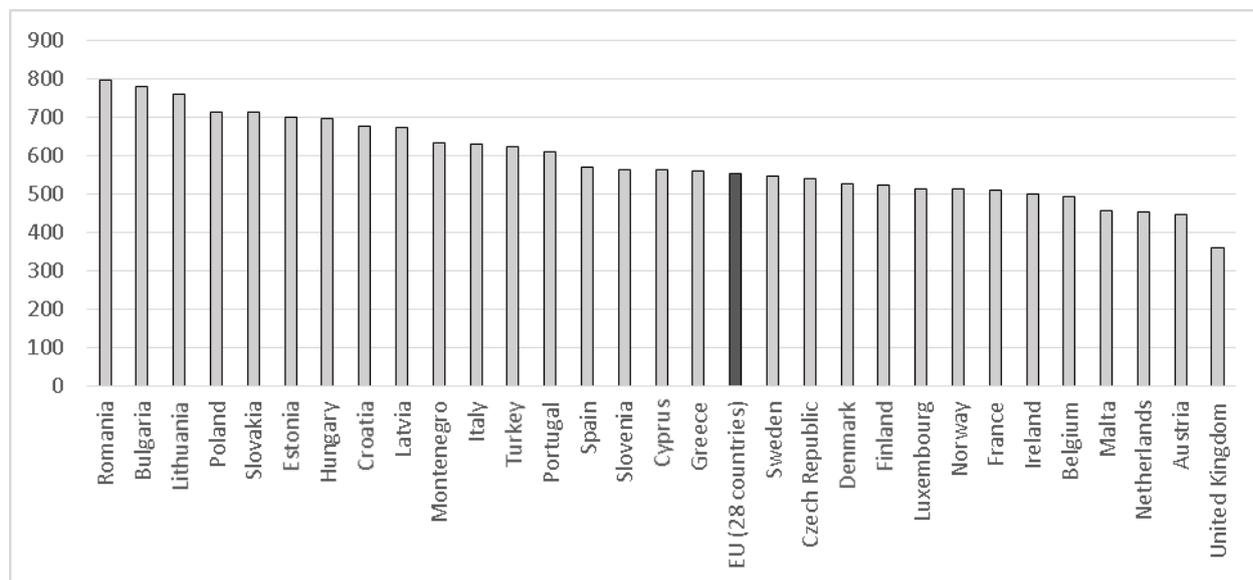


Figure 5. Proportion of food, housing and health expenditure together to consumption expenditure in a household with reference person aged 60 or over 60 in EU countries (per thousand) in 2012.

Source: Own calculations based on Household Budget Survey.

However, as we can see from the statistics, the demand for the new products and services could be limited by the older generation's lack of available funds to cover the "facultative" types of expenditure. In other words, the consumption potential of the "silver generation" in Slovakia is constrained by their incomes. In 2012, the age category of 50 – 64 year old received 29.1% of total volume of incomes, 65 – 79 year olds 29.1% and the oldest age category only 2.2% and the incomes of the silver generation comes largely from pension, i.e. from public finances in case of Slovakia. Our findings correspond to the prognosis that the potential demand of silver generation will only rise slowly in Slovakia (Pauhofova and Palenik, 2013).

#### 4. Silver Economy and Public Policies

The Slovak economy in the near future is unlikely to be boosted by the consumption of the silver generation in other than health and personal care services, which comes largely at the cost of public budgets. The documented changes in the age structure of the population should force the policy makers to consider policies to cope with less workforce, higher pressures on old-pension and social systems and healthcare in the near future.

In order to avoid too much strain for the public finances and tax and pension systems, the EU has launched some initiatives that support active and healthy aging. The aim of these efforts is, among others, to increase healthy life expectancy (Ahtonen, 2012). Consequently, healthier older people could contribute more to the society, e.g. by staying longer at labour markets, or by transferring the expenditure for healthcare and personal care services to more market based products and services to improve their living standards. As healthy life expectancy in Slovakia is the lowest among the European countries (Figure 6), there is a large room for public policies in this respect.

The measures to promote active and healthy ageing include collaboration between businesses, governments, regions, cities and consumers across the sectors to increase older people’s participation in the economy and society. In healthcare, more emphasis should be put on prevention; education and business need to provide for second careers and part-time jobs; local governments and non-governmental organisations could encourage volunteering and initiatives to support social capital and involvement of the older population that is proved to have positive impact on health.

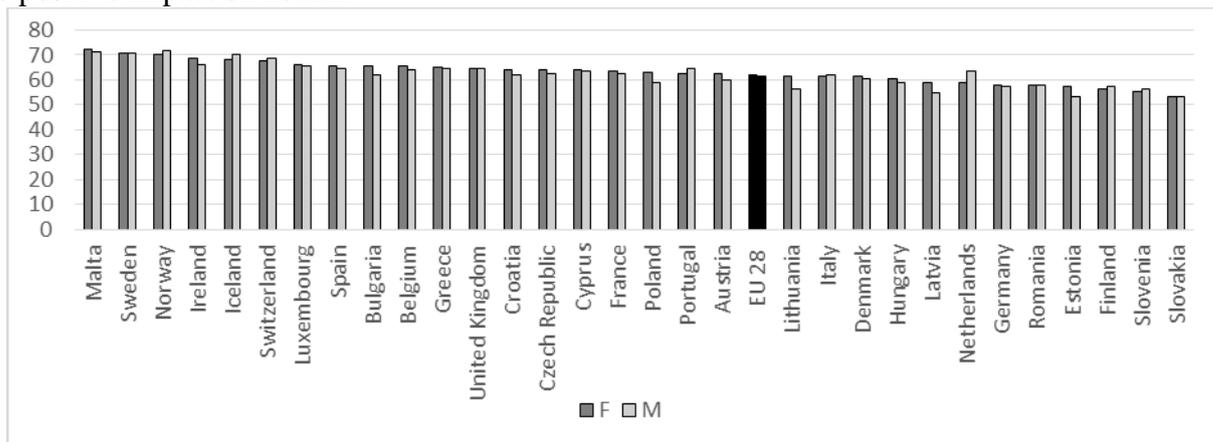


Figure 6. Healthy life expectancy (in years) in European countries in 2012.

Source: Own calculations based on data from Eurostat.

Some of the proposed solutions could be implemented also with help of EU financial instruments, mainly by the European Social Fund, Health for Growth Programme, and other EU instruments, e.g. for research and innovation, cohesion funds, educational support and programmes on employment, social policy and inclusion (Ahtonen, 2012).

Last but not least, public policies should aim at gradual change of the so called dependence mentality of the Slovak population that assumes that it is the government that should take care of the problems of individuals in need. As can be seen in the results of ISSP survey (Table 2), the majority of people (binomial test,  $p$ -value = 0) prefer public funds to cover even the help for the elderly with the daily chores not requiring the professional.

Table 2. Answer frequencies to the question: Thinking about elderly people who need help in their everyday lives, such as help with grocery shopping, cleaning the house, doing the laundry etc. Who do you think should primarily cover the costs of the help to the elderly people?

age category	The elderly people themselves or their family	The government/public funds	Total
25 - 49	150	344	494
50 - 64	107	169	276
65 - 79	57	88	145
80 +	7	17	24
Total	321	618	939

Source: Own calculations based on ISSP Slovakia 2012 module Family.

It is interesting to see that there is not a significant correlation between the age group and this prevalent opinion (chi square test, p-value = 0,052).

## 5. Quality of life

The main objective of the EU SILC survey is to learn about the income distribution in the population and its detailed structure but it also contains questions regarding material deprivation. Both EU SILC and sociological survey ISSP provide data for analyzing the living standards of Slovaks. The answers of respondents can be categorized into the same age groups as in the previous parts of the article.

Table 3. Results of testing the significance of correlation of the selected indicators of quality of life and the age group of respondents

<b>Financial situation</b>	<b>Spearman correlation</b>	<b>p-value</b>
Number of rooms available for the household	-0.024	0.087
Ability to afford one week's annual holiday away from home	0.163	0
Ability to afford a meal with meat. chicken. fish every second day	0.123	0
Ability to afford seasonal clothes or shoes every other year	0.219	0
Ability to face unexpected financial expenses	-0.003	0.848
Ability to get through the pay period	-0.087	0
The lowest monthly income sufficient for survival	-0.369	0
Total housing costs as a financial burden for the household	-0.011	0.441
<b>Housing</b>		
Flat area	0.039	0.005
Adequate electric installations	0.02	0.139
Adequate plumbing/water installations	0.041	0.003
Flat with heating installations	0.022	0.113
Flat nicely warm in winter	0.049	0
Flat nicely cold in summer	-0.045	0.001
Overall satisfaction with the flat	0.014	0.305
Accessibility of food services	-0.13	0
Accessibility of bank services	-0.112	0
Accessibility of postal services	-0.125	0
Accessibility of public transport	-0.116	0
Accessibility of healthcare facilities	-0.133	0
Impending risk of change of dwelling	0.108	0
<b>Possession of durables</b>		
Do you have a telephone?	0.084	0
Do you have a colour TV?	0.046	0.001
Do you have a personal computer?	0.41	0
Do you have internet?	0.398	0
Do you have a washing machine?	0.058	0
Do you have a car?	0.29	0
Do you have a freezer?	0.073	0

Source: Own calculations based on EU SILC 2012.

Based on the results given in the Table 3 it is possible to claim that positive evaluation of one's own financial situation in most surveyed areas goes down with age. For example, the ability to afford one regular week holiday away from home, meal with meat every other day or buy seasonal clothes is less frequent at older age groups. It is interesting to observe that neither the ability to face unexpected financial expenses nor overall expenses for housing are affected by age. Similarly, the quality of housing in terms of electric installations, heating and overall satisfaction with the flat is not affected by the age of a respondent. On the other hand, people's accessibility of banking, postal, healthcare and public transport services go down with age, as well as a risk of changing one's dwelling. The older people tend to have fewer durables, especially computers, internet or cars.

As for the self-assessment of happiness, the answers of 981 respondents divided by age can be seen in the Table 4.

Table 4. Distribution of respondents' answers to the question: If you were to consider your life in general, how happy or unhappy would you say you are, on the whole?

age group	Completely happy	Very happy	Fairly happy	Neither happy nor unhappy	Fairly unhappy	Very unhappy or completely unhappy	Total
25-49	47	181	182	82	17	1	510
50-64	12	98	102	60	14	10	296
65-79	9	35	55	35	13	5	152
80+	1	4	11	3	3	1	23
Total	69	318	350	180	47	17	981

Source: Own calculations based on ISSP Slovakia 2012 module Family.

Although the feeling of happiness prevailed in all age groups, the test of independence ( $p$ -value = 0) as well as Spearman correlation coefficient ( $R_s = 0.27$ ) indicated the drop in happiness with age.

## 6. Conclusion

Slovakia is expected to experience significant demographic changes over the next few decades. By 2035, over 23 per cent of its population will be aged over 65. A well managed economy over the long term is essential if it is to meet the emerging challenges of an ageing population. This article looked at current trends in demographic changes and corresponding changes of people's incomes and expenditures as well as their standards of living and quality of life.

Income per household decreases with age, with a significant drop at the age of 65 – 79, when people retire. Although the incomes were rising in all categories in the respective period of 2005 – 2012, most income at the age of 65 and over came from old-age pensions, i. e. largely from the public budget in case of Slovakia. The structure of people's expenditure changes along with the income structure and age. In Slovakia, most of the expenditure in the age groups of 65 and over goes to the so called obligatory items, i.e. food and housing. With expenditure on healthcare, the ratio reaches over 70%, which is much higher than the

European average. With the lower funds available for other types of expenditure, the market potential of the silver generation in Slovakia is still limited, although it will be increasing steadily due to the population increase in the older age groups.

Nevertheless, with the demographic trends as they are, we can expect increase in retail and services spending in the next decades that will be attributable to the over 50s and a corresponding fall in the consumption of younger consumers, which is a fact that business organisations will have to cope with. Both the business and government need to consider not only the potential demand created by the silver generation, but also the supply in terms of labour and active participation in the society. The public policies should target the increase of healthy life expectancy that should lead to less dependence of older generation on public services, like healthcare and social care, and at the same time more involvement in the workplace and public life. This should also increase the feeling of happiness that currently decreases with age. Businesses should also be prepared for the fact that more and more of their employees will belong to older age categories with their specific needs and preferences. It seems that facing the challenges of the demographic change will inevitably require the change of the attitudes of all the involved – governments, businesses as well as individuals. One of the desired outcomes of this change should be less dependence on welfare state systems and taking more responsibility for one's own life.

### Acknowledgements

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