
LONGEVITY/SILVER ECONOMY AND SENIOR ENTREPRENEURSHIP: THE CASE OF ROMANIA

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Abstract

The expanding ageing population phenomenon is both a challenge and an opportunity at both social and economic levels. Related to this major demographic shift, longevity/silver economy and senior entrepreneurship are emerging fields providing a rich topic for scientific studies, largely unexploited and requiring new approaches. The purpose of our paper is to contribute to a more in-depth understanding of those two low documented fields, by emphasizing their increasing dynamic and their main features through an extensive and thorough analysis. The different passive and active co-existing roles of people aged 50 or over and the associated benefits are carefully detailed. Elderly active role as entrepreneurs is addressed and examples of relevant to senior entrepreneurship policies are highlighted. The new generated knowledge, using an exploratory qualitative research regarding Romanian elderly entrepreneurial initiatives revealed that seniors orientation towards entrepreneurship, mainly relies on the experience and relationships accumulated along the time, self-confidence, and optimism; their age is not perceived as an obstacle.

As the first to address the subject of senior entrepreneurship in Romania, this paper can contribute to the complex process of raising awareness about Romanian silver economy and seniors' untapped potential. It is also pointing on further research directions that can have positive implications in the effort to design appropriate policies and programs in our country.

Keywords: Longevity/silver economy, active ageing, senior entrepreneurship, third age entrepreneur

JEL Classification: E23, I23, M10, M13, O30, O47

Introduction

The aging population, a worldwide recognized phenomenon is one of the greatest achievements of the humankind posing, in the same time, some of the greatest challenges.

Over 1.6 billion persons in the world were 50 years old and over, by 2015, and their number is projected to reach nearly 3.2 billion by 2050. In the US alone, seniors' number amounted to 1/3rd (111 mill.) of the total population in 2015 (Oxford Economics, 2016).

Europe is facing a similar "graying" trend of its population. The 2015 Ageing Report is emphasizing the "dramatic projected changes" of the EU's demographic structure, and their potential economic and social consequences (EC, 2015a). The economic dimension, known as the "longevity economy" (LE) in the US or "silver economy" (SE) in the EU encompasses the contributions of the 50+ age segment.

The scope of this paper is to explore the issue of senior entrepreneurship (SeniorE), in general and in Romania in particular as a new, emerging field of study and a dynamic component of LE/SE.

The paper is structured into 3 parts, all outlining the aspects of the complex changing paradigm of the elderly in a passive role, into an active one. According to this new approach, active ageing can transform seniors from simple customers, respectively beneficiaries of social and economic progress, into active participants in the society, as workers, entrepreneurs, investors, volunteers, and philanthropists.

The first part of the paper summarizes the multiple dimensions of emerging concepts like LE/SE and its main components. Concrete aspects regarding seniors' multiple roles and their social and economic impact are also detailed. The second part discusses key challenges related to SeniorE. Start-up intentions, typologies, and motivations of senior entrepreneurs are also underlined. The final part of the paper emphasizes general aspects on SeniorE emerging phenomenon in Romania, through an exploratory qualitative research's findings and provides a conceptual framework for enhancing seniors' involvement in entrepreneurial activities.

In the context of scarce literature, but very recent and focused mainly on the US and EU, this research paper, the first one to address the issue of SeniorE in Romania is contributing to the process of creating awareness about older people's untapped potential and new knowledge about this current topic. It also suggests future research opportunities in the field.

1. Active Ageing, "Longevity"/ "silver" economy - complex emerging concepts

The ageing demographic trend led to the relatively new concept of "Active Ageing", deployed by World Health Organization in the late '90s. Adopted by the European Commission too, the active ageing framework is not limited to concerns regarding social protection, but it refers mainly to the inclusive idea of longer involvement of elderly in socio-economic, cultural, spiritual, and civic activities (UNECE, 2015). In this context, efforts to capture their contribution led to new approaches and concepts like LE/SE.

The American Association for Retired Persons (AARP) has coined the sintagm LE for US as representing "the sum of all the economic activity serving the needs of Americans aged 50 and over and including both the products and services they purchase directly and the further economic activity this spending generates" (Oxford Economics, 2013, p.4).

Categorized as a challenge of the EU's economy, the ageing population is strongly related to the SE. This emerging concept is defined by the EU Commission "as the economic opportunities arising from the public and consumer expenditure related to population ageing and the specific needs of the population over 50" (EC, 2015b, p.1). SE is part of the general consumer economy, but with specific features in terms of needs and spending patterns, for each of the 3 identified groups: active, fragile, and dependant.

The results of a standard economic impact assessment for 2015, using three main key metrics, revealed major direct, indirect, and induced effects of the US LE: 7.6 trill. \$ total contribution to GDP which is making it the world's 3rd largest economy, after those of US and China; 89.4 million jobs supported by the 50+ cohort's spending; 4.7 trill. \$ labor income, earned by LE workers. Almost 1 trillion \$ in federal taxes, and over \$750 billion in state and local taxes are also generated yearly by the LE (Oxford Economic, 2016). Merrill Lynch's estimations show that by 2020, the global private spending power of seniors is expected to reach 15 trillion \$. As for the public spending, in the EU for example, it will represent over 25% of its GDP. (EC, 2015b).

People aged 50 or over are "playing" one or multiple co-existing roles in the LE/SE, as: *consumers, employees, entrepreneurs, investors, volunteers, and philanthropists*. If the first role is considered passive, the next ones are reflecting seniors' proactive side (Isele and Rogoff, 2014). Seniors' roles as entrepreneurs and investors are detailed in the second part of this paper.

Even if passive, *the consumer role* of people aged 50 and over is based on an unprecedented accumulated wealth. In the US alone, seniors' group is in control of almost 80% of the country's net worth (Oxford Economics, 2016). Elderly associated spending is supporting an increasing number of jobs and is having a broad impact on many industries, including health care, pharmaceutical industry, housing, car industry, hospitality, etc. Seniors' higher purchase power, especially in developed countries, is also fueling demand for new products and services, driving growth and direction, stimulating innovation in emerging domains like: biotechnology, telemedicine, remote devices, anti-ageing, cosmetic surgery, hormone therapies, etc. Elderly distinctive lifestyle and consumption patterns translate into new business opportunities. Many start-ups are aiming this growing demographic segment in order to meet its expectations and needs and to improve their ageing experiences. Also, several large companies have developed SE strategies (Fulea, Șandru, Brad, Maftei, 2015).

In the context of higher life expectancy and quality of life, seniors tend to extend their work lives, contributing longer to the economic growth and supporting the fiscal system, as *employees* (Oxford Economics, 2016). Elderly can fill full time jobs, or part-time/ seasonal ones complementing, rather than competing younger people's jobs. Persons in the 50+ segment are also taking increased advantage of "gig" and/ or share economies, providing alternative and flexible work opportunities. The 50+ cohort's motivations range from not being financially prepared for retirement, to maintaining an active, independent and healthy life. However, in this role, they have to overcome sometimes not only personal barriers, like undervaluation of own education and experience, lower adaptability to complex and diverse requirements, decreasing self-efficacy, etc., but also barriers in the work place: biased perception of younger generations, age discriminatory practices, financial disincentives for employers, etc. There are contradictory research findings about productivity being inversely related to age (Aiyar, Ebeke and Shao, 2016; Oxford Economics, 2016).

Increasing evidence is generated about seniors' involvement as *philanthropists*. In the most documented example, that of the US, the "baby boomers'" propensity for charity is significantly higher than that of younger generations (Isele and Rogoff, 2014). The same segment has proved to spend more time doing *volunteering*. Also, many senior Americans have reported different forms of assistance provided to their parents and financial and/or non-financial support to their adult children.

In the EU, the recently developed Active Ageing Index (AAI) is a viable analytical tool, with scores ranging from 0 to 100, facilitating periodic assessment of older people's potential at the national level and progress tracking. AAI's 22 individual indicators are grouped into 4 domains, each reflecting different dimensions of active ageing (UNECE, 2015): *Employment* - capturing seniors' contributions through paid activities, *Social Participation* - through unpaid productive activities, *Independent Healthy and Secure Living* and *Capacity for Active Ageing*. The first three domains are a fair indicator of the diverse activities that seniors are involved in.

Just like other EU members, Romania is experiencing a similar aging trend, which combined with heavy migration of its active population, increasing life expectancy, and falling fertility rates, is having major socio-economic implications. According to statistics, by the end of 2016, there were 7.568 million Romanians aged 50 and over, with the 55-64 age segment being the largest (INS, 2016). Seniors' relative weight, of 38.30% out of the total population (19.76 millions) is forecasted to further increase (Eurostat, 2016). The number of retirees (farmers included) amounted to 5.245 million people, representing 69.3% of the total number of seniors and over a quarter (26.54%) of the total population. These figures are giving an overall image of SE size, an unexplored topic in Romania. There are no formal estimates of neither direct, indirect, nor induced impacts of Romanian SE, nor scientific studies regarding businesses that are senior oriented, or associated number of jobs. In general, elderly Romanians have significantly lower accumulated wealth compared to those in developed countries, due to centralized economy's constraints, before 1989, a difficult transition after, and very low pension levels. However, their number and spending power cannot be neglected. Our rough estimation, according to the average net salary (of 2.354 lei/ approx. 523 €) and the average net pension (958 lei/ approx. 213 €), correlated with the number of working seniors and that of retirees led to approximately 30 billion € in private spending in 2016. Recent measures to increase pensions and wages will induce higher seniors' spending as consumers. Future studies aiming seniors' growing segment, their specific work-life choices, their consuming behavior patterns and efforts to raise awareness about the increasing "silver" market potential can translate into new opportunities, for many new start-ups and/ or existing businesses.

Even if, the 2014 AAI Report ranked Romania (29.6) in the lower index values group of countries - though before Slovakia (28.5), Hungary (28.3), Poland (28.1), and Greece (27.6) - above average scores were registered in the Employment domain (UNECE, 2015). Almost one third (29.32%) of all seniors (INS, 2016) are active as employees, owner/entrepreneurs, self-employed, or as informal workers (unpaid), collectively, spending more money, adding to tax revenues and producing economic value for a longer period of time.

2. Senior Entrepreneurship component of longevity/ silver economy

The term of SeniorE is commonly referring to people aged 50 or over, who are planning to start a business, are currently in the process of starting one, or have recently started one (OECD, 2013). Through their business start-ups or existing ones, seniors are contributing to value creation for the community and themselves, to job creation, to the fiscal system, and to a higher social inclusion. Also, active seniors tend to stay healthy longer, thus reducing pressure on social services and associated public costs.

The 2016 LE Report is underlining a growing presence, in the US, of senior entrepreneurs who started one third of all new ventures, during the last 10 years. The 55-65 demographic segment displayed the highest entrepreneurial activity during the same time span. Older

entrepreneurs can demonstrate skills to properly assess the environment and can contribute, along with the younger ones to the diversity of offerings on the market (GEM, 2014).

The profile of the US senior entrepreneurs, for example, includes as dominant traits (Schmalbruch, 2014): mainly of masculine gender, running their businesses, usually with less than 5 employees (if any); well educated, in general and self-confident; driven mainly by positive motivations; willing to take risks, just like younger entrepreneurs; with strong professional networks; using primarily personal savings rather than loans to finance their businesses. Their favorite industries are: retail, agriculture, services, etc. Green businesses seem to be also favored by elderly entrepreneurs (Isele and Rogoff, 2014). They also tend to have greater experience and a wider network of contacts compared to their younger peers (EC, 2016) and paradoxically may be less concerned about start-up challenges, probability of businesses to have higher survival rates (OECD, 2013) and a stronger desire to "give back" to the community/ society (EC, 2016). However, several perceived barriers holding back seniors from opening their businesses have been identified: age related barriers (discrimination, lower adaptation capacity, etc.); lack of relevant information and supportive regulations; semi-inexistent guidance; difficult access to resources; negative age stereotypes; etc. (Kilber et al., 2012).

Several studies and reports were issued recently, emphasizing SeniorE's great potential and pointing at appropriate legal measures and effective programs to foster it. Policies relevant to SeniorE should be connected to its three influencing factors: *motivation, skills, and opportunity*. Measures focusing on raising seniors motivation might include: raising awareness about entrepreneurship as a possible work alternative; aiming third age women in order to increase their levels of entrepreneurial activities; reducing age biases by promoting their economic potential. Skills oriented measures should be tailored to each senior group's features. Opportunity targeted measures should be reviewed and adjusted in order to avoid disincentives to SeniorE.

Recently launched, by the European Commission, the Good Practices Manual provides a valuable overview of 24 existing initiatives in the area of SeniorE, grouped into four main types of support and sources of information (EC, 2016): education/training on entrepreneurial skills; individual mentoring of seniors; development of networks of seniors/projects/ institutions; research. The mapping of those initiatives by country include: Belgium France, Germany, Ireland, Portugal, Slovakia, Slovenia, Spain, and UK.

3. Senior Entrepreneurship in Romania - an exploratory qualitative research

As other former centralized economies in the Eastern Europe, Romania tends to have lower senior inclusiveness compared to the cluster of more developed countries, having longer tradition and experience (Pilkova et al, 2014). Statistics shows low percentages of seniors involved as owners/ entrepreneurs or self-employed, and a preference for the second type of professional status. Low incomes/ pensions are, probably, among the main driving forces (table no. 1).

Seniors' formal education was completed during the former centralized regime with no entrepreneurship component, thus negatively impacting their entrepreneurial mind set and propensity to engage in entrepreneurial activity.

Table no. 1: Professional Status of Romanian seniors by age group (2016)

Age group:	Professional Status:	No. of seniors	% of total nr. of seniors
50 - 64	Employee	1,309,931	17.31%
	Owner/ entrepreneur	17,610	0.23%
	Self-employed	448,468	5.93%
	Informal worker (unpaid)	152,746	2.02%
	Total (group 50-64)	1,928,755	25.48%
65 and >	Employee	21,253	0.28%
	Owner/ entrepreneur	1,555	0.02%
	Self-employed	185,744	2.45%
	Informal worker (unpaid)	82,370	1.09%
	Total (group 65 and>)	290,922	3.84%
50 and >	TOTAL (working seniors)	2,219,677	29.32%

Source: Adapted upon data from Institutul National de Statistica (INS), 2016

Our exploratory qualitative research's aim was to identify the main characteristics of existing senior entrepreneurs. The research consisted of in-depth structured interviews carried out with five senior entrepreneurs, active in the urban area. In accordance with the designed objectives, our findings are summarized below:

- According to the first objective - *designing the profile of the Romanian senior entrepreneur* - outlines a higher orientation towards entrepreneurship after the age of 54. The option for a certain industry was mainly influenced by the training and experience gained over time and, not least, the passion. Information obtained did not reflect the predominant existence of a certain level of education or social status.
- *Determining the main motivations of Romanian senior entrepreneurs*, the second research objective, emphasized, as main motivational variable, the expertise in the chosen industry, also considered as an advantage over younger entrepreneurs. Other motivational factors refer to ensuring a better future to their children and the need to supplement their income. "I 'experienced' some positive incentives like the desire to exploit the experience I had, to accomplish more in my life and to earn more money, to be my own boss and to try to do something different" (entrepreneur 1). Prevailing behavioural characteristics that have led senior entrepreneurs to start a business were optimism, self-confidence, and resilience. "I wanted to provide a better future for my son, to earn more money and to be the one who decides on my schedule, life, etc., practically to be my own boss" (entrepreneur 2).
- Based on our third research objective - *identifying major obstacles to overcome by senior entrepreneurs* - we noticed that none of the interviewed entrepreneurs consider himself/herself age discriminated. Furthermore, they all consider age as a real advantage. "I did not feel any discrimination because of my age. On the opposite: sometimes, I felt like people were very respectful with me, due to my age" (entrepreneur 2). The main barriers they faced were more related to financial and bureaucratic issues, and to the difficulty of obtaining the necessary licenses for their business. Specific to their age, the main mentioned personal barrier was the deteriorating health.
- Also, no respondent aims at developing his/her business in the next five years. Potential means of diversification were somehow considered and, in case of one interviewee, the probability of a future development was considered only from the perspective of another family member involvement, as partner. The option of maintaining the current

stage of business reflects, once again, behavioural attributes specific to senior entrepreneurs, such as moderate risk taking and analytical capacity in setting goals.

- The last research objective aimed to *identify different means for fostering entrepreneurship among seniors*. The methods proposed by the respondents aimed support measures at both personal level - general literacy and opportunities identification - and general level. Considering this later aspect, the improvement of access to financing and the development of policies for encouraging senior entrepreneurs were aimed.

Conclusions

The aging population phenomenon should be perceived in an inclusive way, more like an opportunity than a challenge. LE/SE and its related component SeniorE are changing the social and economic frameworks. Through their multiple roles, as consumers, workers, entrepreneurs, seniors are fueling and driving direction to many industries. Recognizing them as a great resource and tapping their potential require a major paradigm shift.

Our qualitative research's results reflect an optimistic view on SeniorE in Romania. Elderly display rather high self-employment and entrepreneurship potential, backed by diverse motivations and do not perceive age as an impediment. Furthermore, age is considered a competitive advantage, due to the experience accumulated over time.

Further pieces of research regarding influences of the business environment, entrepreneurial education and national culture on seniors are needed. Also, upcoming studies should aim at measuring seniors' contribution at both economic and social levels, in terms, for example, of newly created jobs, elderly accessing financial services, number of volunteering hours, etc. Their conclusions could have positive implications in the effort to design appropriate policies and programs in our country, able to support a more inclusive society, in general and SeniorE in particular, in compliance with the EU 2020 strategy for smart, sustainable and inclusive growth.

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