

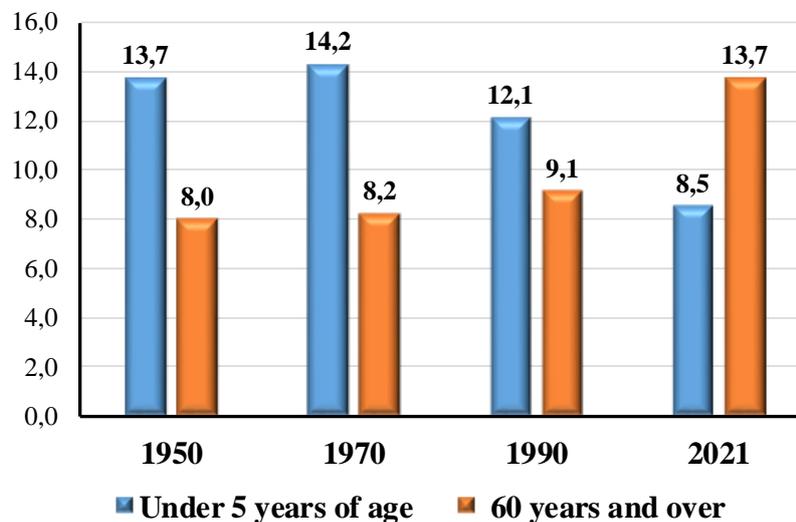
## Silver economy: opportunity or threat?

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### Introduction

Most countries in Latin America and the Caribbean are in the midst of a demographic transition and have been experiencing a progressive reduction in mortality and significant drops in fertility levels (Álvarez Diez et al., 2022). Advances in health care and technology have enabled people to live longer and with a better quality of life, which also contributes to the increase in the population of older persons (Zhao & Xie, 2023). The idea that ageing is a problem of developed countries is no longer valid. As we can see in **Graph N°1**, the world's population of people over 60 is expanding faster than any other age group. Figures for the year 2021 show that globally, older people outnumber those under 5 years of age by more than 5 percentage points.

**Graph N°1.** Proportion of population under 5 and over 60. World total. Years: 1950, 1970, 1990 and 2021.



**Source:** personal elaboration based on United Nations (2022).

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Much of the demographic literature associates ageing with future problems in the economic, social and political spheres, notably higher pension costs - pension payments will last longer - and higher health and care costs - as people age, they demand more medical care (De la Peña Esteban, 2003; Mesa-Lago, 2021). Moreover, as older people retire, they may withdraw their savings, reducing the supply of available capital (Nova, 2021), diminishing the government's ability to fund other social needs, such as education and infrastructure (Diez, Esparza, & Santillán, 2020; Mason, Lee, & Network, 2022). In addition, the risks of poverty and social exclusion of older people are higher (Maldonado Briegas et al., 2021). All this is contrasted with a proportionally decreasing available working-age population, which may limit consumption and economic growth (Álvarez Diez, García Martínez & Llamas Félix, 2018; Klimczuk, 2021).

Notwithstanding the above, there are those who consider that ageing societies in the West may offer an opportunity for economic growth (Maldonado Briegas et al., 2021). This perspective has proposed a new term - the silver economy (Aracil Fernández & Roch Dupré, 2022; Casas, 2024). In this sense, the 'silver economy' emerges as a result of population ageing and the growing population of older adults (Perić, 2020).

### **What is the Silver Economy?**

As mentioned earlier, as life expectancy increases and the birth rate declines, the share of older people in the total population increases rapidly (Bran, Popescu, & Stanciu, 2016; Marcucci, Ciarapica, Poler, & Sanchis, 2021; Rogelj & Bogataj, 2019). In turn, the average lifespan of the older adult population today is longer than in the past, which favours a market segment of goods and services designed for older consumers (European Commission, 2015). International organisations are very optimistic about the silver economy, expecting this growing older population to become one of the most important economic forces in the world in the coming decades (He, He, & Li, 2022; Klimczuk, 2021). In this context, companies can offer products and services tailored to the specific needs of this ageing population (Casado, 2020).

In general terms, the 'silver economy' is often described as 'all kinds of goods and services for older adults and an ageing population, including the extension of working life, volunteering and active citizenship of older people' or, in a narrower sense, a combination of adequate conditions of supply of goods and services and the growing purchasing power of older consumers (Klimczuk, 2016).

### **In favour of the Silver Economy**

It is important to advance services and innovations, using age-friendly solutions to ensure that older people can live independently and maintain their quality of life (Krzyminiewska, 2020; Marcucci et al, 2021). This aspect is linked to the economic possibilities of healthy ageing (WHO, 2015). Extending the working life of older people, in addition to being a source of income for this population group, relieves potential pressure on the pension system and constitutes a way of remaining active and participating in society (Aracil Fernández & Roch Dupré, 2022). In this sense, favouring active ageing allows for a more gradual decline in health, preserving the ability to carry out the activities of life well into old age (Dionyssiotis, 2018). As a result, health care and social security costs associated with the non-communicable diseases (NCDs) that are most common among older people can be reduced -e.g. heart attacks, strokes, chronic respiratory diseases, etc. (WHO, 2014). In terms of labour market policies, in order to boost the silver economy, employment rates of the over-60s should be increased - facilitating longer careers, reducing the digital divide, inserted in innovative companies, as well as increasing entrepreneurship by seniors, reducing the economic challenges of an ageing society. All this will strengthen the economic potential of the silver generation and the generation of economic opportunities for businesses, such as, for example, the development of tourism and leisure for seniors (Álvarez Diez et al., 2022).

In a broader approach, the silver economy also includes education, research and development (R&D) of products and services dedicated to older people (European Commission, 2007). Associated with this component of the silver economy is gerontechnology.

Gerontechnology links the terms ‘Technology and Ageing’ and aims to improve the daily life functions of the elderly (De la Torre et al., 2015). In this sense, gerontechnology aims to provide answers to two major trends: the increase in the population of older adults and the accelerated change of the technological environment. Gerontechnology provides electronic solutions adapted to the daily lives of older people - smart living, adaptations of housing and supported living services, detectors, alarms, sensors, equipment to overcome hearing and smell impairments, etc. (Enste et al., 2008). These age-friendly solutions are complementary to the United Nations (UN) concept of a ‘society for all ages’ and the implementation of the Madrid International Plan of Action on Ageing (MIPAA), an agreement, adopted in 2002 by the General Assembly of the United Nations.

Latin America and the Caribbean, unlike other regions, is still a young region. However, in the coming decades, the region is expected to show the highest rate of population ageing in the world. This brings with it challenges in terms of pensions, health and dependency care. On the other hand, multiple businesses are opening up within the silver economy - e.g. housing, tourism, care or transport - with the potential to generate millions of new jobs.

### **Challenges of the Silver Economy**

The demographic transition (DT) -the most widely used theory in demographic science - describes the passage from an old or traditional demographic regime to a modern one. The ancient regime associated with agrarian societies is characterised by high birth and death rates, in contrast to the modern demographic regime, where both indicators are low. This is due to increased awareness of contraceptive methods, improvements in medical care and more favourable living conditions. In between these two regimes, the demographic transition occurs, with mortality declines preceding birth rates. As a result, at the beginning of the transition, the proportion of the young population rises, while the proportion of the older adult population is low. This phase, during which the ratio of potential consumers to suppliers is low, is considered favourable for increasing economic growth - the so-called 'First Demographic Bonus'.

The development of a silver economy requires the assumption that the active generation of the first demographic bonus is aware of their longer old age and that the generations entering the labour market will be fewer in number. Therefore, it anticipates difficulties in the sustainability of the public budget and increases its level of savings - the so-called Second Demographic Bonus hypothesis. In this way, the new generation of older adults has a higher accumulation of human capital and better health, consolidating the market under the label of the silver economy (European Commission, 2018).

But if we take into account that the present generation in the labour market is numerically smaller, it is necessary to provide it with a higher level of education to make it more productive, which would require part of the resources of the public budget.

Moreover, citing the European Commission's 2015 report on the 'silver economy', it is important to differentiate the ageing population into three groups: active, frail and dependent (European Commission, 2015). In line with this assessment, Cornet (2014) asks to what extent the 'silver economy' coincides with the objectives of

gerontotechnology, as the silver economy encompasses a wide diversity of individuals in terms of status, income, health and social and cultural context. It is possible to consider more than 50 markets for wealthy baby boomers, active retirees, as well as for poor and frail older adults, the latter mostly single women at risk of dependency and social isolation (Cornet, 2014).

Certain segments of older adults may find it more difficult to access jobs and services than younger people, which may increase the risk of poverty and social exclusion. Moreover, as ageing increases, the demand for health and care increases, posing an inescapable challenge for health and social protection systems (Álvarez Diez et al., 2022). In Latin America and the Caribbean, for the moment most products or services for older people are focused on health and care, which could be due to the fact that the role of older people in active consumption, investment or the labour market is still limited in the region. On the other hand, the state's participation in the silver economy ecosystem is low, with three out of four actors providing services to older adults being for-profit (Jiménez et al., 2021). Such for-profit services include the development of health startups known as *Agetechs* by the private sector, which include health apps that focus on managing care and supporting end-of-life planning.<sup>2</sup> One of the examples of the private sector giving solutions for the senior citizens in Brazil is the accelerator Silver Hub, specializing in solutions and products for the senior citizen audience in the fields of investment, consulting and mentoring for *Agetechs*.<sup>3</sup>

## Conclusion

In conclusion, the economy poses economic and social challenges that need to be addressed to ensure that this ageing population can enjoy a good quality of life and contribute meaningfully to the global economy (Perić, 2020). The potential of silver economy development, on the other hand, may face several barriers at the national and regional level (Klimczuk, 2012). For example, there may be low interest in this market in some regions, the perception of the silver economy as a commodity for wealthy older

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<sup>2</sup> Silver Economy: The Aging Window of Opportunity. *GreenRock*. Internet access: <https://www.greenrock.vc/en/blog/silver-economy-the-aging-window-of-opportunity><https://www.greenrock.vc/en/blog/silver-economy-the-aging-window-of-opportunity/>.

<sup>3</sup> Silver Hub accelerates startups for the longevity market. *News CCBC*. 23 February, 2023. Internet access: <https://ccbc.org.br/en/publicacoes/news-ccbc/silver-hub-accelerates-startups-for-the-longevity-market/>

people, unfavourable consumption patterns of older people and the low attractiveness of some regions for migrants and older travelers. The focus of companies on goods and services only for wealthy older adults could also be an obstacle. The detrimental consumption patterns of some older adults could also be a problem (e.g. orientation towards products that meet basic needs and health, distrust of new solutions and technologies). In addition, some regions may guide the development of the silver economy to attract migrants and older tourists, but this strategy may not produce the expected development effects due to, for example, their low attractiveness compared to metropolitan areas or deficiencies in social infrastructure.

Although the predominant role of the silver economy in the near future is not yet widespread in Latin America and the Caribbean, due to the changes in consumption generated by inevitable ageing. There is already evidence of actors offering products specially designed for older adults, which are not only health and long-term care services.

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