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THE SILVER ECONOMY AND ITS IMPORTANCE TO SOCIETY

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Abstract
Based on the need for a prosperous economy and society, the medical system is one of the important factors in maintaining the health of the population, which is essential to the economy. The modern organization of society, aimed at increasing productivity, intensity, and quality of work, leads to early wear and aging of the human body, an increase in the frequency of illnesses, and thus, most of the time, early retirement from the labour field. In this sense, the ways of financing the health sector are important for the expansion of the network of medical services, the creation of medical, social, and professional recovery systems, the continuous improvement of the health sector, and the activation of people for a longer period of time in their work fields. By developing this article, the authors propose to trace the formation of the silver economy concept, the evolution of retirement, active aging that has a significant contribution to the economy, as well as their repercussions on the economy. It is obvious that active aging took shape from the need for a balance in the economy regarding retirement cases. The evolution of relations related to the labour market against the background of economic and social development is necessary to lead to an increase in interest in ensuring an optimal standard of working and living conditions for the population in order to reduce the repercussions of a low standard of living on the economy, by reducing the force of work.

Keywords: *economy; silver economy; active aging; health.*
JEL Classification: A12, B26, H51, I15.

1. INTRODUCTION

The need for individual and collective security has always existed. Since ancient times people have begun to protect themselves and their dependents from events such as famine, pandemics, and other dangers. One of the main elements contributing to the creation of optimal living conditions, by providing people with the bare necessities, is retirement, through its various forms, which complements the social infrastructure.

One of the European Union's concerns is the population's aging and its financial sustainability. In this regard, Member States and European institutions are constantly working towards a comprehensive approach to this problem and for the continuous modification of the retirement age and pension systems so that they respond positively to the requirements of a flexible and dynamic economic and social system. The ongoing attempt to keep people at work as long as possible has led to the development of active aging or the silver economy, with beneficial effects on the economy and society.

Romanian society, after 1989, entered a process of transition from a multilaterally developed socialist society to a capitalist society and presented itself as a democratic society, oriented towards the market economy. The transition from the socialist to the capitalist political, economic, social, and cultural model can be achieved through a comprehensive reform of the whole society in all areas. The end of the transition will mark the achievement of a state of normality in Romanian society, recognized both in the national and international context. Transition, i.e. the modernization process, entails certain costs, which have a significant impact in economic, political, social, cultural, and other terms, and the costs of change have different effects on members of society.

2. LITERATURE REVIEW

Gordon (2016) identified demographic change as a factor slowing economic growth in the developed world, as an older population will reduce labor force participation and productivity. An aging population results in fewer people of working age, according to Anderson and Hussey (2000) and Bloom *et al.* (2011). When a country faces an increase in the elderly population, public costs for social spending, pension system, and health care system will also increase, according to Lisenkova, Mérette and Wright (2012), and Brooks (2003).

Acemoglu and Restrepo (2017) examined the relationship between population aging and aggregate economic growth and showed that there is no negative relationship between older populations and economic growth (in terms of GDP). The explanation they offer is technology - as populations age, corporations are more likely to adopt technology to help increase productivity.

Research by Prettner (2013) on the effect of demographic change on long-term economic growth prospects also indicates, among other things, that population aging is beneficial for long-term economic growth.

It must be recognised that the issue of population ageing is transdisciplinary in nature, requiring researchers in various fields to look for empirical evidence showing the effects that ageing has on the economy and society. The effects of ageing on the economy through its effects on the labour market and/or society have also been studied by Reuben, Silliman and Traines (1988), Cohen-Mansfield and Biddison (2007), Moody and Sasser (2012), Sabbatti (2013), and Barković and Nedić (2015).

3. THE EVOLUTION OF THE SILVER ECONOMY

The silver economy is described by Klimczuk (2015) as "all types of goods and services for older people and an aging population, including the extension of working life, volunteering, and active citizenship of older people" (Klimczuk, 2015, p. 77) or, in a narrower sense, adequate conditions for the provision of goods and services, i.e. the increasing purchasing power of older consumers (European Commission, 2007, p. 96).

Although the silver economy is of significant importance to society, we encounter various barriers to its development at national and regional levels, issues also noted by Klimczuk (2015). (1) low interest of market entities in this concept in some regions, (2) perception of the silver economy as a commodity for wealthy older people, (3) unfavorable consumption patterns for older people and low attractiveness of some regions for older migrants and travelers; (4) low interest of business entities in developing and implementing the silver economy in some peripheral regions, such as rural and border regions; (5) deficiencies in social infrastructure.

As early as the 1870s, the first forms of active retirement, associated with employer-paid pensions, emerged in the United States in the railroad industry out of industry concern about the continued employment of retired workers. Thus, railroads initially redeployed older workers to night watchman positions or other jobs that minimized their health or safety risks to the public. Often, such reassignments were accompanied by a pay cut, representing reduced responsibilities (Graebner, 1980, p. 14). In 1874, the first private pension plan was established in Canada, under which pensioners were still active; the plan aimed to maintain an efficient workforce, encourage older people to work, and only withdraw them from the workforce if they were no longer able to perform light work. In 1875, American Express was the first private retirement plan in the United States to provide financial aid to workers who were injured or could no longer be employed. In 1880 another active retirement plan was established by the state as part of a broad initiative to provide for the welfare of workers by keeping those with the labor force in the workforce (Sass, 1997, pp. 18 – 30).

By the end of the 19th century, active retirement plans were also beginning to appear in education, at Cornell University, Harvard, the University of California, and Yale University. In 1905, according to Greenough (1990), Andrew Carnegie, a Scottish-born American businessman, and philanthropist, owner of the Carnegie Steel Company trust, which brought him a huge fortune, was concerned about the low pay of university professors and the old age of which they were working in the labor market and set up a free pension scheme for them, which he sponsored with $10 million. In 1906, 52 universities were accepted under the umbrella of that system. Ultimately, the system proved to be underfunded and was closed, but it served as a precursor to the future comprehensive active pension system for teachers, the Teachers Insurance and Annuity Association of America (TIAA), created in 1918 (Greenough, 1990, pp. 5 –16).

The silver economy started from active aging or active retirement, which is a necessity for economic and social progress. To this end, the World Health Organisation launched the concept of "active aging" in 2002 (World Health Organization, 2015, p. 4) with the stated aim of providing an incentive for people who retired on grounds of age to remain in employment. This concept aims to optimise opportunities for health and safety to improve the global economic situation. It proposes the promotion of a healthy lifestyle through programmes to prevent the main causes of ill health, which would enable people of retirement age to continue working. Thus, the term 'active ageing' refers to the continued participation of older people in economic, social and cultural life, their ability to be physically active and to continue working. Once retired, older people can actively contribute to the economy, and the aim of active ageing is to increase the healthy life expectancy and quality of life of retired people, including those affected by disability or incapacity. In this regard, the objectives of active ageing strategies are to reduce premature death; limit disability and chronic disease in older people; increase the quality of life of older people; reduce the cost of health care; continue to develop accessibly, enabling, quality health and social services; provide continuing education and training for health and social care staff (World Health Organization, 2015, p. 181).

Jacobs, Kohli and Rein (1991) consider, in the case of Germany, it appropriate that when people no longer have the skills to perform the work in which they are employed, they should perform less demanding work, even after retirement age. Guillemard and Rein (1993) argue for retirement with fewer hours and less difficulty, a point also supported by Hernús, Sollie and Strùm (2000) in their article "Early Retirement and Economic Incentives". Daly and Bound (1996) pointed out that these older workers, whose productivity may be affected by their health status, may not possess a skill set that would allow them to transfer to a job more suited to their health status, or perceive the rewards of early retirement as more advantageous than retraining or finding a new job. Rogowski and Karoly (2000) show that the possibility of returning to work after retirement has a large

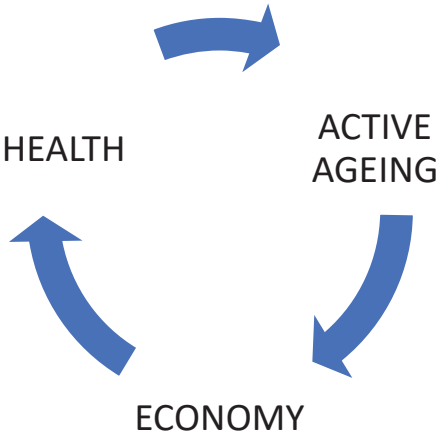
effect on early retirement. Among older male workers, the possibility of remaining in employment increases the chances of early retirement by 68%, compared to people who would lose their job on the basis of retirement, whose intentions for early retirement are 44%. The guarantee of a secure income, as well as the possibility of remaining in employment and thus having an income in addition to their pension, determines the decision to retire early.

One of the most common causes of early retirement is health-related, with most research positively linking the two. Early British researchers, such as Parker (1982) in the article "Older Workers and Retirement" or Altmann (1982) in the article "The incomes of the early retired", proved that poor health played a major role in the retirement decision of older workers. Anderson and Burkhauser (1985) pointed out that early retirement through self-reported health status may influence the labor market, as some workers may tend to overestimate the role of health in their retirement decision.

4. THE IMPORTANCE OF ACTIVE AGEING FOR THE ECONOMY

One of the biggest challenges facing virtually all countries is the economic and fiscal disruption to public pension systems caused by the changing demographics of their populations. There are two major developments responsible for this phenomenon: (1) firstly, a steady improvement in health care and medical advances, leading to ever-increasing life expectancy; (2) secondly, low fertility and a substantial fall in the birth rate, which took shape in the late 1960s. Both of these effects are leading to a significant change in the age structure of the population, which has put increasing pressure on existing public pension systems in Europe. While the consequences of this are observable today, they will become much more dramatic in the near future. Therefore, a simple adjustment of contribution rates or pension payments could only shift the burden between contributors and beneficiaries, but could not solve the demographic problem (Hillebrand, 2008, p. 2). Thus, the proportion of people aged 65 and over will increase dramatically in relation to the working population aged 15-64. In the European Union, the age-specific retirement rate is projected to rise from a current level of 24% to 49% in 2045, which is much higher than in the United States (World Health Organization, 2002). The share of transfers directed from the working-age population to the elderly must double in the coming decades if future pensioners are to maintain their standard of living. However, for the reasons described above, it is unlikely that this increase in intergenerational transfers can be achieved by doubling contribution rates. Other measures need to be considered to address the consequences of demographic aging for national pension systems (Schludi, 2005, p. 15). One solution would be for pensioners to be employed, but for this to be possible, they need to be in good health to enable them to work into old age.

Early retirement for health reasons has consequences at the individual level, as income will be reduced, but also at the national level through pension payments. The relationship between ill health, early retirement, and the economy has been the subject of numerous studies, so Boskin (1977) found that, in the case of some illnesses, the guarantee of even lower incomes compared to the level of wages, in addition to social security, is one of the determinants of early retirement. Quinn (1977) argued that when the level of early retirement is approximately equal to the wage level, the probability of labor force participation is 26 percentage points lower. Yelin and Callahan (1995) demonstrated that in 1992, muscle disease in the US resulted in government costs of $149.4 billion, of which 48% were direct health care costs and the remainder were indirect costs resulting from lost worker taxes and pension payments; this amount represents a 2.5% decrease in GDP, and the economic impact of this disease, increases with time. Perryman and Gleghorn (2010) conducted a study from 2000 to 2005 that included a total of approximately 14,100 employees in Texas, showing that 4,700 of them, with an average age of 43.7 years, retired early due to obesity. This process meant losses of $2.20 billion in GDP. Laires (2017) reports the period 2005 - 2006, in which 37.2% of the Portuguese population aged 50 - 64 years, reported suffering from rheumatic diseases and 52.6% of them retired early. Indirect annual losses to the state due to an early exit from the labor force attributable to this condition were €650 million and early retirement cost €367 million.



Source: the authors

Figure 1. The relationship between health, economy, and active aging

The relationship between health, active aging, and the economy (Figure 1) is very important for society, as it is one of interdependence; thus, healthy people can work longer in the labor force and support the economy by paying taxes, by having less access to public health services and, last but not least, active people are also psychologically healthier, an important aspect for society.

5. THE ROLE OF GOVERNMENT IN ENSURING THE WELFARE OF THE POPULATION

Health status is of major importance to the economy through the labor force, avoiding early retirement for health reasons and active aging. A country's economic losses are greater when the population is not healthy, through the payment of pensions, free and compensated medication, and the failure to collect taxes from workers. Investment in socio-economic determinants on the one hand, and in the health system on the other, would, by raising the standard of living and making it possible to investigate health conditions promptly, lead to people staying in work and reducing state expenditure.

In his work, Titmuss, cited by Reisman in Richard Titmuss Welfare and Society (2001), explained the role of the state in providing welfare to the population in four ways: cash benefits, health care, education and food, housing, and other welfare services. Cash benefits include a contributory and a non-contributory component. Contributory benefits are provided in case of social vulnerability, such as unemployment, old age, or incapacity for work, and include pension insurance, unemployment insurance, health care services, and health insurance. Non-contributory benefits can be: universal when they are granted without a prior contribution (child benefit), or income-tested (income-based social assistance for poor families) (Reisman, 2001, pp. 113 – 115).

Between 1950 and 1975, after a period in which the Western welfare state consolidated itself as a socio-political and economic system, there followed the period 1975-1980, in which the welfare state faced deep internal imbalances, caused in particular by a lack of labour. The third period, after 1980, was characterised by the search for pragmatic solutions to the crisis. Thus, the role of the state in providing welfare was limited. One of the principles of the 1996 US reform was to make work compulsory for people in the labour force, with the application of sanctions and regulation of the period for unemployment benefits. On the basis of the individual's potential for work, personalised plans were drawn up, the implementation of which was monitored and non-compliance sanctioned. The adoption of such measures helped to improve employment and the creation of favourable conditions for ensuring full employment was seen as the key to providing welfare for the population (Sinfield, 1989, p. 65).

Among the authors who have studied the role of the state in ensuring the welfare of the population, we mention Pierson (1996) who has argued, among other social programs, for the importance of providing pensions. His proposals for outlining a typology in this regard were complemented by Korpi and Palme (1988) who distinguished between state welfare, the welfare state, and welfare systems in their analysis of the universalization of social benefits. One of the best-known theories of the role of the state in ensuring the welfare of the population belongs to Esping (2003), a theory developed in the book Social Foundations of Postindustrial Economies, through three models, namely: the conservative or

corporate welfare state model, the liberal welfare state model, and the social democratic welfare state model (Esping, 2003, p. 32). The indicators he uses in constructing the typology are "the number of distinct pension schemes, the insurance coverage of the population, the difference between average and maximum benefit levels, the magnitude of expenditure in terms of the relative measure of government employee pensions, earnings-related benefits, private sector pensions, and the private health care sector" (Esping, 2003, p. 83). The analysis and selection of indicators served the purpose of highlighting the role of the state in providing welfare to the population.

6. CONCLUSIONS

Total health care expenditure should be roughly equal to population contributions, given that not everyone who pays into the system needs health care. However, costs for this sector have risen in recent years at rates that outstrip income growth, and this gap is a prominent problem for many nations. The causes stem partly from the unhealthy lifestyle of some people and partly from a lack of investment in prevention. The key factor here is low national incomes, which do not allow for improvements in individual lifestyles and also do not allow for investment in a quality health system capable of meeting all demands. The main causes of rising healthcare costs are medical technology, human resources in the system, treatment, price inflation, and an aging population. A continued increase in health expenditure may be unsustainable, especially in light of current and projected budget deficits. In this regard, governments have been looking for appropriate solutions to finance the rising costs of health care, given increasingly constrained collective resources. Maintaining compulsory universal access to basic services, continuous improvements in technical efficiency and medical staffing, low financial resources of the population leading to less healthy lifestyles, and the dynamic nature of this type of service are factors contributing to the continuous increase in costs in this sector.

The precarious situation of the pension systems calls for short-term and long-term solutions to balance them. Studies show a continuing increase in life expectancy and very low employment among older people. The contributory principle and social solidarity are at the lower limit of the sustainability of social security systems, and current contributors' distrust of future beneficiaries (pensioners) is growing.

The costs of early retirement for health reasons are very high and continue to rise. The phenomenon is impossible to stop, but with the support of policymakers, it could be reduced. Actions such as improving the social determinants of health, which come from the standard of living, and investment in the health system at the level of each individual country, lead to improved health status and thus to a reduction in the number of early retirements and active aging, i.e. the silver economy. These aspects significantly improve the economy.

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