Development of entrepreneurship in ageing populations of The European Union

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Abstract

Population ageing in the states of the European Union is a contemporary phenomenon which results from both longer life expectancy and declining fertility rates. The EU response to the challenge of population ageing is the 'active ageing' policy, which aims at increasing the employment rate of elderly workers and increasing the retirement age, and also refers to their participation in social, economic, cultural, spiritual and civic affairs. Population ageing will have an impact on the development of entrepreneurship and the rise of 'silver economy' which promotes the development and marketing of innovative products and services aimed at elderly consumers. This paper discusses the relation between the level and dynamics of population ageing and the development of entrepreneurship seen here as the economic activity of population running their own businesses by age groups. The spatial distribution of population ageing, employment in the age groups of 50-64 and 65 and over as well as the number of small and medium enterprises per inhabitant will be presented in the EU national systems. In the light of this research, which shows low employment activity among the elderly, the answer to the question what action should be taken in order to increase the entrepreneurship of this age group is crucial for the EU regional policy.

Keywords: active ageing policy; employment; entrepreneurship; European Union; population ageing; SME (small and medium enterprise) sector

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1. Introduction

Population ageing in the states of the European Union is a contemporary phenomenon which results from both longer life expectancy and declining fertility rates. The proportion of the population aged 65 and over is growing faster than any other age group. This process poses a major economic, budgetary and social challenge. Population ageing brings out the issues of the increase of the age-related public expenditures, especially through the pension system, as well as healthcare and long-term care spendings [1, 2, 3, 4, 5, 6]. Almost all the EU member states have started implementing pension reforms, notably by raising the retirement age and restricting access to early retirement schemes, as well as expanding supplementary private pension systems. Population ageing will have an impact on the development of entrepreneurship. This is because modern entrepreneurship is extremely competitive and often requires solving many challenging technical and business problems and thus it favours the young. On the other hand, experience grows with the age and the elderly can also be successful entrepreneurs once the attitudes of the society change and they develop necessary skills through effective lifelong learning.

The EU response to the challenge of population ageing is the 'active ageing' policy, which is reflected in the two complimentary targets: firstly, to increase the employment rate of elderly workers and, secondly, to increase the retirement age [7, 8]. Besides continued participation in the labour market, 'active ageing' refers to the participation in social, economic, cultural, spiritual and civic affairs. The impact of population ageing has contributed to the rise of 'silver economy' which promotes the development and marketing of innovative products and services aimed at elderly consumers. The economic potential related to the 'silver economy' in Europe is based on the fact that the retirees of the baby boom-generation will be wealthier and better educated than their predecessors, which may lead to an increased demand for high quality services. Therefore, the EU should strengthen intergenerational solidarity by increasing the awareness of the contribution made by the elderly people to the society, and by developing entrepreneur attitudes among the elderly which could help to mobilise the full potential of the ageing cohorts.

Considering the above, the aim of this paper is to determine the relation between the level and dynamics of population ageing and the development of entrepreneurship seen here as the economic activity of population running their own businesses by age groups. The spatial distribution of population ageing, employment in the age groups of 50-64 and 65 and over as well as the number of small and medium enterprises per inhabitant will be presented in the EU national systems. In the light of this research, which shows low employment activity among the elderly, the answer to the question what action should be taken in order to increase the entrepreneurship of this age group is crucial for the EU regional policy.

The data for this analysis was taken from the Eurostat database. Due to the fact that it was possible to obtain comparable statistics for the majority of the EU countries, the analysis of the employment and the development of the SME sector was conducted for the years 2002-2007. However, population ageing analysis was based on a longer, 10-year period of time (1997-2007), because changes in this respect are less dynamic and to observe them a longer time span is needed. The data for analysing the SME sector includes industry, construction and services except from financial services (NACE Sections C to K without J). Agriculture, forestry and fishing, public administration and (largely) non-market services, such as education, were not taken into account.

2. Population ageing in the EU states

The baby boom generation started 60 years ago and is now approaching the retirement age, which means the EU’s unprecedented demographic development. The absolute size of the population aged 65 and over in the EU reached 84.6 million in 2008, which constituted 17% of the total population. Since 1990 it increased by 20 million, i.e. by about 30%. From now on, the population aged 65 and over will grow at the rate of 1.8 million people every year for the next 25 years. At the same time, the growth of the working-age population is slowing down fast and will stop altogether in 3 years’ time. From then on, this section of the population will shrink by 1 million people each year, decreasing its proportion from 67 to about 60%. According to the documents prepared by the European Commission the societies have to adapt to this rapidly changing age structure [7, 8, 9, 10, 11, 12, 13, 14]. The European Commission identifies Europe’s ageing society as a priority area, stressing the need to create better conditions to enable the elderly European citizens to play an active role in both social and economic life. Employment rates of elderly people have already risen over recent years, reversing the past trend towards ever earlier retirement, but more needs to be done. At the age of 50-64, about 65% of men and 48% of women are still in employment, while at the age of 65 and over the employment rates do not exceed 7% for men and 3% for women.
The relative weight of the elderly in the population varies from country to country, but the greatest contrast is probably between eastern Europe (former Socialist, transition countries) and the rest of the European Union. In most of the former Socialist countries the proportion of the elderly in the population ranges from 10% to 15%, while in the majority of the western, northern and southern European countries the share of the population aged 65 and over varies between 15% and 20%. The lower shares of the elderly in the former group are mainly explicable by a later completion of demographic transition in most of the countries in this part of Europe and, more pronouncedly, by different fertility and mortality trends in the second half of the 20th century, especially during the last three decades. In the 1960s, the Second Demographic Transition started in northern and western European countries and the fertility dropped remarkably below the replacement level. At the same time mortality at older ages started to decline more rapidly. These both factors caused intensive population ageing. In the 1990s the countries in the south of Europe started to age at the most intensive pace. This is a consequence of a deep and rapid decline of fertility levels to the lowest ones in Europe and increasing longevity since the 1970s. Italy, with 19.9% of the elderly in the population, was the European leader in 2007, followed by Germany (19.8%) and Greece (18.6%) – Fig. 1. They took the position of the traditionally oldest country – Sweden (17.4%). Among the new EU members a relatively high level of ageing was recorded in Bulgaria (17.3%), Latvia and Estonia (17.1% each). On the other hand, some states that recently joined the EU recorded relatively low proportion of the elderly (Malta 13.8%, Poland 13.4%, Cyprus 12.3% and Slovakia 11.9%). However, the lowest value was noted in Ireland (10.9%).

As a result of the increase in the share of the elderly population and a gradual decline in the proportion of the working-age population, the old-age dependency ratio, seen here as the ratio of people aged 65 and over to the working-age population aged 15-64, is projected to double in the EU from 25% to 50% within the next 40 years. This means that the EU will move from having four working-age inhabitants for every person aged over 65 to a ratio of only 2 to 1. This unprecedented population trend will have a great impact on the labour market, which is of crucial importance for the economic growth. At the member states level, in 2007 the highest level of the old-age dependency ratio was recorded in Italy (30.2%), Germany (29.9%), Greece (27.6%) and Sweden (26.4%) – Fig. 3. The lowest values were observed in Ireland (15.8%) and in the new member states (Malta 19.8%, Poland 19.0%, Cyprus 17.6% and Slovakia 16.5%).

In the last 10 years the most progressive increase of the old-age dependency ratio occurred in Germany (by 30%), in the Mediterranean states (Slovenia by 23%, Greece and Italy by 20% each) as well as in the Baltic states (Estonia by 17%, Lithuania and Latvia by 16% each) - Fig. 4.

The dynamics of the increase in the share of the elderly in the years 1997-2007 showed that the fastest rate of ageing was observed in Germany (26%) and the new EU member states (Slovenia 23.3%, Lithuania 21.9%, Latvia 21.3%, Estonia 21.3%) – Fig. 2. A low degree of population rejuvenation was observed in Luxembourg and Ireland (decline in the proportion of the elderly by 1.4 and 4.4% respectively). In Sweden the share of the population aged 65 and over remained the same, while in the United Kingdom and Denmark the increase was insignificant (0.6 and 2.0% respectively).

3. Entrepreneurship and the socio-economic consequences of population ageing

It is widely assumed that entrepreneurship is one of the basic factors of socio-economic...
The development of spatial systems on a different scale, be it local, regional, national or global [15, 16, 17, 18, 19, 20, 21, 22, 23, 24]. The quality of human capital plays the major part in the socio-economic development at the time of the transition from the industrial through post-industrial to the information phase of the civilization development and the knowledge-based economy. Apart from the possessed knowledge and ability, the human capital also consists of the entrepreneurial attitude of individuals. In this dynamically changing economy an entrepreneurial person is needed, i.e. someone who would perceive the possibilities of implementing new solutions and take the initiative to fulfill these new ideas. Therefore, individual countries will not achieve a significant socio-economic success if they do not create entrepreneurial attitudes aiming at the knowledge-based economy. This phenomenon was also noticed in the European Union where, in the face of the EU enlargement, ageing populations, consistently high levels of unemployment and the associated risk of social exclusion, the states started to take a closer look at those skills and key competencies which are likely to be needed by adults in the future [25]. European countries are increasingly striving to identify the knowledge, skills, competences, abilities and attitudes that will allow their citizens to play an active role in this emerging knowledge-driven society. As a result of a long-standing study and a long debate in the forum of various UE institutions (mainly Working Group on Basic Skills, Foreign Language Teaching and Entrepreneurship of the European Commission), entrepreneurship was recognised as one of the eight key competences of lifelong learning, which also include communication in the mother tongue and foreign languages, mathematical competence and basic competences in science and technology [26]. The competence called “sense of initiative and entrepreneurship”, was broadly defined [26, p.8-9]:

“Sense of initiative and entrepreneurship refers to an individual's ability to turn ideas into action. It includes creativity, innovation and risk-taking, as well as the ability to plan and manage projects in order to achieve objectives. This supports individuals, not only in their everyday lives at home and in society, but also in the workplace in being aware of the context of their work and being able to seize opportunities, and is a foundation for more specific skills and knowledge needed by those establishing or contributing to social or commercial activity. This should include awareness of ethical values and promote good governance.”

Essential knowledge, skills and attitudes related to this competence:

Necessary knowledge includes the ability to identify available opportunities for personal, professional and/or business activities, including 'bigger picture' issues that provide the context in which people live and work, such as a broad understanding of the workings of the economy, and the opportunities and challenges facing an employer or organisation. Individuals should also be aware of the ethical position of enterprises, and how they can be a force for good, for example through fair trade or through social enterprise. Skills relate to proactive project management (involving, for example the ability to plan, organise, manage, lead and delegate, analyse, communicate, de-brief, evaluate and record), effective representation and negotiation, and the ability to work both as an individual and collaboratively in teams. The ability to judge and identify one's strengths and weaknesses, and to assess and take risks as and when warranted, is essential. An entrepreneurial attitude is characterised by initiative, pro-activity, independence and innovation in personal and social life, as much as at work. It also includes motivation and determination to meet objectives, whether personal goals, or aims held in common with others, including at work”.

It is clear, thus, that entrepreneurship, being an ambivalent and multidimensional term, is widely defined. Nevertheless, it needs to be underlined, that this term is often identified as the behaviour and personal traits of an entrepreneur, i.e. of the person conducting a business activity. However, it seems that narrowing the definition of entrepreneurship to those running their own enterprise is improper. The entrepreneurial attitude allows a person not only to run an enterprise well, but also to participate in the socio-economic life actively, getting a lot of satisfaction and pleasure from it, irrespectively of the age, character of the performed work and an occupied.
Therefore, the definition of entrepreneurship accepted by the European Commission refers not only to education of young people in the course of the school education, but also to the development of this competence amongst elderly people as part of their lifelong learning. The development of this and other key competences was recognised as extremely important in the worked out program, endorsed in 2002, on the Education and Training 2010, which constitutes a solid framework for European cooperation in the field of education and training, based on common objectives, and aimed at the improvement of the quality of education in the UE member states. The Council of the European Union, seeing positive effects of this program, acknowledged that if Europe wants to become the most competitive and dynamic world knowledge-driven economy, it needs to take a significant challenge and continue the program until 2020[29].

On the one hand, the policy of developing entrepreneurship in the European Union means widely developed pro-entrepreneurial education which would also include elderly people in order to raise indicators of their employment. On the other hand, it is meant to increase self-employment and the development of the sector of small and medium enterprises (SME) as their role in creating new workplaces and reducing unemployment is significant. Therefore, it is possible to assume that entrepreneurship is a key to solving socio-economic problems which ageing societies of Europe need to face.

4. Active ageing' policy and changes in the employment of the elderly

As mentioned before, the consequence of population ageing in many EU countries are the financial difficulties, such as problems with balancing the budget of the pension systems, which result from the growing dependency ratio of the old-aged professionally inactive to the working-age population. This deepens the public debt, but many countries are threatened with a total break-down of the existing pension systems. These anxieties are more and more common, not only in Poland and other poorer member states transforming their economies, but also in the EU’s well developed countries. Apart from the reforms of an institutional character, an increase of professional activity among the elderly persons is becoming a crucial issue, as in many cases these people, although capable of working, do not work or cannot find employment. The causes of this phenomenon are twofold. On one hand, in the social models worked out in the European countries people tend to use their retirement rights. This is due to legal and administrative factors such as valid law provisions which enable the selected professional groups to take early retirement. Other factors are associated with the mentality of people taking retirement. They express the need to take a well-deserved rest, which is associated with the reduction of stress connected with the possibility of losing work, and gain social and financial provisions (even at the minimum level). The other causes are connected with the way employees aged 50 and over are perceived by employers. As many reports from the research conducted for the labour market institutions indicate, there exists a stereotype of an employee who is not very enterprising, unwilling to introduce changes and low-efficient. It occurs that such a worker does not understand the special challenges posed by modern economy, where more and more pressure is put on competitiveness so it is necessary to constantly implement product and technological innovations as well as organizational and managerial improvements. Generally, positive features of elderly workers, like their knowledge and experience, are not noticed even though they are indispensable for every company. A further complication is the fact that reaching the statutory retirement age (usually 65 years) is recognised by both employers and employees as a “natural” way of leaving the labour market. Last but not least, employing persons at the age of 65 and over is a rare occurrence and concerns only specific positions (mainly high level managerial or research staff, e.g. at universities). However, one should be aware that the average life expectancy of people at the age of 65 is at least a dozen or so years, and in some countries even about 20 years.

In this situation raising the level of the professional activity of the elderly people is a crucial issue. Increasing the elderly people’s participation in the labour market and employment is therefore of great importance to the EU policy. It is to be addressed through a comprehensive and sustainable approach known as ‘active ageing’, identified as one of the three priority areas of the Lisbon Strategy. The efforts to promote ‘active ageing’ must be pursued vigorously, particularly in the member states with low employment rates for elderly workers and low average ages at which the labour market is left (European Commission, 2007a).

In the framework of the European Employment Strategy, a sequence of actions was taken, including the reduction of the privilege to early retirement, the raise of the retirement age (e.g. by levelling the age of entering retirement for women and men), and professional mobilization of elderly persons within the frames of ‘active ageing’ policy through the realization of the EU programs directed at the population 50+ (trainings, mainly raising self-assessment, motivation and willingness to work, developing entrepreneurial attitudes, associated with starting a private company and acquiring new qualifications). Changes in the dynamics of employment in the group of the population aged 50-64 years are a consequence of this action. On average, a rise in the share of the employed population in this group was recorded in the entire UE-27 from 50.2% in 2002 to 55.6% in 2007, i.e. by nearly 11%. The greatest increases in the period of 2002-2007, over 20%, were recorded in Bulgaria, Slovakia, Latvia and Germany (Fig. 5).

Relatively insignificant growth occurred in the Scandinavian states (Sweden, Finland) as well as in the United
Kingdom and Norway, but it should be emphasized that, generally speaking, the participation of population employed in this age group in these states was very high (over 75% in 2007). Relatively high levels of employment rates were also recorded in Portugal and Denmark, with a decrease in employment in recent years. In 2007 the lowest rates of employment were observed in Poland, Hungary, Italy, Belgium and Luxembourg, with the values below 53% (Fig.6).

![Fig. 5. Changes of the employment rates in the population aged 50-64 in the years 2002-2007](image1)

![Fig. 6. Employment rates in the population aged 50-64 in 2007](image2)

(Source: own study based on the Eurostat data)

Such considerable disparities in those terms amongst the EU member states are caused by diverse employment policy in the individual countries, which concerns, among others, the possibility of taking early retirement (Poland is a good example, as many professional groups there have such a right in spite of implementing certain restrictions), cultural conditions connected with the traditional approach to work of elderly persons, particularly women (e.g. Italy), diversified level of the social protection (which reduces employment of senior citizens e.g. in France, on account of good living conditions). In the Scandinavian states, however, the effect of the anti-discrimination policy towards the elderly on the labour market has been emphasized for years along with the promotion of values brought by elderly, experienced workers to their enterprise.

A slightly different situation is in the case of the employment of persons at the retirement age, i.e. 65 years and over. In the years 2002-2007 the proportion of those employed in this age group did not change, remaining at the level of 4.6% (the average for the UE-27). In a few countries (Poland, Romania, Greece, Italy, Portugal and Luxembourg) a fall in the percentage of the employment in this group of the population was recorded in the period under study (Fig. 7). The largest increase was registered in the Scandinavian countries (Sweden, Finland), as well as in Austria and Latvia.

![Fig. 7. Changes in the employment rates in the population aged 65 and over in the years 2002-2007](image3)

![Fig. 8. Employment rates in the population aged 65 and over in 2007](image4)

(Source: own study based on the Eurostat data)

In the majority of the EU countries this ratio was relatively low (up to 4.5%), with the highest values in Romania, Latvia, Sweden and Portugal (Fig. 8). This situation results generally from legal conditions associated with employing persons at the retirement age.

**5. SMEs’ development and the ‘silver economy’**

Apart from the professional activity, a manifestation of entrepreneurial behaviour is starting one’s own business activity, which increases the number of enterprises in the SME sector. Undoubtedly, as recent studies in this area show, there is also a positive link between the entrepreneurship capital and the creation of new businesses as well as regional development [16, 22, 23]. As it was noticed in the Communication “Implementing The Community Lisbon Programme: Modern SME Policy for Growth and Employment” [9], the role of this
sector for the economy is crucial. In this document much attention is paid to the fact that small and medium-sized enterprises (SMEs), i.e. those employing fewer than 250 workers, make up a large part of Europe’s economy: there are some 23 million of them in the European Union, providing around 75 million jobs and contributing up to 80% of employment in some industrial sectors, such as textiles, construction or furniture as well as accounting for 99% of all enterprises. SMEs are a key part of the European industry, being a major source of entrepreneurial skills and innovation and contributing to economic and social cohesion.

In 2007 the index of the number of SMEs per 1000 inhabitants (defined most often as an entrepreneurship index) amounted to 42.1 for the UE-27 and reached its highest values (over 60) in the countries of south Europe (Portugal, Spain, Italy, Greece) as well as in Sweden and the Czech Republic (Fig. 9). It should be underlined, however, that in recent years (2002-2007) the majority of these countries were not characterized by high dynamics of this indicator (Fig. 10). In Poland, the Czech Republic and Hungary even a fall in this rate was observed. The highest increase was recorded in Portugal, Slovakia, Romania, Lithuania and Estonia; in most cases in these countries the value of the indicator was low.

As it was mentioned earlier, the progress of the population ageing and the development of enterprises providing services for elderly people is connected. It is a dynamically developing sector of the economy, known as the ‘silver economy’ which includes, among others, the activities connected with the independent living (such as housing, architecture, new media and telecommunications), health and well-being, tourism, sport, culture, home-based services and shopping as well as special financial services for the elderly. It can be assumed that at the beginning this sector of the economy generates an increase and the development of new companies from the SME sector. Then a question arises, whether the direct correlation between the size of the SMEs indicator per 1000 inhabitants and the proportion of the elderly persons as well as the level of employment in the 50-64 age group occurs. Such correlation would let us determine the influence of population ageing on the SMEs development as a result of generating the demand for services from the ‘silver economy’. Moreover, it would answer the question to what range the economic activity of elderly working-age people (50-64) translates into the development of the SME sector.

The analysis of the correlation between the SMEs indicator per 1000 inhabitants and the percentage of the elderly (Fig. 11) indicates that in the demographically old states of south Europe (Italy, Portugal, Greece, Spain) and Sweden, the number of SMEs per 1000 population is also high, whereas in demographically young countries (Slovakia, Ireland) these indicators are relatively low. In the remaining states, however, such an explicit relation is not observed.
Nonetheless, the analysis of the interrelation between the indicator of SMEs per 1000 population and an employment rate in the population aged 50-64 shows that in the states of south Europe, where high rates of entrepreneurship are recorded, the employment in this age group is not very high (Fig. 12). It is also noticeable, that in the Scandinavian and Baltic states, as well as in the UK and the Netherlands, e.g. the states with high employment rates, the indicator of the entrepreneurship is low. It indicates the lack of correlation between the professional activity of the elderly and the development of the SMEs sector.

6. Conclusions

The precise answer to the question whether the population ageing processes and the economic activity of the elderly population affect the development of entrepreneurship, seen here as the development of the SME sector, based on the above analysis is not straightforward. It should be noticed, however, that the development of this sector and its role in the economy is also influenced by several other factors (e.g. [22, 30, 31, 32]) which do not reflect the demographic situation. In particular, they may include the economic policy of a given state, legal and administrative determinants (including bureaucratic barriers) connected with starting up and running enterprises, impulses coming from international business environment, the type of the market or even cultural determinants associated with various traditions of people running their own businesses. In the short run an increase in the number of enterprises from the SME sector is influenced by the economic situation which can be diverse in particular EU countries. The progress of population ageing is much more stable, determined mainly by the decline in fertility and the decline in mortality at older ages. The major mortality improvements, initially obtained by a reduction in infant mortality, now come from a reduction in mortality among elderly people, accounting for increasing life expectancy [33]. The acceleration of population ageing will be much more visible in a few years’ time after the generation of post-war baby-boom enters the retirement age. On the other hand, the development of the SME sector is influenced by a general level of socio-economic development in a given country, including different types of social security. In the countries where workers are not afraid of dismissal and being out of work (for example because of limitations in employment reduction caused by restrictive regulations of labour law or high unemployment benefits), the willingness to start up a private business can be weaker. However, the problem of the correlation between the process of population ageing and the economic activity of the elderly people raised in the article seems to be an interesting current research issue, which should be deepened and become a subject to further analyses, especially with the more rapid and irreversible changes of the population age structure.

References


