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Changes of elderly consumers' potential in ageing societies of the Baltic Sea Region countries

Introduction

The ongoing demographic changes that happen during last years in the countries of Europe, in a relentless way influence size and structure of social and economic phenomena. While planning economic and social development of regions or countries as well as making crucial decisions on different matters, it is essential to know the tendencies regarding size and structures of population as well as identifying the rate of changes in this area. The present as well as the future size and structure of demand for goods and services, among others such as transportation, education, medical services, insurance and social services, are determined by population changes.

Many economic and socio-economic factors are major influence on preferences, needs and purchase force of people. Differentiation of demand on the market of goods and services depends among others on living conditions of households, thus on activity of their members on labour market, their main source of income, life cycle of family and its size. Together with the changes of size and age structure of population, alteration in people's needs, as well as their abilities are observed, hence the potential of consumers on the goods and services market changes.

Demographic potential in economy is perceived in a various way¹. In this article the potential of elderly consumers is identified firstly with the resource of the elderly population.

1. The elderly consumers potential from the perspective of human resource

The analysis of elderly consumers' potential identified with human resource includes analysis of size and structures of population of eight Baltic Sea Region countries: Denmark, Germany, Finland, Estonia, Lithuania, Latvia, Poland and Sweden in 1999 from the perspective of their aging societies. Moreover, the study covers also an analysis of distribution of households by age of the reference person and their mean consumption expenditure. The study was based on the latest Household Budget Surveys (HBS) conducted by Eurostat in all Members States and other countries of Europe.

The ongoing changes that happen during last years in age structure of populations and in processes, among others vital events of population in the countries of the Baltic Sea Region, likewise in all Europe, evidence for ageing of societies of

¹ For further study of demographic potential look in: Gazinska M., *Potencjal demograficzny w regionie. Analiza ilościowa*, Wyd. Uniwersytetu Szczecińskiego, Szczecin 2003.

the analysed countries². Observing this alternation in the age structure of populations may be a determining factor for proper functioning and development of those countries.

One of the main factors which determine patterns of consumption of people is age. Together with entering by members of households older age groups, households character and situation of its members on labour market change, and as a consequence households' force of purchase as well as hierarchy of needs of its members also alternate. Therefore, it is essential to observe one of the key populations structures – structure by age. In order to study age distribution, four biological age groups have been distinguished: children (less than 15 years), adults (15-59 years), the elders (60-84 years) and seniors (over 85 years) – compare fig. 1.

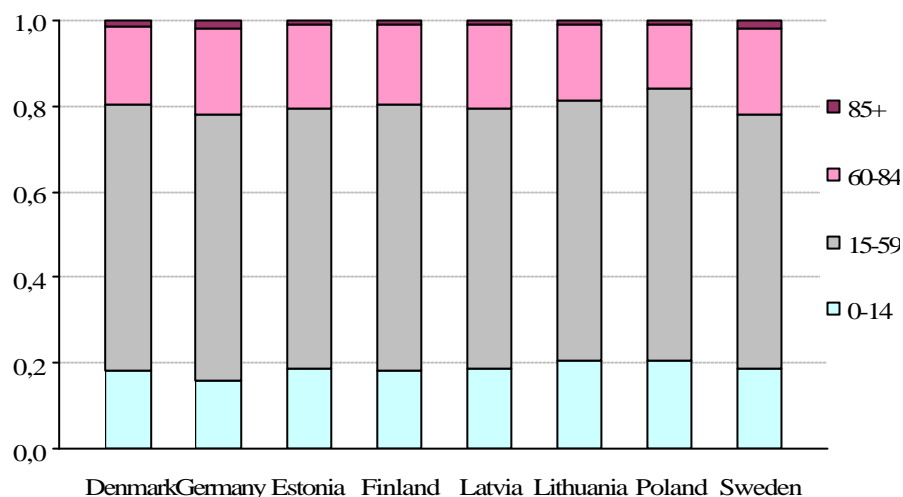


Fig. 1. Population structure by biological age groups in the countries of the Baltic Sea Region in 1999

Source: own research.

Age structure of populations in the examined countries of the Baltic Sea Region may be recognized as similar. About 20% of population of each country are children, with lower percentage for Germany – 16%. The proportion of the elders and seniors in each country makes little over 20% (except for Lithuania – 19% and Poland – 16%). From this point of view, it may be assumed that the oldest populations among Baltic Sea countries are Germany and Sweden (22% of population aged 60 and more). The youngest population is Poland – mentioned above 16% of population at the age of 60 and more.

Population structure according to age and sex is most properly graphically displayed by age-sex pyramids. Shape of population pyramid provides many information on current and future size and structures of population, and also on fertility, sex proportion in particular age groups, occurrence of surpluses or deficiencies of certain age groups – so called baby-booms and population deficiencies. Figures 2-9 present structures of populations of the eight countries by sex and five-years age groups with marking surpluses of females and males in proper age groups in relative numbers in 1999.

² Compare: Gazinska M. Kaminska M., *Comparative analysis of demographic potential in the Baltic Sea countries* in: *Baltic Business Development. Regional development, SME management and entrepreneurship*, Wyd. Uniwersytetu Szczecinskiego, Szczecin 2006.

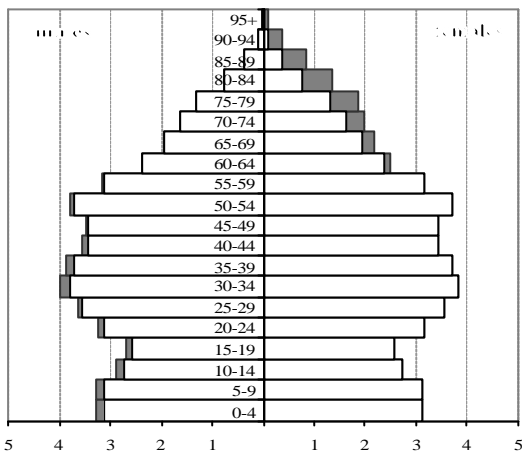


Fig.2. Age-sex pyramid for Denmark in 1999 [%]

Source: own research.

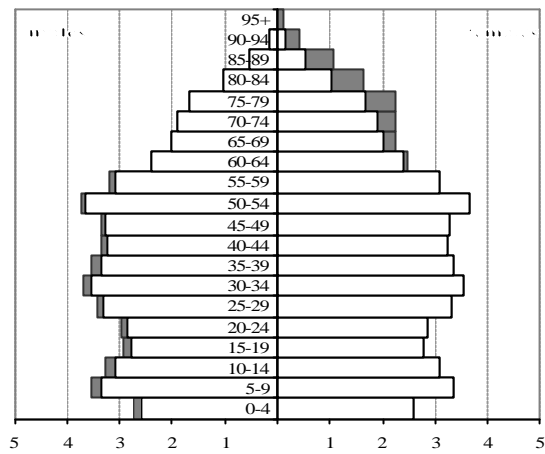


Fig. 3. Age-sex pyramid for Sweden in 1999 [%]

Source: own research.

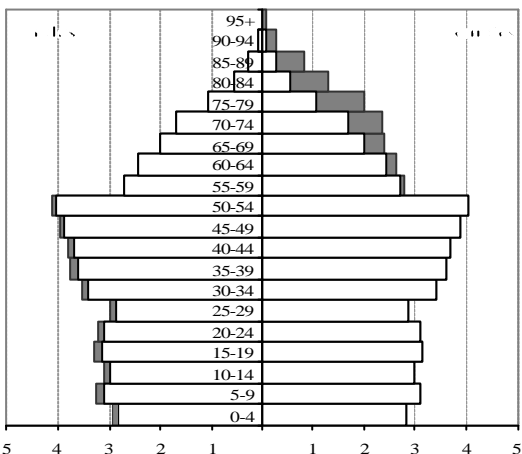


Fig. 4. Age-sex pyramid for Finland in 1999 [%]

Source: own research.

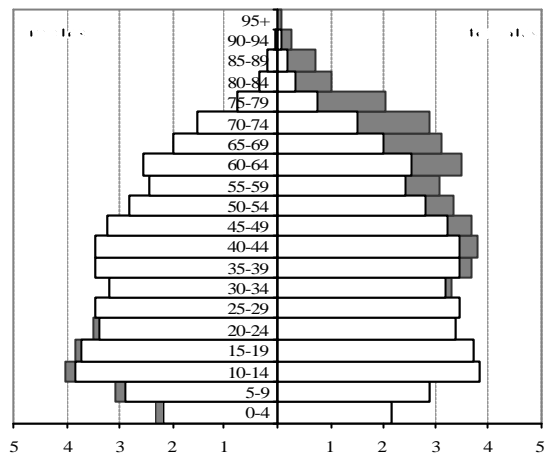


Fig. 5. Age-sex pyramid for Estonia in 1999 [%]

Source: own research.

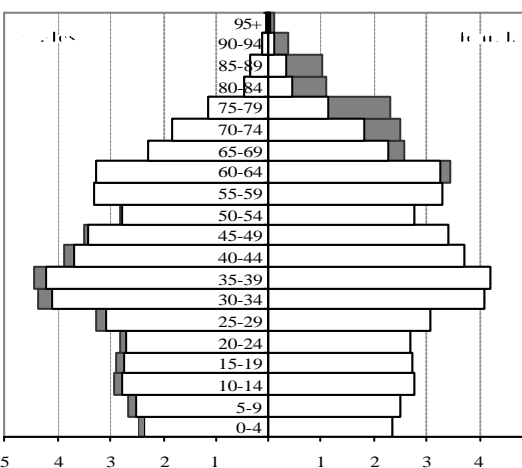


Fig. 6. Age-sex pyramid for Germany in 1999 [%]

Source: own research.

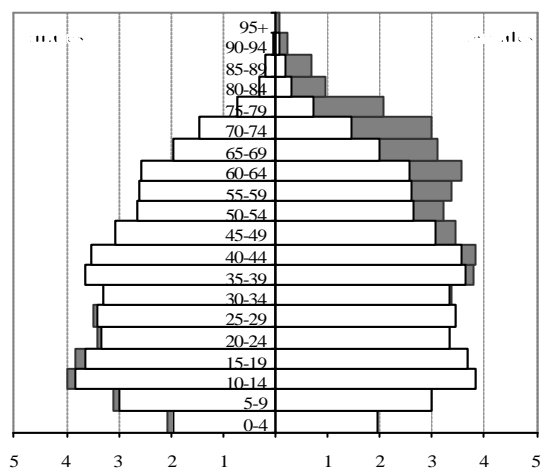


Fig. 7. Age-sex pyramid for Latvia in 1999 [%]

Source: own research.

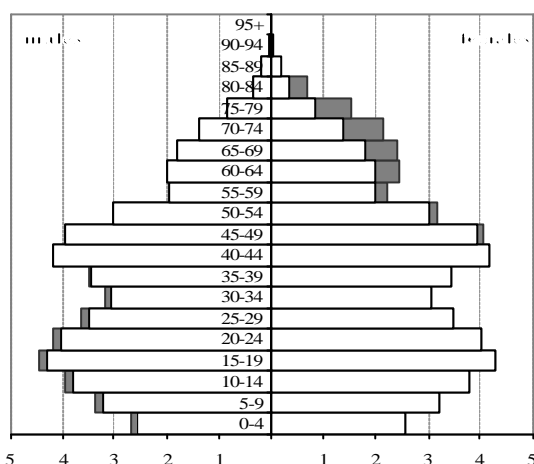


Fig. 8. Age-sex pyramid for Poland in 1999 [%]

Source: own research.

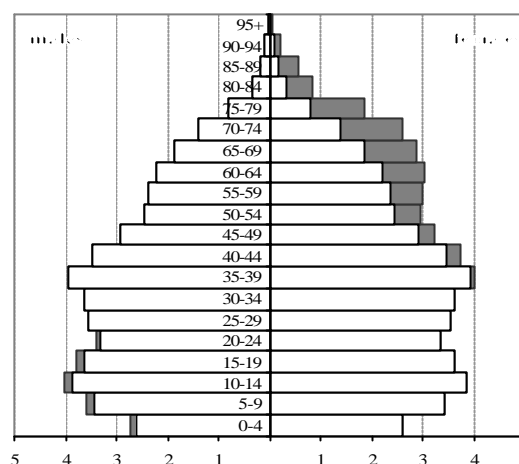


Fig. 9. Age-sex pyramid for Lithuania in 1999 [%]

Source: own research.

Studying age structures of populations allows to distinguish two subgroups of countries for which population pyramids are of similar shape. First group consists of three countries: Estonia, Lithuania and Latvia, for which strongly narrowing bottom of pyramids is characteristic (compare fig. 5, 7, 9), what implies existence of negative growth structure by age in those countries. The second group consists of the Scandinavian countries (compare fig. 2, 3, 4). Special attention has to be paid to Denmark, for which the bottom of the age-sex pyramid has widened due to increasing proportion of people of the youngest age groups.

For Poland and Germany, bottoms of the pyramids are also narrowing (compare fig. 6, 8). In both cases also occurrence of notable population's surpluses in certain age groups is noticeable. In Poland the lump in the pyramid between the ages of 40 to 49 is the post-World War II "baby boom", which repercussion is seen as another large segment of population between the ages of 10 to 24 – the echo of the post-World War II "baby boom". German "baby boom", which occurred about 5-10 years later than in Poland, was caused by the country's economic development.

Surpluses of sexes which occur in certain age groups are also worth paying attention. In Scandinavian countries and Germany the women surplus over the number of men occurs much later than in the case of Estonia, Lithuania, Latvia and Poland.

Apart from analysing populations age structure in the countries of the Baltic Sea Region, distribution of households by age of the reference person in 1999 have been examined – compare fig. 10.

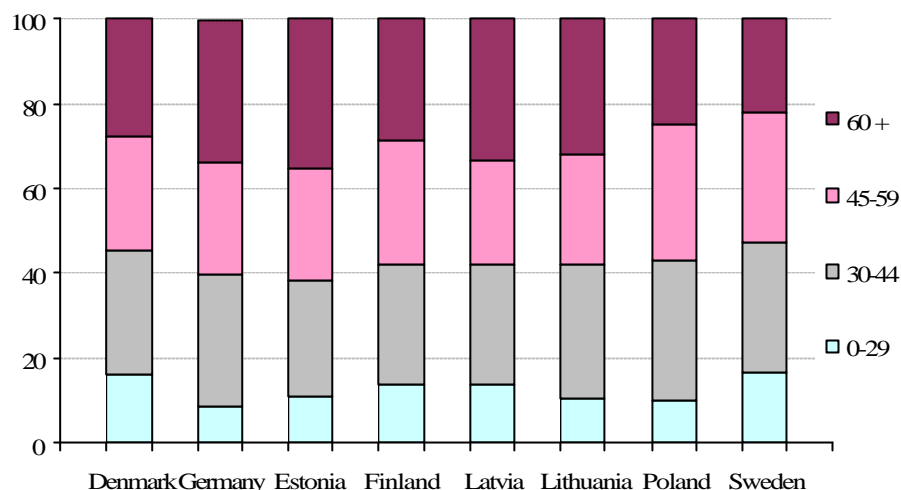


Fig. 10. Distribution of households by age of the reference person in the countries of the Baltic Sea Region in 1999 [%]

Source: own research.

In five of the analysed countries (Germany, Estonia, Finland, Lithuania and Latvia) the highest proportion make the households with reference person aged 60 and more. In Denmark such households make second-largest group, after households with reference person aged between 30-44. In Poland and in Sweden households in which reference person belongs to the oldest age group make third proportion, regarding its size. Larger groups in those countries (about 30%) consist of households with reference person aged between 30-44 or 45-59.

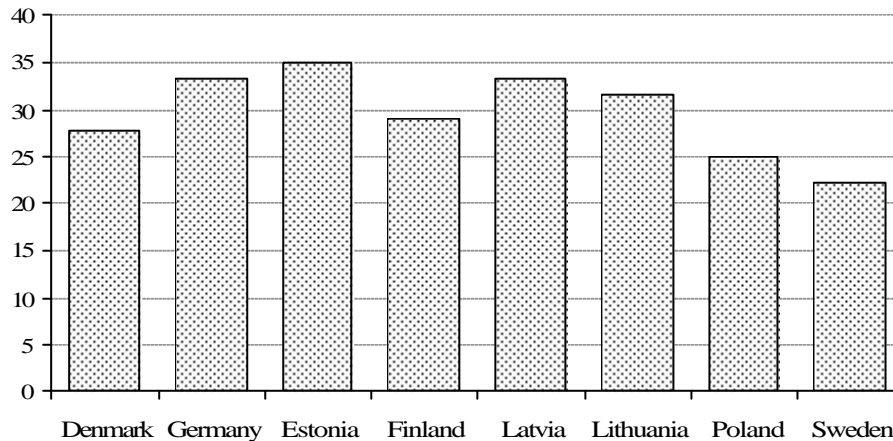


Fig. 11. Distribution of households with the reference person aged of 60 and more in the countries of the Baltic Sea Region in 1999 [%]

Source: own research.

Analysing the eight countries referring to the number of households with reference person aged at least 60, it may be noticed that in most cases those households make about one third of all households in each country – compare fig. 11. The highest percentage characterizes Estonia (35%). Not much lower share was observed for Germany and Latvia (33%) and Lithuania (32%).

For there is such distribution of households in the countries of the Baltic Sea Region, it is worth to examine the character (number of people in a household and

family bonds between members) of those households with elderly members – compare fig. 12.

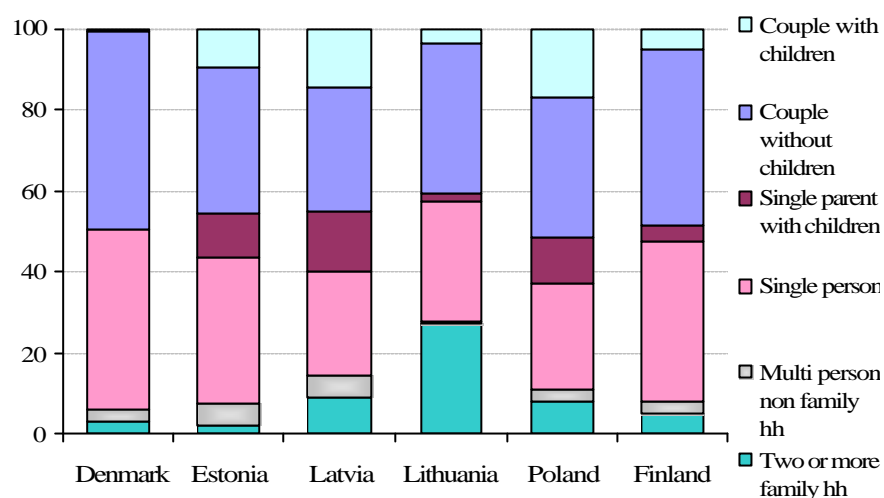


Fig. 12. Distribution by type of households with members aged 65 and more in the countries of the Baltic Sea Region [%]

Note: No available data for Germany and Sweden.

Source: own research based on:
http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1073.46870091&_dad=portal&_schema=PORTAL&p_product_code=CENS_RHACT

Type of household is of a significant influence on patterns of consumption. Examining structure by number of members of households with elderly members, it can be noticed that in each of the analysed countries of the Baltic Sea Region more than half of all households with elderly members are single persons or couples without children. The smallest joint proportion of such types of households was observed in Latvia – 56%. Special attention should be paid to Denmark and Finland in which one or two persons childless households make handsome majority (accordingly 94% and 83%) among households with members aged more than 65. In none of the analysed countries are multi person non family households common – they make no more than 6% of all households with elderly members.

2. Elderly people as consumers on the goods and services market

The size of demand on the goods and services market varies depending upon age of consumers, hence upon consumption preferences varying with age and economic activity of population. Figure 13 displays distribution of mean consumption expenditure per household in each age group of reference person in comparison with mean consumption expenditure per household in general in the countries of the Baltic Sea Region in 1999.

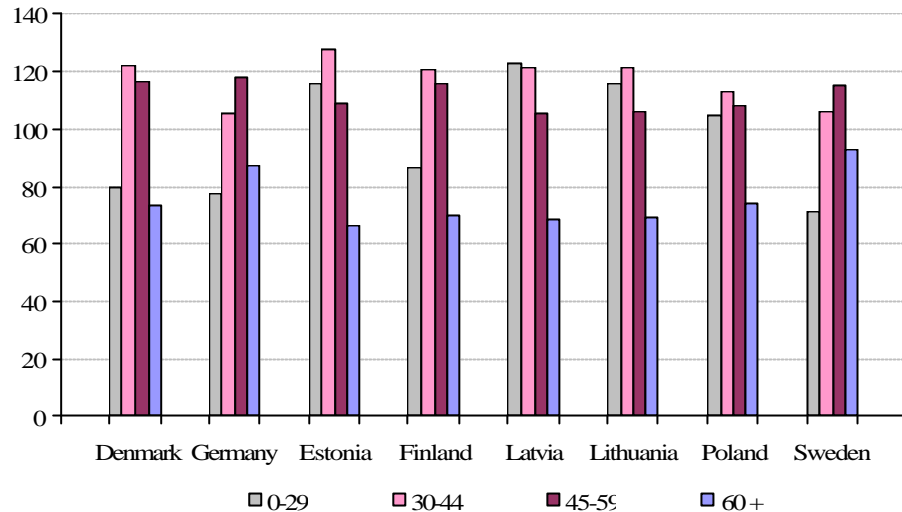


Fig. 13. Mean consumption expenditure per household by age of the reference person in the countries of the Baltic Sea Region in 1999 [mean consumption expenditure of total country population per household = 100]

Source: own research.

In every analysed population mean consumption expenditures per household with reference person aged between 30-44 and 45-59 are bigger than in an average household in each country. Simultaneously in every of the eight examined countries mean consumption expenditures per household with elderly reference person are lower than in an average household in each country, with the smallest disproportion for Sweden – by 8%, and the biggest for Estonia – by 34%.

The changes ongoing together with entering sequent age groups by members of a household are additionally presented by indexes in which mean consumption expenditure of household with reference person in previous age group was taken as base – compare fig. 14.

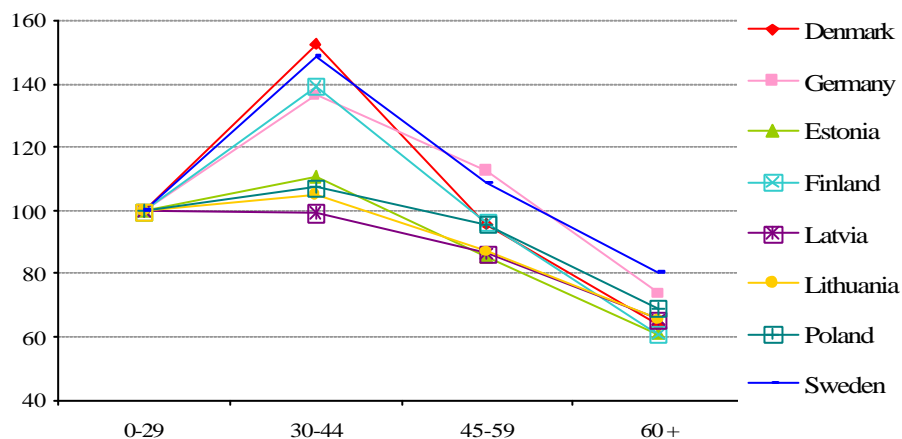


Fig. 14. Mean consumption expenditure per household by age of the reference person in the countries of the Baltic Sea Region in 1999 [mean consumption expenditure of household with reference person in previous age group = 100]

Source: own research.

Analysing mean consumption expenditures per household with reference person in each age group in comparison with mean consumption expenditures per household with reference person in previous age group allows to distinguish two

subgroups of similar countries. First group consists of Scandinavian countries and Germany for which typical is a big rise of mean consumption expenditure with moving reference person from the youngest age group to age between 30-44. Mean consumption expenditure of households in this age group make from 136% to 153% of mean consumption expenditure of households with reference person aged less than 30 within each country. Second distinguished group consists of Estonia, Lithuania, Latvia and Poland, which are characterized by a small rise (from 5% to 11%) of mean consumption expenditure with moving reference person from the youngest age group to the sequent one (except for Latvia for which 1% decrease was stated). For both subgroups a decrease in mean consumption expenditure of households with moving reference person to the sequent age groups. The level of the indexes for households with reference person in the oldest age group was similar and oscillated from 61% (Estonia and Finland) to 80% (Sweden) of mean consumption expenditure of households with reference person in previous age group.

Although in every analysed country mean consumption expenditure of households with elderly reference person are to similar extent smaller in comparison with mean consumption expenditure of households with younger reference person, the size of those expenditures is not comparable between the eight countries. Figure 15 shows in absolute values mean consumption expenditure in PPS³ per household with reference person aged at least 60.

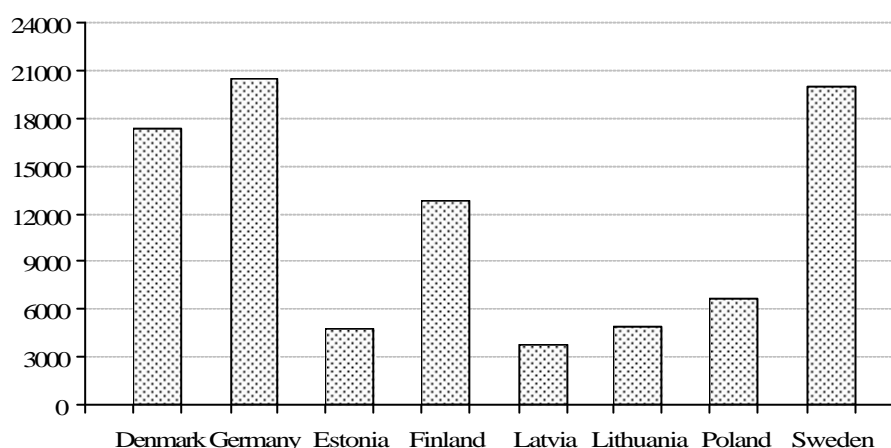


Fig. 15. Mean consumption expenditure per household with the reference person at the age of 60 years and over in the countries of the Baltic Sea Region in 1999 [in PPS]

Source: own research.

Observing mean consumption expenditure per household with reference person aged 60 and more allows to clearly distinguish two groups of countries. First group, forming from the perspective of force of purchase a great potential of elderly consumers, is characterised by high level of mean consumption expenditure among analysed households. This group consists of Scandinavian countries and Germany. Second group consists of Estonia, Lithuania, Latvia and Poland, for which mean consumption expenditure per household are much lower in the case of analysed households. Though, as it was noticed above, in each country mean consumption expenditure per household gets lower together with moving reference person from one

³ A PPS converts every national monetary unit into a common reference unit, the 'Purchasing Power Standard', of which every unit can buy the same amount of products across the countries in a specific year.

age group to the following, in Scandinavian countries and in Germany elderly people make a stronger group of consumers from perspective of their force of purchase.

Summary

The processes and population changes that happen in European countries provoke question regarding future situation on the goods and consumption services market. Watching the influence of demographic trends on composition of consumption is essential. Together with progressive ageing of societies of the countries of the Baltic Sea Region as well as of remaining European countries, more and more important is becoming the group of elderly consumers.

Table 1. Population structure by biological age in the countries of the Baltic Sea Region in selected years based on Eurostat's population projection for 2004-2051 [baseline variant – base year 2004]

	1999	2004	2010	2020	2030	2040	2050
Denmark							
0-14	18,2	18,9	18,0	16,0	16,3	16,5	15,7
15-59	62,1	60,7	58,9	57,8	54,1	52,8	54,7
60-79	15,7	16,4	19,1	21,7	23,0	23,3	21,0
80+	3,9	4,0	4,1	4,5	6,6	7,4	8,7
Germany							
0-14	15,8	14,7	13,7	13,0	12,7	12,0	11,9
15-59	61,8	60,6	60,7	57,4	51,7	50,9	49,7
60-79	18,8	20,5	20,6	22,6	27,6	26,8	24,7
80+	3,5	4,2	5,0	7,1	8,0	10,3	13,6
Estonia							
0-14	18,9	16,0	14,7	16,4	15,1	13,8	14,8
15-59	60,6	62,3	62,9	58,5	57,7	56,6	51,7
60-79	17,9	18,7	18,5	20,1	21,6	22,4	25,6
80+	2,6	3,0	3,9	5,0	5,5	7,2	8,0
Finland							
0-14	18,4	17,6	16,5	16,1	15,8	15,2	15,3
15-59	62,0	61,6	59,1	54,6	51,9	52,1	51,8
60-79	16,2	17,0	20,0	23,9	24,3	22,8	22,7
80+	3,3	3,7	4,5	5,4	8,0	9,9	10,3
Latvia							
0-14	18,7	15,4	13,7	16,2	15,1	13,4	14,8
15-59	60,8	62,5	63,7	59,0	57,5	56,5	51,2
60-79	18,0	19,2	18,7	19,7	21,8	22,9	25,7
80+	2,6	2,9	3,9	5,2	5,6	7,2	8,3
Lithuania							
0-14	20,7	17,7	14,9	15,0	14,7	13,4	13,7
15-59	60,6	62,1	64,1	61,1	57,4	56,0	51,8
60-79	16,4	17,4	17,2	19,0	22,4	23,4	25,3
80+	2,3	2,8	3,8	5,0	5,5	7,2	9,2
Poland							
0-14	20,3	17,2	14,7	14,5	14,2	12,9	13,0
15-59	63,3	65,7	66,2	60,0	57,7	54,8	49,8
60-79	14,5	14,6	15,8	21,3	22,7	23,5	28,3
80+	1,9	2,4	3,2	4,2	5,4	8,8	8,8
Sweden							
0-14	18,6	17,8	16,5	17,1	16,9	16,2	16,3

15-59	59,3	59,4	58,5	55,8	53,6	53,7	53,3
60-79	17,2	17,5	19,8	21,8	21,9	22,0	21,5
80+	4,9	5,3	5,3	5,3	7,6	8,1	8,9

Source: own research.

Note: Data for 1999-2003 do not come from the projection.

The population structures by biological age in the countries of the Baltic Sea Region presented in table 1 prove unequivocally that the process of ageing of societies will move forward in the nearest decades. The increasing percentage of elderly people with simultaneous opposite tendency of percentage of children indicates that the potential of elderly consumers from the perspective of human resource will increase. Such age distribution suggests that the composition of consumption expenditure will change, the need for some goods and services will develop (medical, social support, education, etc.) in particular. Moreover, gender of elderly consumers is also important for the composition of consumption expenditure especially on medical goods and services as women and men tend to have different propensity for various diseases.

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Data source:

Eurostat, the Statistical Office of the European Communities: <http://epp.eurostat.ec.europa.eu/>