



# Policy

# brief

## Older Persons as Consumers

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“In an ageing society, one aim is to further enhance the social, economic, political and cultural participation of older persons. [...] Older persons should therefore be recognized as a significant consumer group with shared and specific needs, interests, and preferences. Governments, service providers and civil society should take into account the views of older persons on the design of products and delivery of services.”<sup>1</sup>

The ageing of the population affects every aspect of society and economic activity. Among other things, older persons constitute an increasing consumer group with specific needs and significant aggregate purchasing power. Policymakers may wish to encourage companies to bring to the market more products for all ages.

This policy brief addresses the issues related to older persons as consumers in the background of demographic trends, the well-being of older persons in the UNECE region and their special needs, preferences and interests regarding consumption.

### Demographic change

Populations in Europe and North America are ageing as the large generations born during the baby boom are reaching retirement age and life expectancy is increasing. Although ageing is a universal process, the onset and pace of ageing varies greatly, even between different parts of UNECE region. Nonetheless, ageing will be the distinctive trajectory of population development this century. The most obvious manifestation of this is that the percentage of older persons is rising. In countries with younger populations, the relative increase in the number and percentage of older persons is even greater.

<sup>1</sup> UNECE Regional Implementation Strategy for the Madrid International Plan of Action on Ageing, commitment 2, para 14.

## Economic well-being of older persons in the UNECE region

Older persons have considerable purchasing power, which is backed up by the State pensions that all UNECE countries provide. Obviously, reform of pension systems remains one of the big policy challenges related to population ageing, but pensions will clearly stay the main source of old-age benefits. While acknowledging the large institutional diversity of pension systems across and within subregions of UNECE, Western European countries are usually described as generous. Most countries pursue the goals of preventing destitution in old age and helping workers to maintain a certain living standard during retirement by replacing income from work at an adequate level and favouring older persons through the tax system (OECD 2005). Nonetheless, low-income workers remain a vulnerable group in retirement. Future reforms therefore should pursue both the goals related to fiscal sustainability of the pension systems as well as adequate entitlements through indexation and valorization, keeping in mind the fundamental objectives of social protection.

Countries of Eastern Europe, Caucasus and Central Asia have undertaken efforts to enhance the economic well-being of older persons. Most of them have implemented significant parametric reforms of their pension systems, increasing the pension age and reducing or abolishing branch privileges. New European Union Member States in Central and Eastern Europe have furthermore engaged in reforms aimed at increasing the share of defined contribution schemes and/or privatizing old-age security (Müller 2000, Zaidi 2006). Several countries have increased the entitlements and multi-pillar systems (EST, HUN, LVA, LTU, POL, SVK); Kazakhstan has implemented a fully funded pension system. Some countries aim at coping with poverty in old age through means-testing and guaranteed minimum pensions. In less affluent and younger countries such as Albania or Turkmenistan, State pensions are also buttressed by informal intergenerational risksharing mechanisms (Lindemann et al. 2000).

Many Eastern European and Central Asian countries have witnessed increases in poverty since early 1990s. Their economic conditions are significantly different from those in Western and Northern Europe. However, research shows that pensioners in Eastern Europe and Central Asia are even better protected than wage earners are (Lindemann et al. 2000, Zaidi 2006). Past and recent comparative studies seem to indicate that pensioner households have actually improved their relative income position during the economic transition.<sup>2</sup> In a number of countries, the poverty risk among older persons was lower than for the total population on average as well as lower than in Western European countries (Stanovnik 2002). Nonetheless, reducing poverty and meeting of older persons' basic consumption needs remain key issues in several countries.

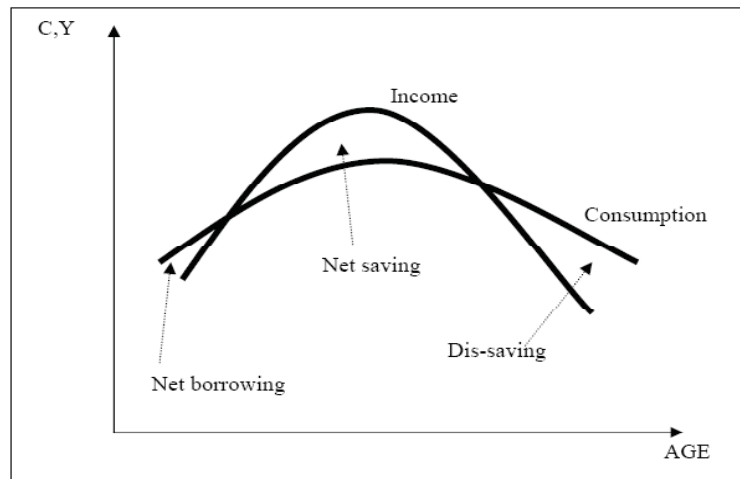
### *Consumption over the life course*

Consumption is frequently used for measuring economic wellbeing. As such, it may even be considered preferable to disposable income, because people gain utility rather through consumption than income (Casey and Yamada 2002). The life-course approach provides a direct theoretical relationship between ageing and saving as well as consumption behaviour. Following this approach, individuals and households change their mix of consumption and savings over their life span and look forward in their consumption plans. They tend to accumulate assets when income is high and use these assets when income declines. The theory implies that older and younger persons save less than middle-age individuals do. Thus, savings are mostly accumulated during working life and used for financing consumption and maintaining the standard of living in old age (Zaidi 2008: 36, Chawla et al 2007: 119; see figure 3).

<sup>2</sup> In the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia. The incidence of poverty among the old was lower than among all other age groups in Bulgaria, Belarus, the Czech Republic, Hungary, Latvia, Poland and the Russian Federation. The converse was true only for Estonia.

Nevertheless, it should be stressed that this approach is a theoretical model which empirical validity remains a topic of debate. The model solely works under stable political and economic conditions and thereby can hardly cover all aspects of the relation between age, consumption and savings. For example, saving rates may be higher than predicted because of precautionary savings. Distribution of wealth also has a significant effect, since older persons in the lower strata of wealth distribution may need to rely more on their savings to ensure an adequate standard of living (Chawla et al. 2007).

**Figure 3 (Model of) Consumption smoothing over the life course**



Source: Oliveira Martins (2005).

### Consumer behaviour of older person's household

Older persons constitute an important and growing consumer group. Their share will rise, they dispose of considerable purchasing power, and they tend to use up accumulated savings in old age. However, do they show the same consumer behaviour patterns as other age groups? Households of older persons may demand other products than households with, for example, young children. Thus, age composition of households is an important element to take into consideration not only for policymakers and civil society, but also for service providers and producers.

### *Heterogeneity*

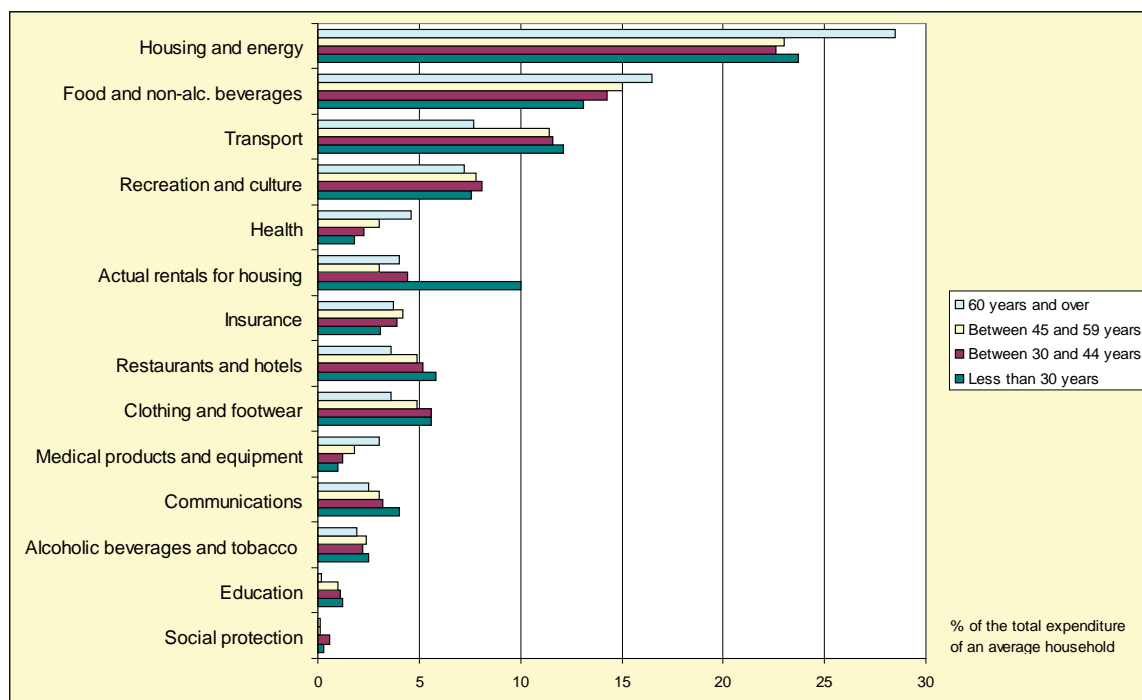
Discussions about the ageing of the population sometimes implicitly assume that people aged 65 and over form a homogeneous group. However, as in any population group defined by age, the over-65 age group includes much diversity, and according to a range of characteristics, such as income and wealth, vulnerability and health condition. Nor can they solely be seen as vulnerable dependent people in need of special assistive technologies to help them live at home independently and at a lower cost for society. Nowadays, older persons often are healthier, more informed and want to be better integrated than in the past; then these two stereotypes do not reflect the increasing diversity of older persons today. Adaptation to ageing should consider the heterogeneity of both the income and consumption structure of older persons.

### *Needs, interests and preferences of older persons*

Household budget surveys provide data on consumption pattern by age. Among the commodity groups, the shares of housing, energy (incl. water, electricity, gas and other fuels), and health care spending tend to increase with age (ILO 2002), whereas expenditures on transport, entertainment and education decrease with age (Oliveira Martins 2005 - see figure 4).

Assuming a constant propensity to age-related consumption patterns, the effect of ageing may lead to a rise in demand shares for health care, followed by energy consumption and housing expenditure, although ageing-induced changes in consumption shares might not generate major structural changes in the economy. However, if participation of old-age people in the labour force were to increase, their consumption patterns could become closer to those of prime-age workers. In addition, with the development of information and communication technologies, some of the products that are less consumed by older people could become more old-age friendly (Oliveira Martins 2005).

**Figure 4: Consumption Expenditure by Age for Selected Commodity Groups in EU-27 (COICOP niv2/per 1000)**



Source: EUROSTAT (2008): Living conditions and social protection. Database. [http://epp.eurostat.ec.europa.eu/portal/page/portal/living\\_conditions\\_and\\_social\\_protection/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/living_conditions_and_social_protection/data/database)

*Products and services for all ages*

The special needs, interests and preferences of older persons have further implications for the design of products. Increasing demand for special products and services to meet the specific needs of an increasing number of dependent persons and people with chronic diseases is not the only aspect that producers and service providers need to consider. They would also need to aim at designing products and services in a more user-friendly and practical manner, e.g. instructions on medical prescriptions should be legible and understandable. All persons should be able to use and have access to products and services regardless of age, individual skills, sex, or educational and cultural background. The development of a “design for all ages” should include all areas of life: public transport, urban development, housing, information, and communication technology, services of general interest as well as the everyday goods and services offered to the public, e.g. the design and installation of ramps that are usable by wheelchair users as well as parents pushing a stroller.

In order to fully enhance the economic, social, political and cultural participation of older persons, it is crucial to provide accessible and available products and services, public as well as private. For instance, public transport should be adapted to the needs of older persons. Policymakers could set incentives for the acquisition of low-floor vehicles or vehicles with built-in facilities to make boarding easier for disabled persons and persons with limited mobility. Policymakers should therefore implement technical standards and rules, and provide means and support private transport companies financially or initiate competitions and award prizes for age-friendly design of transportation. Furthermore, the provision of affordable public transport is desirable. Many UNECE countries offer their seniors free or discounted transport. For example, the Czech Republic even offers a wide range of free national rail tickets that can be paid out in cash if not used.

### **Czech Republic: Better accessibility of public transport**

Under the Support Programme for the Replacement of Municipal Transport Vehicles and Regular Public Service Vehicles, carriers can apply for a grant to acquire low-floor vehicles or vehicles with built-in facilities to make boarding easier for disabled persons and persons with limited mobility. Every year, the State Fund for Transport Infrastructure (SFTI) prepares “Rules for the provision of grants for the implementation of programmes to increase transport safety and access to persons with limited mobility and orientation”. The grants mainly concern road and railway infrastructure.

Since 2006, the Programme has included support for the acquisition of information systems for the blind and sight-impaired on barrier-free routes set up by municipalities. The accessibility of the railways is enhanced significantly by the replacement of the existing rolling stock, whether in the form of new vehicles or the modernization of existing vehicles. Most of these are designed as low-floor vehicles, and the State grants more aid for their acquisition, as these vehicles improve the opportunities for people with reduced mobility. In keeping with the Czech Republic’s transport policy, a new support programme for the replacement of public transport vehicles is being prepared for 2008-2013. Its aim will be to increase the accessibility of public transport for persons with reduced mobility and orientation.

Sources: Country report on the implementation of the UNECE Regional Implementation Strategy (RIS) for the Madrid International Action Plan on Ageing in the Czech Republic; State Fund for Transport Infrastructure, SFDI (2008), <http://www.sfdi.cz/EN/?lang=en>.

Furthermore, it is important to ascertain, for example, whether older persons living in remote rural areas or poor urban neighbourhoods have access to a range of retail products at competitive prices, and whether insurance arrangements discriminate against certain groups of older persons. Experience shows that car sales and information and communication technology figures could rise if companies would better tailor their products to older persons’ needs. A growing market is also hidden in the technologies and services for the daily support and aid of the older persons: video telephones, voice-activated programmes and aid services etc. could enable not only older persons but also every age group to live independently. Industries already show growing awareness of the demographic change and the opportunities offered by the growing number of older consumers.<sup>3</sup> However, Governments, service providers, and civil society should promote the concept of creating products and services for all ages, which would support older persons’ full participation in society.

### **Policy implications**

How could Governments benefit from mainstreaming ageing across all policy fields with respect to older persons as consumers? Given the variety of actions that can be undertaken in this area, providing a comprehensive list of possible activities cannot be attempted. Yet based on the previous remarks and the MIPAA/RIS commitments that apply to older persons as consumers, the following directions for action could be proposed.

<sup>3</sup> Federal Ministry for Family Affairs, Senior Citizens, Women and Youth of Germany and European Commission 2007.

Firstly, policymakers could encourage promoting products for all ages and promote the concept of mainstreaming ageing in the economic sphere in the same way as in all policy fields. This is an element in bringing economies into harmony with demographic change to achieve a society for all ages (Commitment 1 of the MIPAA/RIS). Addressing this challenge successfully requires the combined efforts of the public and private sectors to develop and apply effective approaches and strategies. Promoting communication between private companies and older consumers ensures that the consumption needs and preferences of the ageing population are being satisfied. Furthermore, older persons would benefit if private and public enterprises were effectively monitored and regulated so that all older persons received a fair deal as consumers.

### Germany: Consumer policy for older persons

Consumer policy targeting older persons provides an opportunity (a) to eliminate information deficits, (b) to take into account the vulnerability of many older consumers, (c) to improve their status as informed consumers with respect to goods and services markets, (d) to inform older persons of their rights vis-à-vis providers of goods and services, and (e) to enhance their ability to enforce their rights.

The Federal Government of Germany has supported a project entitled “Target-Group Orientated Consumer Work for and with Senior Citizens”, carried out under the auspices of the consumer protection centres of the States of North Rhine-Westphalia (NRW), Brandenburg, and Rhineland-Palatinate in collaboration with the German National Association of Senior Citizens’ Organizations (BAGSO). Problems that older persons face as consumers and issues of particular interest to them were examined in consumer conferences, with their active participation. BAGSO has set up a consumer forum on its website, through which it collects exploratory, Internet-assisted survey data regarding consumer problems affecting older persons.

Sources: National Plan of Action of the Federal Government to Implement the Second United Nations Plan of Action on Ageing, Madrid 2002, and the UNECE Regional Implementation Strategy, Berlin 2002, [www.bmfsfj.de](http://www.bmfsfj.de); Bundesarbeitsgemeinschaft der Senioren-Organisation, BAGSO (2009), [www.bagso.de](http://www.bagso.de).

Secondly, Governments, service providers and civil society can contribute to the better economic integration of older persons by taking into account their needs, interests and preferences. This promotes social and economic participation of older persons in a society, to which Governments have committed themselves (Commitment 2 of the MIPAA/RIS). Social and economic participation could be achieved, among other ways, by adequate consumer protection and empowerment. Action may be taken to determine whether older persons enjoy the same degree of consumer protection as other age groups and whether they encounter any particular obstacles in availing themselves of such protection. Older consumers must be given the opportunity to make well-informed choices about goods and services and be able to hold businesses accountable when things go wrong. When working to achieve this, vulnerable older consumers should not be discriminated against. More specifically, contracts, advertisements, sales techniques and warranties must not confuse, frighten or mislead older persons, and older consumers must be given adequate time to consider and reconsider their contractual undertakings.

### European Union: The European Design for All e-Accessibility Network - EDeAN

In 2004, the European Commission adopted a standardization concept “Design for all”, with the objective of developing or adapting national, European and international technical standards that require barrier-free access to buildings and accommodation and render them suitable for use by people with disabilities. Standards committees include representatives of the Consumer Council, in which representatives of senior citizens and people with disabilities also have a vote.

The European Design for All e-Accessibility Network (EDeAN) is a network of 160 organizations in European Union Member States. The goal of the network is to support all citizens’ access to the Information Society. EDeAN provides a European forum for “Design for all” issues, supporting EU e-inclusion goals, awareness-raising for the public and private sectors, and online resources related to “Design for all”.

Source: European Design for All e-Accessibility Network EDeAN (2007), [www.edean.org](http://www.edean.org).

Thirdly, taking into account the specificities of older persons as an increasing consumer group contributes to economic development (Commitment 3 of the MIPAA/RIS). The process of ageing does not merely lead to an increase in the share of older persons. As older persons constitute an increasing consumer group with considerable purchasing power, many have accumulated assets that they would like to use for consumption. Generating new markets with a greater variety of products and services for all age groups benefits every stakeholder, including older persons and companies, as well as national economies. By acknowledging older persons as a group with considerable purchasing power and economic importance, an untapped potential of products and services could be released. This could substantially contribute to the labour market and to economic growth.

### Austria: Representation of Older Persons in the Consumer Policy Forum

The Consumer Policy Forum is the main body for coordinating the many Austrian organizations involved in consumer policy. It serves as a place for exchanging information and setting priorities in consumer protection policies. The Austrian Council of Older Persons, established by law, represents the interests of older persons. Austrian consumer policy has achieved several important improvements for older persons over the past few years:

1. Laws against misleading or fraudulent sales practices. For years, misleading sale events have targeted older persons. Older persons are attracted to sale events by offers promising, for example, trips for nearly nothing. Products of minor quality have then been sold at high prices (e.g. “curing” mattresses, nutritional complements), sometimes under pressure. Since 2008, the law foresees that such sale events must be registered with the local authorities. Attracting older persons by an invitation promising gifts or prices is prohibited.
2. Contracts for homes for the elderly. Since 2004, a special civil law regulations and information obligations apply to homes for the elderly (the so-called Heimvertragsgesetz). Homes for the elderly are thoroughly examined and legal warnings issued in cases of non-conformity with legal requirements.
3. Rules for exercising caring services. Since 2007, rules have laid down standards for caring professions providing services at home, for example, protection from signing a contract on the doorstep and establishing minimum contents of contracts. The Federal Ministry in charge of consumer protection has made available a standard contract for caring professions.
4. Publication of pamphlet on older persons and Internet use. The Federal Ministry in charge of consumer protection has subsidized the publication, Easy access to Internet for older persons.

Source: Bundes-Seniorengesetz 1998/2000.

Fourthly, certain age-friendly products can significantly improve older persons’ quality of life, including those with disabilities, and help them maintain independent living (Commitment 7 of the MIPAA/RIS). Mainstreaming a “design for all ages” can facilitate an independent and fulfilling lifestyle. Furthermore, the organization of public transport, housing and other policies has a profound influence on health and well-being of older persons.

### Romania: Consumer protection in housing policies

The proportion of privately owned houses in Romania has been increasing, which has resulted in a reduction of the stock of social dwellings. The economic transition was accompanied by a spectacular growth in price of property. In recent years, homelessness has become more visible and debts for the payment of the maintenance costs frequently result in eviction. Older persons living in rented houses are also at risk of eviction by former owners who were expropriated in 1949 and are entitled to receive back their properties.

Government has adopted a set of measures to protect older persons from becoming homeless. They cannot be evicted from the rented houses for 5 years and the amount of the rent is established by law. Recently adopted legislation obliges local authorities to provide accommodation for evicted persons. Low-income elderly are entitled to receive an allowance for heating during wintertime and financial assistance to cover the rent or the maintenance costs of their houses.

Source: Report on the Follow-Up to the Regional Implementation Strategy (RIS) of the Madrid International Plan of Action on Ageing (MIPAA) in Romania

### Conclusion

Since economic integration and participation proceeds, among other ways, through consumption and a desired standard of living, older persons can be recognized as a significant consumer group with shared and specific needs, interests and preferences. Companies should consider the potentials of products and services tailored to the needs of older persons. Policymakers may furthermore want to promote mainstreaming ageing in the spheres of production, distribution, advertising and the selling of products and services, given the great benefit for older persons as well as companies and the overall contribution to the economy and the labour market. Designing products in a more user-friendly and practical manner can enable older persons to cope with difficulties in their daily life. Providing accessible and available services and products can significantly contribute to the aim of an equal social, economic, political, and cultural participation of older persons. Hence, policymakers may want to pursue the goal of mainstreaming ageing across all policy fields, including those with respect to older persons as consumers.

#### Checklist: Older persons as consumers

Commitments	Areas of implementation	Key elements
Mainstreaming ageing	Saving	Services to advise on saving over the life course
		Availability of financial instruments
	Consumer policies	Products for all ages
		Services adapted to the need of all citizens
Participation	Economy	Guaranteed minimum disposable income
		Gender-assessed pension system
	Social sphere	Age-specific products
		Age-specific services
	Political sphere	Exchange between government bodies and a consumer forum
		Exchange between private sector and non-governmental organizations



<b>Checklist: Older persons as consumers</b>		
<b>Commitments</b>	<b>Areas of implementation</b>	<b>Key elements</b>
<b>Enhancing economic development</b>	Older persons as consumers	Increasing knowledge about the needs and preferences of older persons
		Age-specific products and services
		Research on intergenerational transfers
<b>Increasing older persons' well-being</b>	Health	Medication for older persons
		Health-related equipment
		Services for accident prevention
	Social sphere	Age-friendly access to public transport
		Access to the internet and other technologies
		Access to training

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