

EMPLOYMENT OF PERSONS 55+

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Abstract

Article deals with a problem of aging population. We describe unique factor of so called “right shift of economic activity curve”. We observed that during last 10 years people start to work in older age and then work longer. Longer working career is connected with prolongation of retirement age. In article we describe demographic data and then we deal with specific tasks connected with employment of persons in preretirement age.

Key words: employment, age management, elderly employees

JEL Code: J08, J14

1. Introduction

Europe is facing aging population already. We are pleased to see longer perspective of living. On the other hand public budgets have a problem to finance pension systems.

2. Extension of retirement age

The issue of employment of persons over 55 years is very extensive. In terms of retirement it is very strongly influenced by the extension of retirement age in Czech Republic, which began in 1996. The born today is expected to retire after 70 years of age. Currently, the retirement age is 62 years for men and for women with two children 59 years. However, the labor market is not capable to employ adequately individuals in this age, so many of them go three years before qualifying for a regular pension to an early retirement. Number of early retirements is currently a record in CR history and is increasing every year. Individuals aged 55 + solve their situation when they cannot find adequate job in the labor market by increasingly using early retirement (Wagnerová, 2011, ČSU, 2009, 2010, EC, 2009).

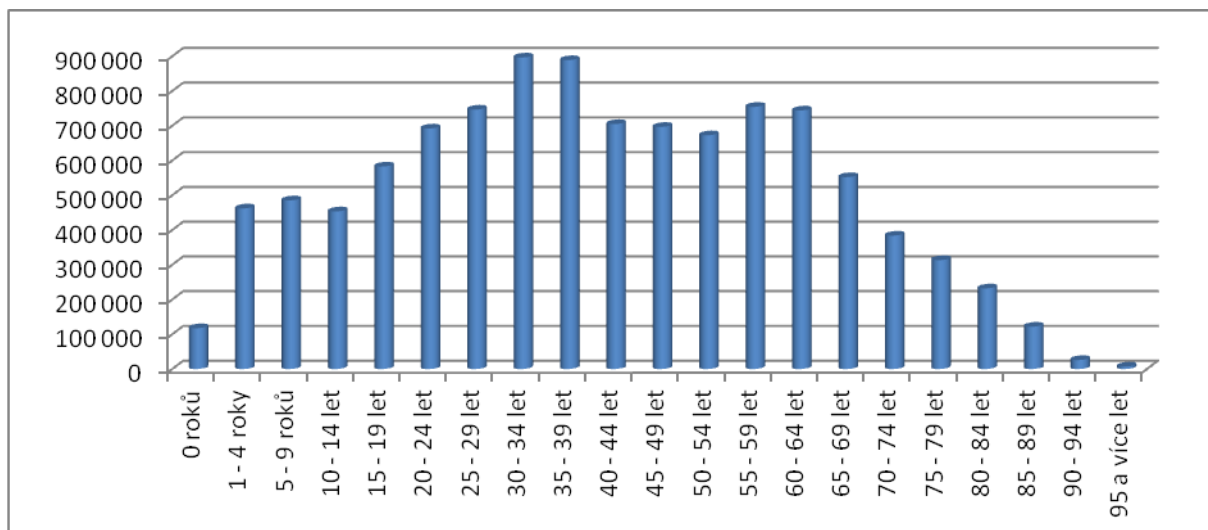


Fig.1: 5 years Groups in Czech Republic in 2001. Horizontal line age, vertical line number of individuals (ČSU, 2011)

On May 11, 2011 Czech Parliament approved the so-called small pension reform, and without consultation with unions, with the opposition and without allowing society-wide discussion on this topic. Reform was caused by an amendment to the pension law by the Constitutional Court (Constitutional Court Judgment. Pl. U.S. 8 / 07 dated 23 March 2010). The government reacted to the verdict of the Constitutional Court on the preparation of a new formula for pension calculation, when about 20% of future pensioners (currently the highest income categories) will have an income slightly higher than at present and 70% slightly lower due to the discriminatory affect of previous formula. The amendment was applied from October 2011 and has seen the influx CSSA's request for retirement from those who expect that the amendment would adversely affect the value of their retirement. Other reasons for amendment are the facts that increases life expectancy and increases the mean life expectancy at retirement age.

The amendment goes further with a smooth extension of the retirement age up to 73 years for children who are born i this year. Among women born after 1956 raises the retirement age by 4 months a year and men will continue to increase the age for retirement for two months a year. Differentiation in retirement age for men and women in the pension system is very unique and challenged the principles of gender equality in social security. However, in twelve EU Member States is currently set retirement age for women

still lower than in men (Belgium, Bulgaria, Czech Republic, Estonia, Italy, Lithuania, Malta, Poland, Romania, Slovenia, Slovakia and the United Britain). For men and women retirement age will unite in 2041, when people born in 1975 will retire, they will be to 66 years and eight months. The table ends in 1977 at the retirement age of 67. However for all born after 1965, who relied on retirement age at 65 years, the retirement age was further extended.

The problem of course is and always will be early retirement. The gradual displacement of the retirement age from 60 to 65 years, adopted the amendment in 1996 led to a large proportion of employees who took early retirement. In late 2009 were 350 859 early retirements in the Czech Republic and state spent on them 3.124 billion CZK. This figure is in the history of the country a record. Development of early retirement and spending on them is illustrated in the following charts. Analysis shows that early retirement seems like a logical step in the right to a fair pension for a large portion of persons at age 55 or older.

3. Decisions to end the work activity

In terms of decisions to end the work activity plays a role in a number of factors. They are age, gender, education, work status according to ISCO, NACE employer and region. The most important factor is the age and qualification for early or regular retirement pension. Women terminate working activity earlier than men, partly due to their earlier entitlement to a pension. It was found that college students retire later than those of high school and again later, than people with basic education. The position of the work according to ISCO predictor is again interesting - the higher the position, the longer the stay in active work. The position of the work according to ISCO positively correlated with the amount of income, so it is true that the higher the income, the later retirement. Entrepreneurs retire later than employees. NACE employer also plays an important role. First, people are retiring for example in mining, the latest in services. Manufacturing is one of the 14 NACE groups between the third with the earliest retirement. Finally, the region plays a role - in Prague, leaving the work activities at the highest ages.

4. EU policies for promotion of employment for older people

Most EU countries have special procedures to promote employment of people 55 +. Increasing employment is a priority of the EU. Age discrimination is prohibited under EU directives and national legislation. In a number of state jobs are for employees over 55 years of subsidized and supported by both specific subsidies to employers or discounts on taxes and levies or quotas by the number of employees over 55 years. Dismissal of employees over 55 years is sanctioned by higher severance pay and contributions to special funds. In the UK receive a special supplement of all employees in the state retirement age to promote their employment. In France, companies must develop action plans, which state the number of people 55 +, which will employ and how much to take and keep. Failure to comply with the Action Plan is then sanctioned by a higher tax burden. Must say that the CR has no similar measures to promote employment 55 + state was established. It costs the state to the payment of early retirement are still higher and cannot ignore the loss of income State, the failure of payments and contributions for employees and employers. The only measures to promote employment of 55 + in the CR were applied in the framework of active employment policy.

5. Economic activity of population

If we compare the economic activity of population in the CR and the EU, the economic activity of Czech population is higher. The difference is particularly evident in men (almost 4% higher activity in the country), while in women the other hand, lower by 2% (Eurostat, 2011).

Country	Total	Men	Women
EU 27 [2]	64,6	70,7	58,5
Belgium	62,0	67,6	56,3
Bulgaria	60,6	64,1	57,2

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Czech Republic	65,4	74,3	56,4
Denmark	73,8	76,2	71,3
Germany	71,5	76,5	66,3
Estonia	62,1	64,5	59,9
Ireland	60,3	64,5	56,1
Greece	59,7	71,1	48,4
Spain	58,9	65,2	52,4
France	64,4	68,7	60,3
Italy	56,7	67,6	45,8
Cyprus	70,0	77,5	62,8
Latvia	60,6	61,0	60,2
Lithuania	58,5	58,0	59,0
Luxembourg	66,1	74,7	57,6
Hungary	56,0	61,2	51,0
Malta	56,8	72,2	40,7
Netherlands	74,9	80,3	69,5
Austria	72,6	78,2	67,1
Poland	60,0	66,5	53,6
Portugal	65,5	70,1	60,9
Romania	60,2	67,0	53,6
Slovenia	66,3	70,3	62,0

Slovakia	59,2	65,5	52,8
Finland	69,3	71,1	67,5
Sweden	74,1	76,6	71,6
United Kingdom	70,0	75,3	64,8

Table 1: Economic activity ratio of 15-64 years old in EU members state for IV.th Q. 2010. (Eurostat, 2011)

The economic activity rate of the population is largely dependent on age. This can be seen on Statistical Office data (CSO, 2001). While in the 15-19 age group is active only 15%, five years later it is already 80%. Economic activity is the strongest population aged 25-54, when the economically active population over 85%. The peak of economic activity is in ages 40-46 years.

Age group	Active	Inactive	Not known
15 - 19	15,2	84,0	0,8
20 - 24	80,3	18,6	1,2
25 - 29	86,1	12,5	1,4
30 - 34	89,4	9,2	1,4
35 - 39	92,5	6,3	1,2
40 - 45	93,3	5,6	1,1
45 - 49	92,0	7,1	0,9
50 - 54	86,0	13,2	0,8
55 - 59	53,7	45,7	0,6

60 - 64	19,8	79,8	0,4
65 - 69	9,6	90,0	0,4
70 and more	1,8	98,2	-

Table 2: Percentage of economically active population according to age groups in 2001 (ČSU, 2001 and authors calculation)

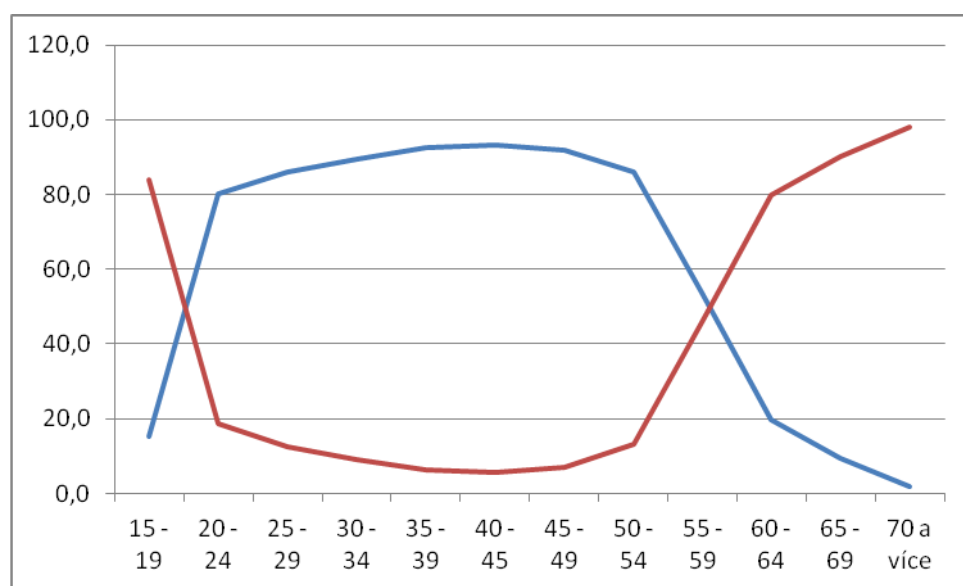


Fig. 2: Economic activity percentage of population according to age in 2001 (blue line active, red line inactive (ČSU, 2001 and author calculation)

Age group	Active (thousands)	Inactive (thousands)	Ratio %
15 - 19	32,3	637,2	5,1
20 - 24	321,2	707,5	45,4
25 - 29	567,3	784,6	72,3
30 - 34	714,7	942,5	75,8
35 - 39	692,2	794,2	87,2

40 - 45	632,7	708,0	89,4
45 - 49	594,1	654,5	90,8
50 - 54	610,6	731,0	83,5
55 - 59	505,9	764,4	66,2
60 - 64	186,3	707,4	26,3
65 - 69	77,0	506,0	15,2

Table 3: Percentage of economically active population according to age groups in 2009 (ČSU, 2009 and authors calculation)

Age group	2001	2009
15 - 19 years	15,2	5,1
20 - 24 years	80,3	45,4
25 - 29 years	86,1	72,3
30 - 34 years	89,4	75,8
35 - 39 years	92,5	87,2
40 - 44 years	93,3	89,4
45 - 49 years	92	90,8
50 - 54 years	86	83,5
55 - 59 years	53,7	66,2
60 - 64 years	19,8	26,3
65 and more years	9,6	15,2

Table 4: Percentage of economically active population according to age groups in 2001 and in 2009 (ČSU and authors calculation)

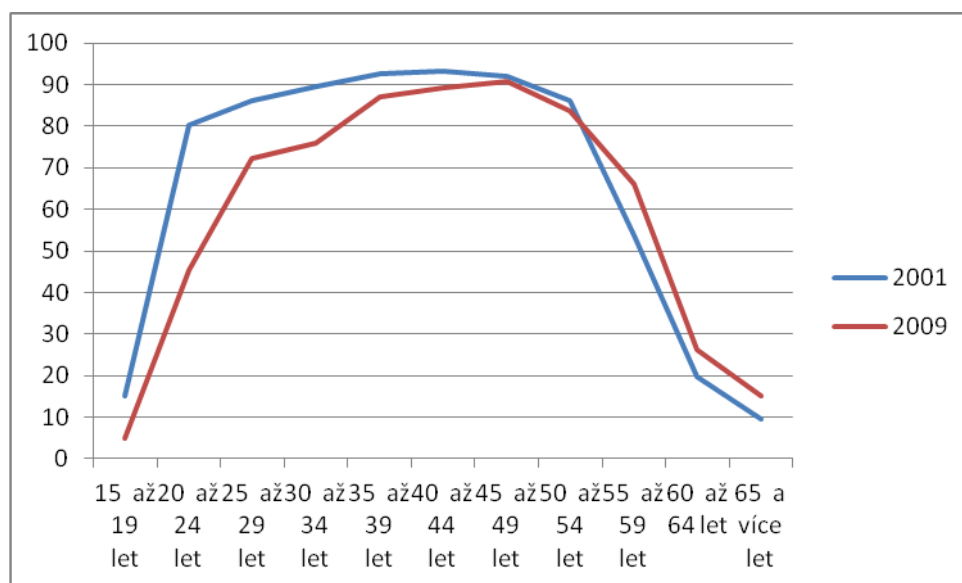


Fig. 3 : Percentage of economically active population according to age groups in 2001 and in 2009 (ČSU and authors calculation)

Comparing the shares of economic activity that took place between 2001 and 2009, then there is a **distinct shift**, which in these eight years occurred. As a starting CSO sources were used economic activity by age in 2001 and author's calculation of the economically active population in 2009. The data were compared. An interesting phenomenon is the beginning of a longer onset of economic activity, which is very distinct. Another phenomenon is then longer activity. **This leads to the shift of economic activity age curve when the economic activity is started later and even later terminated.**

6. Conclusion

At this study we describe an important demographic feature - **the right shift in the age curve of economic activity shows that people enter the labor market and begin economic activity at a later age, yet this activity they even**

longer perform. Causes are the intensity of training for a profession on one side and then on the second side a shift (extension) of retirement age.

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