

AGING POPULATION AND HR SUSTAINABILITY

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Abstract

On the background of the current statistical data reported by the renowned institutions such as UN, OECD, Eurostat and The Czech Statistical Office concerning the issue of aging population, the goal of this paper is to show the importance of inevitable shifts in age management practices. Ensuring sustainable levels of HR and keeping core competence of a company are undoubtedly pressing topical issues calling for immediate attention.

Apart from the presented statistical findings, the paper focuses its attention to responsible and sustainable corporate conduct and brings forward case studies demonstrating relevant business processes dealing with aging human resources' issues. Particular examples of best practices and their practical implications are brought to the readers' attention, specifically to those currently seeking solutions to similar problems.

Key words: aging population, sustainable levels of HR, age management, statistics, CSR

JEL Code: J11, J21, M12

Introduction

Population aging is a trend that began several decades ago. This phenomenon results in an increasing share of older people represented within the age structure of the whole population. It reflects in a declining proportion of working-age persons in the total population and constitutes a heavy burden for state social systems. This paper looks at demographic trends, recent research findings, responsible conduct of companies and examples of good practice in terms of aging workforce trends worldwide as well as in the Czech Republic (CR).

1 Demographic trends – main statistical findings

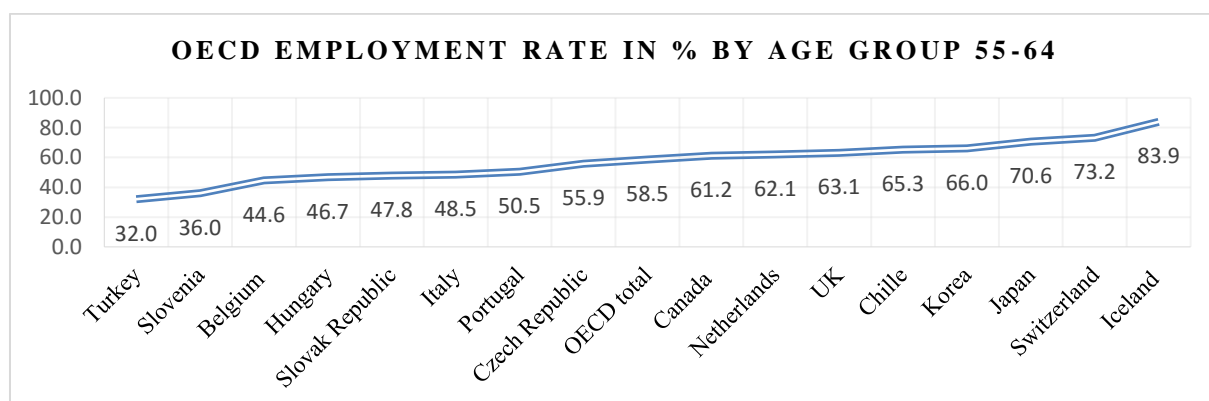
Several institutions and organizations devote their efforts to researching the current state and predicting the future of countries' demographics and labor force development trends. This chapter introduces demographic trends worldwide, followed by the EU countries and CR.

1.1 World population demographics and its prediction

UN predicts that by 2050, half of the world's population will be more than 36 years old, which indicates the increase of the median age by approximately 10 years between 2000 and 2050. The aging index is growing fast in the less developed countries (LDC) but is still more significant in the more developed regions (median age more than 13 years higher than in LDC).

OECD data on aging and employment (Fig. 1) show that employment rates in the age group 55-64 vary significantly across its member countries with the weighted average standing at 58,5 %. CR placed slightly below the average. The lowest value was represented by Turkey while the peak was reached by Iceland where almost 84% of the given age group are in employment.

Fig. 1: Employment rate of the age group 55-64 in OECD countries



Source: Authors. Based on the OECD 2015 Quarter 4 data from www.oecd.org

1.2 Demographic trends in the European Union

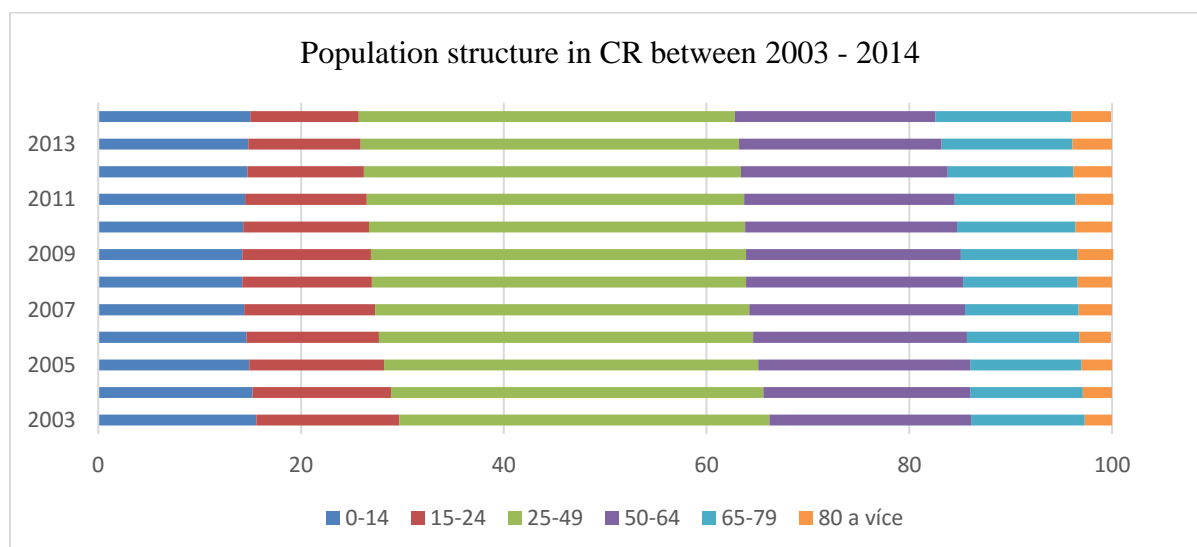
According to Eurostat's data from January 2014, the median age of the EU's population was 42.2 years thus indicating half of the European Union's citizens older than the given median.

Projection of the future trends during the period between 2014 and 2050 is characterized by a steady decline in amounts of the working age population and an increasing share of older persons. It is predicted that people aged 65 or over will account for almost 29 % of the EU's population by 2080. The old-age dependency ratio is predicted to almost double from 28 % in 2014 to 51% by 2080. *"Given the aging of the labor force and the expected economic growth rates, it now seems inevitable that employers will have to employ more, both in absolute and in relative terms, over-50s and 55s in the future."* (Remery, 2003)

1.3 The Czech Republic and its population

The Czech Statistical Office (CSO) presents its own data as well as Eurostat statistics on its website. The graph below (Fig. 2) shows the aging trend in CR from the CSO website. The population age structure witnessed a shift from 14% in the age group 65 and older in 2004 to 17.4% in 2014. The Situation Report on Sustainable Development in 2016 which was prepared for the Government Council for Sustainable Development claims that dependency of seniors on people in productive age is increasing in CR. The dependency ratio is 49 dependent (inclusive of children) on 100 persons in productive age 15-65. A realistic estimate is about 70 dependent on 100 working persons as only minority of the 15 to 18 age group actually work.

Fig. 2: Population demographics in the Czech Republic



Source: Authors. Based on the Eurostat 2014 data presented on the CSO website www.czso.cz

2 Aging workforce from the global perspective – research papers

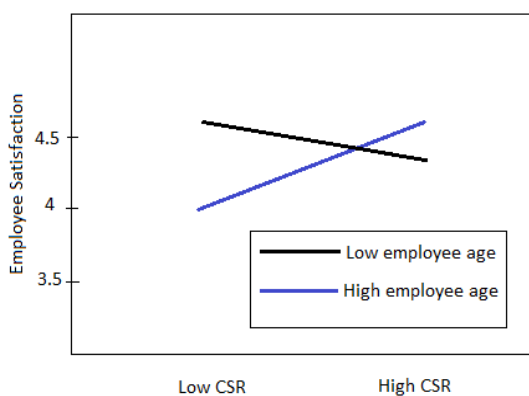
Scientific papers on the topic were explored by the authors to find out what has been lately uncovered by researches worldwide.

2.1 CSR & employee satisfaction moderated by age: a study from the Netherlands 2015

A team of researchers from Holland studied the relationship between CSR and employee satisfaction based on the staff's age. A hypothesis was formed that the relationship is the stronger the higher the age. A multi-level regression was applied with standardized values of organizational CSR, employee age, and their cross-level interaction as predictors, and

employee satisfaction as a dependent variable. They controlled for amounts of weekly working hours, gender, education and tenure. No main effects were found in the regression model, but congruent with their hypothesis, a significant interaction between CSR and employee age was found when shown as function (Fig. 3). The authors infer that as employees grow older having their future time perspective more limited, they strategically reorganize their goal hierarchies. They are more satisfied with the firm's high CSR when their chronological age is higher. (Wisse, 2015)

Fig. 3: Employee satisfaction as a function of CSR and employee age



"Simple slopes analyses (at 1 SD above and below the mean) showed that CSR was positively associated with employee satisfaction for older employees (estimate = 1.82, 95 % CI = [0.62, 3.02], $p < .001$) and negatively associated with employee satisfaction for younger employees (estimate = -1.63, 95 % CI = [-2.78, -0.48], $p < .001$)." (Wisse, 2015)

Source: Authors. Based on Wisse (2015).

2.2 Research of FWAs in the UK 2016

Flexible working arrangements (FWAs) were examined in small firms in the UK because FWAs are gradually being recognized as one of the tools supporting the extension of working lives. (Atkinson, 2016) This approach offers variety of possibilities in number or schedule of hours worked inclusive of part-time working, compressed hours, job-sharing or flexi time. It was revealed that 33 per cent of firms applied the FWAs. In other companies ad hoc or temporal FWAs in individualized employment situations were used having emerged from social relations mostly based on mutuality and interdependency between the firm and the employee. *Downward occupational mobility* described in the paper was identified in the firms as another possibility characterized by adjustments to a less demanding role within the current employment.

2.3 Successful aging at work: a sustainable Dutch perspective 2015

In addition to *downward occupational mobility* of elderly employees, the above paper used the term *bridge employment* which can be characterized as taking up less demanding role

while changing the employer. Another study based on organizational and lifespan psychology literature reviews emphasizes an active role of employees and suggests their proactive behaviors for their successful aging at work. The author proposes methods of setting and selecting goals at work, possible reduction of workload – considering, for example, the bridge employment. Proactive career planning or skills development (eg. negotiating special trainings) leading to certain optimization is seen as a crucial aspect of the employee-side solution to the problem of aging workforce ensuring employment to their higher age. (Kooij, 2015)

2.4 Managing and sustaining an aging nursing workforce: Canada 2016

Alongside Canadian population, nursing personnel is aging, too. The need for this particular workforce is on an increase in connection with the growing necessity to provide the elderly with an adequate care. The study researched nine major collective agreements governing the nursing employment in each province and discovered one of the pro-active age management tools being broadly applied: "*encouraging nurses who are eligible to retire to remain in the nursing workforce*". (Kwok, Bates, & Ng, 2016) Generally, the principle can be applied by managers in non-unionized organizations when managing and sustaining the aging workforce.

3 Corporate responsibility and the workforce

Successful companies in today's world do not doubt about the need of being socially responsible. That is one of the reasons why they develop a number of very diverse activities that contribute to addressing a range of topical issues inclusive of the aging labor force. Interest in topics related to corporate social responsibility (CSR) by international organizations, some governments but also businesses themselves is on an increase. Companies are also aware of the fact that their activities in the area of responsible conduct should be given a certain long-term order at the maximum account of the internal and external environments' needs. (Visser, 2011)

Organizations aiming to keep their aging staff satisfied with their job may use CSR as an effective and attractive tool enabling, for example, the above mentioned FWAs. This chapter further focuses on a short explanation of the CSR and SCR concepts and a responsible approach which companies may apply towards their workforce.

3.1 CSR and SCR concepts

Corporate Social Responsibility (CSR) refers to a company's initiatives to evaluate effects and take responsibility for the firm's impact on the environment and social wellbeing. The responsibility of a company is also described as 3BL abbreviating the term *triple bottom line*. This concept has extended the only original responsibility of a company – the economic one – by two other factors: the social and ecological aspects. The term generally applies to efforts of companies that go beyond the required standards or laws in the given country. Over the last two decades as stated by KPMG publishing surveys on reporting since 1993, the world's largest companies and newly also SMEs have brought their responsible conduct to stakeholders' attention via annual or separate CSR reports. The described 3BL corporate responsibility model, according to some authors, misses the dimension of long-term sustainability. Therefore a model of *Sustainable Corporate Responsibility (SCR)* was proposed to indicate the time aspect of the three areas of sustainability. According to its author, the model "is shown as a clock with three different clock-faces representing the Triple Corporate Responsibility... The longer the clock-faces march on, the more sustainable the responsibility is, in other words: the more impacts on future generations are considered." (Schüz, 2012)

3.2 Focus on aging employees: Sustainable workforce

Formation of the responsibility concepts over the decades and their widening application in business practice today have been influenced by many factors the most important of which are, for example, increasing globalization, rising pressure on socially responsible behavior by stakeholders or the demographic development worldwide. Based on the above presented statistical findings, it is obvious that firms feel the urgent need to ensure sustainability of their operations and some stability in keeping their core competence, particular amounts of workforce at all hierarchy levels and the company's production quality. One of the tools for achieving a certain degree of labor sustainability - while reacting to the macro-environmental challenges of the changing labor force age structure - is the *age management*.

4 Age management

Employees are an interest group which responsible conduct of a company focuses on to a high extent. In connection with the demographic shifts, firms are experiencing changes within this

interest group's structure, which inevitably calls for an alteration of managerial approaches towards the company's human resources. This type of personnel management with respect to age, ability and potential of particular employees, the *age management*, can serve as an option. It can become an important tool helping firms meet their business objectives as well as reach the sustainable and ethical goals.

Good practice in age management does not necessarily mean additional costs for companies. Many measures, on the contrary, can be taken at very low costs being based mostly on good general HR practice. Broadly speaking, age management includes the following dimensions: job recruitment; learning, training and lifelong learning; career development; flexible working time practices; health protection and promotion, and workplace design; redeployment; employment exit and the transition to retirement; comprehensive approaches. (Naegele, 2006) Some of these dimensions can be broadened or transformed with focus on their adjustment to the most recent demographic changes.

One of them - the challenge of aging workforce - is calling for sustainable solutions which might be brought by this modern management approach. Proposed answers to the arising problem of employing elderly workers can be: flexi-time; job-sharing; telecommuting (home office); transfer to the less physically demanding work enabling longer work careers and higher retirement ages; focus on the particular employee sector with emphasis on their specific characteristics and needs (eg. offering extra weeks of holidays, shorter working hours, paid time off for revitalizing activities, etc.)

The closing chapter of this paper looks at companies which can offer best practices in the areas of age management and responsible conduct towards elderly staff.

5 Aging workforce in EU and CR – case studies and good practice

The relative increase of the elderly population in European countries represents (and will do more in the coming years) a heavy burden for the existing welfare models. Moreover, it poses a risk of labor shortages. That is why this situation is sometimes described as a 'ticking time bomb'.

Wise companies are anticipating these threats and they are trying to respond to the newly arisen circumstances in their initial phase. Particular examples of best practices among international and Czech companies where firms seek to keep their skilled, knowledgeable, efficient, reliable but also satisfied and healthy workforce can be found below. The data comes from a secondary research of resources listed in the References.

5.1 EU countries

In western EU countries, the issues of aging workforce and their retirement are becoming pressing topics calling for immediate attention. Some companies admit that these are even more important for them than solving gender issues. The authors introduce a few examples of responsible conduct towards a segment of the firm's internal customers, its elderly employees.

Verbund Konzern in Austria is a leading producer and distributor of electricity who started to develop various initiatives in connection with the trend of aging staff. These are: educational and transfer programs, promotion of age-positive attitudes and intergenerational knowledge. One program was focused on transferring experienced employees to trainers.

A small German company *Karl-Heinz Efke* *Sanitär und Heizungsbau GmbH* specializing in installation of heating and sanitary systems and plumbing has pursued an age-oriented approach aimed to career development with the goal of keeping their staff employed in the company for as long as possible.

In *Siemens*, for example, they are trying to keep their employees as long as possible before they retire. The company has a regular five-year intervals of interviews with their employees who have reached the age of 50. The company and the employee discuss his/ her problems, requirements and try to meet the employee's needs. At the age of 60, staff gets paid time for fitness exercise. After they reach 64, employees receive two extra weeks of holidays.

An SME in the Netherlands called *Gering Hout en Beton* working in the construction sector has implemented age aware HR strategies. There, more experienced older workers are assigned more complex and less physically demanding tasks whereas the contrary is given to younger and less skilled employees.

5.2 The Czech Republic

Aging workforce is becoming a burning issue for the Czech Republic as well. Moreover, the economic activity of the country depends on the industry quite heavily. Although the first firms which had started responding to the situation on the territory were multinational companies, they were soon followed by those Czech companies which started to anticipate risks arising from the changing age structure of workers in connection with the demographic development.

Bosh, for example, tries to motivate employees not to leave the company for the early retirement and therefore 3 years before their retirement age the company starts paying them full wages for their working half-time.

Physically demanding operations in some companies and the aging workforce are jointly becoming a cause of labor shortages. Steelworks *Arcelor-Mittal* in CR is currently considering the ways or creating such working conditions under which people would be able to work until the age 65. *Linet*, a Czech manufacturer of hospital beds, is trying to find positions in less physically demanding environments, such as in quality control or in the development of innovations, for their employees at older ages. A cereal producer *Emco* values and wishes to keep employees over 50 and people who want to work past their retirement age and that is why they come up to meet their staff requirements.

Within the tertiary sector, banking industry appreciates experienced employees with their long-term practice. For example, *Komerční banka* offers shorter working hours or home-office as some of the alternatives for their older employees.

Conclusion

Changes in workforce age structure are inevitable after-effects of aging population especially in developed countries. This paper offered statistical and scientific background to the issue enriched by potential proactive or reactive approaches by responsible employers but also employees themselves. Case studies of companies applying good practice were offered to the readers. Nevertheless, the topic requires further attention as more publicity, education and transfer of the feasible theoretical approaches into viable practice are needed in the given field.

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