

SUSTAINABLE HR MANAGEMENT AND AGING LABOR FORCE

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Abstract

After internationalization and globalization, sustainability is becoming a pressing topic in the area of Human Resource Management (HRM). A term Sustainable HR Management is being newly used to underpin the shift. Many companies have realized and started to value its human capital and its role in achieving organizational success. Therefore, they incorporated responsible and sustainable practices in order to apply fair and equal working opportunities and to support their labor force. However, retaining highly qualified human resources in organizations appears to be a problem nowadays having been caused partly by the trend of aging population and a consequent wave of aging employees. This paper brings the latest statistical findings disclosing the area of aging population and HR. Based on primary research, it focuses on the extent to which corporate strategies take into account population aging; it shows the use of social and incentive programs focused on aging employees; in addition, it looks at the importance of the 55+ age group. The Chi-square test is run to show relationship between the above and size of a company. Apart from a comparative analysis of the primary data collected through a pilot study conducted as an entrance procedure to larger scale research within a project called *Sustainable Corporate Responsibility*, the paper also analyses overall current situation in the given area in the Czech Republic.

Key words: Aging population and labor force, collective agreement, equal pay, sustainable corporate responsibility, sustainable HRM.

JEL Code: J11, J21, M12

Introduction

The trend of aging population started several decades ago and since then it has resulted in a growing share of older people in populations, especially in the developed countries. Consequently, this demographic trend results in aging of the labor force as well as in declining proportions of working-age persons in given economies and increasing figures of

elderly dependency ratios. Such a trend burdens state social systems adding pressure on governments to fund pensions and healthcare. Loichinger (2015) claims that an uneven distribution of work might lead to a situation where people in the labor force will have to deliver enormous shares of their earnings supporting those not working anymore.

This paper firstly shows the latest demographic trends in terms of aging workforce worldwide as well as in the Czech Republic (CR) and lately it puts forward research findings of the authors concerning the issue of aging human resources (HR). It also introduces a progressive attitude towards HR management incorporating sustainability issues. Interest in topics related to corporate social responsibility is on a rise and companies are increasingly more aware of the fact that their activities in the area of responsible conduct should also be given a certain long-term order. (Visser, 2011)

1 Demography and labor force trends

This chapter introduces demographic trends worldwide and in the Czech Republic. It also focuses on labor force structure in the pre-retirement age.

1.1 Demography and trends worldwide

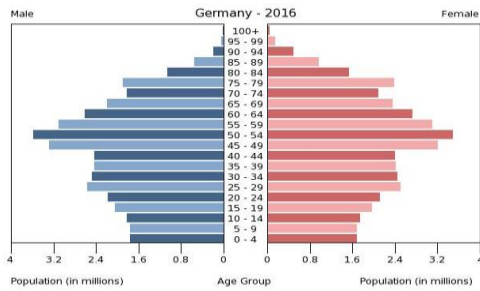
According to estimates of the United Nations, half of the world's population is expected to be more than 36 years old by 2050. The median age is predicted to increase by approximately 10 years between 2000 and 2050. Aging is rather significant in more developed regions where the median age is more than 13 years higher than in LDCs.

The latest CIA's 2016 data identify Monaco, Japan and Germany as countries with the highest median ages.

Below, in a form of a pyramid (Fig. 1), population of Germany is presented. The largest age groups are people between 45-49, 50-54 and 55-59. Median age in 2016 reached 46.8 years of age. The elderly dependency ratio, which shows the ratio of the 65+ age gap per 100 people aged 15-64 who are considered working age, is 32.2 % for Germany.

Based on the CIA's 2016 World Factbook, the highest median ages in two other countries which ranked the highest in terms of their median ages were 52.4 in Monaco (although its population is quite specific) and 46.9 in Japan. Concerning their elderly dependency ratios, the figure stood at 43.3% in Japan and was not presented for Monaco.

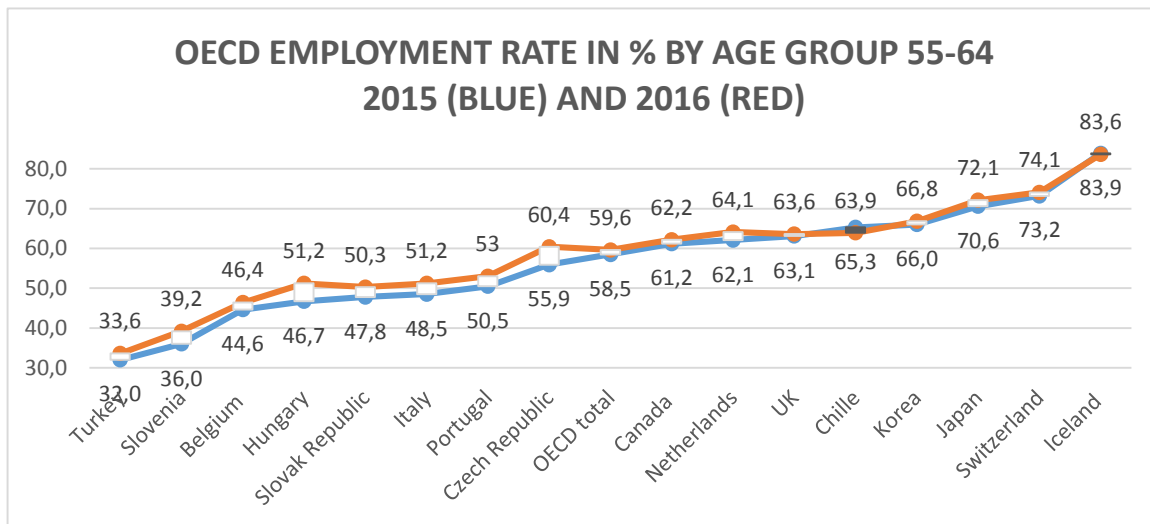
Fig. 1: Population pyramid of Germany in 2016



Source: CIA, The World Factbook¹

In Figure 2 below, the authors compare the 2015 and 2016 OECD data on aging and employment indicating an annual average increase of 1.7 % in employment rates of the age group 55-64. The figures vary significantly among individual member countries with the weighted average of the OECD community standing at 59.6 % whereas last year it was 1.1% lower. Compared to the previous year, where the Czech Republic was placed slightly below the average, in 2016 it ranked above the OECD average with its 60.4 % and encountered an annual rise of 4.5 %. The peak was reached by Iceland where almost 83.6 % of the given age gap are in employment (annual decrease in this group by 0.3 % points) while Turkey ranked the lowest with its 33.6 %.

Fig. 2: Employment rates of the age group 55-64 in OECD² countries in 2015 and 2016



Source: Authors. Yearly comparison of the OECD 2015 and 2016 Quarter 4 data.

¹ <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/us.html>

² www.oecd.org

1.2 Population of the Czech Republic

The Czech Republic was partly described in the previous section where employment rates of the age group 55-64 in OECD countries in 2015 and 2016 were shown. The overall situation can be further described with the use of the Czech Statistical Office data. The authors found out that the population age structure witnessed a shift from 14% in the age group 65 and older in 2004 to 18.5% in 2016. Based on the CIA 2016 data, the calculated elderly dependency ratio was 27% for our country and the median age of Czech population climbed up to 41.7 ranking the Czech Republic 33rd among the 229 analyzed countries.

2 Reactions to aging labor force worldwide

2.1 Sustainable HR management

Current socio-political developments are one of the reasons why more managers as well as scholars are being interested in sustainability. “... *demographic and social changes are leading to increasing demands in terms of expenditures at a time when the population in working age is shrinking.*” (Aliaj, Flawinne, Jousten, Perelman, & Shi, 2016) Sustainable approach to human resource management is also becoming a pressing topic in the area of HRM. (Ehnert, 2009). Some companies have already realized the value of their human capital and its role in achieving organizational success and they have started incorporating responsible and sustainable HR practices. Kasonde (2017) calls HR the backbone of a company and the key enabler of an effective performance.

In order to embrace sustainable development permeating all organizational actions, one area to focus on is empowering and engaging employees. (Bansal, 2002) So as to apply fair and equal working opportunities and to support the labor force, a conceptual model can be followed. The first objective of the scheme is to increase employability of the employees; the second is to improve responsibility of individuals by using participatory management models; and the final objective is to enhance work-life balance. (Zaugg et al., 2001)

As stated above, a novel problem for companies arises in connection with the trend of aging population as retaining highly qualified human resources in organizations appears to be a problem nowadays. Companies worldwide have to deal with the problem of their aging human resources who are increasingly being considered a key factor in driving business competitiveness towards corporate goals and visions. The next section shows examples of how companies worldwide have dealt with this external socio-economic factor.

2.2 Companies react to aging human resources

A number of companies have started to value human capital as a key repository of knowledge and skills; also they have started to value them as their competitive edge and a key to success. Older and more skilled employees might be offered *flexible working arrangements* with multiple possibilities inclusive of part-time working, compressed hours, job-sharing or flexi time. (Atkinson, 2016) Other possibilities not mentioned by this author which may bring answer to the arising problem of aging HR are: telecommuting (home office), transfer to less physically demanding work, extra weeks of holidays, shorter working hours, or paid time off for revitalizing activities, etc. Some companies use a pro-active approach and start communicating with employees about their possible problems or future requirements sometime prior their retirement. Monitoring and timely reaction to demographic changes is of utmost importance for every company due to the fact that strategic workforce planning represents a crucial point on the way to reach sustainable business success. Lee and his colleagues identified four different approaches to retirement by companies who have to adapt to coming changes. They called these different attitudes as follows: gatekeeping, improvising, orchestrating and partnering. (Lee et al., 2017)

In order to understand the interconnectedness of demographic changes and existing corporate processes of HR management, companies will have to take a pro-active attitude towards forecasting the future demand and supply of critically important core employees to ensure the ideal composition of work teams.


3 Research in the Czech Republic – SCR

The paper further reveals figures from the pilot part of the currently ongoing complex research into sustainable behavior of companies within the Czech Republic called *Sustainable Corporate Responsibility (SCR)*. The data is still being collected and an overall analysis will have been finished by the end of 2017.


In order to evaluate the pilot for the paper, the sample is compiled of 46 questionnaires collected by the deadline of the paper. In order to collect data for the further described part of the research, an electronic questionnaire was compiled in Czech as a tool for data gathering. Two sample sections of the complex questionnaire were translated into English for the purpose of this article. (Fig. 4 and further Fig. 6).

Prevailing part of respondents amounting to 63% of the total was represented by limited companies (Ltd.) followed by joint stock companies (17%), the self-employed (13%), public companies (4%) and state enterprise (2%).

Fig. 4: Questionnaire SCR – General information about companies



Questionnaire - Sustainable Corporate Responsibility - IP 304026



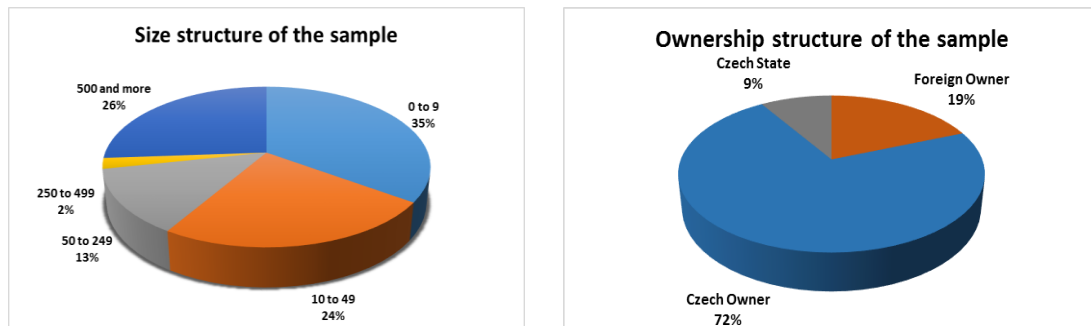
| | | |
|--|--|--|
| <p>Legal form of business</p> <p>Self-employed <input type="checkbox"/></p> <p>Limited liability company <input type="checkbox"/></p> <p>Joint stock company <input type="checkbox"/></p> <p>General partnership <input type="checkbox"/></p> <p>Limited partnership <input type="checkbox"/></p> <p>European company <input type="checkbox"/></p> <p>State enterprise <input type="checkbox"/></p> <p>Other <input type="checkbox"/></p> | <p>Majority Owner</p> <p>Foreign <input type="checkbox"/></p> <p>Czech private <input type="checkbox"/></p> <p>Czech state <input type="checkbox"/></p> | <p>Number of employees</p> <p>0 to 9 <input type="checkbox"/></p> <p>10 to 49 <input type="checkbox"/></p> <p>50 to 249 <input type="checkbox"/></p> <p>250 to 499 <input type="checkbox"/></p> <p>500 + <input type="checkbox"/></p> |
|--|--|--|

| Main area of business – CZ-NACE code | | |
|---|--|---|
| Agriculture, forestry and fishery <input type="checkbox"/> | Transport and warehousing <input type="checkbox"/> | Public administration and defence; Compulsory social security <input type="checkbox"/> |
| Mining and quarrying <input type="checkbox"/> | Information and communication activities <input type="checkbox"/> | Education <input type="checkbox"/> |
| Processing industry <input type="checkbox"/> | Accommodation, catering and hospitality <input type="checkbox"/> | Health and social care <input type="checkbox"/> |
| Production and distribution of electricity, gas, heat and air conditioning <input type="checkbox"/> | Finance and insurance <input type="checkbox"/> | Cultural, entertainment and leisure activities <input type="checkbox"/> |
| Water supply; Activities related to waste water, drainage and sanitation <input type="checkbox"/> | Real estate activities <input type="checkbox"/> | Other activities <input type="checkbox"/> |
| Construction <input type="checkbox"/> | Professional, scientific and technical activities <input type="checkbox"/> | Activities of households as employers; Activities of households producing unidentified products and services for their own use <input type="checkbox"/> |
| Wholesale and retail trade; Repair and maintenance of motor vehicles <input type="checkbox"/> | Administrative and support activities <input type="checkbox"/> | Activities of extraterritorial organizations and bodies <input type="checkbox"/> |

Source: Authors

Concerning core business of the firms, the modus was calculated showing figure 19 representing option *other* which was followed by these three most frequently checked options: *information and communication activities*, *processing and manufacturing*, and *wholesale and retail*. Further sample description is provided below in a form of two pie charts showing shares of individual categories representing the size and ownership of the firms. (Fig. 5)

Fig. 5: Questionnaire SCR – General information about companies



Source: Authors

Another section of the questionnaire (Fig. 6) focused its attention on corporate HR practices with consideration of sustainable HR as well as the issues of aging labor force. Certain optimization is seen as a solution to the problem of aging workforce ensuring employment to their higher age. (Kooij, 2015) Such an optimization could be incorporated into the business strategy taking into account a pro-active approach ensuring the retention of

the aging skilled workforce. (Kwok et al., 2016) Further, results of the pilot reveal some of these issues.

Fig. 6: Questionnaire SCR – Aging Workforce

Questionnaire - Sustainable Corporate Responsibility - IP 304026

How important are the following areas for your company?
(from 1 = "no focus on this issue/ no importance" to 5 = "high importance")

| | | | | | |
|------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Aging workforce | 1 - <input type="checkbox"/> | 2 - <input type="checkbox"/> | 3 - <input type="checkbox"/> | 4 - <input type="checkbox"/> | 5 - <input type="checkbox"/> |
| Employees 55+ | 1 - <input type="checkbox"/> | 2 - <input type="checkbox"/> | 3 - <input type="checkbox"/> | 4 - <input type="checkbox"/> | 5 - <input type="checkbox"/> |
| Collective agreements, negotiation | 1 - <input type="checkbox"/> | 2 - <input type="checkbox"/> | 3 - <input type="checkbox"/> | 4 - <input type="checkbox"/> | 5 - <input type="checkbox"/> |

To what extent does your company deal with the following issues?
(from 1 = "no focus on this issue/ no importance" to 5 = "high importance")

| | | | | | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Aging trend of the population/workforce is taken into account in a long term strategy | 1 - <input type="checkbox"/> | 2 - <input type="checkbox"/> | 3 - <input type="checkbox"/> | 4 - <input type="checkbox"/> | 5 - <input type="checkbox"/> |
| The company has its own social and motivation programs focused on older staff | 1 - <input type="checkbox"/> | 2 - <input type="checkbox"/> | 3 - <input type="checkbox"/> | 4 - <input type="checkbox"/> | 5 - <input type="checkbox"/> |
| The company publishes information/ reports about ratio of men's and women's wages | 1 - <input type="checkbox"/> | 2 - <input type="checkbox"/> | 3 - <input type="checkbox"/> | 4 - <input type="checkbox"/> | 5 - <input type="checkbox"/> |

Do you offer any of the below mentioned alternatives to older employees (in pre-retirement or retirement age)?

| | | | | | | | |
|----------------------------|--------------------------|----------------------------|--------------------------|-------------------|--------------------------|-------------------------------|--------------------------|
| Less demanding work | <input type="checkbox"/> | Vitamin packages | <input type="checkbox"/> | More holidays | <input type="checkbox"/> | Reduced workload for full pay | <input type="checkbox"/> |
| Home office/work from home | <input type="checkbox"/> | Adjusting work environment | <input type="checkbox"/> | Shared workplaces | <input type="checkbox"/> | Paid time for rehabilitation | <input type="checkbox"/> |

Source: Authors

In order to retain their experienced aging HR, companies may introduce a large span of measures. The pilot research revealed the following support for the pre-pension HR. (Tab. 1)

Tab. 1: Support for the pre-pension age employees

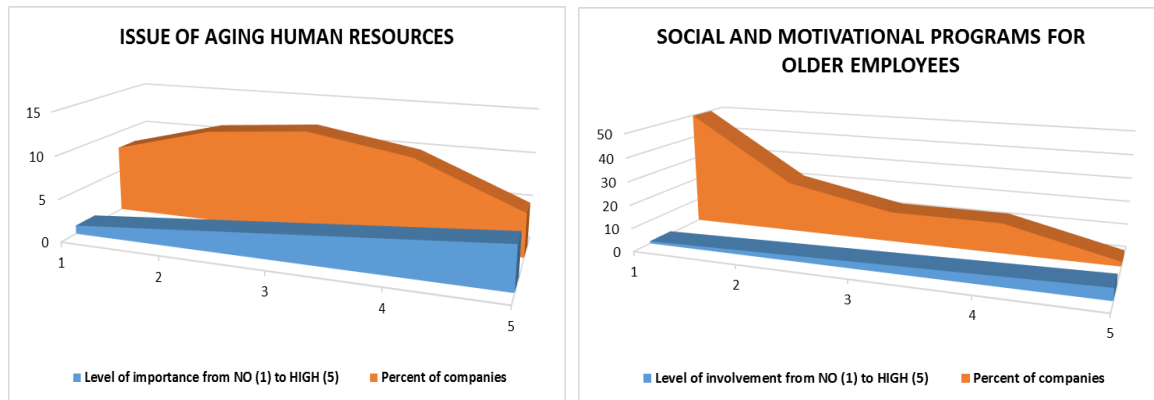
| | | | |
|-------------------------|-------------------------------|----------------------------------|---------------------------------------|
| 26% Less demanding work | 19% Working environ. adjusted | 1% Longer vacation | 0.6% Paid time off for rehabilitation |
| 26% Work from home | 17% Vitamin packages | 1% Shorter hours for full salary | 0.1 % Shared jobs |

Source: Authors

Having been asked about the importance of the issue of aging HR for the company, the mean value was chosen by the highest amount of respondents indicating medium importance. However, when asked about the level of active involvement in forms of social and motivational programs for their aging employees, the option picked by 50% of the respondents was *no involvement*. (Fig. 7) There is a certain discrepancy between what is thought or considered important and what firms do about it.

Other questionnaire sections paid their attention to the following areas. *An importance of the 55+ age group for the company* where on the scale from 1 (no importance) to 5 (high importance) the issue was evaluated as follows: 24% expressed zero importance, further - increasing by 1 point up to the value of 5 – the results were between 28% to 17% and only 11% identified this age group very important for their HR.

Fig. 7: Issue of aging HR; Social and Motivational programs for older employees



Source: Authors

Next, it was revealed that *corporate strategy reflecting HR aging* is taken very seriously by 2 firms, 17 organizations do not have this issue incorporated into their strategy at all. The remaining 27 companies chose values 2 – 4 indicating they pay certain attention to incorporating the issue into their strategies.

Finally, the Chi-square test was run to show the relationship between the size of a company and sustainable responsible behavior of companies towards older employees. The three factors observed were: social and motivational programs for older staff, aging incorporated into the corporate strategy and importance of the 55+ age group for the company. The authors wanted to examine whether the following kinds of variables are dependent: type of responsible behavior towards 55+ and a company size. The Chi-square test was run for the three types of responsible behavior towards 55+ and different sizes of organizations in terms of human resources' amounts. The calculated chi-square statistic is 2.5978, the figures for pairs of variables can be seen below in the chart (Fig. 8), the *p*-value is 0.957014; at $p < 0.05$ the result is not significant which shows the types of responsible acts towards 55+ and the sizes of companies as independent variables for this particular sample.

Fig. 8: Chi-square for responsible behavior towards 55+ and company size as variables

| Results | | | | | | |
|----------------------|-----------------|-------------------|-----------------|-----------------|-------------------|-------------------------|
| | 0-9 | 10-49 | 50-249 | 250-499 | 500+ | Row Totals |
| Soc.,mot. progams | 3 (3.97) [0.24] | 7 (7.40) [0.02] | 2 (2.64) [0.16] | 1 (0.79) [0.05] | 10 (8.20) [0.40] | 23 |
| Aging In Strategy | 4 (5.00) [0.20] | 10 (9.33) [0.05] | 3 (3.33) [0.03] | 1 (1.00) [0.00] | 11 (10.33) [0.04] | 29 |
| Importance 55+ | 8 (6.03) [0.64] | 11 (11.26) [0.01] | 5 (4.02) [0.24] | 1 (1.21) [0.04] | 10 (12.47) [0.49] | 35 |
| | | | | | | |
| Column Totals | 15 | 28 | 10 | 3 | 31 | 87 (Grand Total) |

Source: Authors

Conclusion

The section of the SCR pilot study focusing on aging HR and responsible conduct among 46 companies showed that certain attention is paid to the issue of aging workforce even though the companies solve the problem of their aging employees prevailingly without incorporating the issue into their strategic corporate documents. About a quarter of the firms uses *transfer of aging employees to less demanding work* and *enabling work from home* as the most popular measures. Other options offered are *adjusting working environment* and providing *vitamin packages*. It is visible that majority of the surveyed companies have not expressed strong involvement in solving issue of aging HR although they are aware of the trend. The addressed Czech companies have not probably felt the strength of impact of the aging workforce yet, or perhaps have not realized possible consequences. The Chi-square run for the given sample did not prove dependence between size of a company and responsible acts towards 55+. Thanks to the research and communication with managers of Czech companies, the authors believe that they have contributed to spreading knowledge about the sustainability issues and possible ways of solving the upcoming trend of HR aging. Having the right people, in the right place and at the right time is a critical element of future success of companies and the need for such an optimal situation creates a base for application of sustainable HR management practices.

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