

EMPLOYMENT OF RETIRED PEOPLE IN CONDITIONS OF PENSION REFORM: ADAPTATION OF RUSSIAN ORGANIZATIONS

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Abstract

Since January 2019, retirement age in the Russian Federation will be gradually raised to 60 years for women and 65 years for men by 2023. In recent years, Russia has seen an increase in employment of retired people. The current trend presents a challenge for Russian organizations, which are forced to adapt to the ongoing changes, including through the use of flexible employment forms of retired people, retraining programs, etc.

The information base of the study is the data of Federal state statistics service of the Russian Federation and the data of the expert survey of employers on the use of labor of workers of pre-retirement and retirement age.

The study evaluated the following indicators: characteristics of workplaces of employees at pre-retirement and retirement age; readiness of organizations to participate in the training of personnel of pre-retirement and retirement age and to expand the use of pensioners' labor; the need for changes in the organization's human resources policy in connection with the introduction of pension reform.

The results of the study indicate a low degree of willingness of employers to employ people of pre-retirement and retirement age, as well as to invest in their human capital. of older workers.

Key words: pension reform, employment, workers of pre-retirement and retirement age, Russian Federation.

JEL Code: J26, M50, M51

Introduction

Since January 2019, the retirement age in Russian Federation will be gradually raised. By 2023, the retirement age will increase by 5 years to 60 and 65 years for women and men,

respectively. At the same time, changes in the legislation provide for criminal liability for groundless refusal to employ Russians of pre-retirement years (5 years before retirement), as well as groundless dismissal of employees who have reached the pre-retirement age.

In recent years, Russia has seen an increase in employment of retired people. According to the Federal state statistics service of the Russian Federation, in 2018 the number of working pensioners is 25%, and according to forecasts in 2023 this figure will be 30 %.

The current trend presents a challenge for Russian organizations, which are forced to adapt to the ongoing changes, including through the use of flexible employment forms of retired people, retraining programs, etc.

1 Literature review

The increase in the retirement age became possible due to the increase in life expectancy and improved health of the population, the reduction of jobs with difficult working conditions in industrial production and the increase in the number of jobs in the service sector, the increase in the level of education of the older population and a fairly high level of development of their competencies (Klepikova & Kolosnitsyna, 2017).

According to the human capital theory, knowledge and skills of an employee depreciate with increasing age, so the wages begin to decline. This decline will be higher in areas where there is a high demand for competencies related to an employee's flexibility and adaptability (Gordo & Skirbekk, 2013; Gimpelson, 2018).

At the same time, studies show that there are negative stereotypes associated with the use of older workers' labor (Hedge, Borman & Lammlein, 2006; Conen, Van Dalen & Henkens, 2012). Speaking about the Russian labor market, the authors note the widespread age discrimination (ageism). Russian workers in the age of 40 years and older face problems in finding work, promotion. What is more, the earnings of older workers are lower than those of younger workers (Klepikova & Kolosnitsyna, 2017; Gimpelson, 2018).

An attempt to solve this problem was the introduction by the state in 2018 of criminal punishment for unjustified refusal to hire or unjustified dismissal of a citizen for five years or less before the retirement age.

All this leads to the fact that organizations must adapt to the changes and transform their human resource management practices.

Literature analysis showed that in many countries employers have already begun to change their personnel management practices for older workers (Conen, Henkens &

Schippers, 2011). In particular, in order to cope with an increased proportion of older workers, organisations develop old-age adaptation policies (Ivanova, 2018; Lössbroek, Lancee, Van der Lippe & Schippers, 2019).

But it should be noted that in many cases the human resources management practices have changed to a very limited extent. Organizations are still not engaging in practices tailored to mature employees because it is not a priority for organizations (Armstrong-Stassen, 2008).

2 Research methods

This study consists of two parts.

The first part assesses the participation of the older population in the labor force on the basis of microdata of the population survey on employment problems of Rosstat (Microdata of the sample labour force survey of the Federal State Statistics Service, 2017).

The second part of the study is aimed at assessing the reaction of employers to changes in the retirement age.

The study is based on an expert survey of employers in Omsk - a city that, according to its economic, demographic and social characteristics, occupies an average position among the major cities of Russia, numbering 500 thousand people or more. This gives a reason to believe that the situation with the use of older workers in Omsk is typical for large cities in Russia, whose labor markets are developing most actively.

There were interviewed experts representing 38 organizations of large and medium-sized businesses operating in Omsk, on the use of older workers' labor (starting from the pre-retirement age - 50 years for women and 55 years for men).

During the interviews the experts were asked about the characteristics of older workers; the productivity of older workers in the context of workplaces; the opportunities and conditions for increasing the employment of older workers; adaptation of practices of personnel management for older employees.

The results were processed using descriptive statistics methods.

3 Results of the research

Official statistics show a high level of participation of the older Russian population in the labour force. Thus, the labour force participation rate at the pre-retirement age (50-54 years for women and 55-59 years for men) is 83% for women and 75.5% for men (Microdata of the

sample labour force survey of the Federal State Statistics Service, 2017). In the first five years after the retirement age, these figures are almost halved (45.5% for women and 37.8% for men), and in the future they are about 10%.

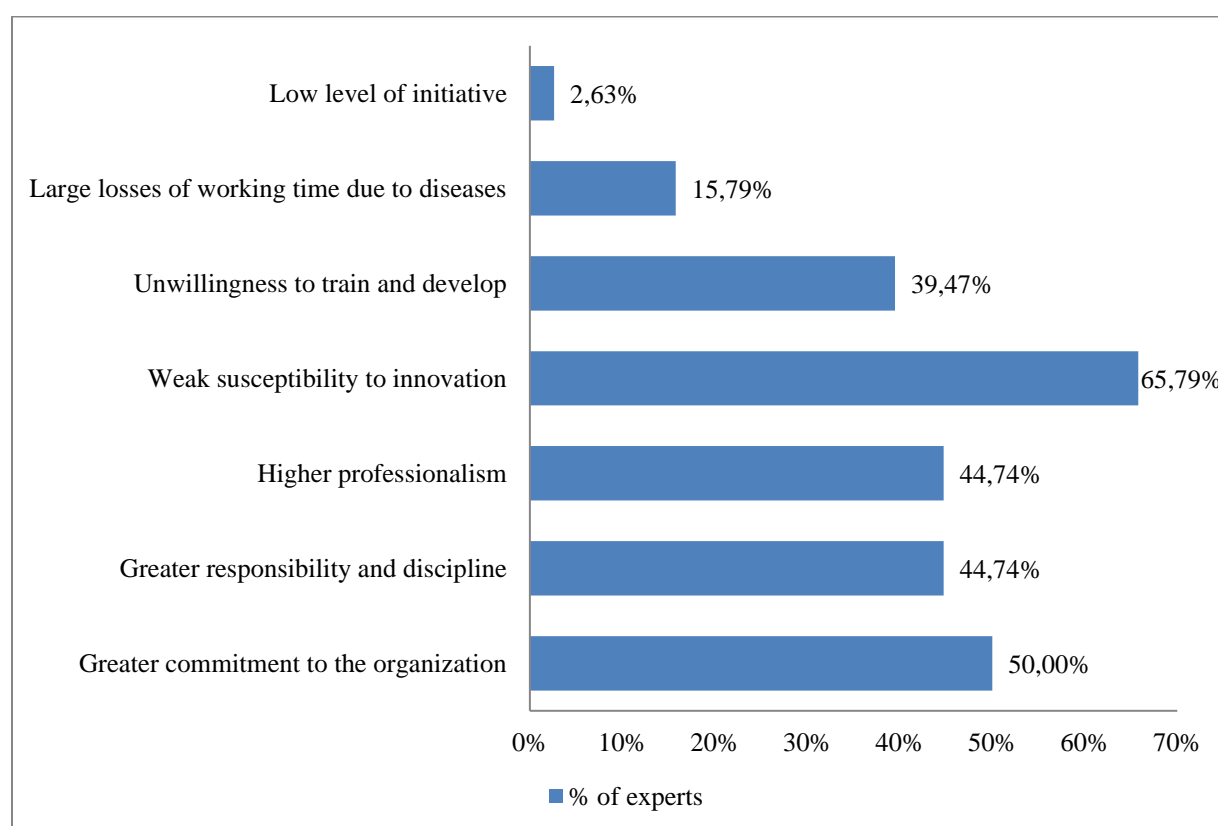
At the same time, older women have a slightly higher level of participation in the labour force than men (9% and 8.3%, respectively).

More than 90% of employees at pre-retirement age work for hire and are concentrated in a relatively small list of economic activities, such as education, health and trade. Most often they work as skilled workers (20.4%) and specialists (38.2%) (Microdata of the sample labour force survey of the Federal State Statistics Service, 2017).

Let's consider the results of an expert interview.

The obtained results confirmed the existence of certain stereotypes about the characteristics of older workers (Fig.1).

Fig. 1: Which of the following characteristics are inherent for workers of pre-retirement and retirement age to a greater extent than employees of younger ages? (% of the number of respondents)



Source: authors

Thus, older workers are prescribed both positive qualities (greater commitment to the organization, higher professionalism, greater responsibility and discipline) and negative qualities (weak susceptibility to innovations, lack of readiness for training and development) in comparison with young workers.

In addition, the majority of respondents confirm the existence of the problem of ageism in the Russian labor market.

Thus, experts were asked whether they were aware of cases of refusal of employment because of the employee's age. As a result, 92% of respondents reported that they were aware of such cases. More than a half (58%) of surveyed experts believes that such cases will occur more often as the pension reform develops. Overall, 84.2% of experts express the fear that the situation with employment of older persons in the labor market will get worse.

Raising the retirement age and subsequently increasing the proportion of older workers in the labor market will force employers to adapt to the new conditions. Thus, it is known that older workers often have a need for a part-time employment or flexible working hours. Moreover, objectively worse health of older workers increases the demand for corporate social programs related to health maintenance and medical care. What is more, extension of the period of employment actualizes the issues of training and development of this group of employees.

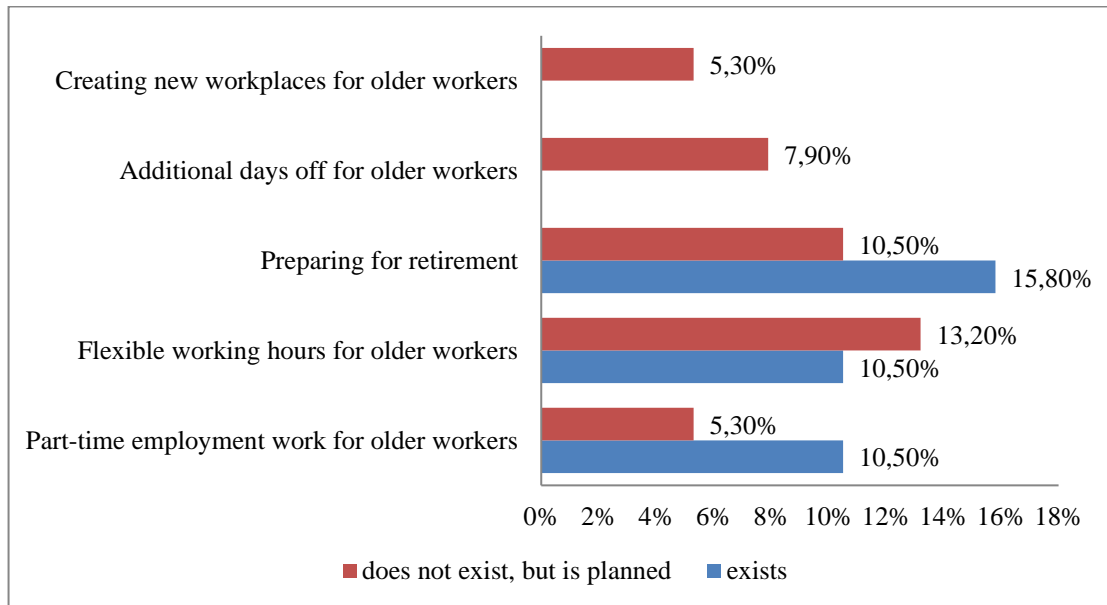
The results of the expert survey show a weak degree of readiness of organizations to expand the use of labor practices of workers of pre-retirement and retirement age. Thus, the main reasons that may encourage employers to increase the use of older workers are: expanding the scope of the organization's activities (31.6% of experts), providing financial benefits from the state (31.6% of experts), and the introduction of such requirements by the state (21.1% of experts).

Only about 25% of experts reported, that they have or are developing personnel management technologies adapted to the use of older workers' labor.

Experts were asked what personnel management practices, adapted for older workers, they use today and what they plan to use in the future (Fig.2).

As it can be seen, the main changes employers associate with the development (use) of part-time employment programs, flexible working hours and preparing for retirement (this implies the transfer of older workers to workplaces with a lower load, allowing saving the employee and using his labor potential).

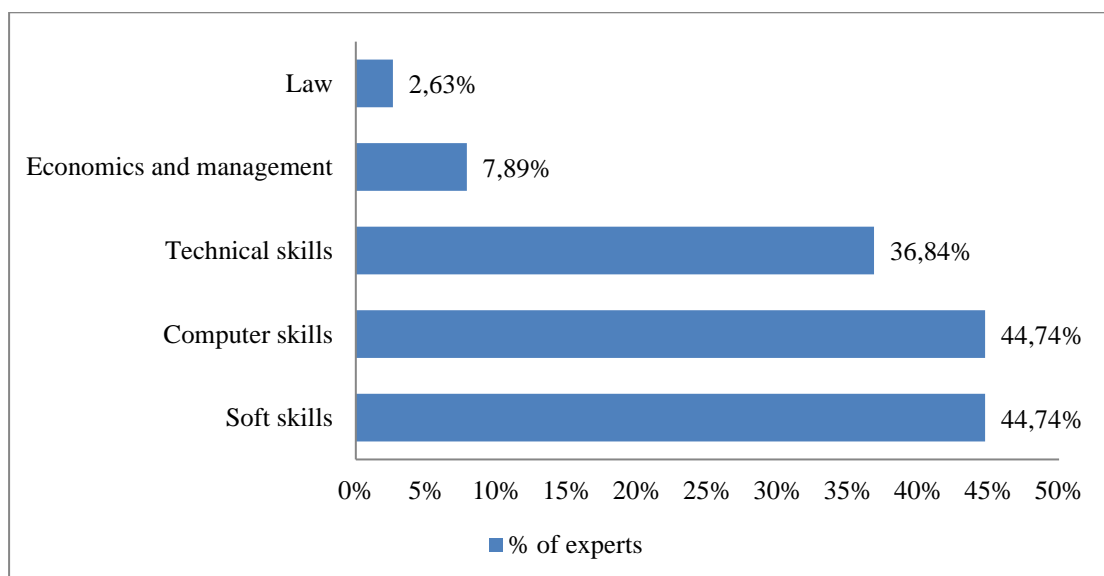
Fig. 2: Willingness of employers to use personnel management practices adapted for older persons, % of the number of respondents



Source: authors

As it was already mentioned, outdated knowledge and skills are considered to be one of the main problems of the use of older workers' labor. Experts were asked what subjects of training of employees of pre-retirement and retirement age would be most relevant in their organization. The results are shown in the Fig.3.

Fig. 3: The most relevant subjects of training for employees of pre-retirement and retirement age, % of the number of respondents



Source: authors

Most often, employers note the need to develop soft skills, computer skills and technical skills (36.84 – 44.74% of respondents).

However, most employers are not prepared to bear the costs of training this group of workers. Thus, more than 50% of respondents believe that maintaining the competitiveness of this group of workers is exclusively the task of the state. Another 24% believe that this task should be solved by the state together with other stakeholders. Thus, employers are ready to engage in this work either with incentives or with the use of additional administrative resources by the state.

The results of the study also showed that the introduction of criminal penalties for unjustified refusal of employment, or for unjustified dismissal by the majority of experts (more than 80%) is not perceived as an effective measure. On the one hand, this is due to the lack of elaboration of the rule itself and the ambiguity of the interpretation of unjustified refusal or dismissal. On the other hand, the application of this rule will lead to the fact that unjustified refusals and methods will be applied in advance, before the legal age of retirement.

Conclusion

In conclusion, most employers are not yet ready to change personnel management practices and adapt them to the increase of the older workforce in the labour market. This can be explained by the fact that employers either expect additional impacts from the state, or rely on increasing the intensity of employment of workers of younger ages.

There is a problem of personnel training. The increase of the retirement age will require investment in training older workers in new skills. Although the increase in the retirement age theoretically increases the return on investment in human capital, only 5% of experts said about the expansion of training practices for older workers. The concerns of the rest employers are related to the low susceptibility of workers of pre-retirement age to innovations and lack of readiness for training.

Thus, employers are ready to use the labor of older workers in highly skilled workplaces of workers and specialists, but are not ready to invest in their development, hoping for the help of the state.

However, the lack of clear signals from the state, as well as the practice of training by the state (with the exception of training the unemployed) shows that this issue of pension reform is not sufficiently developed. There is required the development of state programs for the adaptation of persons of pre-retirement age in the labor market.

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