

POPULATION AGEING AND ITS HUMAN RESOURCE MANAGEMENT CONSEQUENCES

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Abstract

The aim of this paper is to analyse demographic development in the Czech Republic and define the influence of the population ageing on diversity management from the point of view of age and changes in HR practices in the business sphere.

The starting point is seeking an answer to the question of why the demographic ageing of the population is taking place. Changes in the population structure can be projected and thus enable preparation in advance for development of regions and the business sector. Analyses show that the population ageing must be seen as a challenge and not as a threat.

The diversity management policy and investments into human resources, incl. ageing employees, seem to be an alternative aimed at increasing their productivity and preserving required competencies so that to compensate changes in working force. Human resource management may implement new HR practices or adjust applied ones that conform to needs and possibilities of different generations. In the context of prospective conflicts among different generations we discuss HR practices that may be effective for managing people of various generations, in particular in training and development, career planning, and work-life balance.

Key words: Population ageing, human resources, HR best practices, Czech Republic

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Introduction

There are changes in demographic behaviour taking place at present in all the developed countries. One of the significant changes taking place must be considered to be the alteration in the attitude to the family and parenthood. Young people are getting married at a later age than was previously the case, or they are not marrying at all. There is a strong decline in fertility, taking it below the limit for simple reproduction. The fertility of Czech women is at a permanently low level and fluctuates around the value of 1.5 children per woman for the entire period of fertility (the age from 15 to 49 completed years). This value is very low and

does not guarantee the maintenance of the numbers of the population. There is also an improvement in the mortality rates of the population and consequently there are extended life expectancy. All this is leading to the ageing of the population. The population is ageing both relatively, as the consequence of the reduction in fertility and the decline in the proportion of children in the population, and also absolutely as the life expectancy extends and the number of old people grows. Not even migration is preventing the ageing of the population. All this influences changes in the age structure of the population. In addition the population of the Czech Republic has a strikingly unbalanced, fluctuating age structure, which is caused by the strong or weak years of children born. The inertia of the demographic processes is very strong; the effects of the disruptions in population development are long-term in nature and often have a significant time lag. It is possible to prepare in good time for the changes in demographic development, because the once given age structure influences population development for roughly a further one hundred years. It is not, therefore, too difficult to estimate at least approximately, for a number of years ahead, how waves in the numbers of birth will appear and form in the future and to calculate further indicators from these. Even many medium and large companies can partly manage their market strategy according to the existing population situation. Attention should be devoted to the problems of the mutual dependencies of the expected population development and the changes in the balance on the labour market and also to the changes in the working and living conditions of the coming older generation. As has been mentioned, the populations of all the developed countries are ageing. The productive age population will therefore also age. By raising the retirement age the number or proportion of persons of productive age will indeed be preserved. But there will be changes in the age and gender structure of these persons. There will be an increase in the proportion of persons of productive age who will be over the age of sixty.

1 Demographic development in the CR in the period 2010-2060

For the purposes of this article a projection was calculated of the development of the age and gender structure of persons of productive age in the Czech Republic in the period 2010 – 2060 by the so-called component method with migration. Selected results are given for the medium variant of the projection. Productive age is considered to be the age from 20 completed years up to the present retirement age according to the limits valid in the Czech Republic in the given year (in 2012 we consider the age of 62 $\frac{6}{12}$ for men and for women 59 $\frac{4}{12}$ of a year and in 2060 this will be 69 $\frac{4}{12}$ of a year for both men and women). With regard to the

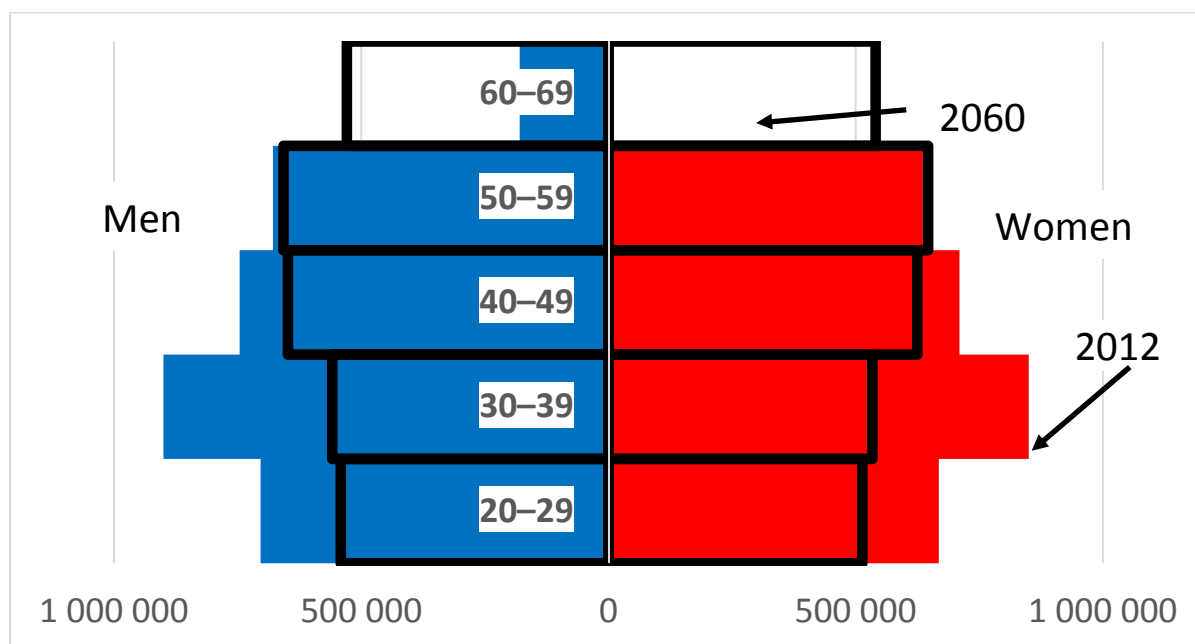
restricted extent of this contribution we are not giving whole scenarios of the projection here, but only selected outputs. To give you some idea we would like to mention that we assumed the total fertility rate would increase between 2012 and 2060 from the value of 1.435 to the value of 1.700, the life expectancy would rise for men from 75.00 years in 2012 to 84.14 years in 2060, for women from the value of 80.88 to 89.57 years. The net migration will rise from the value of 18,346 to 30,000. Similar scenarios are also assumed in (Fiala & Langhamrová, 2009). According to the medium variant of the prognosis the number of people in the period studied would be roughly around the level of the present day, i.e. around 10.5 million persons. The total number of persons of productive age in the whole of the studied period would be around 6 million. There will, however, be a change in the age and gender structure of persons of productive age.

In Fig. 1 one can see how the age structure of persons of productive age changes in the years 2012 and 2060; it can be seen that the labour forces are ageing. The representation of individual age groups is changing.

From Table 1(see below) it is clear that the number of men in productive age between the ages of 20-29 will drop from 703,500 to 541,300 persons, the number of women from 668,100 to 513,300. The share of this age group in the total number of persons of productive age will drop from 22.6 % in 2012 to 18.2 % in 2060. In the age group of those aged 30-39 years there will be a drop in the proportion of people of productive age from 28.8 % in 2012 to 18.9 % in 2060. If we anticipate a further increase in the age for retirement as is proposed by the law, the most striking will be the change in the proportion of people aged 60-69 years, when this proportion will rise from the value of 3.0 % to 18.0 % in 2060.

There will also be a change in the proportion of men and women of productive age in the age group, when in all age groups apart from the one containing those aged 60-69 there will be a slightly higher representation of the proportion of men. It must be realised that, due to so-called male excess mortality, there will continue to be a slight prevalence of women in the oldest age groups of persons of productive age in the future.

Fig. 1: Age structure of persons in productive age (gateway to 31. 12.) in 2012 and 2060



Source: Data CZSO, own calculations.

As has been indicated, there will be a striking change in the age structure of persons of productive age. At present the median age of persons of productive age is 39 years (this means that half the people are younger and half are older than this age). In 2060 this median age will already be around 46 years. With regard to the anticipated ageing of the potential labour force the question is whether enterprises will be ready in good time for the fact that it will be necessary to create suitable working conditions for older people and especially for persons over the age of 60 years. It is also necessary to take into consideration in advance the changes in the age and gender structure of the labour force. The question is whether this can be resolved with the aid of migration. Migration may help to maintain the numbers of the population, but it will not prevent their ageing (Arltová & Langhamrová, 2010). The problem of the migration of manpower is a question outside the framework of this contribution. In the future it is, however, expected that the number and proportion of foreigners living in the Czech Republic will increase.

Tab.1: People in productive age (from 20 years to retirement age, number at the end of year)

Men						
Age	2012	2020	2030	2040	2050	2060
20–29	703 456	554 832	592 546	581 377	512 792	541 332
30–39	899 918	739 109	591 590	637 171	626 539	558 633
40–49	746 071	904 797	749 820	611 518	658 077	648 203
50–59	678 641	684 783	879 058	739 532	608 559	657 367
60–69	179 502	217 969	323 208	548 951	553 420	529 110
Total	3 207 588	3 101 489	3 136 222	3 118 550	2 959 387	2 934 645
Women						
Age	2012	2020	2030	2040	2050	2060
20–29	668 123	527 242	565 725	552 731	486 577	513 329
30–39	850 019	702 475	564 531	612 663	599 861	533 941
40–49	710 012	861 774	718 852	588 736	637 332	624 876
50–59	635 917	673 065	858 166	723 916	596 877	646 420
60–69	0	98 685	329 456	558 839	564 186	540 183
Total	2 864 071	2 863 240	3 036 731	3 036 886	2 884 833	2 858 749
Proportion of men in the age group (in %)						
Age	2012	2020	2030	2040	2050	2060
20–29	51,29	51,27	51,16	51,26	51,31	51,33
30–39	51,43	51,27	51,17	50,98	51,09	51,13
40–49	51,24	51,22	51,05	50,95	50,80	50,92
50–59	51,63	50,43	50,60	50,53	50,48	50,42
60–69	100,00	68,84	49,52	49,55	49,52	49,48
Proportion of women in the age group (in %)						
Age	2012	2020	2030	2040	2050	2060
20–29	48,71	48,73	48,84	48,74	48,69	48,67
30–39	48,57	48,73	48,83	49,02	48,91	48,87
40–49	48,76	48,78	48,95	49,05	49,20	49,08
50–59	48,37	49,57	49,40	49,47	49,52	49,58
60–69	0,00	31,16	50,48	50,45	50,48	50,52
Proportion age group on total (in %)						
Age	2012	2020	2030	2040	2050	2060
20–29	22,59	18,14	18,76	18,42	17,10	18,20
30–39	28,82	24,17	18,73	20,30	20,98	18,86
40–49	23,98	29,62	23,79	19,50	22,17	21,97
50–59	21,65	22,76	28,14	23,77	20,63	22,50
60–69	2,96	5,31	10,57	18,00	19,12	18,46
Proportion age group of men on total (in %)						
Age	2012	2020	2030	2040	2050	2060
20–29	21,93	17,89	18,89	18,64	17,33	18,45
30–39	28,06	23,83	18,86	20,43	21,17	19,04
40–49	23,26	29,17	23,91	19,61	22,24	22,09
50–59	21,16	22,08	28,03	23,71	20,56	22,40
60–69	5,60	7,03	10,31	17,60	18,70	18,03
Proportion age group of women on total (in %)						
Age	2012	2020	2030	2040	2050	2060
20–29	23,33	18,41	18,63	18,20	16,87	17,96
30–39	29,68	24,53	18,59	20,17	20,79	18,68
40–49	24,79	30,10	23,67	19,39	22,09	21,86
50–59	22,20	23,51	28,26	23,84	20,69	22,61
60–69	0,00	3,45	10,85	18,40	19,56	18,90

Source: Data CZSO, own calculations.

2 Diversity management and ageing employees

2.1 Diversity management – objectives and reasons

Diversity management generally follows several objectives which are determined by objective reasons. The aim is to contribute to business competitiveness in the global market. In the Chapter 1 perspectives of the Czech labour market are discussed from the point of view of demographic trends in the period 2012 - 2060. Large enterprises operating in the local market prepare concepts and strategies that they probably avoid economic collapse and support long-term performance, even though the forecasted reduction in the working age population. Diversity management deals with working specifics of different age groups, differences between men and women at work (Dvorakova, 1999), and ethnically diverse teams.

Diversity management programs utilize advantages stemming from diverse teams, which means:

- Better decision making in teams,
- Better problem solving,
- Increased creativity and innovations,
- Effective marketing among various groups of customers,
- Personnel/HR marketing,
- Attracting and joining talents, improving their engagement and achieving their unique contributions to long-term business performance.

Designers of these programs point at risks of diversity management as well. It includes incomprehension and misunderstanding in communication, barriers among people caused by cultural values and standards, such as prejudice and discrimination (Branine & Dvorakova, 2000), and complications in the assimilation of minorities into the majority of workers.

Personnel/HR management is therefore facing the challenge whether and how it contributes to diversity management. The main question is whether to modify either the HR best practices or apply new approaches, e.g. age management. At present the Czech environment is generally characterized by "youth culture" that means a tendency to displace ageing employees on the edge of employers' interests, particularly in terms of lifelong learning and development programs.

2.2 Diversity management and career development of ageing employees

When planning diversity management and career development programs an enterprise takes into account decisions and problems of human beings at different stages of their lives. Phases in the life and career development are closely linked because they are caused by cultural standards of the society. That means that both phases constitute a permanent repeated cycle: a growth, i.e. firstly, gaining initial knowledge and skills, secondly, stabilization - the so-called "plateau", i.e. to be able to apply achieved skills in performance, and finally, transformation, i.e. change processes of work competencies as required by the environment. The interdependence between work and personal lives is an inspiration for a design or a re-design of HR practices.

Identifying needs at different stages of employee careers is a starting point in processing and implementing a strategy in favour of individual needs. Based on motivation profiles of employees an enterprise develops suitable HR politics and practices in order to increase work motivation, job satisfaction (Kleibl & Dvorakova, 1993), and in general the quality of working life. In the following some options are described which have a potential to meet expectations of employees who are in the middle and late stage of their career.

The intermediate phase in career development approximately occurs in the middle of productive age. The main challenges facing the employee at this stage are to evaluate and, if necessary, adjust decisions made in an initial phase of working career, and to change former intentions and remain a competent worker. Thus, employees must define how they are able to apply experience beyond their specialized expertise, e.g. they have to become generalists, and how to deal with the fact that they are closer to the stage of "plateau" - the point in career where chance of further advancement is small. Employees may also clash with the reality that they drop behind and they realize that their knowledge and skills are outdated and work ineffectively. In fact, they even lose jobs and find themselves in a situation that will tackle financial and emotional consequences of being unemployed. During the middle phase, individuals are often confronted with psychological problems of the middle age, incl. health and mental problems, and changes in relationships with loved ones and family members. These complications sometimes result in the crisis of the individual. The good management of this phase is complete, if individuals evaluate how they manage fulfilling ambitions, and make decisions regarding how much is important for them career in the context of the life. For example, what has the highest priority whether career or family, leisure activities, volunteering, etc. Individuals should keep a positive pro-growth attitude to the life and recognize that they go through a period of disunity and fear. If they have realistic expectations

about a potential crisis, then it helps accept changes and facilitate coping with stress. Employees in that career phase should also analyze their values and motives, re-evaluate your current prospects and set goals that are attainable in different positions.

Organizations provide a number of tools to manage careers of employees in the middle stage of productive age. These include internal mobility, job rotation, job enlargement and enrichment, participation in project teams, increasing personal responsibility for work, etc., both to capitalize on the experience of employees as well as to keep engagement (Stritesky, 2012). Employers should convey to employees frequent feed-back about professional knowledge and skills and offer career guidance. This is to prevent obsolescence of qualifications which are updated in lifelong on-the-job learning or in corporate training programs. Employees get opportunities to learn as getting a study leave (e.g. sabbaticals) to obtain higher education or complete comprehensive training programs provided by external educational institutions.

The late stage in career development is for most employees the one when trying to maintain performance and preparing for retirement. During this phase they must cope with decreasing of competencies and modest prospects for promotion as well as with the negative impact of advanced age on job performance. They also need to expect the possibility that they descend in the organizational hierarchy and job positions. Provided they maintain positive and future-oriented thinking and receive social support from colleagues and family, then they successfully adapt to working conditions and the reality. Employees should be encouraged to plan their long-term personal and family finances and activities after retirement.

Organizations can support employees in the late career, understanding their unique challenges with which they cope, and help them so that retirement was accompanied with minimal complications. They should develop and implement non-discriminatory policies towards older workers, incl. suitable employment opportunities for training. In addition, employers should create incentives for early retirement and participation in pension plans and allow working in flexible labour relations, resp. flexible working regimes for employees who are approaching the age of entitlement to retirement.

In the late stage of career development a small group of employees gets into a position to be promoted to senior or top management positions. These key people hold leadership roles that determine the future of the organization, and have considerable powers.

Conclusion

The Czech population is aging and demographic projections for the next decades indicate that the local labour market will suffer from a shortage of labour force in productive age. Large companies already respond to the prospective situation, and implement diversity management programs to retain satisfied and motivated ageing employees. Based on pragmatism they re-design and apply HR best practices that motivate older workers more effectively than younger ones. A qualified worker who is secured and enriched by life experience loves at work a bit something else than a dominant emphasis on performance and money. Ageing employees are sensitive to job requirements, the quality of working life, possibilities to enjoy advantages of flexible working regimes, participation in on-the-job training and development programs, cooperation with friendly teams and being led by a fair boss. These factors are therefore important for socially responsible employers who are interested in mastering soft HR issues of ageing employees.

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