

## **DEMOGRAPHIC TRENDS AND DIVERSITY MANAGEMENT: THE CASE OF THE CR**

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### **Abstract**

The current growth of the Czech economy means a significant increase in demand for labor. The low birth rate in the 90s of the last century adversely affects the supply of labor in low age groups with technical qualifications and applicants for manual jobs. Employers react to that by reducing job requirements for recruitment and selection, increasing funds for training and development, career planning and implementing work-life balance programs. The aim of this paper is to identify the impact of demographic trends and labor force diversity on human resource management (HRM) in the Czech Republic in the context of the political and economic conditions and to propose a model of HR diversity management by an analysis of the current situation. Methodology research includes publication research, an in-depth analysis of semi-structured interviews with HR managers and consultants, and observation of aspects that cover practices used in diversity management through HRM. Interviews identify approaches and HR practices in subsidiaries of multinational enterprises located in the CR. Findings demonstrate as a business case.

**Key words:** Demographic trends, diverse labor force, diversity management, HRM, CR

**JEL Code:** J11, M12

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### **Introduction**

The word diversity uses in different meanings in the context of demographic pressure, the stage of diversification of the society, diversity initiatives or institutional programs. Diversity can refer to the diversity of gender, age, nationality, race, ethnicity, economic and social background, sexual orientation and physical ability. The society is diverse, and the diversity joins with opportunities. Diversity means hopes of some and the misery of others. A key goal of diversity management is inclusion and variety that support creativity, innovations and development thanks, exposure to a broad spectrum of people as possible (Kondra & Hinings, 1998).

The civil society tries to integrate into their structures individuals and groups who belong to minorities and provide them the same rights (and also require the fulfillment of the same obligations) as those granted to the majority of citizens. The labor market has become an important milestone in the implementation of these efforts. It starts with the EEO codified in legislation and ends with HR practices. The pressure on the personnel diversity intensifies due to global competition, negative demographic trends in developed countries, as it is the case of the Czech Republic, and administrative interventions by the EU (Schroeder, Muller-Camen, Flynn, 2014). In recent years, due also to population migration from the developing world. Citizens from Ukraine and Russia traditionally apply for jobs in the Czech labor market. Furthermore, members of the 2nd and 3rd generation of Vietnamese population and historically Slovak citizens. Other nationals and ethnicities marginally represent in the structure of the labor force. An unknown is the integration of migrants into the EU from developing countries from 2014 and 2015.

In general, organizations are given opportunities to diversify their recruitment and compensate for the lack of Czech labor force that is aging and in which the Generation Y has an under average birth rate. At the same time, they recognize they need to be redesigned HR processes so that to integrate workforce coming from different cultures and having other job characteristics than those for which they were accustomed (Tung, 2016). Thus, corporate strategies may include diversity management as a part of HRM and the CSR concept.

The aim of this paper is to identify the impact of labor force diversity on human resource management (HRM) in the Czech Republic in the context of demographic trends and national culture and to propose a model of HR diversity management on the base of analyzing semi-interviews about the current situation in business.

## **1 Theoretical grounds of diversity management**

Institutional theory is a widely accepted theoretical construct that focuses on resilient aspects of social structures based on stability and meanings. It deals with the processes by which structures, including schemes, rules, norms, and routines, become established as authoritative guidelines for social behavior (Scott, 2004; Hopkins, Scott, 2016). Different components of institutional theory explain how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse (Orr, Scott, 2008). Scott (2008) believes that institutions in search for survival must conform to the rules and belief systems prevailing in the environment. External factors have an influence on an institutional structure

of a particular environment which provides organizations with advantages for engaging in specific types of activities there. For example, some organizations tend to perform more efficiently if they receive the institutional support. Kondra and Hinings (1998) explain that the intent of affirmative action is to create equal opportunities where such equality had not exist before and they believe that the focus of diversity is the achievement of demographic representation or objective for social inclusion and equality. Affirmation action is an attempt to establish equality using the law, while diversity is an institutional change toward the pluralism (Ibid.).

Resource-based view theory argues that an organization has a basis for long-term competitive advantages in resources and capabilities. Any organization can build conditions for sustainable competitiveness in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Wernerfelt, 1984). Theory characteristics cover the following: organization`s potential key resources are identified, evaluated, cared for and protected. Resources should be heterogeneous and not perfect mobile which is important for securing a stabilized support for sustainable development. At the same time, there is a risk because they are tradeable and non-specific to the firm. The potential benefits of resources depend on capabilities that are used within the firm and engaged them, e.g. such as soft skills capable of generating implicit processes which transfer knowledge within the firm (Makadok, 2001, 388-389).

In summary, institutional theory and resource-based theory provide a basis and arguments for developing a model of HR diversity management proposed in the context of Czech culture, legislation framework, and as Stritesky (2013) believes on HR organizational structures in the CR. This model must accept that diversity management consists of the set of formalized practices developed and implemented by organizations to manage diversity effectively among all organizational stakeholders (Yang & Konrad, 2011).

## **2 Research about diversity management – limits and obstacles**

This paper aims to identify the state of HR diversity management in the CR and discuss the possibility of making use of diversity in improving organizational performance, increasing retention and employee satisfaction. The scope of research limits by a sample of respondents who are managers and employees of subsidiaries of multinational enterprises operating in the CR, willing to talk about diversity issues and solve them. It corresponds with the fact that diversity is going to be more on an agenda of the employers mentioned above than Czech

ones. The reason is that subsidiaries are obliged to implement headquarters HR policies in the area EEO and affirmative actions, sometimes regardless of Czech cultural values, behavior patterns, and legislation. The research discusses the major issues and objectives of managing diversity in the selected group of employers. The idea is that inequality and discrimination in the Czech labor market exist, and HRM may have a potential to develop and utilize diverse workforce for all stakeholders. This assumption stems from general statements that a diversity management brings employers more advantages than disadvantages and that top management diversity is of great importance in an HR diversity management (Preetz, Levi, Fried, 2015).

## **2.1 Research methodology**

The methodology of this paper uses for collecting data and information several methods: publication research, semi-structured interviews, and observation. It includes both present and historical information in the above mentioned social sphere. The reasoning for these methods is that research focuses on social phenomena - national culture, values, behaviors and HR practices. Therefore, data collect, select and analyze an interpretative group of methods that disclose the meaning-making practices of human subjects, show a scope of their applications, which may provide a basis for generating observable outcomes and recommendations. So it uses in-depth analysis of data obtained from semi-structured interviews with HR managers and consultants investigating approaches and practices in the area of HR diversity management in the national environment as a business case.

## **2.2 Research findings**

The interviews were with 12 respondents employed with local subsidiaries of multinational enterprises operating in Prague and Central Bohemia region in March 2016. The structure of the respondents regarding gender: 9 women and three men, regarding age: respondents aged 24 to 30: 6, respondents aged 31 to 40: 3, and aged 41 to 50: 3. All respondents have university degrees; eight respondents work as HR managers, three senior consultants and one as managing partner. A list of questions are the following:

1. Has your company the mission statement with value on diversity?
2. If your employer has the mission statement with value on diversity, how is line management prepared to be effective in this environment with this diversity value/initiative?
3. What do you see as the most challenging aspect of a diverse working environment? What steps have you taken to meet this challenge?

4. What kinds of experiences have you had working with others with different backgrounds than your own?
5. Tell me about time you had to alter your work style to meet a diversity need or challenge?
6. What does it mean to have a commitment to diversity and how would you develop and apply your commitment to this company?
7. What was/is the diversity value at your current/former employer? What impact did you make of this value?
8. What efforts have you made, or been involved with, to foster diversity competence and understanding?
9. What have you done to further your knowledge about diversity? Have you included diversity in your professional development? How have you demonstrated what you have learned?
10. What kind of leadership efforts would you make to ensure a commitment to the diversity initiative or value?
11. What strategies have you used to address diversity challenges? What were the positives and negatives?

The analysis of interviews covers several attitudes to diversity and ideas about pragmatic managing diverse workforce through HR practices. The main reason is that HR diversity management has gained attention among professionals as well as academics because of the growing pressures on business, long-term negative demographic projections in the CR, changing the labor force composition, and the accepted role of HRM in achieving sustainable competitiveness.

Based on the analysis mentioned above, which is, however, small in the scope, there are evident some features of used HR practices. It shows that a bulk of employers do not have effective HR diversity management that values and uses diverse workforce. Despite a commitment to the mission statement and diversity value, respondents believe that there exists significant discrimination in employment. The main attention in managing diversity focuses on female employees due to gender audits which identify low employment of women at senior and top management levels. Also, female employees are disadvantaged in getting training and management development, perceive obstacles in succession planning, career planning, and realize differences in individual performance appraisal and compensation. Gender wage gaps are sometimes monitored and evaluated, but inequality remains and is

viewed as a significant issue in recruitment for senior and top management positions, retention, and work satisfaction.

HR marketing attracts ethnic minorities mostly under the pressure stemming from minority customers and the diverse market. They are predominantly recruited for blue-collar jobs, held rather lower management positions and provided few promotion opportunities. Respondents state that ethnic minority employees are not often comfortable with an open expression of their opinions. Up-to-date employers mostly provide no diversity training, and it is rare to find training programs that consider individual differences.

### **3 Model of HR diversity management and recommendations for employers**

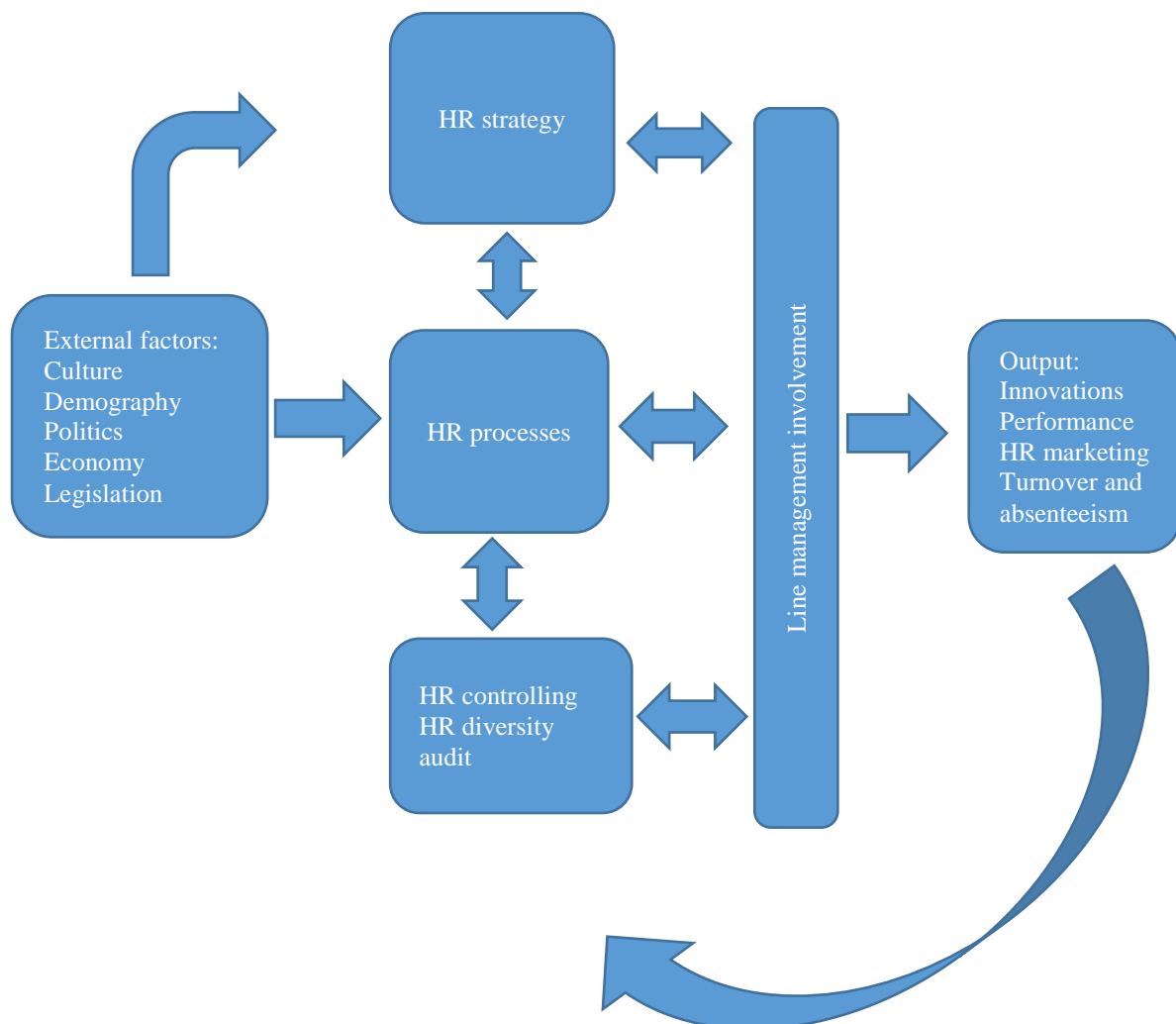
The findings of interviews combined with publication research have two implications. Firstly, a proposed model of HR diversity management, and secondly, recommendations which HR practices are effective in making use of diversity. As Shen et al. (2009, 242) argue effective diversity management through HR practices and processes leads to positive outcomes, so a range of techniques for improving diversity management through HRM develops. Any attempt towards its implementation must build on a commitment to the EEO and affirmative actions and acceptance of HR diversity management as a tool for the achievement of high organizational performance. An important role in the proposed model (See Figure 1) and its implementation plays inclusive organizational culture, participative leadership and strategic thinking of top management towards diverse workforce.

As the proposed model suggests, at the strategic level, top management is required to develop an HR strategy and support an inclusive organizational culture that recognizes diversity. Employers should design and implement HR processes in the favor to promote and make a use of diversity. A decisive role in HR diversity management plays line management because their involvement in formulating diversity policies as well as engagement with HR diversity practices may decide about organizational outcomes, i.e. creativity and innovations, high performance, turnover, and absenteeism. The most important HR processes in this stream of activities include non-discrimination employment, education, and training about specific characteristics and behaviors of a diverse workforce, equal compensation, and informal internal communication.

Given the plethora of labor legislation, HR best practices of blue chips, and Czech socio-cultural environment, employers should consider in developing HR diversity management the following recommendations:

- Integrate diversity management into HRM.
- Review HR policies and processes to ensure they are consistent with current nondiscrimination provisions.
- Collect and analyze organizational data about diversity.
- Set up local HR diversity strategy and priority areas, mainly to allow deviations from headquarter policies, achieve line management support, awareness, and commitment.
- Design or re-design HR diversity practices (HR planning, recruitment, and selection, training and development, performance management, compensation and benefits, labor relations).
- Provide sensitivity training to entire workforce
- Visualize and communicate HR diversity initiatives.
- Support inclusive organizational culture by training and internal communication.
- Promote attractiveness of diversity management by informal internal communication.

**Fig. 1: A model of HR diversity management**



Source: Author`s own.

## **Conclusion**

Effective HR diversity management has a potential to attract diversity workforce, motivate to creativity and innovations, and achieve high organizational performance. In this order, organizations may count with outcomes which considered as preconditions for building sustainable competitiveness because they mainly care and protect diverse high potentials. The most important in HR diversity management are HR processes like recruitment, selection and adaptation, training and development, and compensation which are necessary for the improvement of retention and work motivation of key human resources (Sheehan, Anderson, 2015; Zikic, 2015). Therefore, diversity management has to become one of HR priorities as owners, managers, and employees have different perceptions of HR diversity. Due to the limited research among HR managers and consultants in Czech local subsidiaries, it may devolve that there is a need for further research. Future research may focus on the reality in a larger number of private organizations, i.e. how their employees and managers perceive diversity management and which techniques should use for monitoring and evaluation in the field of HR diversity management.

This study opens questions for further research than it may not find by any wide publication research. A range of bibliography about diversity management provides the number of arguments for prospective benefits stemming from the use of HRM in managing diversity. However, there is a gap between HR studies about the effectiveness of HR diversity management as a part of doing international business. So the further step in doing research in this field may include to monitor and evaluate the management of diverse workforce in the context national cultures (Shen et al., 2009). For example, research in Central and Eastern European region would develop a better understanding of the effects of different socio-cultural environments on diversity management in comparison to the western European countries or other regions. Another empirical research may explore the contribution of HR diversity management to organizational financial and non-financial outcomes, which would welcome shareholders as well as stakeholders in the frame of the CSR concepts.

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