

AGE MANAGEMENT IN THE CONTEXT OF DEMOGRAPHIC CHANGES IN THE ECONOMY

Sławomir Czarniewski

University of Finance and Management in Białystok, Poland

s.czarniewski@wp.pl

Abstract

Age management is a response to the demographic changes occurring in modern economies. Many predict a decrease in the number of active workers in the labor forces of many developed countries. This situation poses a serious threat to the stability of the current pension program. A shortage of workers could cause the pension program to collapse in the near future. Age management intends to take full advantage of the potential of employees of all ages, and increase their efficiency. From a microeconomic aspect, it brings tangible benefits to both employers and employees, providing an opportunity to enhance the competitiveness of enterprises. From a macroeconomic aspect, age management is conducive to the better adaptation of the regulations of a competitive economy and to the economic development of the country. In many countries, one of the main priorities of labor market policy is to increase the length of professional activity of elderly people. Age management in the company is considered to be an important factor contributing to the achievement of such goals. The purpose of this article is to show age management mechanisms in the context of demographic changes.

Keywords: human resource management, demographic changes, labor market, development

INTRODUCTION

Age management is an element of human resource management, and more specifically, an element of managing diversity. It consists of the implementation of various activities that allow for more rational and efficient use of human resources in enterprises by taking into account the needs and capabilities of employees of different ages. In the opinion of company managers, age management contributes to the growth of labor productivity and a drop in the cost of human resource management. What is more, age management contributes to an increase in profits

and improvement of the competitive position of the company. Knowledge and skillful use of age management tools should therefore be a standard company practice.

The potential for age management exists in every company, even in small-size companies that do not have a separate human resources department. There are no separate human resources departments in small companies. In a microenterprise, there is only one person who manages and owns his own small business. However, the rules of conduct that prohibit the discrimination of older people in the workforce can also be used in such companies. What is more, these rules can be used to benefit both the employer and employees.

Age management, both in theory and practice, has been developing over the past couple of decades primarily in the United States and in Western European countries (such as Finland and the United Kingdom) and has now become one of the more important concepts of human resource management. Age management is the management of an age-diversified team of employees. In practice, it depends on the implementation of various activities that allow for the use of human resources of the enterprise in a more rational and effective way by taking into account the needs and potential of employees of different ages.

RESEARCH APPROACH

At present, little research and analysis focuses on the issue of age management mechanisms in the context of demographic changes in many developed countries. Dissemination of age management is an important condition to raise the competitiveness of enterprises and their better adaptation to a knowledge-based economy.

Given the above gap in research and analysis, the author of this publication has set a target to fill, at least partially, this gap. The aim of this paper is thus to provide information about trends in human resource management that are relatively new and less widespread in many countries. The author has made an attempt to determine the most important conditions, roles and benefits of the introduction of age management strategies, and the perspectives of its development in terms of macro- and microeconomics.

The method used in this work is descriptive analysis based on extensive literature study. The theoretical output used includes both Polish and foreign (mostly English-language) literature, concerning mechanisms of human resource management in the economy and in business, in the context of demographic changes. The use of foreign literature was necessary because of insufficient Polish studies. It enriched arguments and reflections about new aspects of this problem and allowed to show the research issue in a broader perspective.

ECONOMIC DETERMINANTS OF AGE MANAGEMENT

The demographic aging of populations caused by the lengthening of human life is an inevitable and irreversible process. In 1950, only 8% of the world's population was over sixty years of age. In 2013, the world's population over sixty was 12%, and it is estimated that 21% of the world population will be over sixty in 2050 (*World* 2013, p. 6). It is worth mentioning that, according to estimates, the aging of the population in European countries will be more intensive than the world average. It is estimated that in 2050, one in three Europeans will be over sixty five (Samoń 2012, p. 3).

Eurostat data show a large disproportion in policies for the average retirement age in individual Member States. It is worth emphasizing that in this juxtaposition, Poland ranks in last place. At present, the average Pole ends his professional career at the age of fifty-seven. In addition, the employment rate in the 55-64 age group in Poland is only 34%, while in Finland, Sweden, Belgium, Estonia and the UK, where the average retirement age is over sixty-three, this rate is nearly 70% (Activity, 2012). The reason for such early withdrawal from the labor force among Poles, in comparison to other European countries, results from existing retirement benefits for many occupations, such as miners, railway workers and uniformed services. From January 2013, however, the retirement age in Poland is gradually being extended to sixty-seven years of age.

The low active rate of people of mature age in the Polish labor market means that the potential, knowledge and skills of a large group of people capable of working, aged 50+, are not being utilized by the Polish economy and society. In addition, jobless persons over fifty years of age generally find it challenging to find employment. In the second quarter of 2013, this portion of the population made up 23.3% of unemployed people in Poland (*Bezrobocie* 2013, p. 16).

Members of the 50+ generation are often experts in their fields. They perform work that they themselves find interesting, they are more involved to the labor market than those with low skills performing hard physical labor. This applies particularly to people who perform professional work with passion. For them, work is not only a source of income, but also a way of implementing life ambitions and plans. It must be remembered that unfavorable legal regulations and the reluctance of employers to hire older people, regardless of personal preferences, will force older workers to leave the labor market (Rembiesz 2013, p. 334).

An important issue is the prevention of age related discrimination, which is manifested in the perception of older workers as less productive, who find it more difficult to adapt to change and less eager to improve their qualifications (Smedley, Whitten 2006). The reluctance of employers to hire older people can be decreased using various government incentives to reduce the cost of employing seasoned and experienced workers. For example, in 2000,

Sweden introduced a subsidy program to promote the employment of people over the age of fifty-seven (*Aktywność 2012*, p. 4).

Another area of state policy are different types of measures aimed at improving the ability of older people to work. An important issue is enabling mature workers to improve professional qualifications to increase their chances of finding work. From the point of view of employers, some people approaching retirement age lack such basic skills as computer literacy or at least a basic knowledge of foreign languages. Training in this area is organized by various institutions. The main objective of these institutions is the inclusion of older people in lifelong learning (Gabriel, 2008).

The aging population in the labor market will result in a negative phenomenon of a shrinking labor force manifested by the fact that over the next few years, developed countries will not have sufficient staff to meet consumer demand for goods and services. This problem can be solved by increasing productivity to compensate for the shortage of employees in the economy, or a significant increase in labor force participation of older people (Nyce, Schieber 2011, p. 201-202). Human resource managers will be forced to appreciate and learn how to use the potential of older workers.

It can be anticipated that, in many countries, more regulations favorable to the employment of older people will appear. For now, the most important problem is the building of a new pension system. A new system would encourage workers to continue working by significantly increasing their pension for every additional year of employment after reaching retirement age. On the other hand, there would be a drastic reduction of entitlements for early retirement. It can also be expected that demographic pressure will force further regulations encouraging people to work longer. Thus, persons reaching retirement age will be motivated to continue working or to reenter the work force in greater numbers than in previous years. Under such circumstances, related business activities, aiming to retain older workers, can hit on fertile ground.

MECHANISMS OF AGE MANAGEMENT IN THE COMPANY

An aging population and a decrease in the number of employees requires a new approach to human resource management. Due to the fact that the number of young workers entering the labor market will decrease, it is necessary to encourage older people to remain in the company even after reaching retirement age.

The basic objective of age management is to increase the age management effectiveness of the company by using the potential of human resources to secure proper working conditions adapted to the age and abilities of employed persons. The European

Foundation for the Improvement of Living and Working Conditions (Eurofound) enumerates eight key dimensions of age management (Naegele & Walker 2006, p. 7):

- Recruitment,
- Lifelong learning programs and various training courses,
- Planning and career development,
- Flexible working hours and flexible forms of employment,
- Security and promotion of health, ergonomics of the workplace,
- Re-qualification and changes in job position,
- Termination of employment and entrance into retirement,
- A comprehensive approach.

It should be noted that, as a result of social and civilization progression, the level of education of older people is lower than of younger generations. The obvious advantage of older workers is the experience they have acquired during their many years of employment. Employers should therefore be interested in such workers, especially in areas where there is a lack of younger specialists.

According to research, skills that improve with age include: the ability to determine the course of action in new situations, long-term memory, professional and life experience. Skills that decline with age are speed and various physical capabilities (*Elastyczne* 2007, p. 7). In a study conducted in Poland in 2009 among people over fifty years of age, more than 36% of respondents said their health was very good or good. However, 25.5% of respondents had to resign from work or decrease the number of hours at work because of disability (Dolny 2009, pp. 123-127).

Studies have proven that employers do not offer programs to help older workers in the gradual transition to retirement. Only 19% of employees surveyed stated that the possibility to move employees from full-time to part-time work existed in their company. Thirteen percent of respondents claimed that in their company, employees can change their job positions to less stressful or physically exhausting ones, while 12% of respondents reported that the employer provided training to modify professional qualifications (*Zmiana* 2013, p. 13). Research carried out in Poland (in the Masovian Voivodeship) showed that 25% of companies employing people over fifty years of age and having flexible forms of employment, do not use this form of employment with older people (*Osoby* 2010).

The necessity for age management in companies may also be caused by a change of the situation of older people in the labor market, arising from a change in external conditions. The following external factors may change in the near future: legislative changes related to

retirement regulations (including the retirement age); changes in collective agreements related to older workers; implementation of campaigns that promote the employment of older people. The state may implement the following instruments to influence mature workers: providing re-training or subsidizing labor costs during re-training, addressed to people over a certain age, for example in the framework of the policies used by the labor offices in EU programs.

Demographic changes in many countries, leading to a deficiency of skills and knowledge only held by retiring experienced workers, will become a problem for a growing number of companies in the world. As a consequence, it will be a significant threat to their competitiveness and further operation. However, few entrepreneurs recognize this danger. A survey conducted among HR professionals in the world shows that only 33% have studied the demographic profile of their company and quantified the number of workers going into retirement in the near future (Nowe 2008, p. 3).

In the context of the aging workforce, the fight against discrimination on grounds of age becomes both an economic and a social need. The Employment Framework Directive from the year 2000 has created a new legal framework in most EU Member States. The Directive prohibits discrimination on grounds of age (as well as a number of other factors) in terms of employment, self-employment, vocational training, counseling, and membership in organizations. Its application can contribute to gradually overcoming the barriers faced by older people in the process of recruitment, training and promotion, and can progressively eliminate the negative stereotypes about older workers, which are a source of the obstacles older people face in the workforce.

Good and comprehensive age management programs increase the potential of employees (and not just the elderly), leading to the efficient use of employee skills and experience. Through the cooperation of employees of different ages, there can be replenishment and replacement of competencies. A good management program can also increase the motivation for older people to keep working and performing in such a way as to be the most effective. Such an arrangement brings benefit for both employees and employers. Employees benefit from longer activeness in the workforce, greater professional achievement, and higher wages; employers benefit from having a team of employees with the right skills, motivation and consequently, a reduction in operational costs and increased development potential.

ADVANTAGES OF IMPLEMENTING AN AGE MANAGEMENT STRATEGY

Application of an age management strategy in the company brings benefits not only to senior staff members but also to young workers. Through cooperation with experienced colleagues,

younger workers can increase their professional skills in various disciplines. An advantageous option is therefore to introduce a mentoring system in the enterprise.

In many cases, age management is implemented to minimize additional expenses and labor costs resulting from the high average age or unbalanced age structure of employees. Such additional expenses may arise from higher sickness absence, for example. Efforts to promote and protect one's health, to improve the ergonomics of the workplace, to improve the skills of workers, to motivate older employees, to make wages dependent on labor productivity, can reduce the rate of absence of employees, and can also contribute to an increase in labor productivity, reducing unit labor costs of senior staff members. Investing in the growth of productivity of an older worker may be more profitable than replacing him with a younger worker, especially if the expenses related to the eventual redundancy, and the costs of employing and training new workers, are taken into account (Czarniewski, 2015, pp. 9-16).

From the point of view of the company, age management increases work efficiency of other employees because of a good working atmosphere and a reduction in the occurrence of conflict between workers of different generations. Companies which grouped workers of different ages together found that these teams were very efficient, due to the skillful combination of competencies (Liwiński, Sztanderska, 2010, pp. 3-7).

Part of the pressure for legislation prohibiting discrimination on grounds of age came from employers and experts from human resource management who realized the benefits of age diversity in enterprises. They believe that simultaneous employment of the young and old, as well as diversity of employees with regard to various characteristics (gender, ethnicity, etc.), allows the company to better respond to rapidly changing market conditions and, in particular, allows the company to better adapt production to the needs of differentiated customers (Mayo, 2001).

Studies confirm that many older employees are more reliable, detail oriented, and have more skill in communicating with clients and colleagues (Giza-Poleszczuk, Góra, Liwiński & Sztanderska, 2008). Older workers have more experience in solving difficult problems, since they had probably encountered a similar problem in the past. Losing such competencies, as a result of making a senior employee redundant, or his early retirement, may mean a risk of financial loss for the company. These competencies often cannot be replaced, or their replacement turns out to be very expensive (Taylor, 2006).

Research shows that older workers are more productive if they hold positions compatible with their competencies (Rolland, 2004). Simultaneously, creating mixed-age teams creates an opportunity for intergenerational transmission of knowledge and skills. In other words, it creates

an opportunity to maintain the continuity of knowledge resources and skills in teams of employees.

The employment of senior staff in companies, whose clients are also advanced in age, or those that provide products or services that are age specific (for example, in the health sector) may also be favorable. An older employee can better satisfy the needs and expectations of an older customer. It is worth mentioning that the number of older clients will also increase in the near future (Czarniewski, 2014, pp. 22-28).

Age management also benefits the macroeconomic environment. The experience of many countries show that the maintenance of high labor force participation of older people reduces the burden on the state budget of social benefits, enabling the state to finance initiatives to create jobs for young people.

CONCLUSION

In many developed countries, it has become necessary to introduce different types of instruments of state policy to assist employers in creating appropriate human resource management policies to retain mature workers. It seems that the inevitable aging of the population will lead to age management becoming an increasingly common practice in many countries.

The activation of older people - both in productive and post-productive age – becomes necessary in order to maintain a high number of employed persons in the economy. Consequently, it will be necessary to change the attitudes of employers, encouraging them to employ people over 45, and even over 65 years old. Otherwise, many enterprises will be faced with the problem of labor shortages.

By limiting recruitment to persons under the age of 45, the company deprives itself of the benefits of age diversity. This is demonstrated by examples of companies in which teams of employees of different ages turned out to be very efficient because of the clever combination of their competencies. More and more companies are beginning to realize that the professional and social skills held by older employees are a unique human capital resource not present in newly recruited staff or younger workers.

REFERENCES

Aktywność zawodowa osób z grupy 50 plus (2012), Biuletyn Obserwatorium Regionalnych Rynków Pracy, No. 17.

Bezrobocie rejestrowane, (2013). I – II kwartał 2013 r. Warsaw: GUS.

Czarniewski, S. (2014). Trust in Economic Relations and Business. *European Journal of Business, Economics and Accountancy*, 2 (3): 22-28.

Czarniewski, S. (2015). Shaping The Business Model and The Value of The Enterprise. *European Journal of Research and Reflection in Management Sciences*, 3 (1): 9-16.

Dolny, E. (2009). Determinanty kontynuowania pracy i aktywizacji zawodowej osób w starszym wieku, in: *Determinanty aktywności zawodowej osób starszych*, Wiśniewski, Z.(Ed.).Torun: Dom Organizatora.

Elastyczne Formy Zatrudnienia – efektywne zarządzanie zasobami rynku pracy (2007). Warsaw–Krakow: STOS.

Gabriel, Y. (2008). *Organizing Words*. Oxford University Press.

Giza-Poleszczuk, A., Góra, M., Liwiński J. & Sztanderska U. (2008). *Dezaktywizacja osób w wieku okołoemerytalnym. Raport z badań*, Departament Analiz Ekonomicznych i Prognoz, Ministerstwo Pracy i Polityki Społecznej, Warsaw.

Litwiński, J., Sztanderska U. (2010). *Zarządzanie wiekiem w przedsiębiorstwie*. Warsaw: University of Warsaw.

Mayo, A. (2001). *The Human Value of the Enterprise*. London: Nicholas Brealey Publishing.

Naegele, G. & Walker, A. (2006). *A Guide to Good Practice in Age Management*. Dublin: European Foundation for the Improvement of Living and Working Conditions.

Nowe spojrzenie na pracowników 50+. Raport ekspercki (2008). Warsaw: Manpower.

Nyce, S.A. & Schieber, S.J. (2011). *Ekonomiczne konsekwencje starzenia się społeczeństw*. Warsaw: PWN Publishing.

Osoby w wieku 50+ na mazowieckim rynku pracy (2010). www.pbsdga.pl. (Accessed November 20, 2014).

Rembiasz, M. (2013). *Aktywność zawodowa osób w wieku emerytalnym – wybrane problemy*. Poznan: Technical University of Poznan.

Rolland, L. (2004). *The Age Chasm: Successfully Managing Age in Your Organization*, Drake White Paper, Vol. 2, No. 5, Australia.

Samóń, D. (2012). *Starzenie się ludności to nie katastrofa*. *Analiza FOR*, 8.

Smedley, K. & Whitten, H. (2006). *Age Matters. Employing, Motivating and Managing Older Employees*. Gower, Padstow.

Taylor, P. (2006). *Employment Initiatives for an Ageing Workforce in the EU15*. Dublin: European Foundation for the Improvement of Living and Working Conditions.

World Population Prospects: The 2012 Revision (2013), United Nations, Department of Economic and Social Affairs, Population Division.

Zmiana oblicza emerytur. Raport o gotowości emerytalnej Polaków (2013). AGEON, www.ageon.pl. (Accessed June 26, 2014).