

# Demographic development in the Slovak Republic in relation to the Age Management of the company

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## **Abstract**

*One of the most critical trends influencing the labour market in in the EU countries and specifically in Slovakia in next decades, is accelerating trend of workforce aging. One of the possible solutions to these trends creating significant risks for the national economies, is application of the Age management at the national, company and individual level, in order to ensure work ability of the aging workforce. Even-though the Slovak population is one of the youngest in EU, it is one of the fastest aging population in EU at the same time. Thus, early and thorough application of the Age Management can prevent serious economic and social problems of the country.*

## **Key words**

*Age Management, Ageing workforce, Demographic Trends, Aging population*

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## **Introduction**

National and global economies are facing ever evolving challenges associated with different risks and trends influencing their current status and expected development alternatives shaping their macro and micro economic variables. One of the most critical trends shaping the labor market planning and socio-economic development in OECD and EU countries is accelerating trend of population aging that has serious implications not only on social structure of the society, reshaping the ratio of economically active and non-active population shares but is also significantly influencing structure of national economies, characteristics of the labor market as well as areas such national health systems, pension programs and strategical planning of government expenditures.

Age management as relatively new managerial concept provides number of solutions to these challenges both to countries (national level) but also organizations and individuals in order to mitigate challenges connected with aging population in face of decreasing birth rates that are characteristic for all developing countries. These trends are already now influencing the economic planning also in the Slovak Republic and provides both risks and opportunities in understanding and managing these trends at all economic levels of business and national policy formulation.

This article is analyzing recent trends in the Age management and synthetases it with statistical data related specifically to the Slovak Republic, outlines possible risks associated with the result of this analysis and defined possible solutions related to Age management application in the face of outlined challenges.

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## **1 Methodology**

The main goal of the article is to analyze and describe, on the background of the Age management concept, critical demographic drivers and specifically accelerating trend of population aging in the Slovak Republic that are and will significantly influence the labor market, society and economic performance of the country.

Review of the current literature was used in order to define basic concepts of the Age management. Primary and secondary statistical data together with analysis and synthesis of the scientific concepts has been used in the development of the article. Both primary and secondary data have been used from the publicly available sources of online databases and their synthesis has been applied in order to define conclusions of the study. Furthermore, comparative methods were applied in order to draw conclusions of collected and processed data.

## **2 Results and Discussion**

Today's world is facing various challenges, which detrimentally influence not only social, but also political events. These challenges also require making complex management decisions, creating expectations for ever so changing topology of the market (on the side of input and output) and consumer preferences. Current management decisions have to be able to ensure long-lasting and sustainable functioning in a place of the most important changes since the period of the Industrial revolution.

One of the detrimental trends, which will in the following decades influence the society, the economy, but also individual companies are the accelerating demographical changes, including mostly the aging population. In 2018, for the first time in history, the global measure of people aged over 65 preceded the number of people below 5 years old. Based on the projection of the UN, in the year 2050, the number of people aged 65 and above will be double the people below 5.<sup>2</sup> Global changes with aging population on one hand (the protentional workforce), but on the other hand incoming generations X and Y to the labour market and the place of consumers, create pressure on companies, so that age management would become an important part of politics and processes in their practice. This would then create a premise for adapting the company processes to new challenges. These challenges closely tied to demographical changes also include balancing the advantages and disadvantages of different personal preferences and working habits of individual generations. A necessary precondition of adequate calibration of age management measures is a thorough understanding of current demographic trends, which have the potential of influencing the functioning of a company for the upcoming decades.

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<sup>2</sup> United Nations (2019)

## 2.1 Age management- introduction

It is apparent from its title, that age management presents an area of human resource management, which takes into account the age of employees, creating conditions which acknowledge age on political, organisational levels. This is in managing of working processes of the physical and social areas<sup>3</sup>. „European Agency for Safety and Health at Work“ (EA BOZTP from this point) defines age management as a discipline referring to many dimensions by which are human resources focused of the phenomenon of aging population, but also generally on the aging working force. This is done through public policy or collective debate<sup>4</sup>. The basic principles of age management include:

- emphasis on the prevention rather than reactive problem solving,
- focusing on the whole duration of the working activity and all age groups included (not focusing only on senior employees),
- a holistic approach, including all dimensions contributing to effective age management.

EA BOZP defines also the basic components of age management:

- **Recruitment of employees** focused on knowledge and experience, avoiding discrimination on the basis of age, but rather encouraging age diversity.
- **Transfer of knowledge, training and lifelong education** available for all age categories, which is important especially in the process of accelerating technological advances.
- **Career development** during the whole period of work life, with the aim of securing a balance between the competency requirements for the particular place and skills of the employee.
- **Encouragement of a flexible work schedule**, which takes into account all the different needs of each age group.
- **Encouragement of healthy conditions in the workplace**, by organising the amount of work and working space as a whole.
- **Managing BOZP**, with the aim of safe and injury-free conditions for all age categories.
- **Rotation of employees between company positions**, in which one of the recommended models is an alternating occupation of two or three positions in regular intervals.

Many common components with a wide definition of age management can be found in different authors. Walker, A. (1999) defines age management as measures eliminating age barriers and celebrating age diversity. According to the same author, age management is focused on ensuring of employability and working ability of people in the whole cycle of life. The main tools of age management are in this case focused on employing and firing of employees, educating and training, personal development and flexible working conditions, along with ergonomics and appropriate definition of working conditions<sup>5</sup>. Other authors emphasise, that age management should not focus solely on older employees, because measures focused on specific age groups can be

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<sup>3</sup> Cimbálníková et al. (2012)

<sup>4</sup> European Agency for Safety and Health at Work (2021)

<sup>5</sup> Walker (2005)

contra productive: younger employees could view „pampering“ of older employees as unjust, while older employees could feel stigmatised<sup>6</sup>. Age management should thus take into account the skills and needs of all age groups and balance them with the needs of the whole company in itself.

Finnish Institute of Occupational Health (FIOH) identifies eight pillars of age management:

- knowledge of the age issue,
- warm stance towards age,
- good management, which understands individuality and diversity,
- quality and functional age strategy,
- good working ability of the individual,
- high level of competence,
- good organisation of work and working space,
- content life.

It is evident that age management is a complex management task. Stemming from this are high expectations for its outcome in practice. One of the possible approaches of practical execution of age management is dividing it to 3 levels:

1. **Individual level**, where age management deals with an individual in the work process and focuses on their approaches, interests with the aim that the individual accepts the reality of a long work journey soon enough, before aging starts to show. In other words, the aim is to maintain a high work ability and motivation of a higher age individual.
2. **Organisational level**, which focuses on employers and organisational units. The aim of age management on this level is to maintain and evolve the human capital of the company as a whole and adapt the competency and performance of individuals in the long run on the level of the company.
3. **Level of state and public policy**, where the aim is to maximise the contribution of all working age groups to economic and social life. Personal interest at this level is dealing with the phenomenon of the aging population with all connected economic and social risks.

From above stated levels of age management indirectly stems, that the responsibility of implementing age management in companies lies not only on the employer themselves, but also on the active contribution of employees and ultimately in creating appropriate conditions by the state.

Closely tied to age management is the concept of working ability, which was mentioned in previous text. It is one of the examples of „taking control“ support of active approach to own aging, which from the viewpoint of working ability is the central focus of age management. The concept of work ability was defined at the end of 90s of 20th century by a Finnish institute FIOH, which highlights, that an individual's work ability is the outcome of a relationship between the resources of an individual (health and functional capacity, education and competencies, values, stances and motivation) and their work<sup>7</sup>. From previous studies can be concluded, that work ability changes throughout

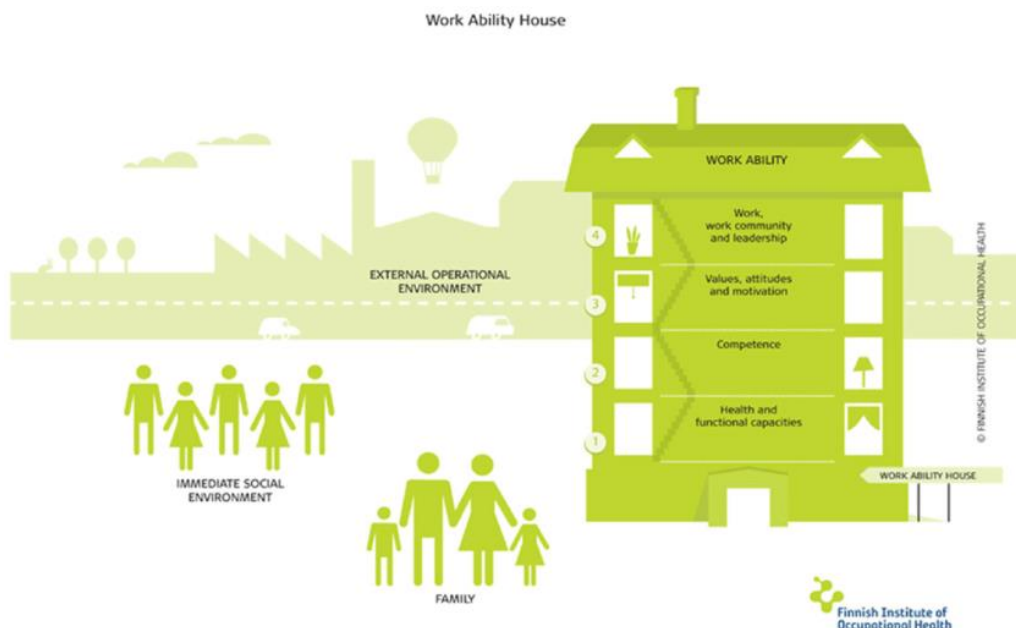
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<sup>6</sup> Friis et al. (2008)

<sup>7</sup> Ilmarinen (2001)

life, while having the tendency to decrease with increasing age. In the interest of clearer understanding, in Figure 1 is a house model of work ability.

**Figure 1** House model of work ability



Source: Finnish Institute of Occupational Health

When looking at practice, it is safe to say that the measure of implementing the concept of age management clearly differs from the viewpoint of different countries, partly also in different areas of work. For example, in Finland and other Scandinavian countries is the concept of age management in the area of the aging population evolving on a theoretical, but also practical level for three decades. On the other hand, in SR, the majority of subjects with the issue of age management and the needs of its implementation in practice are on the most basic level. This „late coming“ of the SR in the area of age management has two main reasons:

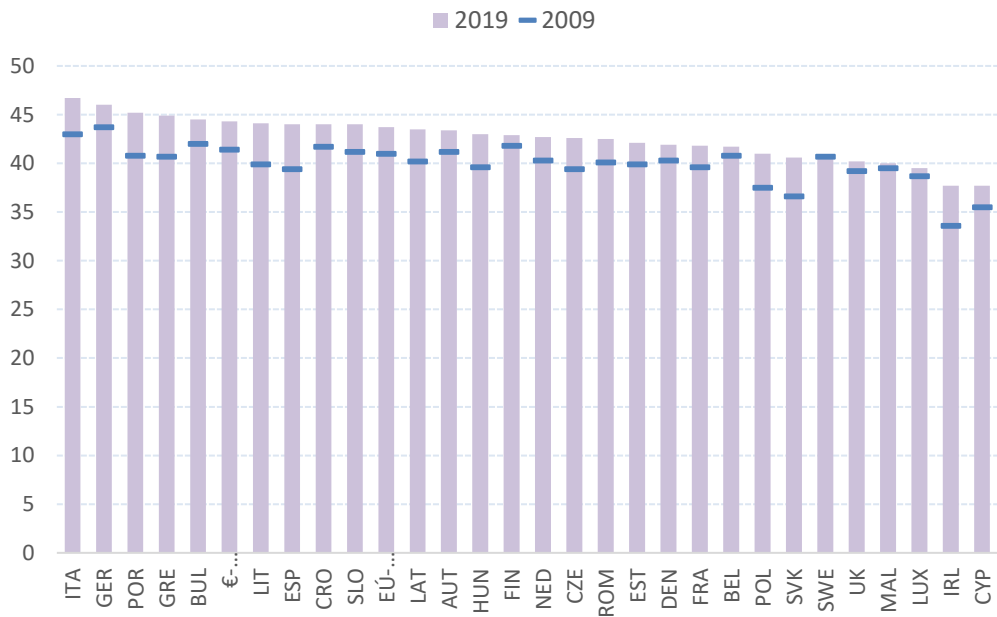
1. Present demographical structure of population in the SR did not sufficiently motivate employers and the state to applying age management and overall did not deal with the aging population problem. The population in the SR belongs to the „youngest“ in the EU, but this will most likely change in the upcoming decades<sup>8</sup>. The application of age management will have to become necessary in the SR.
2. Employers in the SR are weakly informed about the benefit of conceptual work with groups of older employees, namely the benefit of conceptual application on an institutional level.

<sup>8</sup> Mentioned later in the text

**2.2 Demographical situation in the SR and its expected evolution until the year 2030**

Knowledge of the demographical situation and its expected evolution is a necessary part of practical application of age management an all three levels: individual, organisational and the level of state. From the information shown in Figure 2, it is clear that the population in the SR belongs from the point of aging to the youngest, but also the fastest aging populations in terms of EU.

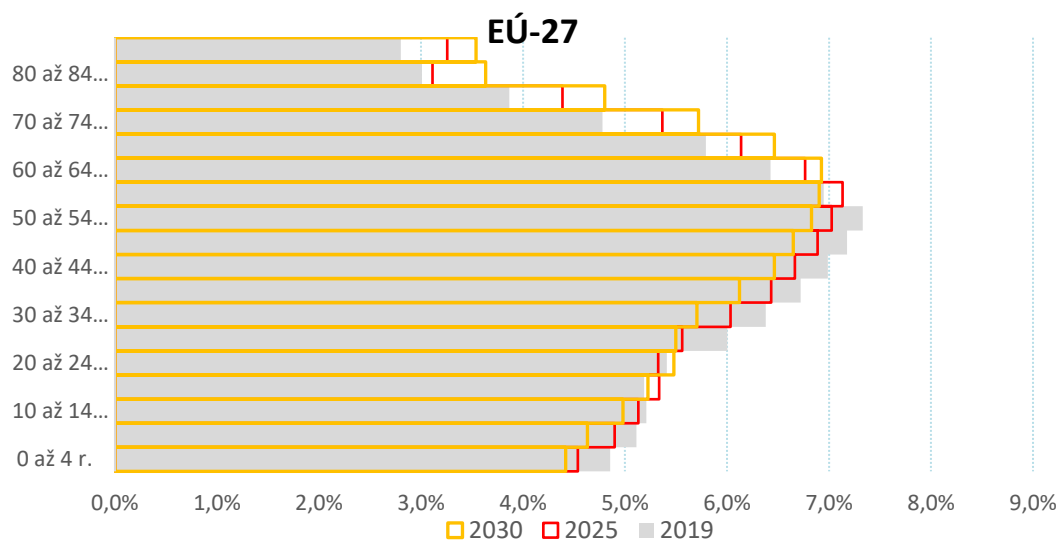
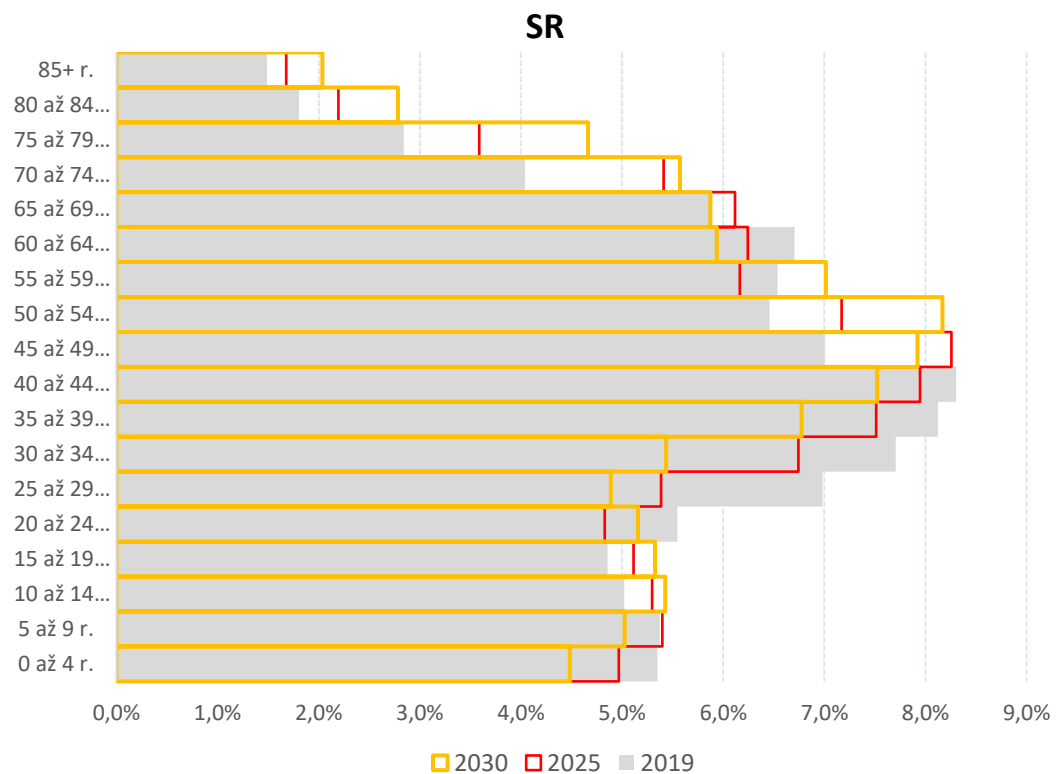
**Figure 2** Age median of EU inhabitants, comparing years 2009 and 2019.



Source: Author from data of Eurostat

Age median of SR inhabitants in the year 2019 had the value of 40.6 years, which is the lowest value in the EU. Median for the whole EU in the year 2019 reached the value of 43.7, compared to the year 2009, increasing by 2.7 years. In SR, the median has risen by 4.0 years, which belongs to the highest values in the EU. Other than SR, the age median of inhabitants in the years 2009 to 2019 has risen by 4 or more years only in five countries: in Ireland (4.1 years), Greece, Lithuania (both by 4.2 years), Portugal (4.4 years) and Spain(4.6 years). In Italy, the country with the oldest population in the EU, the age median of inhabitants has risen in the past 10 years by 3.7 years to 46.7.

**Figure 3** The structure of the population of SR and EU from the point of measure of each age groups (the ratio of age groups on a worldwide population scale, from the years 2019 and expectation in 2030)

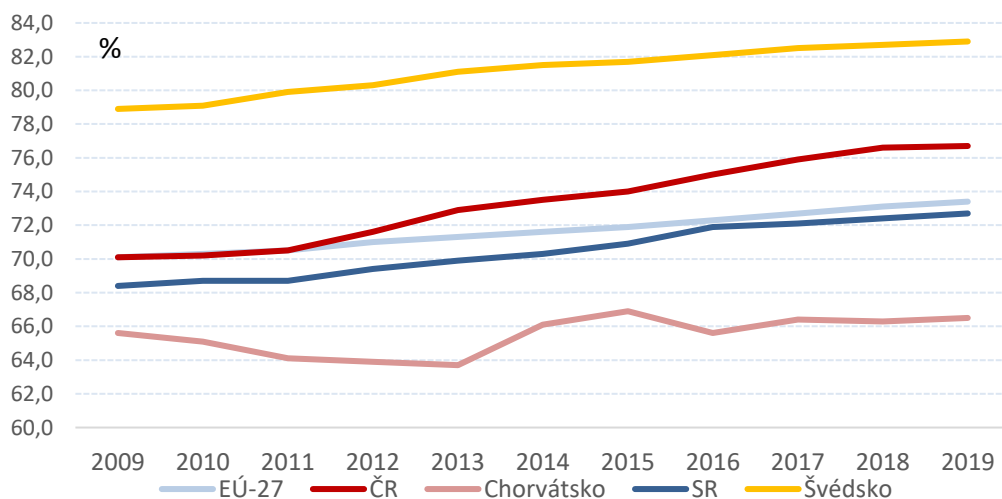


Source: Count by author of data in Eurostat

Relatively fast pace of age median growth of SR inhabitants is also one of the reasons why there is a growing interest in age management. A detailed look on the age structure of SR population is provided in Figure 3. From the first glance it is clear that there are significant differences compared to EU as a whole. On an aggregated level is EU the largest group (in set division to age groups spaced by interval of 5 years) formed by citizens aged 50 to 54,99 years. From the point of potential workforce this deals with older employees. On the other hand, from the viewpoint of SR, the largest group are members of younger and middle ages, aged 30 to 44,99. As above stated, this age structure in SR (making up the scale of age structure of potential workforce) is possibly one of the reasons why it was not yet given appropriate attention to age management.

But this will change in the next decade. It is evident that after the age group of today's thirty-year olds follow drastically weaker age groups. The labour market will be entered gradually by least membered group of young people aged 15-19.99 and consequently the most membered group in the year 2030 will most likely be fifty-year olds with people closely behind fifty. Compared to today, the ratio of older workers will rise and also a lack of young force will be evident. This will also most likely be the case with middle-aged workers. From current demographical structure stems, that after the year 2030, the mentioned ratio between disposable young workforce and middle-aged workforce will lower. This expected outcome is almost a textbook example of the need of age management application on all levels.

**Figure 4** Ratio of productive age population (15-64 years old) on the labour marked in chosen countries of the EU



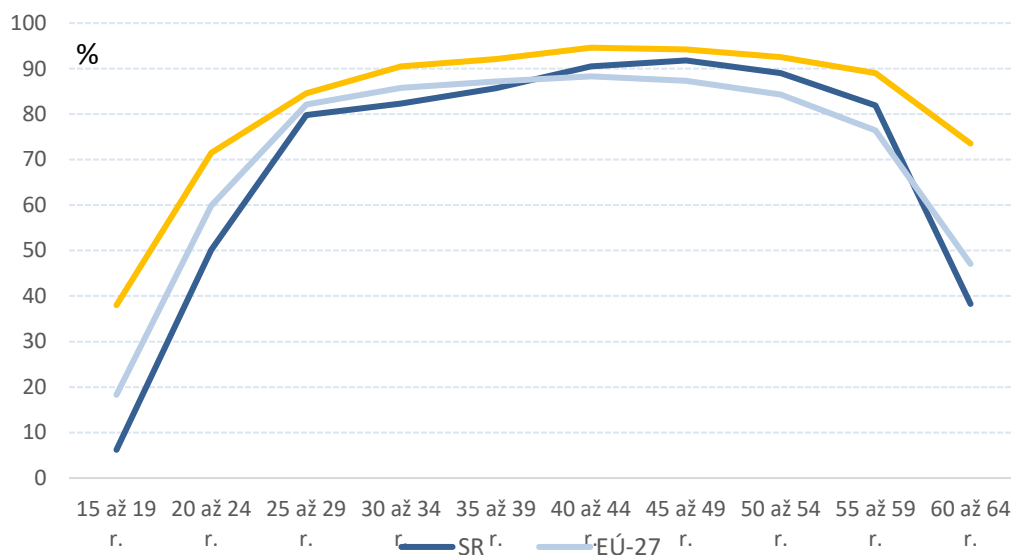
Source: Author of Eurostat data

From the viewpoint of defining the whole offering of work in economics, it is important to highlight also the ratio of participating population of productive age in the



labour market, not just the number of productive-age citizens<sup>9</sup>. From data shown in Figure 4 it is clear that the ratio of participation in the SR has in the last decade gradually increased and neared the mean of EU countries. In the year 2019 the ratio of participation in the SR reached 72.2%, which was 0.7 of percentual point (p.p. from this point) below the EU mean. Compared to Sweden, where the ratio of participation is the highest in the EU, the ratio in the SR is lower by 10 p.p. Similarly, in the Netherlands, Denmark, Germany and Estonia, the ratio of participation is around 80%.

**Figure 5** The ratio of participation on the labour marked according to individual age groups



Source: Author of Eurostat data

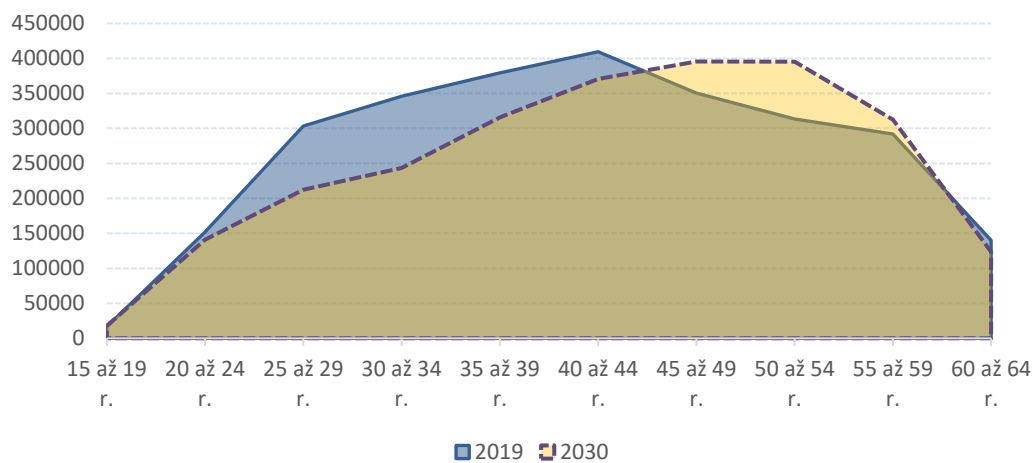
From the viewpoint of age management and the prognosis of working offers it is necessary to take into account also the ratio of participation of each age groups. In Figure 5, it can be seen, that there are differences in the participation ratios of the SR and Sweden, as a model example, but also EU as a whole. The ratio of participation is also from the point of age in SR below average with increasing age until 40 years old. After that, it is above average of EU countries. In the last productive period, it is again below average. In the context of demographical structure described in previous text, this is the case of lack of young workforce: the labour market is entered by drastically weaker age groups, while the rate of participation of young people in the labour market is clearly lower compared to middle aged and older employees.

The synthesis of current and expected demographical evolution and current „algorithms“ of changing ratio of participation of different age groups we can conclude, that the structure of the working offers also a whole in the Slovak economics will change

<sup>9</sup> The ratio of participation is defined as a ratio of addition of working and unemployed, but actively looking to the whole number of population.

drastically in the next decade. In Figure 6, until the year 2030, compared to 2019, the work offers (in this case defined by number of people) will in the age group 20 to 44.99 decrease by 307 thousand people. This can be compared to the age group 45. to 59.99, where it will increase by 148 thousand people. Compared with the present, the ratio of older generation employees will clearly change compared to younger workers. This expectation calls out for the dire need of age management application on all its levels.

**Figure 6** Comparison of current and expected structure of work offers in the SR from the point of employee age



*Note: the work offers for each age group intervals are determined by multiplying the population number and participation ratio in each age group*

Source: Data of Eurostat author

## Conclusion

One of the most important trends, which will in the next few decades influence the society, economics, but also individual companies, are accelerating demographical changes and the aging population. One of the responses to this trend is the concept of age management, which can be defined as an area of human resource management, which takes into account the age of employees, and creates conditions which take into account age on multiple levels. It is important to highlight that age management should not focus only on older employees. In other words, age management should take into account the abilities and needs of all age groups and match them with the need of the organisation and ultimately the whole society. One of the central parts of age management is working ability of an individual, while the aim is to maintain and evolve it throughout their entire productive age.

The population in the SR currently belongs to the youngest in EU, which most likely is one of the reasons, why it wasn't given much attention to age management here. This will in the near future, however, change, because the Slovak population also belongs to

the fastest aging in the EU. With synthesis of current and future expected demographical evolution and current algorithms of everchanging ratio of participation we can conclude that the structure of working offers will clearly change in the incoming decade. While expecting that there won't be any changes in migration patterns and participation ratio, in the next decade the working offers will decrease by 307 thousand people in the age groups 20 to 44.99. On the other hand, in age group 45 to 59.99, it will increase by 148 thousand people. Compared to the present, the ratio of older and younger employees will drastically change. This expectation calls out for the dire need of age management application on all its levels.

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