

2nd GLOBAL CONFERENCE on BUSINESS, ECONOMICS, MANAGEMENT and
TOURISM, 30-31 October 2014, Prague, Czech Republic

Age Related Discrimination in The Context of Corporate Social Responsibility and Company Performance. The Case of The Czech Republic

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Abstract

At least 30 % of European population will be formed by people of age 65 and above. At the moment it is more than 7 % in the Czech Republic. To sustain their quality of life it is necessary for them to stay in employment longer than in the past. These changes in the demographical structure bring about social tension between job applicants. Apart from that there have been many stereotypes about the lower performance of older employees. This leads to unwillingness to employ these employees, which in effect may lead to a loss of the crucial knowledge possessed by them. This is one of the most worrying dangers the companies face today. Although the current legislation of the Czech Republic does conform to the EU standards, occasional cases can be found of age-related discrimination.

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Selection and/ peer-review under responsibility of Academic World Research and Education Center

Keywords: Aging of population, unemployment rate, discrimination, responsibility, performance, business continuity management;

1. Introduction

Typically for today's Europe there is a steady increase in the number of persons aged 50+ while their retirement age comes later, too. The population of 65+ will form more than 30% of the European population bringing about a lower proportion of people in productive age. The number of people aged 50 – 65 in the five strongest European countries will grow by 16 % while the number of those below 24 will be reduced (Pillinger, 2008).

History of the Czech Republic population size by selected age categories shows that over the last 7 years, there has been an increase by 15 % in group 60+, which is by more than by 2 % per year on average. The proportion of this age group to the whole population is roughly 7 %. In the late 2013, for the first time, there was a drop in the Czech Republic population size.

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A high unemployment rate is another trend, especially among persons over 50 years of age and the first-job seekers. The highest increase in the unemployment rate over the period in question is in the 60+ category. In 2013 there were 3.2 times more unemployed people in this age group than in 2005. The second highest increase can be observed in the 55 – 59 age group, 1.5 times higher unemployed rate and in the 35 – 39 category with 1.44 times higher unemployment rate in the period in question. The lowest unemployment rate was in 2008 (352,250 unemployed people), the highest in 2013 (596,333 unemployed people), which is a difference of almost 70%. In the age groups observed the unemployment proportions in the 20-24, 55-59, and 60+ age groups increase to the total number of job seekers. Part of the persons over 55 have already lost motivation to job seeking. The unemployment rate in the 15-19 age group is somewhat pushed down by the increasing proportion of students shifted to the 20-24 age group of the unemployed (Czech Statistical Office, 2012). Combination of these factors brings about aversion in society to employing elderly people, which increases their social isolation. This is more so with employment regarded as a means of activation and full engagement in society of elderly and senior persons.

As the population grows older, there arise democratic changes, which lead to older employee structures and several generations working together with differing values across these generations (Leibold, Voelpel, 2006). The challenge for the organizations will be to handle this ageing workforce and analyse what consequences the ageing workforce and a multi-generational organization will have on efficiency and teamwork (Langhoff, 2009; Rašticová, 2011). Future economic growth, competitiveness and efficiency will increasingly depend on how effectively employers can manage their ageing workforces (European Foundation for the Improvement of Living and Working Conditions, 2006; Putnová, 2012).

Although these future changes in the employee structure have been known for some time now, many companies are still not aware of those changes, and neither are they prepared to handle its impact on the organization (Leibold, Voelpel, 2006). The trend still is to recruit young people and to use possibilities of early retirement, without considering the implications of such actions in the next ten years (Langhoff, 2009). Benefits of older employees are the increase in social skills, loyalty, problem-solving skills, experience and overview and more pronounced communicative skills (Brandenburg, Domschke, 2007). Recent studies show that there are no significant differences in cognitive ability between age groups; older workers are as cognitively skilled for their job as their younger colleagues. No significant group difference for perceptions of social support, job commitment, job satisfaction or turnover intentions could be identified. Yet social perceptions are still misleading in the belief that older workers' cognitive performance and job attitudes compare adversely to their younger colleagues (Brough, Johnson, Drummond, Pennisi & Timms, 2011).

The possible loss of knowledge when the present generation starts to retire will impact organisations. Several companies are already threatened by this loss of skills and experience. Effective motivational programs together with concrete strategies of knowledge transfer might help in keeping older employees. Some organisations already started to rehire older workers with important skills or experience (Koc-Menard, 2009). Therefore not only employees have to adapt to changing conditions regarding their working life, but also companies have to consider creating age-appropriate working places, learning environments as well as career opportunities (Paul, Townsend, 1993).

2. Methods

Purpose of Study is to find out whether the potential discrimination issues are sufficiently reflected in the labour legislation of the Czech Republic. Also, the contribution to the company performance will be pointed out of employing persons of higher age as well as the transfer of their knowledge within the context of a learning organization. This calls for incorporating such issues in the company management rules, particularly within the concept of corporate social responsibility. Next, the study aims to find out whether, in employment legislation, age-related discrimination exists in the Czech Republic.

The research uses a method of secondary document analysis as applied to documents such as the rulings of the Czech courts, ombudsman's reports on investigations, as well as corporate documentation presenting the approach of companies to discrimination and social inclusion of persons.

3. Results and Discussion

Although the Czech employers are usually convinced that their internal policy is non-discriminating, the reality is often different.

3.1. Problems with employing elderly people

Commenting on the rights of senior persons, the Czech Helsinki Committee (2011, p. 44) says that they are handicapped for various reasons. An important role, however, is also played by the social atmosphere with the solidarity between generations fading away „... *the government does not ... adopt effective measures to curb discrimination in the employment of persons over 50 and 55 years of age. It is very difficult for a person laid off at this age to find any new job*“. This is also corroborated by the results of a research project carried out by the Research Institute of Labour and Social Affairs, which point to aversion to employing elderly people as well as to concerns about losing jobs in the higher age groups (Jouza, 2010):

- more than 20% of the respondents believe that the bosses would like to get rid of older employees,
- 35% of the respondents blame older persons for not wanting to leave jobs for younger ones,
- 15% of the respondents think that there is no point in increasing the qualification of people over fifty,
- concerns about losing jobs because of the age increase rapidly about the age of forty.

The life expectancy grows along with the employment rate: in men over the last 20 years it has increased by 5.8 years, in women by 4.5 years to be 75 and 80.9 years respectively as a result of considerable advances in health care and better quality of life. Moreover, in 2010, the retirement age was set to 65 years of age for both men and women defining a minimum insurance period required for the pension.

The results of a research by Alternativa 50+ (2014) predict the percentage of people over 65 in the Czech Republic to be about 31 by 2050. The research was carried out by SC&C on a sample of 3066 persons aged 50 to 64 years. According to this research, "30% of the respondents have encountered discrimination in the labour market with 24% being directly discriminated at work." In the 55-59 and 60-64 age groups, women are at a greater risk of losing jobs. Added to this, according to the statistics issued by the Ministry of Labour and Social Affairs of the Czech Republic (2013), in 2012, the number of job seekers over 50 was 26.5% of the total number of the unemployed.

According to other projections, in 2025, the rate of elderly dependants aged 65 and more to the population aged 20-64 will reach almost 40%, which is a double of the 2000 rate. The EC document, Europe 2020 Strategy, brings similar figures outlining the target situation: „*The employment rate of the population aged 20-64 should increase from the current 69% to at least 75%, including through the greater involvement of women, older workers and the better integration of migrants in the work force.*“ (European Commission, 2010, p. 10).

An organization's responsibility for its employees (including the older ones) is usually developed within corporate social responsibility. It is, however, taken care of by the current Czech legislation. The most important legal instrument concerning employment is the Labour Code that governs the rights, claims, and duties of persons entering employment. It creates employment conditions for senior citizens equal to those of all other employees. Here, one of the most important principles of labour law comes into play allowing neither direct nor indirect age-based discrimination in employment and guaranteeing equal treatment. Other standards applying the principles declared by The Charter of Fundamental Rights and Basic Freedoms include antidiscrimination law and employment law. Rights are protected mainly by the courts and the ombudsman. The ban on discrimination is also monitored by labour inspectorates, which may impose considerable fines.

3.2. Discrimination in job advertising

From 1st to 7th April 2011, the ombudsman carried out an enquiry into acts of discrimination in job advertising. The enquiry involved monitoring job advertisements at the www.prace.cz portal. This is the largest job advertising portal in the Czech Republic. 12,044 job advertisements were analysed with 2,039 (16.9%) found discriminating. The reasons for an advertisement being thought of as discriminating (The Ombudsman. 2011):

- age was identified in 1,031 cases (10.8%). In 452 advertisements taking the form of direct and in 849 advertisements indirect discrimination;

- gender in 854 cases (7%);
- nationality in 70 cases (0.6%);
- health condition in 56 cases (0.5%);
- family status in 19 cases, (0.16%).

Concerning the overall proportion of direct and indirect discrimination to the advertisements in question, indirect discrimination was the most frequent with 61% of discriminating advertisements. Direct discrimination involved mostly age-based advertisements (7%), followed by gender-based advertisements (6.9%).

3.3. *Management of knowledge transfer continuity*

The demographic ageing of population could even bring about a drop in the GDP growth potential. For this reason, emphasis must be placed on greater participation in work process of the most endangered groups such as women, younger and older employees.

As mentioned above, according to the Czech Helsinki Committee (2011), employers have deep-rooted prejudices about senior employees – presenting them as slow, rigid, with little language skills and reluctant to accept new technologies. However, higher age seems to be accompanied with an increase in the ability to work in a team, the ability to judge and accuracy, anticipated thinking, sense of responsibility, safety awareness, knowledge from experience, etc. (Covarrubias Venegas & Groblschegg, 2013). But if such an employee leaves the firm, his or her knowledge appears to be missing.

Use of knowledge of experienced employees is stressed by the concept of knowledge management as well as by business continuity management. Knowledge management (Armstrong, 2007) involves continual improvement, information, experience and skills exchange, strategic management of human capital focussed on the future of the company as a whole. A learning organization supports the transfer of information stored in databases as well as tacit information that can only be obtained by face-to face communication. Loss of key skills presents a major threat in present society.

As a form of crisis management, business continuity management (BCM) has evolved since the 1970s in response to the technical and operational risks that threaten an organisation's recovery from hazards and interruptions (Herbane, 2010). Business continuity management is important for sustainable development of each organisation. It is based on transferring the knowledge of experienced employees (usually older ones) by shadowing, mentoring, coaching as well as by describing processes and activities. Knowledge transfer is crucial to companies' competitiveness and their performance growth. A system approach to the business continuity of an organization is defined by the British standard, BS 25999-2:2007 „*Specification for business continuity management*“, issued by the British Standards Institution in 2007. In 2010 it was also implemented in the Czech Republic. However, its actual implementation is still pending in most organizations, particularly concerning the knowledge transfer during staff changes and succession planning. Talks with 35 managers of South-Moravian-Region-based small and medium enterprises have discovered that no company has a BCM implemented. They admit that the loss of a key employee's knowledge may be disastrous for their companies. Situation in Slovakia is very similar (Antošová, Csikósová, 2014).

4. Conclusion

Although the current legislation of the Czech Republic does conform to the EU standards, occasional cases can be found of age-related discrimination. The companies show lack of knowledge transfer opportunities even if the Czech legislation includes a human resources standard stressing horizontal knowledge transfer. They fail to use the acquired know how properly, thus putting their future performance at risk.

Referring to the demographic development in the Czech Republic, the Czech Statistical Office (2012) points out that employing mostly persons of a middle productive is no longer sustainable. It is only by using part-time jobs and concurrently employing young (15-19) and old (65+) persons that the negative effects of population ageing can be overcome.

Insufficient knowledge transfer management and overemphasized austerity measures may, in the long run, negatively affect a company's performance. For this reason, corporate by-laws and documents should reflect the current legislation as well as the good practices of other EU countries and recommendations of non-government

organizations concerned with integration of the disadvantaged, inter-generation integration and dialogue. Kotiková (2013), for example, points out the good practices employed in a number of EU countries (Germany, France, Finland, Norway, United Kingdom), which could inspire the Czech legislators. Laws can be recommended enforcing a longer period of notice and part time jobs for older employees, laying down the principle of seniority for laying off and allowing for job-dependent multiple retirement age limits.

The population demographics change must be reflected in the strategies of all the companies. Present-time focus on young and perspective customer will have to be changed by a focus on customers of and older age. As the European commission studies anticipate, citizens of 60+ will form more than a third of the population by the year 2040.

Acknowledgements

This paper was supported by grant FP-S-13-2064 ‘Research of Internal and External Value Drivers’ from the Internal Grant Agency at Brno University of Technology.

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