

# **AGE MANAGEMENT AS AN ELEMENT OF DIVERSITY MANAGEMENT OF HUMAN CAPITAL INNOVATION AND REGIONAL DEVELOPMENT STRATEGY**

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## Abstract:

Issues connected with population ageing are analysed at a number of levels, therefore the definition of the term "age management" is also determined by the scope of the selected research area: economy and organisation. At the level of national economy the concept of age management is generally understood as systemic, administrative and legal solving of problems resulting from the process of employees' ageing by means of a state policy and employment rights. The observed trend of systematic increase in the population of people at the post-working age and decrease in the number of young people is a worrying phenomenon and requires development of strategies and systemic solutions that will allow us to prepare for a new situation, different from that in which we have been functioning for years. The forecasts clearly show that increase in employment and work productivity are insufficient to meet demographic challenges.

## **Introduction**

Issues connected with population ageing are analysed at a number of levels, therefore the definition of the term "age management" is also determined by the scope of the selected research area: economy and organisation. At the level of national economy, age management should be related to the process of population ageing, unfavourable changes in population structure and as a consequence occurrence of threats/dangers connected with distortion of the proper relation of working-age people to the number of people outside working age, of retiring age, and related inefficiency of the existing retirement systems. Thus, at this level of analyses, the concept of age management is generally understood as systemic, administrative and legal solving of problems resulting from the process of employees' ageing by means of a state policy and employment rights.

Many societies are subject to new population processes referred to as the second demographic transition that is characterised, among other things, by: decrease in the number of marriages and births, increase of the average age of forming relationships and giving birth, as well as an increase in the number of informal relationships and divorces (Kotowska & Józwiak, 2012). These changes are global in character and have been present in European countries since mid-1960s. They result in reproduction remaining significantly below the generation replacement rate. A low fertility rate of 1.5, or even lower, continuing for a long period of time leads to a dangerous decrease of the birth rate and economically unfavourable changes in population

structure, disturbance of the demographic order as a result of the upsetting of proper relation between the size of generations of children, young people and working-age people and the number of people who are outside working age (Ziółkowska, 2016). These unfavourable demographic phenomena, caused by a low fertility rate and systematic increase of life expectancy, lead to irreversible changes in population structure and consequently decrease in the number of people. In Western Europe, this problem was noticed as early as in the 1980s and 1990s. Predicting economic and social negative effects of demographic changes and their impact on the existing retirement systems, taking into account their gradual inefficiency, actions were taken to reform retirement systems. As a result, many countries raised the retirement age, limited the possibility of early retirement and undertook actions to increase labour market participation of people over 50.

The process of population ageing has already started in some regions. This phenomenon refers in particular to such countries as Germany, Italy and Japan. OECD predictions show that over the years 2025-2030 this phenomenon will increase and cause a decrease in the global size of labour force by even 12 million people annually (Mendryk, 2013). Soon, it will increasingly affect national economies, with an increasingly smaller number of working people forced to maintain a growing number of people at retirement age

## **1. Human capital and its importance for enterprises and region**

The author of the concept of human capital is regarded to be A. Smith, who already in the 18th century compared education and improvement of employee skills to investing in machines and claimed that human capital included everything that was contained in heads, hands and legs of a company's employees. Human capital involves employees' competencies resulting from their knowledge, experience and intellectual predisposition, their ability to apply knowledge and use talents for the benefit of an enterprise as well as willingness to fully commit themselves to activities performed for an enterprise, employees' attitudes and motivation.

Human capital is an inseparable element of people living in a given region. It includes their knowledge, skills, experience, creativity, competencies and commitment arising from motivation to take actions resulting in a growth of an added value for the region. According to Marcinkowska (2004), the quality of human capital depends on employees' competencies, attitudes and intellect. Listwan (2002) points to the possibility of an enterprise's impact on the quality of human capital through proper recruitment, selection, assessment and care about employees' development.

Investing in human capital contributes to increase of its value in the future (Skowron Grabowska, 2013). However, as stressed by Sitko-Lutek (2004): "This form of capital is expected to be more profitable than physical capital." Residents' creativity as well as innovation-oriented behaviour and actions have a positive impact on the development potential of countries and regions; they enable their revival and adaptation to changes caused by technological, economic, social and organisational progress. That's why human capital is one of the most important elements in creation of regional development.

## 2. Premises for the necessity of implementing age management programmes in Poland

Based on analyses of demographic trends and the socio-economic situation, the Central Statistical Office developed four scenarios of demographic changes in Poland by 2050 depending on projected birth, death and migration levels. They were called low, medium, high and very high scenarios depending on an adopted fertility variant due to its dominant impact on the results of prediction. However, even the highest of these scenarios assumes fertility below the level that ensures simple generation replacement throughout the period of projection of fertility change variants. Regardless of an adopted scenario, we receive similar results in the area of future age structures of the Polish society. This is due to the fact that low fertility scenarios also include an assumption of a lower life expectancy. Table 1 shows forecast of the population structure in 2050 in each of the developed scenarios of demographic changes.

**Table 1:** Population structure by age groups in 2013 and 2015 (%)

Age	2013 actual data	the year 2050 estimate data			
		low	medium	high	very high
0-14.	15.0	11.3	12.1	13.2	14.2
15-64	70.3	55.6	55.2	54.8	54.5
65+	14.7	33.1	32.7	32.0	31.3
85+	1.6	5.9	6.1	6.0	6.1

*Source: Prognoza ludności na lata 2014-2050, Prognozy i Analizy Ekonomiczne, GUS, Warszawa 2014*

Each of the scenarios envisages that by 2015 the percentage of people aged 65 and over will have increased almost twice, i.e. from 15.8% in 2013 to 35.7% in the low scenario, and to 31.3% in the very high scenario. It is projected that in the same period the number of aged people (who are 85 and over) will increase almost five times. The developed scenarios show significant differences only in forecasts concerning the percentage of the youngest age group. Unfavourable changes in the demographic structure of population will be caused mainly by (Szymańczak, 2012):

- fall in the number of births,
- longer average life expectancy,
- intensified emigration of working-age people.

The medium scenario was selected as a base one, therefore results for this scenario are official forecast of the Central Statistical Office. The low and high scenarios are treated as recommended alternative scenarios. The very high scenario assumes implementation of the governmental, long-term development strategy included in "Long-term strategy for the country's development - Poland 2030. Third wave of modernity" (Ministerstwo Administracji i Cyfryzacji Warszawa, 2012).

### **3. Benefits and threats for enterprises and a region arising from age management**

In the context of the present economic situation and the above-presented projected demographic changes, there is no doubt that age management is becoming inevitable and as such it should at least partially fulfil the hopes placed in it and bring expected benefits that can potentially include (Fryca & Majecka, 2010):

- maximisation of recruitment potential,
- prevention of employees' qualification shortages,
- longer participation of people in the labour market,
- preserving key competencies,
- longer period of return on investment in staff education and training.

For age management to bring positive effects it is necessary to early enough recognise the potential of population at different ages, identify areas and plan activities according to an individual procedure algorithm using appropriately selected tools for supporting age management in a region. It is necessary to preliminary categorise positions in organisations in which older employees can achieve the same results as their younger colleagues or even better ones. However, we cannot assume that age management aimed at increasing older employees' participation on the labour market will always be beneficial to the employer - owner. Thus, it is important that the government and regional authorities take initiative to develop and implement age management programmes, as this may bring benefits to employees and institutions (Cichorzewska et al., 2015).

Achievement of benefits by enterprises and the region as a result of investments in age management requires proper recognition of older employees' strengths, which usually include experience, knowledge and practical skills, reliability, patience, and correlation of these strengths with potentially weak points of this group of employees, such as lower productivity in the case of jobs requiring physical effort, limited adaptability to new technologies and lower ability to assimilate new knowledge. It is also necessary to be aware of the fact that population ageing in a region changes not only the age structure of employees but also that of potential customers, addressees of enterprises' offers. In light of the above, age management in a region should include this area as well, monitor needs of ageing buyers, loyal customers of a company and adapt the offer to the current needs.

Issues connected with employee recruitment and dismissal is a very important area of an age management programme, a key aspect in the short-term perspective and in terms of conducting current operations. At the stage of staff recruitment, in the process of selection, a threat may occur connected with discrimination on grounds of age, seniority or professional experience, which is often unconscious, irrational, and results from stereotypes in thinking. Hasty termination of employment with employees, e.g. for fear of their decreased performance as they get older, may cause decrease in employees' motivation, commitment and morale, and in the long term it may even lead to worsening of the economic-financial situation of enterprises, and consequently - slowdown or deceleration of regional development.

Flexible forms of employment can be a controversial area from the perspective of age management in a region, as older people are afraid of changes and are more in need of stabilisation, if only because of their limited mobility, which in case of some forms of cooperation may be problematic to both the parties. People at younger age are more willing to temporarily accept employment in the form of a contract of mandate. In contrast, older people usually expect a contract of employment and are not interested, even temporarily, in the former

solution. This may represent a serious problem for a region, contributing to an increase in unemployment rate and in the number of residents receiving social assistance. Another area where threats connected with age management in an organisation may appear is planning of tasks at work, creation of new posts, and reorganisation connected with transferring employees to other posts, to other organisational units. If an experienced employee who has worked in a company for a long period of time is put in a situation when new responsibilities and scope of tasks are entrusted to him/her, he/she may feel excluded, which undermines his/her morale, and in the long term - also motivation to work. If such situations occur in an enterprise, they can be interpreted as activities degrading older employees, change attitudes towards them and weaken self-esteem of the whole staff.

## **Conclusion**

Demographic problems connected with population ageing should be perceived and solved at different levels of economic life, as they refer to changes in the functioning of whole national economies, individual regions and single economic entities, including enterprises. The observed trend of systematic increase in the population of people at the post-working age and decrease in the number of young people is a worrying phenomenon and requires development of strategies and systemic solutions that will allow us to prepare for a new situation, different from that in which we have been functioning for years. The forecasts clearly show that increase in employment and work productivity are insufficient to meet demographic challenges. Thus, it is necessary to undertake integrated activities to prepare ageing populations for living and functioning, though, among other things, developing and implementing a new approach to the problem of perceiving people and their possibilities resulting from the process of ageing, theory and practice of age management at the level of national economies and regions..

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