ELDERLY PEOPLE IN LABOR MARKETS IN SELECTED CENTRAL EUROPEAN COUNTRIES

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Abstract

In most European countries, one of the biggest challenges is population ageing due to declining birth rates and a longer life expectancy. The demographic slowdown contributes to the decline of labor resources. That process threatens the public finance and economies of many countries. Increasing the economic activity of elderly people is a way to meet the challenges posed by unfavorable changes in human resources. The purpose of this paper is to present the evolution of economic activity of elderly people in the 2005-2015 period in selected Central European countries: in Poland, Czech Republic, Slovakia, Slovenia and Hungary. Also, an attempt was made to specify the key determinants impacting the economic activity of this sub-population. As shown by the analysis, over the 2005-2015 period, there was a gradual increase in employment rates of the population aged 55-64. Among the countries considered, attention should be drawn to Poland where that rate increased by 18 percentage points. That growth is related to the implemented reform of the pension scheme and to initiatives in place that activate the elderly population.

Keywords: economic activity, elderly people, Central Europe

JEL classification: J10, J14, J21, J26

1 Introduction

The increase in economic activity of elderly people has become one of the main objectives of the labor market policy. The growing interest in the economic activity of this social group is the consequence of demographic slowdown and of
related modifications in the structure of the population. Population ageing is due to declining birth rates and a longer life expectancy. These problems have become a major challenge faced by many European Union countries. The consequences of the population ageing process have been recognized in early 1990s, and have since become the subject matter of many public debates. The ageing society is considered to threaten the viability of the social insurance, healthcare and public finance systems. Also, it represents a risk for the innovativeness and competitiveness of economies while impacting the financial standing and sense of security of elderly people. What needs to be emphasized is that an active government policy should guarantee the enhancement of security, thus improving the population’s quality of life as regards both financial and social aspects. For each human, these dimensions are of crucial importance as “the first one means ensuring essential funds that enable addressing the minimum level of needs (guaranteed incomes) while the other one results from the state’s legal system which ensures governance over social relationships and is related to legal procedures launched for individuals facing precarious situations (guaranteed employment or unemployment benefits, sense of security and of a secure future” (Kalinowski, 2014, p. 390-391). This requires seeking the optimum solutions and adjusting the social policies in place, especially the employment, demographic and family policy.

Therefore, an important research problem is to analyze the professional activity of the elderly population, and especially to identify its underlying factors which primarily include demographic, economic and social aspects. The purpose of this paper is to present the evolution of economic activity of elderly people in the 2005-2015 period in selected Central European countries, namely in Poland, Czech Republic, Slovakia, Slovenia and Hungary. Also, an attempt was made to specify the key determinants impacting the economic activity of this sub-population.

2 Data and Methods

Although many definitions of old age are provided in the relevant literature, that term was defined for the purposes of this paper. WHO set 60 as the beginning of old age, and identify its three essential stages: late adulthood (from 60 to 75 years), old age (from 75 to 90 years) and elderhood (from 90 years) (Gutowska, 2015, p. 11-12). However, in line with the “Europe 2020” strategy, this paper assumes that older (elderly) people mean the population aged 55-64 (European Commission, 2010, p. 5).

The situation of elderly people in the labor market was analyzed in Poland, Czech Republic, Slovakia, Slovenia and Hungary. These countries were selected
because of their location, economic and cultural similarities, the time they joined the European Union and their membership in the Visegrad Group.

This publication relies on Eurostat and OECD data. Empirical data was analyzed with measures of descriptive statistics, demographic measures (including the fertility rate, demographic dependency index, life expectancy, potential labor turnover ratio), and indices of the condition of the labor market (including the economic activity rate, employment rate, unemployment rate and EPL).

3 Ageing society of selected Central European countries

The ageing population is a problem caused by extended life expectancy and declining birth rates. Since the 1980s, Europe has been affected by a demographic shift which initially became noticeable in highly developed countries. In Central and Eastern European countries, these processes appeared a little later, in the early 1990s. A shift in the demographic structure adversely affects the age dependency ratio and, as a consequence, the condition of European societies. Demographic processes have become a major problem to be solved. The first challenge faced by European countries is fertility. In Poland, Czech Republic, Slovenia, Slovakia and Hungary, the fertility rate has been decreasing for more than a decade, reaching a level below the replacement threshold. In 2015 and 1970, in European Union countries, the average rate was 1.6 and 2.4 children per woman of child-bearing age, respectively. In 2005, the fertility rate was below the Union average level in all countries covered by this analysis. In turn, in 2015, Hungary, Poland and Slovenia recorded lower levels of 1.4, 1.3, and 1.4, respectively. In Czech Republic and Slovakia, the fertility rate was 1.6 (Figure 1). Note that in the early 1970s, a fertility rate below the replacement threshold was reported only in the Czech Republic whereas in the early 1990s, it was the case for three out of five countries covered by this study, i.e. for Czech Republic, Hungary and Slovakia.

Over the 1970-2015 period, the analyzed Central and Eastern European countries experienced a considerable decline in fertility rates caused by multiple factors, including changes in mentality, decline in the economic security of families and fertility problems resulting from biological reasons which grow with age. Fertility rates are also impacted by many other factors, primarily including education, religion, nationality, place of residence, labor market situation and support for families.
The average life expectancy continues to rise which “is related to multiple factors, including the improvement of living conditions and the development of health-care services” (Jabłońska-Porzuczek & Łuczka, 2016, p. 91). In 2005 and 2015, an average 65-year old resident of the European Union had 18.3 and 19.7 years of life ahead of him/her, respectively. Note also that there are considerable differences between women and men aged 65 as regards life expectancy. In 2005, a European woman aged 65 had 19.9 years of life ahead of her (21.2 in 2015). For a European man, the respective figures are 16.4 and 17.9. In the Central European countries covered by this study, the longest life expectancy was forecasted for 65-year-old Slovenians (women: 19.3-21.4, men: 15.2-17.6). In turn, the shortest life expectancy was reported in Slovakia (women: 17.1-18.8, men: 13.3-15.0), including an average of 4 years of healthy life (women: 5.8-3.8, men: 4.8-4.1) (Table 1). The longest healthy life of all countries considered was reported in Czech Republic (women: 8.6, men: 8.0).

Table 1 Life expectancy and healthy life years at age 65 in 2005 and 2015

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<th>Life expectancy at age 65</th>
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<td>EU(28)</td>
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<td>Slovenia</td>
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Low fertility rates contribute to the decline in the young people's share in the population, while the extended life expectancy contributes to the increase of the older people's share. One way to determine the progress of demographic ageing is to use the age dependency ratio. In the European Union, it went up from 24.7 in 2005 to 28.8 in 2015 (Figure 2). In the group of countries considered, the lowest proportion of persons aged over 65 per 100 working-age population was recorded in Slovakia, ranging from 16.4 in 2005 to 19.7 in 2015. In turn, the highest growth of that ratio over the 2005-2015 period was reported in Czech Republic (by 6.8) and Slovenia (by 4.8).

Figure 2 **Old-age-dependency ratio in 2005-2015**

Potential labor resources decrease because older age groups are not replaced by younger ones who start their professional activity. A measure that enables assessing the replaceability of the pre-retirement population with the new working-age population is the potential labor turnover ratio, defined as the proportion of the population aged 15-24 to the population aged 55-64 (Kowalewski & Majdzińska, 2012, p. 75).
In 2005, the population starting their professional activity outnumbered the population exiting the labor market in the countries covered by this analysis. In 2015, it was the opposite. In the first year surveyed, old labor resources were replaced with new ones, with the highest turnover ratio (1.6) recorded in Poland and Slovakia (Figure 3). In turn, one decade later, the younger generation failed to replace the older, with the lowest ratio recorded in Slovenia (0.7).

Figure 3 Potential labor turnover ratio in 2005 and 2015

Source: Own elaboration based on Eurostat data.

4 Economic activity of the elderly population in selected Central European countries

The demographic slowdown particularly affects the labor market which bears the costs of the ageing society due to unfavorable developments in labor resources. To prevent the decline in labor resources, incentive measures need to be taken to increase the employment of elderly people. Such measures are implemented both by the European Union and by the authorities of member countries. In the area of legislation affecting the situation of elderly people in the labor market, the European Union issues regulations, directives, recommendations and opinions. Community countries, in turn, make decisions on the instruments that contribute to the designated objectives.

An important Union document setting out the recommendations for such areas as the economic activity of the elderly people was the Lisbon Strategy. It specifies objectives regarding employment (including employment quality), labor
productivity and social cohesion to be met by EU countries by 2010. One of the main objectives is to reach an employment rate of 50% among older people (aged 55 to 64) (European Parliament, p. 35). Note that in 2010, only 10 Community countries (including Denmark, Germany, Estonia, Ireland, Cyprus) reached that target. The countries considered in this analysis failed to do so. In this group, in 2010, the highest employment rate of older people (3.5 percentage points below the target level) was recorded in Czech Republic. The Lisbon Strategy has been replaced with a new strategy, “Europe 2020,” setting forth five main objectives to be attained by 2020. One of them is to increase the employment rate of the population aged 20 to 64 from 69% to 75%, including through the greater involvement of women and older workers in the work force (European Commission, 2010, p. 8).

From 2005 to 2015, the employment rate of the population aged 55 to 64 went up by 11 percentage points (Table 2). In turn, as regards the countries covered by this analysis, the highest employment rate was recorded in Czech Republic (44.5-55.5%). The highest increase of the employment rate (and, at the same time, the largest drop in the unemployment rate) was reported in Poland and Slovakia. Slovenia, in turn, recorded the highest increase of the unemployment rate (3.6 percentage points) and a slight improvement of the employment rate (5.9 percentage points). Countries who had reported the lowest levels of the aforesaid ratio in the first year of the study period subsequently experienced the highest growth pace. A notable example is Poland where the employment rate grew by 17 percentage points. Over the recent years, Poland has implemented multiple comprehensive solutions to increase the economic and social activity of elderly people, including “50 PLUS: an agenda for the employment of people aged over 50” and “Solidarity between the generations. Measures intended to increase the economic activity among people aged 50+. In the initial years of the study period, low employment rates of the older population reached various levels but were considerably impacted by the pension schemes in place. Many countries undertook reforms which included removing early retirement schemes and raising the retirement age. This contributed to extending the economic activity period by 4.2 years in Hungary; by 2 years in Poland; by 1.5 years in Czech Republic; by 1.1 years in Slovakia; and by 0.8 years in Slovenia in the 2005-2015 period (Eurostat, 2018). The retirement age varies across the countries covered by this study. The lowest retirement age was applicable in Czech Republic, Slovenia and Hungary (62-63); at the other end of the scale were Poland and Slovenia (65). In Poland, the decision was made in 2012 to extend the retirement age to 67. However, considering the standard lifecycle model, the statutory retirement age does not necessarily mean retirement.

66 In 2017, the retirement age was reduced (65 for men, 60 for women).
Everyone should choose the optimum time to discontinue his/her economic activity in an effort to maximize his/her utility (Żukowski, 2007). The length of active life affects the amount of pension benefits. Therefore, exiting the labor market at a relatively young age may result in a low pension which means the risk of falling into poverty. In 2015, 16.2% of the European Union population aged 65-74 were at risk of poverty. In the group of countries considered, the highest at-risk-of-poverty rates were recorded in Poland (18.1%), Slovenia (17.7%) and Hungary (17.6%). In Czech Republic and Slovakia, the respective figures were 10.3% and 11.2% (Eurostat, 2018). Old-age pensioners living in poverty often return to the labor market to enter into secondary employment. Note however that, in addition to pension amounts, the level of poverty is also affected by such factors as education and health. Therefore, the government should pursue an active policy to address poverty by promoting economic activity instead of implementing a passive policy and paying social benefits (Kanabar, 2017).

Table 2 Employment rate and unemployment rate among people aged 55-64

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*Source:* Own elaboration based on Eurostat data.

The unemployment rate of elderly people continues to be relatively high. In turn,
a low share of population aged 55-64 have embraced lifelong learning. Note however that the share of older people attending trainings is gradually increasing. In 2015, the highest shares of older people participating in learning courses were reported in Slovenia (4%) and Czech Republic (3.7%). Conversely, the lowest shares were observed in Poland (0.8%) and Slovakia (0.9%). In the study period, the highest growth of the share of people aged 55-64 embracing lifelong learning was recorded in Hungary (from 0.3% to 3.1%) (Eurostat, 2018). Professional activity is changing because of new technologies and globalization challenges. These changes require a combination of knowledge, skills and qualifications which could not have been acquired by the elderly population at earlier life stages. This is why they should access a state-of-the-art education and competence enhancement system.

An important instrument stimulating the economic activity of older people is flexible employment. Flexibility of employment is reflected by the ability to use unconventional forms of employment, e.g. part-time jobs or contracts entered into for a definite period. In the European Union, from 2005 to 2015, the average share of the elderly population employed under a fixed-term contract was 6.5%. In the group covered by this analysis, that share varied from one country to another. Fixed-term contracts enjoyed the highest popularity in Poland (16% in 2005, 16.6% in 2015). In turn, in Czech Republic and Slovakia, the share of the population employed under a fixed-term contract went down by 5.8 and 2.6 percentage points, respectively. In Hungary, fixed-term contracts have become an increasingly popular form of employment. Consequently, the share of older employees under a fixed-term contract increased from 4.8% to 10.8%. The use of fixed-term contracts depends on legal regulations applicable in the country concerned. Older people are also interested, though to a small extent, in part-time jobs. In European Union countries, the share of older persons employed under a part-time contract increased from 21.7% in 2005 to 22.1% in 2015. In turn, as regards the countries covered by this study, part-time employment had a low and declining share. Over the 2005-2015 period, the share of older people employed under a part-time contract decreased from 22% to 10.4% in Poland; from 8.3% to 7.6% in Czech Republic; and from 14.9% to 13.4% in Slovenia. A slight increase in the popularity of this form of employment among elderly people was recorded in Hungary (from 9.9% to 10.3%) and Slovakia (from 6.8% to 7.3%) (Eurostat, 2018). Flexibility of employment is affected by legal protection measures which may be assessed based on the EPL (Employment Protection Legislation) index, also used as an indicator of the degree of labor market regulation. In 2005-2013\(^\text{67}\), the countries under consideration saw a decline in their EPLs. As regards EPL for

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\(^\text{67}\) No data from 2014-2015 is available.
individual and collective dismissals, the highest drop was reported in Hungary (from 2.0 to 1.59) and in Czech Republic (from 3.31 to 2.92). In turn, three out of five countries covered by this study recorded an increase in EPL for fixed-term contracts: from 1.13 to 1.44 in Czech Republic, from 1.13 to 1.25 in Hungary, and from 0.63 to 1.75 in Slovakia. Poland is the region’s only country with a stable level of EPLs for individual and collective dismissals and for fixed-term contracts; note that the EPL for collective dismissals was relatively high (2.88) (OECD, 2018). As shown by data analysis, Central European countries demonstrated the highest level of protection for collective dismissals and the lowest level of protection for fixed-term contracts.

The situation of elderly people in the labor market tends to improve. However, their potential remains underexploited as regards their participation in economic and social life. The level of underexploited potential of the older population may be estimated with the Active Ageing Index developed as a combination of measures from four domains: employment, participation in society, independent living, capacity for active ageing (United Nations Economic Commission for Europe, 2015, p. 12). In 2014, in the European Union, activity levels of older people varied from one country to another. Scandinavian countries (Sweden: 44.9%, Denmark: 40.3%) ranked at the top while the Central European countries covered by this study were at the bottom. Czech Republic (34.4%) was ranked 11th, Poland (28.1%) was ranked 27th (at the penultimate place), outperformed by Hungary (28.3%), Slovakia (28.5%) and Slovenia (29.8%) (Figure 4).

Note the relatively large gap between Sweden and the countries of the region considered, ranging from 10 to 17 percentage points. This results from high employment levels of elderly people and from the active ageing capacity of the Swedish population. Compared to Scandinavian countries, the group of Central European countries covered by this study were characterized by low employment levels of older people and by a poor participation of the elderly population in lifelong learning and social life. Generally, Swedish people live longer and healthier lives. In 2015, life expectancy for a 65-year-old woman and man was 16.8 and 15.7, respectively. This results from better healthcare and more extensive health education.
In some countries, health promotion is limited to the activity of carers, sometimes supported by the efforts of nurses and social workers. Healthcare and education are an important activity area of the local community, NGOs and universities of the third age. The countries considered take various measures as a part of health education. “Supporting addicted residents in social assistance homes for improving therapy and rehabilitation” is a Polish campaign dedicated to older people. Czech authorities have established a program named “Effect of dance therapy on health status and quality of life of residents in care homes” which provides information and offers training on how to avoid health-risk behaviors (e.g. excessive alcohol consumption, addition to drugs, solving sleep problems). Also, as a part of promoting mental health and cognitive abilities, Poland runs the “Stop Alzheimer’s” program targeted both at older people and their carers. Other programs in place are “Memory Clinic” and “EUNESE: European Network for Safety Among Elderly” which include vaccination, hearing and vision tests, oral hygiene and recognition of diseases such as dementia. Czech Republic implements the “Delicious Life” program which promotes healthy nutrition and physical activity of the elderly (Sowa-Kofta & Szetela & Golinowska, 2017).

5 Conclusion

Demographic changes, new technologies and globalization are among the major challenges faced by today’s labor market. Several conclusions may be drawn from
the analysis of situation of elderly people in labor markets in selected Central European countries. First, the data suggests a demographic slowdown accompanied by changes in the age structure, as reflected by increasing age dependency ratios. Secondly, the countries covered by this analysis demonstrate a decline in potential labor resources because older employees are not replaced by younger ones who start their economic activity, as evidenced by the increasing potential labor turnover ratio. Thirdly, the 2005-2015 period witnessed a gradual growth of employment indices of the elderly population. However, this figures are still relatively low compared to other Community countries (e.g. the Netherlands: 61.7 in 2015).

For several years, the countries considered have taken measures to increase the economic activity of the elderly. Pension reforms, labor market reforms and various programs and strategies have been implemented. Nevertheless, the unemployment rate in the group aged 55-64 is relatively high while the participation of that population in lifelong learning is low. This is of major importance because elderly people are usually less educated than younger people, and find it more difficult to adjust to the evolving needs of the labor market. Another important aspect is the attitude of employers who are reluctant to employ older people. Also, discrimination on the grounds of age continues to be a major issue. Therefore, many countries have implemented solutions encouraging the employers to hire older employees. What becomes important is to recognize the role of capital, skills, and professional and life experience of the elderly. Note that leveraging the professional potential of elderly people is a way to meet the challenge posed by declining labor resources. This requires a coordinated labor market policy which adjusts the measures to the ageing labor resources. Measures would need to be taken to encourage older employees to improve their qualifications and skills through lifelong learning. Another important aspect are the flexible forms of employment which become increasingly popular among older people as they enable combining work with social and family activities.

References


