Workforce Ageing Issue and Its Management in the Baltic States

Neringa Vilkaite-Vaitone
Vilnius Gediminas Technical University, Lithuania
Email: neringa.vilkaite-vaitone@vgtu.lt

Abstract

In this paper, we intended to analyze the consequences of an aging workforce. The main research question was formulated as follows: what results of aging workforce appear in organizations in the Baltic States? The paper considered the following implications of the aging workforce: a demand for age-specific Human Resources (HR) practices, an increase in labor productivity and decrease of innovativeness. The author fielded a representative questionnaire survey of chief executive officers (CEOs) in 102 organizations across the Baltic States and found out that the majority of CEOs do not identify the aging workforce as an essential concern. It was found out that age-specific HR practices are scarce in the Lithuanian, Latvian, and Estonian organizations. CEOs of organizations operating in the Baltic States tend to think that younger employees are more productive and more innovative than their older co-workers.

Keywords: Aging Workforce; Innovativeness; Productivity; Human Resource Policy; Baltic States

JEL Classification Codes: M12, M14, M21
1. Introduction

During several last decades, the phenomenon of aging workforce is noticed. This phenomenon has been determined by development of health care that results in prolonged living, lower birth rates, and raise of mandatory retirement age. All these factors underline the necessity to retain and retrain older employees. However, “employers are not eager to hire older workers, generally considering this group as a last resort” (Kroon et al., 2016). It seems that employers do not know lower turnover of older employees. Apart from this, older workers need less supervision; they have stronger motivation (Antoniou et al., 2016). There are also forecasts predicting the shortage of labor force on the horizon.

The aging workforce seems to be an essential challenge for organizations and societies. This can be claimed due to the intense academic research in this field (see, e.g., Ashworth, 2006; McKinnon, 2010; Michaelis and Debus, 2011; Winkelman-Gleed, 2011; Costa et al., 2012; Colley, 2014; Boenzi et al., 2015; Ciutiene and Railaite, 2015; Drabe et al., 2015; Park and Kim, 2015; Richert-Kazmierska, 2015; Antoniou et al., 2016; Kroon et al., 2016; Kaskie et al., 2017; Wisse et al., 2018).

Aging workforce is a problem of economic, social, demographic and psychological nature. Even if during the last decade the topic of aging workforce has been widely discussed in scientific conferences, public debates or practical situations, there exists a lack of awareness of the nature, essence, and consequences of workforce aging.

Aging workforce is a global trend. This demographic trend is not limited to developed countries, such as Germany, USA or Japan. Even the developing countries, such as China or India have already experienced concerns about the end of benefits associated with having abundant young workers (Park and Kim, 2015). According to the forecasts, in 2030 EU will have more than 123 million people aged over 65 (Ciutiene and Railaite, 2015). As a result, organizations are facing aging workforce that leads to a decline in productivity, workforce shortage, and decrease in innovation. Baltic States are particularly vulnerable to the consequences of aging on economy and society. However, there has been no formal and large-scale analysis of implications of aging society across the Baltic States. It seems clear that organizations have to respond appropriately to the consequences of aging workforce. Such a response is relevant in seeking to gain a competitive edge. Baltic States are not an exception in this field.

The main research question is formulated as follows: what consequences of aging workforce appear in organizations in Baltic States? As a result, the main aim of this research paper is to analyze consequences of aging workforce in Baltic region. This study concentrates only upon organizational outcomes of aging workforce. It means that political and individual results remain unanalyzed. Apart from this, research is limited on geographical basis. It covers only Baltic States.

In the following sections research begins by describing the characteristics of aging workforce and identifying possible consequences of aging workforce. Second, author tests hypotheses using a
sample of 102 organizations across Baltic States. Manuscript concludes by summarizing the main aspects and describing possibilities for the researches in the future.

2. Literature Review

In many countries, aging workforce is a result of aging population. Aging population “expresses that the median age of a given population is rising, i.e., in relative terms, a greater proportion of the population is elderly” (McKinnon, 2010, p. 93). According to researchers, various factors determine aging workforce. About Antoniou et al. (2016), it includes the availability of flexible work arrangements, part-time work, improved healthcare system, delayed childbearing, etc. Authors also mention organizational factors. The authors include personal resource practices, the workplace climate, awareness of age discrimination, perceived corporate support, and support from co-workers and manager.

Older workforce in some cases experience discrimination. The problem of age discrimination was analyzed by Sinding and Waldstrom (2014). In the long-standing age stereotypes, older workers are depicted as less involved in their work, less satisfied, less committed, less motivated, and less productive than the younger employees. However, there is no evidence to support these stereotypes. Authors claim that “different studies showed that as age increases so does employees’ job satisfaction, job involvement, internal work motivation, and organizational commitment” (Sinding and Waldsrom, 2014, p. 347). Workforce aging should be perceived as a crucial issue. Results of the research performed by Richert-Kazmierska (2015) have shown that in most cases people are not sure if aging workforce is a real problem or a challenge in organization. However, managers confirm the existence of problem of aging workforce.

Aging workforce stimulates managers of organizations to train themselves or human resources specialists in the field of aging. However, such trainings are not frequent. According to the results of research accomplished by Kaskie et al. (2017), only 27% of human resources specialists in academic institutions had trainings related to the issue of aging workforce. It means that in majority of cases human resources specialists might lack knowledge in the field of aging.

Aging workforce causes significant economic and societal consequences. According to Antoniou et al. (2016), aging workforce has broad implications for countries’ labor markets, labor productivity, sufficiency of skilled labor, patterns of personal savings and consumptions, sustainability of welfare policies. Ciutiene and Railaitė (2015) mention the following impact areas of aging: labor market and employment, social security, health care system, education system, pension schemes, savings, income distribution, intergenerational relationships. The mentioned impact areas let to identify three deep levels of consequences of aging workforce, i.e. macro scale, organizational and individual. Majority of discussions belong to macro level. However, aging workforce has a direct impact upon individuals who enter old age and their immediate families. It also affects organizations that have to prepare for the forecasted shortage of skilled employees. The context of this research requires concentrating upon organizational consequences. It means that the topic of this paper does not cover aging workforce effects upon countries and individuals.
Application of age-specific HR practices. Antoniou et al. (2016) suggest considering the suitability of universal human resource management for motivation and retention of older employees. To meet the challenges of aging workforce, organizations might need to apply their HR policies for specific age groups. According to Antoniou et al. (2016), HR practices targeting older workers are of a minimum extent. Such a general presumption lets to formulate the following hypothesis:

**H**: Aging workforce does not stimulate to apply HR policies for specific age groups.

Productivity of older workforce. About Antoniou et al. (2016), there exist significant differences in the motives and abilities of employees as they age. Authors claim that there is reliable evidence about the declining cognitive abilities over an adult lifespan. Probably these changes harm labor productivity. According to Colley (2014, p. 1031), “without changes in work, retirement and productivity patterns, the ratio of older economically inactive persons per worker will increase from 1:3 in the OECD area in 2000 to just over 2:3 in 2050 (to almost 1:1 in Europe)”. However, other researchers provide the opposite conclusion. Sinding and Waldstrom (2014) mention results of the research of 24219 individuals that has shown that older employees are not less productive. According to the authors, age and experience also predicted performance better for more multiple jobs, and job experience had a stronger relationship with performance than generation (Sinding and Waldstrom, 2014, p. 348). Park and Kim (2015) also envisage a potential of productivity among older workers. Authors claim that older employees have sufficient knowledge; they possess many experiences related to their work and organizations and bring these benefits. All these circumstances lead to an efficient work: one can perform tasks more efficiently than younger employees with limited short-term work experiences.

**H**: Aging workforce has a positive effect upon labor productivity.

Innovativeness of older workers. There exists theoretical basis to relate innovations with the age of workers. According to Park and Kim (2015), innovation is the creation, development, and implementation of new ideas with an institutional context. These new ideas might come from destruction of established routines or modification of existing knowledge. Generally, it is thought that older people due to their declining cognitive abilities and disappearing developmental motivations in most cases are less innovative. These deep-rooted perceptions about elderly in some cases even stimulate dismissal or not hiring of older employees. The statements above let to formulate the following hypothesis:

**H**: Aging workforce hurts innovativeness of a company.

To sum up, aging workforce has a potential to have impact upon various field in organizational context. This paper concentrates upon the effects of aging workforce upon HR policies, productivity, and innovativeness.
3. Research Methods

This research presents survey data that was gathered from international sample of CEOs from organizations across Baltic States. The survey intended to find out answers to the following research questions related to the aging of workforce:

- How frequently CEOs in Baltic States have training in the field of managing the needs and demands of aging workforce?
- Were there any specific HR practices intended to address these needs?
- How do the changes in age structure of workforce affect labor productivity?
- How do the changes in age structure of workforce affect innovativeness?

The study intended to find out answers to these research questions was accomplished in March 2019. The survey collected data about respondents’ attitudes towards aging workforce.

The sampling frame consisted of CEOs from 102 different organizations across Baltic States. Personal acquaintance and Internet sites found contact information for the CEOs. Such a sampling means that research was not representative. However, it is only initial research which can be continued at any time if needed.

Our recruited sample represented organizations with fewer than 100 employees. Organizations represented sectors of forestry, agriculture, public services, catering, cleaning, finance, health care, commerce, hospitality. Majority of organizations are located in towns (70.59 %) and only 29.41 are located in rural areas.

We sent an e-mail to CEO of each organization which invited CEO to participate in the research. There were no specific incentives offered for the participation. The survey asked CEOs to complete eight questions designed to elicit their attitudes and opinions about aging workforce. Four hundred twenty-seven invitations were sent for CEOs. 102 CEOs responded to the call to participate in the research and completed questionnaires (23.89% response rate). Surveys were completed online. After answering the last question responses were submitted and automatically saved. We emphasized that participation in the research was voluntary. Every respondent was confirmed that data shall be treated confidentially. The questionnaire was kept short and to the point, because CEOs often completed questionnaires during work hours.

Elementary statistics (percentages, averages) about CEOs attitudes towards aging workforce was compiled.

4. Empirical Results and Discussion

To determine, whether aging workforce is found to be an essential concern, CEOs were asked to specify the importance of aging workforce in organization. The findings are provided in Table 1.
Aging workforce is treated as a moderate relevant concern by a majority CEOs of organizations operating in Baltic States (32.35%). 23.53% of CEOs consider it as an essential concern and 14.71% as a very pertinent concern (14.71%).

CEOs across the Baltic States were asked to indicate if they had any training related to managing the needs of aging workforce. It was found out that practices in this field are infrequent (See Figure 1).

It was found out that 79.41% of CEOs did not have any training in the field of aging workforce. Only 17.64% of respondents confirmed the fact of having such trainings. Such findings show that importance of aging workforce is not recognized among organizations operating in Baltic States.

<table>
<thead>
<tr>
<th>Viewpoint to aging workforce</th>
<th>Frequency (percentage of respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is a very relevant concern</td>
<td>13.73</td>
</tr>
<tr>
<td>It is a relevant concern</td>
<td>24.51</td>
</tr>
<tr>
<td>It is of a moderate relevance</td>
<td>33.33</td>
</tr>
<tr>
<td>It is irrelevant concern</td>
<td>14.71</td>
</tr>
<tr>
<td>It is a very irrelevant concern</td>
<td>5.88</td>
</tr>
<tr>
<td>I do not know</td>
<td>7.84</td>
</tr>
</tbody>
</table>

Source: The author’s calculations

Figure 1. Distribution of Respondents According to The Training in The Field of Aging Workforce, %

Source: The author’s calculations

It was found out that 79.41% of CEOs did not have any training in the field of aging workforce. Only 17.64% of respondents confirmed the fact of having such trainings. Such findings show that importance of aging workforce is not recognized among organizations operating in Baltic States.
The research was targeted at identifying if Lithuanian, Latvian and Estonian organizations apply age-specific practices. It was found out that age-specific HR practices are infrequent in Lithuanian, Latvian and Estonian organizations (See Figure 2).

Results of the research have shown that in most cases (65.69%) age-specific HR practices are not applied, because there is no demand for them. Such results confirm that CEOs of organizations in Baltic States do not find the issue of aging workforce as very relevant.

Respondents were also asked to express their opinion about the productivity and innovativeness of employees. Distribution of respondents according to the answers is provided in Table 2.

Table 2. Distribution of Respondents According to The Productivity and Innovativeness of Workforce

<table>
<thead>
<tr>
<th>Attitudes</th>
<th>Frequency (percentage of respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Productivity</strong></td>
<td></td>
</tr>
<tr>
<td>I find younger employees to be more productive</td>
<td>58.82</td>
</tr>
<tr>
<td>I find older employees to be more productive</td>
<td>23.53</td>
</tr>
<tr>
<td>I do not have opinion on that topic</td>
<td>17.65</td>
</tr>
<tr>
<td><strong>Innovativeness</strong></td>
<td></td>
</tr>
<tr>
<td>I find younger employees to be more innovative</td>
<td>67.65</td>
</tr>
<tr>
<td>I find older employees to be more innovative</td>
<td>17.65</td>
</tr>
<tr>
<td>I do not have opinion on that topic</td>
<td>14.71</td>
</tr>
</tbody>
</table>

Source: The author’s calculations
It was found out that CEOs of organizations operating in Baltic States tend to think that younger employees are more productive and more innovative than their older co-workers.

This research is a valuable effort at identifying how organizations in Baltic States have addressed the aging workforce. Perhaps the most revealing finding is that majority of organizations do not find aging workforce as an essential concern. To deal with aging workforce professionally, CEOs need specific training in the field of aging workforce. Results of the research have shown that only 17.64% of CEOs ever had such preparations. In academic institutions in USA, this share was slightly larger. As it was mentioned in literature review, 27% of human resources specialists in educational institutions had trainings related to the issue of aging workforce (Kaskie et al., 2017). So, in Baltic States there exists a more significant gap of knowledge in the field of aging workforce than in USA.

Findings of the research match results of Antoniou et al. (2016) study. Authors claimed that HR practices targeting older workers are of a minimum extent. A questionnaire research of CEOs in Baltic States has also provided the same results. It is essential to mentioned that current research was concentrated exceptionally upon organizational consequences of workforce aging. It means that the topic of this manuscript did not cover aging workforce effects upon countries and individuals. Therefore, future research of aging workforce could evaluate the consequences of aging workforce for individuals and the nations.

The current research involved CEOs from three Baltic States. Regarding the fact that organizational consequences of aging workforce might be different in other EU countries, it would be useful to broaden the geographical coverage in future researches.

5. Conclusion

Results of the research have shown that majority of CEOs in Baltic States do not identify the aging workforce as a primary issue. Such an attitude towards the aging workforce determines no need in training related to managing the needs of aging workforce. It was found out that age-specific HR practices are scarce in Lithuanian, Latvian and Estonian organizations. It means that the first hypothesis was confirmed: aging workforce does not stimulate to apply HR policies for specific age groups. CEOs of organizations operating in Baltic States tend to think that younger employees are more productive and more innovative than their older co-workers. It means that second hypothesis was not confirmed: aging workforce does not have a positive effect upon labor productivity. The third hypothesis seemed to be appropriate in case of researched organizations: aging workforce hurts innovativeness of a company. Such results of the research have shown that CEOs demonstrate a negative viewpoint regarding innovativeness and productivity of older employees.
References


