BACKGROUND OF THE PRE-RETIREMENT IN THE CZECH REPUBLIC

Zuzana Dvořáková

Abstract

Stress at work and job insecurity are critical reasons influencing employees' decisions to change employers, lead to fluctuations, or retire early. In the Czech Republic, population aging means a long-term problem that negatively impacts the state budget and pension systems' sustainability. The paper aims to analyze the early retirement among aged 50 and older if they have no job security, feel threatened, lose autonomy at work, and have limited access to retraining or life-long learning. The focus is on the tendency of the Czech labor market in the last decade. Methods cover desk research based on analyzing sources in the Web of Science and open data of the Czech Social Security Administration about early retirement. Stress at work and job insecurity reduces both the quality of life and the quality of working life. Perceptions of uncertain futures vary according to gender and age groups. The situation caused by the COVID-19 has increased the intentions of employees 50+ to leave the labor market and retire early. Future research can cover HR practices that support higher commitment, job satisfaction, and autonomous tasks motivating Czech older workers to stay at work.

Key words: pre-retirement, employees 50+, HR practices

JEL Code: J16, J26, J28

Introduction

Reasons for losing a job in the Czech Republic (CR) include the termination of the employer's activities, organizational changes, or the transfer of his activities to another location. The population aged 50 and older belongs to job seekers who tend to have low self-esteem and have a negative experience from selection procedures when encountering prejudices about their competencies. Employees with specific qualifications and working for decades with a dominant employer in a small town or micro-region experience the stress of finding a new job and lose motivation. Their failures to get a new job to incite feelings of fear, lose confidence, are frustrated, have low self-esteem, and generally consider it their failure. Moreover, their strong connection to home, surroundings and social relationships in their place of residence plays

another role in their decision-making on dealing with it. For this group, involuntary unemployment and the idea of commuting to work or moving to work represent the most significant stressors of life. They consider early retirement as a way out of this mentally very demanding situation. Since 2019, there has been an increase in many older workers retiring before reaching their full retirement age.

The post-covid recovery of the Czech economy is associated with a shortage of labor. Entrepreneurs perceive unemployment oscillating around 3.5% as full and usually look for new sources of labor, such as migrants from Eastern Europe or the group 50+. The latter is constantly growing among the economically active population in the CR, and, thanks to the Covid-19 measures, an increased number are retiring early. Employers often provide no incentive to retain this workforce, although they could benefit from their knowledge and experience until they are legally entitled to a pension. The situation gives themes to discuss the Czech economic and social environment and whether the state budget and pension systems will be sustainable when the workforce is aging and retiring early.

The paper aims to analyze factors that motivate workers to retire early and identify the changes in the development of early retirement in the CR since 2010. Research methods cover desk research based on analyzing data in the bibliographic database and statistics. The paper includes two parts: the first one provides a theoretical ground of pre-retirement using secondary sources in the Web of Science. The second one deals with analyzing statistic data published by the Czech Social Security Administration and focuses on retiring among the population aged 50 – 64 in the years 2010 – 2020.

1   Literature overview

Retirement represents a crucial stage in the human life cycle. Factors that motivate individuals to make early retirement decisions include personal reasons such as work, health and life events, and external forces. Subjectively perceived quality of working life becomes a strong motive for engagement or a negative factor leading to burnout and ill-health. Employees in their professional development go through several life stages, when they change their labor behavior, adapt work motivation, attitude to work, and overcome critical emotional states (Fedorova et al., 2018). Beehr's model characterizes a perception of early retirement by a person starting with a preference for early retirement. It continues with early retirement intentions and ends with adjusting to the new life stage brought on by deciding to withdraw permanently from working life (Beehr, 1986). Governments need to predict (1) the causes of employees' decisions to retire

early and (2) the effects of retirement on the lives of retirees and their employing organizations (Ibid.).

Rising living standards and quality of health care in developed economies increase the average age and prolong the population's outlook on life expectancy (Arltová et al., 2013). Despite the warnings of policymakers about the consequences of an aging population, European employers are not yet formulating strategies that promote active aging and habitually using exit strategies (van Dalen et al., 2015). 'Involuntary' early retirement results from employment constraints due to unemployment or job reduction caused by economic measures such as restructuring an industrial sector or a business. It particularly becomes widespread in Continental Europe when countries undergoing economic recessions and, due to strict employment protection legislation, have higher shares of 'involuntary' retirements in the group aged 50 and older employees (Dorn & Sousa-Poza, 2010). However, research on age-related factors in managing older workers is still limited (Kooij et al., 2008). Applied HR policies and practices with low regard to age and motivation harm the willingness of older workers to work and remain active in the labor market (Schalk et al., 2010).

Adverse work- or health-related factors detected in middle age predict subsequent early retirement intentions. Poor quality of work, i.e., effort-reward imbalance combined with low control at work, and reduced well-being, i.e., perception of self-assessed health, depressive symptoms, general symptom load, and quality of life, become factors that motivate to retire early from work (Siegrist et al., 2008). The significant factor among the psychological job stressors relates to low autonomy in job tasks, which supports developing an HR policy reducing early retirement due to better work conditions, mainly increasing job control (Blekesaune & Solem, 2005). In addition, self-assessed poor health strongly predicts the intention to exit work due to mental disorders, musculoskeletal disorders, and cardiovascular diseases (Karpansalo et al., 2004). A specific influence on deciding to retire early or work has gender. Women usually tend to retire before the legal pension age, mainly if they have negative perceptions about the work, quality of work, and life satisfaction; however, men have good self-rated workability and perceived good health intent to work if possible (von Bonsdorff et al., 2010).

Different attitudes to early retirement can find among late-career managers. For example, Herrbach et al. (2009) identify that their intention to voluntary early retirement can change by providing training opportunities that lead to higher organizational loyalty and higher-sacrifice commitment; however, flexible working conditions and the assignment of older managers to new roles, like a mentor or a coach, do not result to the expected positive effects.

Employers traditionally have a fear stemming from higher costs and lower benefits connected with the employment of the older workforce. Unfortunately, data on older workers' costs are generally lacking; however, analyzing quantified and non-quantified benefits of older workers in Australia, Brooke (2003) compares recruitment, training, absenteeism, and work injuries of older to younger workers. Based on findings, he argues that net benefits occurred through recruitment and training benefits over the costs of absenteeism and work injuries, which support HR strategies of investments in older workers.

Results

Early retirement characterizes the number of paid pensions and the number of newly granted pensions, both for the group 50 - 64 for 2010 - 2020. The source is open data from the Czech Social Security Administration.

The numbers of paid ordinary old-age pensions and early retirement pensions give Tab. 1. In 2010, 362 035 recipients of ordinary pensions; in 2019, they count 188 149, and in 2020, showing 160 320. In 2010, 232 132 recipients received early pensions; in 2019, they are 130 895, and in 2020 early pensions represent 118 293. Over the decade, the share of early retirement changes to compare to ordinary pensions. The most significant shares were reached 0.951 in 2013 and 0.956 in 2014. In 2020, it was 0.738 and signified an increase related to 0.696 in 2019.

Tab. 1: Number of paid pensions in the group aged 50-64 by age category

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
S											
50-54	655	426	210	85	19	0	0	0	0	0	0
55-59	44011	37748	22725	14167	9526	9044	6217	3548	1530	1317	916
60-64	317369	306982	275822	245469	233565	230259	220955	208734	200754	186832	159404
Total	362035	345156	298757	259721	243110	239303	227172	212282	202284	188149	160320
ST											
50-54	539	757	635	542	451	354	289	213	113	6	4
55-59	61924	74751	59489	42293	30834	23104	16427	10824	7085	5263	3738
60-64	169669	193893	198883	204329	201057	190145	175828	160933	141385	125626	114551
Total	232132	269401	259007	247164	232342	213603	192544	171970	148583	130895	118293
$ST_{total}:S_{total}$	0,641	0,781	0,867	0,951	0,956	0,893	0,848	0,810	0,735	0,696	0,738

Source: Author. Based on CSSA data. https://data.cssz.cz/web/otevrena-data/katalog-otevrenych-dat.

S - Ordinary old-age pension granted upon reaching retirement age.
ST - Old-age pension granted before retirement age (early retirement) permanently reduced for premature.

The numbers of newly granted pensions according to ordinary old-age and early retirement cover Tab. 2. In 2010, the number of newly granted ordinary pensions for the 50-64 group was 68 279, 60 873 in 2019, and 44 695 pensions in 2020. The number of newly granted early retirement pensions is 30 087 in 2010, 27 867 in 2019, and 30 448 in 2020. An extraordinary year-on-year increase in early retirement is in 2011 compared to 2010, namely 2.5 times when newly granted early retirement pensions exceed the number of old-age pensions newly granted by 26.5%. From 2015 to 2019, the share of early retirement pensions to ordinary old-age ones ranges from 0.428 to 0.482. A significant increase to 0.681 in 2020 exists compared to 0.458 in 2019. The numbers of newly granted early retirement pensions for the group aged 50-64 boost substantially in unfavorable economic developments as shown by their numbers in 2011 and 2020.

Tab. 2: Number of newly granted pensions for the group aged 50-64

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
S-total	68 279	60 504	39 173	45 026	52 724	68 797	61 132	55 654	56 245	60 873	44 695
ST-total	30 087	76 563	20 815	27 917	30 366	29 443	27 682	26 849	24 702	27 867	30 448
ST:S	0,441	1,265	0,531	0,620	0,576	0,428	0,453	0,482	0,439	0,458	0,681
$ST_n:ST_{n-1}$	x	2,54	0,27	1,34	1,09	0,97	0,94	0,97	0,92	1,13	1,09

Source: Author. Based on CSSA data. https://data.cssz.cz/web/otevrena-data/katalog-otevrenych-dat.

S - Ordinary old-age pension granted upon reaching retirement age.
ST - Old-age pension granted before retirement age (early retirement) permanently reduced for premature.

The newly granted early retirements vary according to gender - see Tab. 3. Women aged 50-54 do not retire early in 2012-2020. Their departures show enormous numbers in 55-59, especially in 2010-2016. In general, this age group always has significantly higher numbers of women than men, who intend to early retirement in 60-64.

Tab. 3: Number of newly granted pensions by gender in the group aged 50-64

ST	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total											
50-54	361	513	211	239	197	145	188	211	229	223	2
55-59	17 136	42 054	12 943	12 704	13 484	12 592	10 900	8 211	5 309	4 805	3 115
60-64	12 590	33 996	7 661	14 974	16 685	16 706	16 594	18 427	19 164	22 839	27 331
Man											
50-54	328	451	211	239	197	145	188	211	229	223	2
55-59	2 997	5 393	2 912	197	185	220	307	205	130	162	389
60-64	12 371	33 425	7 436	14 306	15 353	15 308	13 958	14 324	13 418	15 686	16 395

Woman											
50-54	33	62	0	0	0	0	0	0	0	0	0
55-59	14 139	36 661	10 031	12 507	13 299	12 372	10 593	8 006	5 179	4 643	2 726
60-64	219	571	225	668	1 332	1 398	2 636	4 103	5 746	7 153	10 936

Source: Author. Based on CSSA data. https://data.cssz.cz/web/otevrena-data/katalog-otevrenych-dat.

S - Ordinary old-age pension granted upon reaching retirement age.
ST - Old-age pension granted before retirement age (early retirement) permanently reduced for premature.

Conclusion

Long-term forecasting of demographic development is essential for political and economic decisions regarding social support and the pension system. The last decade also shows a need to design HR policies for sustainable economic development about the perceived quality of working life of the economically active population aged 50-64. The employees threatened by unemployment and being under the influence of a professional development crisis reduce their job motivation and search for an escape. A slightly generous social security system and a personal crisis cause reduced effectiveness for employers as skilled workers intend to pre-retirement. Society and employers need efficient management tools to intervene in the HRM system and to impact the workforce behavior.

Studies from the Web of Science provide valuable guidance for analyzing the intentions of the economically active population aged 50-64 in the CR in 2010-2020 regarding pre-retirement. Data on the number of paid pensions and the number of newly granted pensions by age groups and gender show that the recession or crisis of the economy has the following implications on making decisions:

- a significant increase in the number of early retirements in the group aged 50-64,
- early retirement shows significant differences by gender and age group,
- a tendency exists leading to an increased share of early retirement pensions to ordinary old-age pensions among 50-64 aged population.

Research on the topic of early retirement in the Czech population requires, in addition to a deeper analysis of CSSA data, to link results with research on the quality of life and quality of working life. It is necessary to identify the factors influencing the decision-making of this group to set HR policies and practices that would motivate the workforce to remain in the labor market until the period of retirement. Any change in this direction requires creating a system of tools that would help change employers' attitudes in both the business and non-business sectors towards the 50+ group. It is a matter of moving from proclamations that robotics, retraining,

and lifelong learning will extend the 50+ of the labor market to well-thought-out and concrete policies. Their purpose must be to invest in the quality of working life, in job ergonomics, in promoting the massive application of individualized and flexible working time arrangements, in lifelong learning, and in the balance between work effort and wages.

References

Arltova, M., Langhamrova, J. & Langhamrova, J. (2013). Development of life expectancy in the Czech Republic in years 1920-2010 with an outlook to 2050. Prague Economic Papers, 22(1), 125-143. DOI: 10.18267/j.pep.444

Beehr, T.A. (1986). The process of retirement: a review and recommendations for future investigation. Personnel Psychology, 39(1), 31-55. https://doi.org/10.1111/j.1744-6570.1986.tb00573.x

Blekesaune, M., & Solem, P.E. (2005). Working conditions and early retirement – a prospective study of retirement behavior. Research on Aging, 27(1), 3-30. https://doi.org/10.1177/0164027504271438

Brooke, L. (2003). Human resource costs and benefits of maintaining a mature-age workforce. International Journal of Manpower, 24(3), 260-283. https://doi.org/10.1108/01437720310479732

Czech Social Security Administration (CSSA), https://data.cssz.cz/web/otevrena-data/katalog-otevrenych-dat, last accessed 2021/10/23.

Dorn, D., & Sousa-Poza, A. (2010). 'Voluntary' and 'involuntary' early retirement: an international analysis. Applied economics, 42(4), 427-438. https://doi.org/10.1080/00036840701663277

Fedorova, A., Koropets, O. & Gatti, M. (2018). Before and after treatment analysis based on a quali-quantitative approach: coaching intervention. 17th European Conference on Research Methodology for Business and Management Studies (ECRM). In Demartini, P. & Marchiori, M. (Eds.). Proceedings of the 17th European Conference on Research Methodology for Business and Management Studies (ECRM 2018), Academic Conferences and Publishing International Limited, 139-147.

Herrbach, O., Mignonac, K., Vandenberghe, C., & Negrini, A.(2009). Perceived HRM practices, organizational commtment, and voluntary early retirement among late-career managers. Human Resource Management, 48(6), 895-915. https://doi.org/10.1002/hrm.20321

Isaksson, K., & Johansson, G. (2000). Adaptation to continued work and early retirement following downsizing: Long-term effects and gender differences. *Journal of*

Occupational and Organizational Psychology, 73(2), 241-256. https://doi.org/10.1348/096317900167001

Karpansalo, M., Manninen, P., Kauhanen, J., Lakka, T.A., & Salonen, J.T. (2004). Perceived health as a predictor of early retirement. *Scandinavian Journal of Work Environment & Health, 30*(4), 287-292. https://doi:10.5271/sjweh.796

Kooij, D., de Lange, A., Jansen, P., & Dikkers, J. (2008). Older workers' motivation to continue to work: five meanings of age. A conceptual review. *Journal of Managerial Psychology, 23*(4), 364-394. https://doi.org/10.1108/02683940810869015

Schalk, R., van Veldhoven, M., de Lange, A. H., De Witte, H., Kraus, K., Stamov-Roßnagel, C., Tordera, N., van der Heijden, B., Zappalà, S., Bal, M., Bertrand, F., Claes, R., Crego, A., Dorenbosch, L., de Jonge, J., Desmette, D., Gellert, F. J., Hansez, I., Iller, C., . . . Zacher, H. (2010). Moving European research on work and ageing forward: Overview and agenda. *European Journal of Work and Organizational Psychology, 19*(1), 76–101. https://doi.org/10.1080/13594320802674629

Siegrist, J., Wahrendorf, M., von dem Knesebeck, O., Juerges, H., & Borsch-Supan, A. (2007). Quality of work, well-being, and intended early retirement of older employees - baseline results from the SHARE Study. European Journal of Public Health, 17(1), 62-68. https://doi.org/10.1093/eurpub/ckl084

van Dalen, H.P., Henkens, K., & Wang, M. (2015). Recharging or Retiring Older Workers? Uncovering the Age-Based Strategies of European Employers. *Gerontologist, 55*(5), 814-824. https://doi.org/10.1093/geront/gnu048

von Bonsdorff, M.E., Huuhtanen, P., Tuomi, K., & Seitsamo, J. (2010). Predictors of employees' early retirement intentions: an 11-year longitudinal study. *Occupational Medicine*, *60*(2), 94–100. https://doi.org/10.1093/occmed/kqp126

Contact

Zuzana Dvorakova

University of Chemistry and Technology, Prague, School of Business

Technická 5, 166 28 Prague 6

Zuzana3.Dvorakova@vscht.cz