

# The costs of Age Management in agricultural companies

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**Abstract:** In view of the strengthening demographic trend of ageing of the population and the pension reform underway in the Czech Republic, the problem of Age Management, which focuses on the management taking into account the age of employees, has become very current from the perspective of securing manpower. The agricultural sector has also long been facing problems in the area of manpower. Therefore, the aim of the article is to analyse and evaluate the costs for supporting the Age Management in agricultural businesses and to propose measures leading to the effective utilization of these analysed financial means. The data were acquired on the basis of a quantitative survey with the aid of a questionnaire survey in agricultural businesses in the Czech Republic (the number of businesses:  $n = 436$ , the number of agricultural businesses:  $n_z = 103$ ). One of the conclusions of the article is that 24.3% of the approached agricultural businesses are implementing the Age Management. These are primarily small and medium agricultural businesses with up to 50 employees, which incur in average 6 to 10% of operational costs in relation to the gained profits on the application of the Age Management principles.

**Key words:** agriculture, demography development of population, direct and indirect cost, employees, hypothesis, Czech Republic

Surveys state (Čechura 2010, 2012), that Czech agriculture experienced several institutional and economic changes in the last two decades and these changes had a significant influence on the performance, the structure and size of Czech agriculture. One of the production factors influencing Czech agriculture is labour (wage costs and annuity) and the connected areas of employment which are influenced by the demographic development of the population (Smrčka and Arltová 2012).

The results of authors Bejkovský (2012), Smrčka and Arltová (2012) show that the society is ageing in developed countries. This is a phenomenon which connects all individuals regardless of the nationality, living conditions and other differences. Life expectancy is growing in developed European countries as a result of living conditions and the current trends; on the other hand, however, the birth rate is decreasing (CSA 2014; OECD 2014). It is necessary to be aware of the fact that these demographic changes

influence the operation of the society and the performance of individual businesses, regardless of the area of enterprise, due to the lack of economically active inhabitants. The problem of worker numbers is also reaching Czech businesses operating in the agricultural sector (National Training Fund 2014).

One of the possible solutions to the problem of worker numbers, not only in agriculture, is to increase the number of economically active inhabitants so as to involve in the work process as many persons as possible of the active age who are capable of working and wish to work. The focus not only on the young (graduates), but also on the generation of senior citizens is the issue. In the scope of solving this need for workers, many countries – and the Czech Republic is no exception – have resorted to increasing the age limit for retirement. The results of the research by Bejkovský (2012), Cimbálníková et al. (2012) and Ng and Law (2014), however, show that this is merely a partial solution of this complex

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problem. For the success of change, it is necessary to utilize especially the ability of the businesses to manage this area effectively and to utilize the potential which is available in the labour market. Using this potential is influenced by many factors which are the focus of the Age Management concept. The goal is to confront the consequences of demographic changes successfully and to increase the active age of the population. The Age Management and its strategies focus both on the societal and organizational level.

The Age Management is connected with the funds for the application thereof; the amount, however, is not high (Reibová 2012). In the scope of the Age Management, it is necessary to reflect financial costs for the inability to work (Galea et al. 2014), the loss of the critical knowledge of workers who retire (Urbancová 2012) and the connected costs for training a new worker (Stacho et al. 2013), the costs for developing the environment in which the business circulates, the manner of thinking, technology (Štorová 2013) and the rights for deepening the knowledge connected with it (Lišková and Tomšík 2013). According to Štorová and Fukan (2012), the problems stem from the above-mentioned as regards the availability of manpower, as the strong population age groups are followed by weaker ones, and a lack of manpower often results.

Therefore, the aim of the article is to analyse and evaluate the costs for supporting the Age Management in agricultural businesses and to propose measures leading to an effective utilization of these analysed financial means. A partial theme is to test the dependence between the set qualitative characteristics.

The first part of the article presents the theoretical background together with the comparisons of secondary resources. The chapter Results and Discussion includes an analysis and synthesis of the survey targeted at the application of the Age Management in agriculture companies in the Czech Republic and identifies the cost of its application in agriculture. A comparison of the results with results of similar surveys conducted abroad and the draft recommendations are also included in this chapter.

## **THEORETICAL BACKGROUND OF THE WORK**

The Age Management focuses on all age groups; most attention, however, is devoted to the most threatened group, i.e. people at the age of 55+ (Cimbálníková

et al. 2012). The Age Management is a form of management which is suitable for application in all economic sectors. The area of agriculture is one of the areas in the Czech Republic where an adverse age structure of the manpower has long been prevalent. Data from the CSO (2011; 2014) show that the agricultural sector requires an acceleration of the generational exchange and an improvement of the quality of manpower in accordance with the growing requirements on the quality of agricultural production. The number of older persons is increasing annually and it is truly necessary to use them to the fullest extent as a labour force contributing to the economic growth (Štorová and Fukan 2012).

The European Union has been working for over fifteen years on strategies which regard the involvement of older employees in the work process; the experts, however, have drawn attention to the fact that specific instruments and the practical implementation thereof are still stumbling behind theories. According to them, it is necessary – besides the anti-discriminatory measures or the description of risks of the inter-generational tension – to motivate employers to implement the principles of the Age Management which will be rooted in the personnel policies of businesses (Polčáková 2012).

There can be no doubt that the greatest capital of each person in their working life is their ability to work (health, moral, professional) which, however, changes in the course of life (Štorová 2013). The ability to work is also grounded in the quality of work and the continuance of older people in the work process given an adequate stimulation from the organization side (Ziekemeyer 2005). In order to be able to maintain the ability to work, it is necessary to find a balance between the work and personal resources (priorities, professional knowledge and skills) (Štorová and Fukan 2012). Older workers are carriers of knowledge which has to be preserved in a business (Urbancová 2012). In cases of training new workers, it is necessary to transfer the knowledge between the generations of employees. This, however, entails direct and indirect costs, which have to be incurred in each business to train a new employee in the event of an experienced employee's retirement or departure to another business. In the scope of direct costs, the costs which have to be incurred on entrance courses, training of new employees, brochures, loss of knowledge caused by the premature departure are at issue. In terms of indirect costs, this entails expenses on the motivation programs, the

teambuilding in the last year in which this employee worked in the given business, the reduced performance of new employees until they are familiar with the job, the outflow of knowledge, the transfer of the crucial knowledge to the competition, the reduction of work performance over the estrangement period etc. (Vnoučková 2013).

Costs connected with the entrance of a new employee to an agricultural business are connected with the pertinent work focus on the plant or animal production. In the case of work placement in the field of plant production, this would entail costs connected with training workers in relation to the work activities with the agricultural machinery. Workers would have to be trained in the area of work safety and driving authorization. The above-mentioned training has to be arranged periodically by the agricultural business. It is probable that workers in the plant production also have to complete the training in connection with the protection of the environment, given the use of chemical agents for the fertilization and the protection of agricultural crops or the propellant material which could damage the health of people and burden the environment if used improperly.

The employees working in the animal production have to be trained in the area of work safety with the farm animals. Other activities of employees in the animal production have to be substantiated by the completion of training which concerns the prevention of transmission, suppression and eradication of the infection of farm animals and zoonoses in the scope of the agricultural business as well as their transfer to other locations.

On the basis of theoretical departure points, preconditions have been set and will be surveyed and evaluated in the scope of the article:

- (1) Agricultural businesses which apply the Age Management in the Czech Republic do not incur more than 5% of operational costs (in relation to profit) on its implementation.
- (2) Employer incentives in the area of the Age Management are not welcome by the employees.
- (3) Employment of older persons in agricultural businesses does not have an impact on increasing the wage funds (higher wages as a result of the numbers of worked years in comparison to the work done).

The above-mentioned assumptions will be verified in the practical part of the article on the basis of realization of a primary survey.

## MATERIALS AND METHODS

The article has been drawn up using scientific methods, in particular logical methods, such as analysis, synthesis, induction and deduction. The theoretical background was based on the analysis of secondary sources, studying scientific articles from the Age Management and Human Resource Management field.

The analysed data were gained by carrying out a quantitative survey, with the aid of questionnaire techniques of data collection in the scope of agricultural businesses. This was an intentional selection, where agricultural businesses in the scope of the Czech Republic were approached. A total of 436 businesses participated in the questionnaire survey, a total of 103 of which were agricultural businesses. Only 1 respondent was approached in the bounds of one business. The person who is responsible for the operation of the business (e.g. a line manager, business proprietor and so forth) completed the questionnaire for the business.

The structure of the investigated businesses was as follows:

- according to the size of the agricultural business (according to the number of employees): 68% small businesses (up to 50 employees), 26.2% medium businesses (51 to 249 employees), 5.8% large businesses (over 250 employees);
- according to the number of businesses in the category of 55+ (Cimbálníková et al. 2012) see Table 1.

Dependencies between the selected qualitative characteristics were ascertained in the scope of the research; these were:

Table 1. Number of employees in the category 55+

Category	Absolute frequencies	Relative frequencies (%)
0–5%	19	18.5
6–10%	15	14.6
11–15%	16	15.5
16–20%	15	14.6
21–30%	16	15.5
31–40%	9	8.7
41–50%	7	6.8
51% and more	6	5.8
Total	103	100.0

Source: own survey

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- H01: Application of the Age Management does not depend on the size of the business.
- H02: Application of the Age Management does not depend on the number of employees in the 55+ category.

Primary data in area of the Age Management was evaluated using the tools of descriptive statistics. Within the frame of descriptive statistics, the following tools were used: the absolute and relative frequency, the non-parametric Chi-square test and the level of dependence were measured based on the Cramer's V. If the  $p$ -value calculated by means of the  $\chi^2$  test (Pearson Chi-Square) was lower than the selected level of significance  $\alpha = 0.05$ , the null hypothesis was rejected, a scale according to De Vaus (2002) was used. To evaluate the data, the IBM SPSS Statistics 21 and the MS Excel 2007 were used.

There are used the acronyms in the paper: AM = Age Management; CSO = Czech Statistical Office, P = precondition.

## RESULTS AND DISCUSSION

The results of the quantitative survey are evaluated in the scope of the Results and Discussion chapter; costs for the AM are evaluated and the recommendations are proposed for agricultural businesses.

### The current situation in Czech agrarian companies

On the basis of results of the survey that was carried out, it can be asserted that a total of 24.3% of agricultural businesses support the AM principles. These are primarily small businesses of up to 50 employees (44%) and medium businesses (44%). The majority of agricultural businesses (75.7%), however, do not apply the AM. These are mostly businesses of up to 50 employees (84.3%); the situation is balanced in large agricultural businesses (50%). The dependence between the implementation of the AM activities and the number of employees in the 55+ category is shown in Table 2.

In agricultural businesses which currently apply the AM, the level of operational costs in relation to the profit they incur on the AM principles was ascertained. The situation varied in the scope of the investigated businesses. A total of 33.3% of busi-

nesses do not expend any funds on the AM. These are primarily small businesses (50%), followed by the medium businesses (38%). A total of 41.7% of businesses invest 2 to 5% of the profit (mostly small agricultural businesses – 60%); furthermore, 20.8% of the businesses circulate within the range of 6 to 10%, and only 4.2% of the businesses invest within the range of 11 to 20% on the AM (a medium business which employs 6 to 10 % of employees in the 55+ category). Businesses do not invest more than 20% of the profit into applying the AM.

In the scope of the survey in the monitored agricultural businesses, it was found that 88% of the businesses with the AM use stimulatory incentives by the employer to motivate the employees aged 55+. Likewise, the employees as such evaluate this area positively and perceive it motivationally in the scope of their work performance. Only 12% of the businesses are not currently using stimulatory instruments for the monitored employee category. It could be recommended that the businesses focus on the broader spectrum of stimulatory incentives which can be used at present. For instance, this concerns the area of healthcare, restructuring of work positions, the development of the work environment, the adaptation of the work organization (transferring workers to another, more suitable work position), the adaptation of the work program, e.g. the adjustment of the work environment or working hours, the work ergonomics (limitation of the physical burden of the employees), the development of the intergenerational cooperation – the intergenerational learning and, last but not least, the development of a personal strategy

Table 2. Contingency table in absolute frequencies

Number of employees in category 55+	Age management implemented		Total
	yes	no	
0–5%	4	15	19
6–10%	6	9	15
11–15%	4	12	16
16–20%	4	11	15
21–30%	3	13	16
31–40%	4	5	9
41–50%	0	7	7
51% and more	0	6	6
Total	25	78	103

Source: own survey

Table 3. Contingency table in absolute frequencies

Size of organization	Direct cost (CZK)				total
	0–999	1 000–5 000	5 001–10 000	10 001–20 000	
Up to 50	0	9	1	1	11
51–249	2	3	4	2	11
250 and over	1	1	1	0	3
Total	3	13	6	3	25

Source: own survey

that takes into consideration the AM needs – planning the manpower structure with respect to the age diversity and the support of age-positive policies. Incentives are mostly used in small businesses (50%), followed by medium businesses (40.9%). These are mostly businesses employing 6 to 10% of employees in the 55+ category (22.7%), then the businesses employing 16 to 20% of employees in the 55+ category (18.1%) and the total of 31–40% employees in the 55+ category (18.1%).

The majority of the monitored businesses (76%) stated that employing older employees does not have an impact on increasing wage funds in the given business. The majority of businesses whose representatives stated this fact employ 51 to 249 employees (52.6%) and have between 6 to 10% employees in the 55+ category. Contrariwise, 66.7% of small businesses see this negative aspect in the costs. The majority of business representatives who were approached likewise stated that employing older employees does not influence the wage amounts with respect to the number of years worked in comparison to the work done. Only 24% of the representatives in an agricultural business stated that an increase in the wage funds occurs, which the company management does not, however, view as negative. In 33.3% of businesses (small businesses, employing up to 10% of employees in the 55+ category, are at issue), an increase in the wage funds by 2 to 5% occurs; an increase by 6 to 10% (small businesses) occurs in 16.7%; in another 16.7 percent, an increase by 11–20% (likewise among the small and medium businesses) occurs, and last but not least, in 33.3 percent, there is an increase by more than 21% (in large businesses employing up to 10% of employees in the 55+ category).

No high fluctuation has occurred in the surveyed businesses over the course of years, which is a positive finding. The level of fluctuation is around 5% inter-annually, which can be considered to be a natural level of fluctuation. The most frequent group of employees

fluctuating to another field are young people in the 18–30 year category (54.4%). This situation is primarily connected with the adverse wage conditions which have been appearing in agriculture over a long period (CSO 2014). However, if the employees leave to other branches or retire, it is necessary to find and introduce a new employee to his/her work. This involves costs which the business has to incur on entrance courses and training the new employee. All direct costs involved in training a new employee to be capable of doing his/her work are at issue. The largest group of businesses (52%) expend between CZK 1000 and 5000 on training a new employee, followed by 24% of businesses which expend a total of CZK 5001 to 10 000 to train a worker. 12% of businesses expend over CZK 10 000 (a maximum of CZK 20 000 per worker, however), and contrariwise, the identical 12% do not expend any funds to train a new employee. The highest direct costs (over CZK 10 000) are incurred by the businesses which employ up to 10% of employees in the 55+ category. The dependence between the size of the business and direct costs incurred is illustrated in Table 3.

In the case of the amount of indirect costs which have to be incurred by a business to train a new employee in the event that an experienced employee leaves to another business or retires, the companies most frequently belong to the category of up to CZK

Table 4. Contingency table in absolute frequencies

Size of organization	Indirect costs (CZK)			total
	up to 50 000	50 001–100 000	100 001–150 000	
Up to 50	9	2	0	11
51–249	8	0	3	11
250 and over	1	1	1	3
Total	18	3	4	25

Source: own survey

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50 000 per employee (72%). Indirect costs include the training and motivation programs and teambuilding in the last year this employee worked at the given business, as well as a reduced performance of new employees until they are familiar with the job, the outflow of knowledge and the transfer of crucial knowledge to the competition, and, last but not least, also the reduction of the work performance during the time until the employee really leaves the business. Generally, indirect costs are in the vicinity of amounts of CZK 50 000 to 100 000 in 12% of businesses, and in 16% of businesses it ranges between CZK 100 001 to 150 000 per employee. The dependence between the size of the business and direct costs incurred is illustrated in Table 4.

Over CZK 50 000 of indirect operational costs are incurred mostly by businesses employing 16 to 20% of employees in the 55+ category (66.7%). Indirect costs of over CZK 100 000 per employee pertain to businesses employing 31 to 40% of employees in the 55+ category.

On the basis of the results, it can be summarized that:

- P1: The majority of agricultural businesses which apply the Age Management in the Czech Republic (75%) do not incur more than 5% of operational costs (in relation to profit) on its implementation.
- P2: The employer incentives in the area of the Age Management are welcome by the employees in the majority of businesses and are viewed as motivational (88%).
- P3: Employing older employees in agricultural businesses has no impact on increasing the wage funds (76%).

Incorporating the Age Management into the enterprise presents a new modern management strategy in which not only the economic interests of the business, but also the demographic and social interests of the business are included. The promotion of the Age Management is grounded in the effective utilization of the working potential of employees of all age categories, on increasing their qualifications and skills. This leads to strengthening the employees' trust in the business, improving the communication within and outside the business, which can be observed in the relationship between applying the modern management strategies and the economic prosperity. This concept could be an asset for a positive bond between the stakeholders and strengthens trust in the business, and, last but not least, builds the employer's brand.

The increasing trust in the brand and image of the business is reflected in the competitive advantage and, among others, leads to strengthening the position in the sense of a high-quality employer, which has been confirmed by the research of Love and Singh (2011); Königová and Urbancová (2013). The exercised concept also contributes to increasing the company culture, to establishing the mutual trust in the employee-employer bond and limiting the frequent employee fluctuation, which has been confirmed by Vnoučková (2013) and Mohr et al. (2011). It can be summarized that the above-mentioned attributes can at present be understood as being inseparable from the activity of the business, and thanks to them, a significant influencing of activity in relation to business activity results.

At present, it can be asserted that the best business from the entire range of successful ones is the one which is attractive and active in caring for its employees and creating the best working and extra-work conditions, which is the focus of the Age Management and the Diversity Management. Business representatives are already becoming aware of the fact that the success of businesses largely depends on satisfied the employees. Such businesses react to the needs of the internal and external environment, they are transparent and adapt to changes also in the scope of the population demographic development. It can be asserted that the Age Management is an area with great prospects for the development of businesses of all sectors and sizes, which is confirmed also by Zacher's research (2013).

## VERIFICATION OF THE RESULTS

The following statistical hypotheses were verified in the scope of searching for the factors which could influence the application of the Age Management not only in agricultural businesses:

Table 5. Contingency table in absolute frequencies

Size of organization	Age Management application		Total
	yes	no	
Up to 50	64	173	237
51–249	32	77	109
250 and over	38	52	90
Total	134	302	436

Source: own survey

Table 6. Contingency table in absolute frequencies

Number of employees in category 55+	Age Management application		Total
	yes	no	
0–5%	28	100	128
6–10%	26	60	86
11–15%	25	40	65
16–20%	19	34	53
21–30%	21	32	53
31–40%	10	10	20
41% and more	5	26	31
Total	134	302	436

Source: own survey

- (1) Application of the Age Management does not depend on the size of the agricultural business.
- (2) Application of the Age Management of businesses does not depend on the number of employees in the 55+ category.

Contingency tables which illustrate the number of the individual category combinations were compiled for both hypotheses (Tables 5 and 6).

On the basis of testing the dependencies between the selected qualitative indicators, where the  $p$ -value was  $0.027 > 0.050$ , it can be asserted that the  $H_01$  was rejected and the strength of dependency is Cramer's  $V = 0.129$  (low).

On the basis of the above-mentioned, it can be said that the application of the Age Management in businesses depends on the size of the business.

The results show that the  $p$ -value was lower than 0.05 ( $p = 0.015$ ), which is why the zero hypothesis ( $H_02$ ) can be rejected and an alternative hypothesis can be accepted. The application of the Age Management in agricultural businesses depends on the number of employees in the 55+ category. The strength of dependency is according to Cramer's  $V = 0.190$  (low).

## DISCUSSION

On the basis of results from the countries (e.g. Scandinavian countries such as Norway, Sweden, and Finland) which have long been devoting attention to the given problem, one can also draw the inspiration in the Czech Republic, which has a demographic character similar to that of Finland (CSO 2014), and

to follow the principles applied in these countries. It is clear that the information on the Age Management is presently spreading in the Czech Republic and its principles are being asserted in practice both locally and in the sectors; this cannot, however, be considered to be a systematic approach. Thanks to the National Action Plan for the support of positive ageing for the period of 2013–2017, it should be the goal of all businesses to concern themselves with these principles, regardless of the differences in the number of employees or the business sector.

The main recommendations are:

- to create a collective of workers with respect to the age diversity => the utilization of career planning and mentoring,
- to make the agricultural sector more attractive for young workers => e.g. in the form of promotion in agricultural businesses, the support of employees and their personal development,
- to stimulate the present generation of farmers => flexible forms of work (flexible length and content of work which will suit the rhythm of each worker), the management of changes,
- to appeal for a change in the approach of companies and all businesses to older workers and to support the inter-generational cooperation not only in the agricultural sector => the retirement strategy (business), the retirement plan (employee), arranging the continuity of knowledge (business, employee),
- to increase the awareness of business representatives that it is not a matter of the employee age (where there is a constant “young” collective trend), but of the knowledge and skills which the older generation has. In the area of agriculture, this group of older workers is absolutely indispensable according to the development of the numbers of those working in agriculture and their age structure (CSO 2014).

In the scope of businesses in the Czech Republic, including the agricultural sector, there is a prevalence of myths, according to Reibová (2012); among them, that this is not an acute, but a future problem; that older workers take work from the young people; that older people are unwilling to learn and work on themselves, and, last but not least, that older people do not belong to the young, dynamic collectives. The opposite is true, however, and this applies far more to the agricultural sector than in other economic areas. Reality, however, is such that the principles of the Age Management are mostly being focused on by the companies in the industrial sectors, e.g. the Škoda a.

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s. or the Motorpal a. s. or the banking sector. In the scope of agriculture, mostly businesses which do not apply systematic principles of the Age Management are in question, although it can be asserted that they try to behave according to the principles.

The relatively narrow focus on the agriculture sector, which is very specific for the Czech Republic, can be considered to be beyond the limits of the article. As a result, the surveys will be repeated and the future research will also be broadened to all economic sectors according to the CZ-NACE, and the specific contributions of the Age Management (not only from the financial perspective), the benefits of which will continue to increase thanks to the demographic development (which Cimbálníková et al. 2012 also confirm), will likewise be ascertained.

## CONCLUSION

Certain prognoses on the demographic development have started to be confirmed; nevertheless, in the Czech Republic, the Age Management in the agricultural sector is still a relatively unknown concept both in its theoretical and practical form. The investigation results have shown that the majority of agricultural businesses (75.7%) do not apply the Age Management. If they do carry it out, it is usually small agricultural businesses that are at issue, which incur on average 6 to 10% of operational costs on this management. These are businesses which to a large extent (88%) utilize stimulatory incentives to motivate all categories of employees and are aware of the amount of direct costs (in average between CZK 1000 to 5000/1 employee in small businesses) and indirect costs (in average up to CZK 50 000/1 employee in small and medium businesses) which are connected with the training and departure of experienced workers. 76% of the monitored businesses stated that employing older employees does not have any impact on increasing the wage funds in the given business. It was found that applying the Age Management depends on the size of the business ( $p$ -value = 0.027, Cramer's  $V$  = 0.129, low dependency) and depends on the number of employees in the 55+ category ( $p$ -value = 0.015, Cramer's  $V$  = 0.190, low dependency).

Based on the results of the research, however, it can be asserted that the application of the Age Management principles will be indispensable in the future, which is confirmed also by Bejkovský's research

(2012). This research shows that the advantages stem for businesses in the scope of the given problem and likewise shows that the proposed solutions need not entail a disproportionate financial burden for the business. The results show that some of the measures can be accomplished without any high financial costs.

The theoretical contribution of the article lies in the verification of the theoretical contributions of the Age Management in the agricultural sector stated in the professional literature in comparison with the similar research on the given problem and its connection with the monitored characteristics (the agricultural sectors, size of the business according to employees) in the Czech business environment and proof of the relationship thereof.

The practical contribution of the article is a presentation of the cost level of businesses in agriculture when applying the Age Management and deducing recommendations for businesses which are not focusing on the problem at present.

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