

GLOBALISATION AND ECONOMIC POSITION OF SENIORS IN THE CZECH REPUBLIC

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Abstract. Demographic development is one of the current often-discussed concepts of the contemporary world. Demographic aging of the society has been affecting, to a greater or lesser extent, all countries since the mid-20th century, and according to long-term forecasts of the future, development of the total population and age structure, and the proportion of older people in the population will continue to grow. Even the projection of the Czech Statistical Office shows that the changes in the age structure of the Czech population will be very significant. The proportion of persons under the age of 15 will be reduced due to a decrease in birth rates, while the proportion of persons over 65 will show a significant increase. This article focuses on the economic status of seniors in the Czech Republic. The theoretical part defines the basic terms that related to this topic. As well, the article deals with the status of seniors in the labour market, the unemployment of older people and analyses the degree and structure of their employment. The analytical part of the paper analyses different types of income and expenditures of seniors. The data obtained has been analysed with a focus on prediction of the development of the economic situation of seniors. Finally, the economic situation of seniors in the Czech Republic is compared with selected EU countries, such as Slovakia, Germany and Sweden.

Keywords: Senior, income, expenditures, employment, economic position

JEL Classification: D12, D14, J21

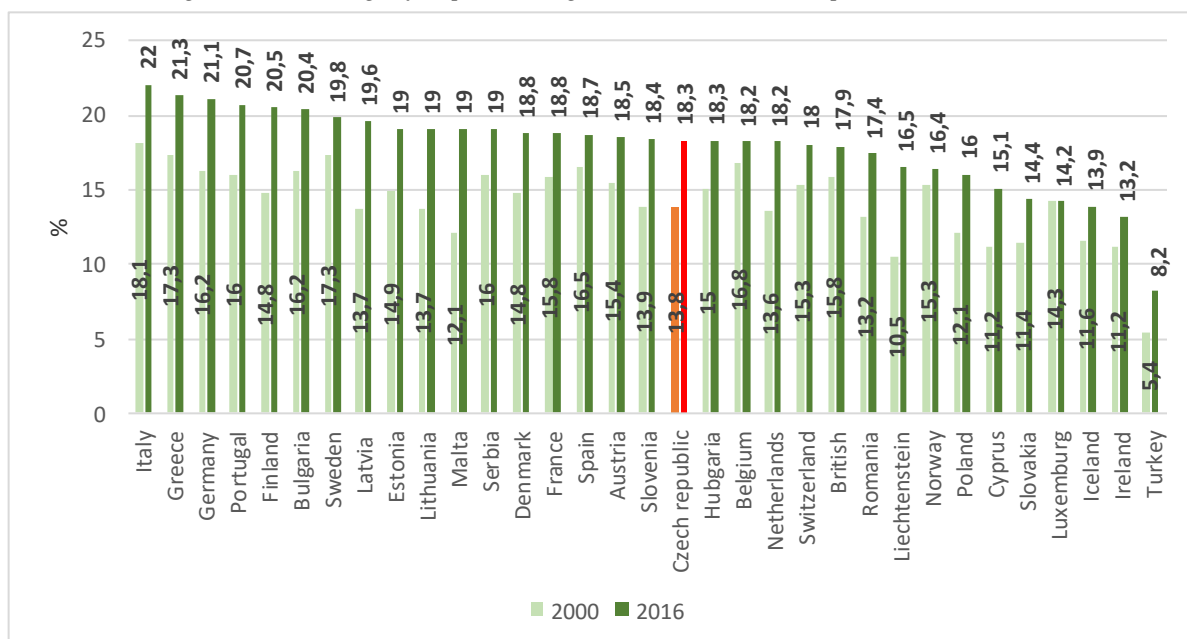
1. Introduction

Although humanity faces many changes in today's globalised environment, from the point of view of individual influence, demographic changes are the most important. The demographic aging of society has, to a greater or lesser extent, affected all countries since the mid-20th century, and according to long-term projections, the proportion of older people in the population will continue to rise (Bobro, 2018; Henefeld, 2018; Keinis, 2017). In the Czech Republic (CR), the proportion of the youngest population, aged 0-14, dropped from 24% in 1950 to 15% in 2016. On the contrary, the proportion of persons over 65 years of age increased over the same period by more than 10% while the proportion of persons over 85 years of age increased significantly. Among European countries, the Czech Republic ranks among the average in the proportion of persons over 65 years of age (see Figure 1). The

highest proportion of the population in the monitored group lives in Italy; the lowest the representation of this age group on the other hand is in Turkey.

It can be said that human demographic changes are positive, as mortality is declining over the long term, and the health and well-being of the population (including the elderly) is steadily improving at least in economically developed countries. Extending life expectancy in most countries today is one of society's greatest achievements. Opportunities for a more active life are expanding for aging people, improving the quality of their lives, and allowing them to better and longer realise their work potential and take part in social activities.

Figure 1: Percentage of Population Aged 65 and Over in Europe (2000 and 2016)



Source: (ČSÚ, 2017A, Author's own work)

On the other hand, however, these changes bring serious social dilemmas. With lifestyle changes, birth rates are decreasing over the long term, and the population generally is getting relatively older. The fact that people are living longer lives, with a normal life expectancy of around 85 years, is now becoming a burden on continuously funded pension systems in many countries, as well as being a financial and organisational burden on health services and social care (Goncharova & Degtereva, 2017; Husáková et al., 2018). Intensive technological changes are modernising a number of traditional professions, increasing the demands for their performance or retraining, and the employability of the elderly is consequently decreasing. Thus, the issue of old age is increasingly becoming a matter of existential concern related to the meaningfulness, quality, dignity, and autonomy of one's life as well as social participation (Rašticová et al., 2016). The UN Secretary-General at the time aptly formulated the situation and challenges that demographic change brought on the occasion of the Second World Assembly on Aging: "We are in the midst of a quiet revolution that far exceeds demographics with its fundamental economic, social, cultural, psychological and spiritual impacts" (Kofi Annan, 2002). In continuing this idea, the year 2016 was proclaimed the Year of King Lear in Great Britain, with an emphasis on the participation of older people against their segregation and exclusion, with an emphasis on keeping control in their own hands and rejecting an undue decline in the standard of living in their old age. And the question of assessing the

economic status of seniors in society and their standard of living is crucial in the context of the content of our article. The text of an article does not, of course, claim the presentation of the issue in its entirety, such as for example (Sardak et al., 2017; Reese et al., 2016; Pelcová et al., 2018; Lay & Bugueno, 2016). As part of our analysis, we have focused mainly on the assessment of key economic indicators such as income and expenditure of seniors, property ratios, labour market participation rates and the extent of the risk of poverty. The selected criteria of the economic position of seniors in the Czech Republic are further compared with those in selected EU Member States as well as with EU-wide average indicators.

2. Methods

With regard to the topical focus of this article, we will first clearly define the term “senior”, and then we will describe and evaluate, using selected statistical methods, the relevant data obtained mainly from the databases of the Czech Statistical Office (CSO), the Ministry of Labour and Social Affairs (MLSA) and Eurostat. For the description of the economic situation of the group of persons in question, data on income between 2010 and 2016 and expenditures of the elderly, the employment rate and unemployment rate of older people were collected, as well as poverty rates and other information characterising the standard of living of the group of persons concerned. The data obtained were arranged in a time series, which described development trends and predictions of future trends of the given indicators. To assess the links of some of the data analysed, the degree of their dependence was determined using a simple correlation coefficient. In addition, standard scientific methods, qualitative, quantitative and comparative data analysis with on-going synthesis based on the empirical-inductive method of cognition were used.

3. Analysis of the Economic Situation of Seniors in the Czech Republic

The term *senior* is not refined in Czech legislation, and, as in the rest of the world, there is no single statistical definition of the term. According to (Sak & Kolesarova, 2012), a senior is “*a person finishing off a life stage with a specific status in society*”. The CSO defines three basic age groups of the population: 0-14 years, 15-64 and 65+, in accordance with the customary practices of the United Nations. However, Eurostat uses slightly different population differentials in its databases: 0-15 years, 16-64 years and 65+. In selected outcomes observing the age structure of the population, the CSO uses a more detailed breakdown in the range of five-year age groups; in others the age of seniors is not defined at all, but it considers old-age pensioners as seniors, while the Czech Social Security Administration (CSSA) defines retirement age as “*acquiring the necessary period of insurance and reaching retirement age, or his/her derived age or the age of 65*” (CSSA, 2015).

The *retirement age* in the Czech Republic is not fixed but is continuously increased on the basis of valid legislation. In 2017, the retirement age for men is 63 years and 2 months; for women without a child, 62 years and 4 months, 62 years and 8 months or for births after 1 January 1955 and for women with two children, it is 60 years and 4 months, or 60 years and 8 months if the date of birth is after 1 January 1957. At the same time, the CSO identifies the economic and social changes in society especially with regard to families and households. The CSO groups of households are divided according to their heading: households of

employees, households of self-employed persons, households of retirees, households of unemployed and other households.

Due to the availability of data in the CSO and Eurostat statistics, this segmentation of households was used for the purposes of this article. Regarding the issue of re-employment of seniors in the labour market, the age group from 50 years and over was also included in the part of the outputs. This is due to the statistics of the Ministry of Labour and Social Affairs, which monitors this category, because these vulnerable groups also belong on the labour market.

3.1 Income of Seniors in the Czech Republic

The end of productive age and retirement represent, first and foremost, a significant drop in income from the economic point of view. In terms of their structure, 83% of the income of seniors in the Czech Republic is accounted for through social incomes (in particular pensions, disability insurance benefits, government social support benefits and other government social security benefits), 12.6% of total income is represented by income from a dependent activity, 2% by business income and 2.5% by other income. It is clear that in the structure of the total income of seniors, the basic and most stable part of social incomes is represented by, in particular, the proportion of retirement pensions, which accounts for 97% of their total amount.

Table 1: Recipients of Retirement Pensions by Age and Gender (CR, 2016)

Pension amount	Men		Women	
	Number	v %	Number	v %
Up to 4 999 CZK	7 834	0,94	16 647	1,75
5 000 CZK – 7 999 CZK	17 194	2,05	76 974	8,09
8 000 CZK – 10 999 CZK	156 889	18,74	518 352	54,50
11 000 CZK – 13 999 CZK	444 160	53,06	298 229	31,36
14 000 CZK – 16 999 CZK	180 386	21,55	32 544	3,42
over 17 000 CZK	30 646	3,66	8 330	0,88
Total	837 109	100,00	951 076	100,00

Source: (CSU, 2017 B, Author's own work)

The living standard of Czech seniors is thus largely dependent on the current amount of their old-age pension. In the Czech Republic, as in most other European countries, these are based on ongoing funding and intergenerational solidarity. No funds are created in this system; the contributions are immediately redistributed and paid to the beneficiaries. The data in the table (Table 1) show the distribution of old-age pensions to their recipients according to their amount and gender in 2016. During this period, the average monthly amount of retirement pension in the Czech Republic was 11, 475 CZK. A significant difference in the amount of retirement pension paid is obvious between men and women. While the average pension paid to men was 12,678 CZK, only 82.15% of this amount was paid to women, which in monetary terms is 10,416 CZK (CSO, 2017, B). In order to assess the economic position of seniors in any society, the so-called *replacement ratio*, which expresses the ratio of the wage level at the time of retirement and the amount of the first income received, is very important. The replacement ratio is significantly higher if an employee with below-average earnings retires when the change in the economic situation is not so obvious. On the other hand, for a person who has reached above-average earnings during the period of employment, the

replacement ratio is low and the drop in the standard of living of the individual is more pronounced. The ratio of the average monthly retirement pension to the average monthly net wage in the Czech Republic is, in the long term, on average 53%. The replacement ratio is part of the comparative analysis in the following text (Table 4). Let us also note that there is a relatively high employment rate for people aged 55-64 in the Czech Republic. Between 2010 and 2016, the employment rate of this group increased from 46.5% to 58.5%. Even the employment rate of persons over 65 years of age in the Czech Republic is, in the long run, above the EU average (see Table 4). The largest proportion of employment can be seen in the category of scientific and professional psychiatric workers, craftsmen and skilled manufacturers, processors and repairers.

3.2 Expenditures of Seniors in the Czech Republic

Key expenditure items for households of economically inactive Czech pensioners are *consumption expenditures*. The CSO uses the classification CZ-COICOP, which is part of the system of national accounts, for expenditures that are issued for the benefit of an individual or household.

Table 2: Dependence of Individual Categories of Expenditure on Average Income (2010–2016)

Expenditure Category	Correlation Coefficient	Dependency
01 Food and non-alcoholic beverages	0.884	Strong
02 Alcoholic beverages, tobacco	0.881	Strong
03 Clothing and footwear	0.770	Strong
04 Housing, water, energy, fuel	0.534	Medium
05 Housing furnishings and appliances, repair	0.005	Almost zero
06 Health	-0.414	Weak
07 Transport	0.314	Weak
08 Post and telecommunications	-0.031	Almost zero
09 Recreation and entertainment	-0.485	Weak
10 Education	0.316	Weak
11 Food and housing	0.961	Almost perfect
12 Other goods and services	0.953	Almost perfect

Source: (ČSU, 2017 B, Author's own work)

Comparing the structure of consumption expenditures of individual household groups, among households of retired people a larger proportion of expenditures was recorded on food and non-alcoholic beverages (24% of total consumption expenditure), housing expenses (28% of total expenditures) and health expenditures (4% of total expenditures). The previous table (Table 2) summarises the conclusions of our correlation analysis, which confirmed the dependence of the individual categories of expenditure on the average pension in the period 2010-2016. A very positive finding in the analysis is the fact that in the group of households of non-working seniors there was a surplus of income over expenditures, when seniors do not consume their entire disposable income and are able to generate positive savings. Their average creation in non-working-age households was 6.11% over the period. We can also see decreasing differences in household and retirement furnishings. Among the standard furnishings for households of non-working pensioners can now be included a colour TV, a washing machine, and a mobile phone, and seniors are also outfitting their households with

computers. These findings indicate an improving standard of living for non-working pensioners.

4. Results and Discussion

In order to compare the economic situation of seniors in the Czech Republic based on the selected criteria, we selected the economies of Slovakia, Germany and Sweden, and then compared them with the average values of selected indicators across the EU. As far as income is concerned, we first analysed the replacement ratio. Although the value of the EU-wide replacement ratio is growing steadily over the period, a decline in the indicator due to a higher rate of wage growth than the growth rate of pensions has been observed for all countries surveyed. Among these countries, the replacement ratio is the highest in Slovakia, where the income for individuals who finish their economic activity is reduced by only 40%. A similar situation is in Sweden. The decline in income is surprisingly highest in Germany, where the average replacement ratio is over 50% in the long term, which means that German pensioners' incomes are less than half their income in the period of their economic activity. Indicator values for 2016 are shown in Table 4.

Table 3: Median Net Incomes in 2016 (EUR/Year)

Age Gender	16–64 Years			65 and Older		
	Total	Men	Women	Total	Men	Women
EU	17 114	17385	16854	15 555	16546	14771
CR	8 475	8 673	8 267	6 554	6 793	6 384
Germany	22 459	23 021	21 974	18 669	19 359	18 094
Slovakia	7 298	7 399	7 215	6 500	6 699	6 347
Sweden	27 178	27 349	27 072	20 376	22 227	18 708

Source: (Eurostat, 2016, Author's own work)

The median of net income in 2016 is shown in Table 3. From the data presented, it is clear that the largest difference in income between the elderly and the working age group is in Sweden and amounts to 6,802 EUR. On the contrary, the smallest fall in income can be seen in Slovakia where, after the peak age of 65, individuals are down by 798 EUR. The EU average income gap of 1,559 EUR is most closely related to the Czech Republic with an amount of 1,921 EUR. It is interesting to compare the difference in income from the perspective of women and men. While in the Czech Republic the minimum income gap between the sexes is low, in Sweden, the income for men is reduced by 5,122 EUR, while for women it is 8,364 EUR. A significant difference can also be seen in EU-wide data where men's incomes are lower by only 839 EUR, while for women this is a decrease of 2,083 EUR. Significant disparities between incomes for seniors in each country also show net income medians even after they have been converted to the Purchasing Power Standard (PPS). Although, after the recalculation, this income increased to 10,464 in the case of the Czech Republic, it is only 56% of the income of seniors in Germany.

A comparison of household expenditure of seniors confirms the same characteristics in all countries surveyed. In particular, in the percentage distribution of the structure of consumption expenditures, the highest expenditure share is that of housing, followed by expenditures on food and non-alcoholic beverages (see Table 4). The highest health

expenditure was recorded in Germany (a total of 6.7% of consumer spending), while these expenditures in the Czech Republic and Slovakia copy the EU average, which is 4.5% in this expense category. In Sweden, the highest expense on seniors is seen for recreation and culture (13.3%), while comparable expenditure in Slovakia is 5.1% and the EU average is 8.4%. Other selected characteristics of the comparative analysis are shown in the following table (Table 4).

Table 4: Selected Characteristics of Comparative Analysis (data from 2016)

Indicator Country	Replacement ratio in%	Public expenditure on pensions in % GDP	Employment rate of persons 65+ in%	Expenditure on food and non-alcoholic beverages in%	Expenditure on housing in%	Rate at risk of poverty in%
EU	58	12	5.6	17.9	33.2	14.7
CR	53	9.5	6.3	23.3	28.7	8.1
Germany	46	10	6.6	11.6	33.8	17.3
Slovakia	62	8.7	2.6	24.7	43.7	5.7
Sweden	57	8.8	9.1	13.2	39.7	16.8

Source: (Eurostat, 2016, Author's own work)

5. Conclusion

The aim of this paper was to outline selected economic indicators, according to which the standard of living of seniors may be assessed. It can be said that the economic situation of Czech seniors appears to be relatively good if assessed in terms of the average. However, seniors represent a very diverse population which cannot really be consolidated. Significant differences in the standard of living of seniors can be seen in a more detailed analysis, in particular through an age group or gender perspective, where 23% of men and 67% of women were below the average pension rates in 2016. Similarly, comparisons with selected EU countries and the European average values of selected indicators have shown that the economic level of Czech seniors is not satisfactory. The issue of life in old age is very broad and complex. Let us hope that society today will be interested in finding an optimum solution.

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