

# Performance Management of Aging Workforce in Company Management in China

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**Abstract:** The Chinese population is aging and changes in the population's age structure are leading to an aging of the nation's workforce. An important challenge for firms and organizations is how to effectively manage aging employees.

This article studies the demands of aging employees and the parts of existing management policies that do not apply to aging employees. Analyze the situation of aging employees in the company, help the company make changes that are beneficial to aging employees, and explore management policies and management methods that are more suitable for aging employees.

Through analysis of the demands of older employees in the workplace, working hours, employee benefits, and management policies, they are different from younger workers, and through interviews to find the management policies and methods that older employees prefer. Aging employees value flexible work schedules, remote work, and health insurance. Analyze employer responses to workforce aging, including innovation capabilities, retirement policies, changes in working conditions, and other employee benefits.

Flexible working schedules, excellent health insurance and training can improve the enthusiasm and efficiency of aging employees, and these policies will help the company better manage the senior employees, optimize the organizational structure, and labor force, improve work efficiency, and bring management advantages to the company under the trend of aging population.

**Key word:** human resource management, performance management, workforce aging, China

**JEL code:** M100

## 1. Background of the Study

### 1.1 Introduction

The COVID-19 pandemic may lead to a decline in the global fertility rate, which will accelerate the aging of the population. The aging of the population reduces the supply of human resources, affects the age structure of human resources, affects the quality of human resources, reduces high-quality human resources, and has a profound impact on the labor market and future jobs. The aging of the population inevitably has brought many impacts on the human resource management of enterprises and even the overall operation and development of enterprises.

## 1.2 Population Ageing in the World

There are some important changes in human resource management. The population growth rates of China and the United States are the slowest in decades. All over the world, countries are facing population stagnation and declining fertility rates. This is a dizzying reversal unprecedented in history, which will make one-year-old birthday parties rarer than funerals.

Although populations continue to grow in some countries, especially in Africa, fertility rates are declining in almost all other places. Demographers now predict that by the second half of this century or earlier, the global population will enter a sustained decline for the first time.

The pressure of longer lifespan and low fertility rates leads to fewer workers and more retirees, which may disrupt the way society is organized around the idea that a surplus of young people will drive economic development and help pay for the expenses of the elderly. It may also require a reconceptualization of the family and the country.

Consequences and countermeasures have begun to emerge, especially in East Asia and Europe. From Hungary to China, from Sweden to Japan, governments in various countries are striving to balance the needs of the growing elderly population with the needs of young people.

The 20th century presented a very different challenge. With the increase in life expectancy and the decline in infant mortality, the global population has seen the largest increase in known history, from 1.6 billion in 1900 to 6 billion in 2000. In some countries-about one-third of the world's population-these growth drivers are still at work. By the end of this century, Nigeria's population may exceed that of China; in sub-Saharan Africa, there are still families with four or five children.

But almost everywhere else, the era of high fertility is ending. As women gain more education and contraceptive opportunities, and the anxiety related to childbirth continues to increase, more and more parents are delaying pregnancy and fewer babies are born. Even in countries that have long been associated with rapid growth, such as India and Mexico, the birth rate is declining or has fallen below the replacement rate of 2.1 children per family.

Some countries, such as the United States, Australia, and Canada, have birth rates hovering between 1.5 and 2, which has reduced the impact of immigration. But in Eastern Europe, immigration in the region has exacerbated population decline, and in most parts of Asia, the "demographic time bomb" that first became the subject of debate decades ago has finally disappeared.

## 1.3 Population Ageing in China

China is facing the steepest population decline in decades, laying the foundation for potential demographic, economic and even political crises soon. Over the years, China's ruling Communist Party has implemented a series of policies aimed at slowing the growth of the world's most populous country, including limiting the number of children a couple can have to one. The long-term impact of these policies means that the country will soon enter an era of "negative growth" or shrinking of the total population. A report issued by the Chinese Academy of Social Sciences in May 2021 is the latest acknowledgement that although China's "one-child" policy may have achieved its original goal of slowing population growth, it has also brought new challenges to the government. The academy warned that the decline in the birth rate and the increase in life expectancy means that it will soon be unable to feed a large and aging population. The academy estimates that the contraction will begin in 2027, although others believe it will begin earlier or has already begun. The government has recognized the worrying demographic trends, and in 2013 began to relax the implementation of the "one-child" policy in some cases. Then, in 2016, it raised the limit

for all families to two children to encourage baby boomers. This is useless. After a brief increase that year, the birth rate dropped again in 2017, with 17.2 million babies born, compared with 17.9 million in 2016. Although the number of families giving birth to a second child has increased, the overall number of births is still declining. The National Bureau of Statistics announced that the total number of births fell to 15.2 million in 2018, a decline of nearly 12% nationwide. Some cities and provinces reported a 35% drop in the local birth rate. According to the “China Statistical Yearbook 2021”, the national birth rate in 2020 was 8.52‰, falling below 10‰ for the first time, while the natural population growth rate during the same period was only 1.45‰. People aged 60 and over accounted for 18.74% of the total population, and those over 65 accounted for 13.5%. According to the WHO, the proportion of a society’s population that is comprised of persons age 65 or older is called the “aging rate”. If a society’s aging rate exceeds 7%, it is an “aging society”. If the rate surpasses 14%, it is an “aged society”.

The decline in population may put a greater burden on China's economy and labor force. As the number of workers decreases in the future, the government may find it difficult to pay for an aging and prolonged lifespan.

The decline in the working-age population may also slow consumer spending, which will have an impact on the economy of China and other regions. Many people compare China’s demographic crisis with the crisis of stagnant economic prosperity in Japan in the 1990s.

#### **1.4 Workforce Ageing in Human Resource Management**

In 2019, Zhilian Recruitment Company’s research report on the aging of the enterprise labor force indicated that more than half of the enterprises showed an aging trend of employees, and the aging of employees in labor-intensive enterprises was the most serious. Larger companies have a long development time, mature systems, and relatively stable personnel. With the development of the company, there are more and more old employees, and the problem of aging employees is the first to appear.

In general enterprises, the average age under 30 is above 40%. Among government agencies, enterprises with an average age of under 30 accounted for only 14.3%, and 42.9% of government agencies had an average age of over 36. The age structure of other types of enterprises was obviously aging.

The so-called relative aging of the labor force refers to the high proportion of the population over 50 years old in the labor force. The higher the ratio, the more serious the aging of the labor force. Compared with the data three years ago, 30% of the companies that participated in the survey had an increase in the average age of their employees, and 56.2% of the companies had a trend of aging employees. Among them, 19.6% of enterprises have a clear trend of aging employees. In addition to the accelerated aging rate, the reduction in the total labor supply is also an important reason for the aging of employees. Among the enterprises of different natures participating in the survey, 40% of foreign-funded enterprises have seen an increase in average age, followed by private enterprises and government agencies, accounting for 30.4% and 28.6% respectively.

According to the survey, 61% of the companies surveyed believe that old employees are conservative and lack innovation. At the same time, 53% of the surveyed companies believe that old-age employee management will lead to a decline in their competitiveness. 43% of the surveyed companies think Older employees are slow to update their knowledge and skills and cannot keep up with the pace of technological updates. At present, most employers are not very optimistic about the impact of aging labor on enterprises. In traditional concepts, the efficiency of physical and mental labor of the elderly decreases due to age, and the increase of aging labor will inevitably affect the vitality and work efficiency of enterprises.

## 2. Statement of the Problem

Studies have shown that as employees enter the aging stage, the aging process will bring about changes in the body, mind, character, and emotions, which will affect the work status, performance level, and satisfaction of aging employees from different aspects. The demands of young employees and aging employees are also different, so a performance incentive method may not be suitable for all employees. This study explores management strategies that can improve the performance of aging employees through the analysis of survey data and interviews.

- 1) What is the level of satisfaction of employees with the current human resource management strategies and policies?
- 2) What are the problems encountered by the aging employees?
- 3) What is the impact of population aging on enterprise human resource management?
- 4) What changes in policies and management strategies should the company make to work with the aging workforce?

## 3. Scope and Delimitation

This study will discuss the aging trend of the labor force in organizations in China. The elderly population refers to the proportion of persons aged 65 years or older in the total population. The World Health Organization (WHO) and the United Nations define an “aging society” as one in which more than 7% of the population is 65 years or older, an “aged society” as a society in which more than 14% of the population is 65 years or older, and a “super-aged society” as a society in which more than 21% of the population is 65 years or older. The participants/respondents/aging workers in this study are full-time employees over the age of 50 who work in organizations.

The company policies and management methods mentioned in this research are the internal policies and management methods of the organization and do not involve the political policies of the government.

## 4. Methods

To explore the above questions, qualitative research strategy was employed. As the main method for the data collection, semi-structured in-depth interviews were adopted. The interview guide consisted of several blocks of questions. Interviewees include human resource managers and full-time employees for those aged 50 and over, the interviewed companies are three state-owned enterprises in the energy and chemical industry. In the interviewed companies, the percentage of older employees is more than 30%, and most of them are experts, middle or senior engineers and junior or middle managers.

## 5. Data Analysis and Research

The interviews collected information on attitudes and policies towards older workers, focusing on workplace health, working hours and welfare. Also collected information on satisfaction and team communication. The first research topic includes understanding the satisfaction of the company's older employees and their demands. The second research topic is the problems faced by older employees and the impact on human resource management, and the third research topic is to explore the company's better management of the older employees.

### 5.1 Satisfaction and Demands of Older Employees

Previous research has suggested that as people age — and gain better pay and benefits — job satisfaction tends to increase.

This interview also confirmed this point. The employee's satisfaction and salary are positively correlated and will increase with the increase in salary. When compared with the satisfaction of the previous job, many interviewees said that their current job Satisfaction is higher. At the same time, they also said that the current salary is higher than the previous one. This may be the increase in satisfaction brought about by the increase in salary, and the salary will increase with the increase of working age. When discussing current job satisfaction, some interviewees said that their current satisfaction is lower than their first year of joining the company. Satisfaction declines with the tenure of working in the same company. It may be that the work becomes boring, the actual situation does not match your expectations, or there are unexpected problems in the work. “We demonstrated that age and tenure have opposite relationships with job satisfaction, such that job satisfaction increased as people aged yet decreased as tenure advanced — and received a boost when people moved to a new organization, thus starting the cycle anew”, writes psychological scientists Shoshana Dobrow Riza (London School of Economics and Political Science), Yoav Ganzach (Tel Aviv University), and Yihao Liu (University of Florida).

Job satisfaction tends to decrease the longer they stay at a particular job. Respondents are all working in state-owned enterprises in China, State-owned enterprises generally hire employees for life, and will not dismiss employees until they retire. Almost all interviewees All said that they might not try to change their current jobs. The biggest reason is the risk of unemployment. State-owned enterprises have low employee turnover, which leads to employee satisfaction tends to decrease the longer they stay at a particular job.

People's needs, motivations and values are different across the life span. To improve the job satisfaction, performance and team effectiveness of older employees, employers must pay attention to the specific needs of older employees. Five main needs of older employees have been collected through interviews.



**Figure 1 Needs of Older Employees and Job Satisfaction**

The job satisfaction level 5 is very satisfied, 4 is satisfied, and 3 is normal.

As it could be seen from the table, older employees have some specific needs, older employees seem more in

need of intrinsic challenging and fulfilling jobs. Based on socio-emotional selectivity theory (Carstensen, 2006), older employees more emphasis is placed on emotionally meaningful goals. Career opportunities are less attractive to older employees. An interviewee said that he has given up on his career promotion, which is useful to the company, and feels that he is needed makes him happy. This may be due to the difficulty of promotion caused by age discrimination. Most interviewees stated that they want to be treated equally, and age discrimination and stereotypes will reduce their job satisfaction. The need for training of older employees denies people's stereotypes about learning and change for older employees. Studies have shown that training resources from organizations have a positive impact on the self-efficacy of older employees. However, this need for training may be partly due to the desire to be treated equally rather than the need for training itself. (Many trainings are aimed at younger employees. Employees) This requires further research. The need for safe working environment reflects those elder employees pay more attention to their health, and most people cannot afford expensive medical expenses. Flexible schedules are very attractive to older employees, especially when they live with their children and grandchildren, which is common in China. Less working hours can allow older employees to accompany and take care of their grandchildren, such as picking up their grandchildren from school, and parents of grandchildren must increase their working hours to seek career opportunities. As individuals gradually enter the aging stage, their work experience, professional skills, etc. are also accumulated in this process, and work motivation has largely shifted from competition for positions to focus on emotional satisfaction.

## **5.2 The Older Employees and Human Resource Management**

There are many problems faced by older employees in the workplace. These problems can be divided into internal and external problems. Internally, the aging process will bring about changes in the body, mind, character, emotions, etc., which will affect the work attitude, performance level, and happiness of elderly employees from different aspects.

On the physical side, as employees age, their health may not be enough to cope with the pressure from work. They need longer time to adjust and recover their bodies and mentality, and they also lack the energy to adapt to flexible working hours such as overtime and night shifts.

In terms of cognition, existing research tends to divide the intelligence of the aging labor force into fluid intelligence and crystallized intelligence. The former mainly refers to cognitive speed, working memory, attention, etc. These abilities will gradually decline with age. The latter mainly refers to the knowledge, skills, experience, and wisdom accumulated over a long period of time. These abilities will continue to improve with age. In terms of personality, related studies in psychology have shown that as individuals grow older, their extroversion, affinity, and conscientiousness will increase, and emotional instability will gradually decrease.

Externally, older employees must face communication barriers, age discrimination and stereotypes, which are especially serious in Chinese workplaces. The research of social psychology shows that the formation and mutual communication of social relations between heterogeneous individuals are more expensive than those between homogeneous individuals. An interviewee stated that he and young employees have serious communication barriers, mainly due to differences in values and communication methods. Some interviewees said that the method of communication affects the quality of communication between them and young employees. In the workplace in China, people are traditionally used to implicitly express their ideas, especially the elderly, which is regarded as approachable. However, young people living in the Internet age prefer to express themselves. They like to express their opinions straightforwardly, which often makes older employees feel offended. Some interviewees said that

they feel that young employees are not polite, which may be caused by different communication methods.

Research on social identity shows that individuals tend to associate with other groups that have the same characteristics as themselves. Individuals tend to sacrifice the interests of other groups to support their own group members and discriminate against members of other groups, and corporate performance will be significantly reduced. In this interview, most of the interviewees said that age discrimination mostly occurs in job search and promotion, and there is almost no age discrimination in the workplace, which is related to the interviewee holding a higher position in the company.

Interviewed human resources managers are not optimistic about the views of older employees. More than half of human resources managers believe that older employees are too conservative and lack innovation. One human resources manager said that the management style of older employees is conservative, which he believes will affect team performance. He believes that this will affect team performance and lead to a decline in competitiveness. At the same time, interviewees also said that the experienced work skills of older employees are important to the company, including guidance to younger employees. With the aging of employees, the operating and management costs of enterprises will also increase, which is mainly reflected in the increase in salary and the decrease in work performance caused by health problems.

### **5.3 Result and Some Strategies for Managing Older Employees**

According to the needs of the interviewees and related research, we know that the emotional needs of elderly employees are in an advantageous position, and emotional satisfaction is more attractive to elderly employees. So, there are two strategies to meet their emotional needs. One is that within the company, the mentorship system may be a good way to improve the performance of older employees. Older employees have accumulated a lot of practical experience, and have higher decision-making ability, coordination ability and other skills than younger employees. They have a stronger sense of self-identity and hope to be respected as highly skilled professionals. Therefore, they can obtain emotional satisfaction by mentoring young employees, and young employees gain valuable knowledge and skills as apprentices. This is very important for the company to train young and inexperienced employees, and it also allows the knowledge to be passed on within the company without being lost with the retirement of older employees. The mentorship system is beneficial to mentors, apprentices, and companies. The mentoring system does not necessarily mean that older employees are mentors. Young employees are apprentices. The situation can be reversed. It is also feasible to have younger employees with more experience or new industry skills as mentors, which can meet the training needs of older employees. It is also conducive to intergenerational communication.

Intergenerational communication can not only reduce age bias, but also produce many other positive results, such as innovative behavior and corporate performance. The positive results of contact with different age groups in the workplace are greater than the negative results. After young employees meet older employees, young people can obtain rich work experience and effective ways of doing things from older employees, and their negative thoughts towards older employees will gradually decrease. To improve the quality of contact with different age groups, which will help improve work efficiency and corporate performance. Pettigrew and Tropp (2011) believe that the active contact between older employees and younger employees can help reduce prejudice and discrimination against younger employees, and it fully proves that young employees have strong working abilities at work, which makes traditionally negative thinking about younger employees. Will gradually disappear, the active contact between young employees and older employees will help to reduce each other's age stereotypes, strengthen cooperation and communication, and have a positive role in promoting corporate performance. Pearce and Herbig

(2004) believe that there is less communication among members in large-scale teams, and the participation of team members in teamwork is low, individuals may be ignored, and work autonomy is low, which leads to low job satisfaction. Moreover, there are not many opportunities for communication and cooperation between large-scale team members, and individuals may be marginalized, which will ultimately affect the performance of the team. Therefore, the small team model can improve the performance of elderly employees. The second is outside the company, older employees have stronger emotional needs, corporate social responsibility practices address those emotional needs, Wisse B.'s (2018) research believes that corporate social responsibility has a positive impact on employee attitudes, and this impact on satisfaction is more significant for older employees than for younger employees. The company's participation in social responsibility can help improve the satisfaction of elderly employees.

## 6. Conclusion

The aging of the workforce will become a problem that many companies must face soon. Effectively alleviate the negative impact of aging in the workplace. Efficient management of aging employees can help companies gain a competitive advantage. Older employees have their specific needs, so determining their needs and meeting their needs can effectively improve the satisfaction and performance of older employees. Emotional needs are very attractive to elderly employees. The mentorship system is one of the ways to meet their emotional needs. Corporate participation in social responsibility can also improve the job satisfaction of elderly employees. The need for training may stem from the need to be treated equally. Small-scale teams can improve the efficiency of intergenerational communication, thereby improving team performance. Age discrimination occurs mostly in job search and promotion, rather than in the workplace.

This research has the following limitations: The object of this research is the energy and chemical industry, and most of the interviewees are professional technicians and engineers, hoping to have further research on other industries.

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