

THE ARRANGEMENTS IF COMPULSORY PAYROLL DEDUCTIONS AND ITS INFLUENCE IN ACTIVE INVOLVEMENT OF THE ELDERLY IN CZECH WORKPLACES

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Abstract

The objective of this paper is to use a model situation to ascertain which forms of work cooperation have the potential to keep workers in the labour market in the Czech Republic after they reach retirement age and furthermore to recommend measures that would maximise this desired effect based on findings from areas in selected EU states. The key thing is to find solutions that would simultaneously: a) motivate the senior population to participate in the job market, b) present companies with the lowest possible burden and c) provide the state with additional earnings. A comparison of the individual options for cooperation between companies and individuals has discovered that the current tax system and system of levying social security and health insurance contributions in the Czech Republic motivates this part of the populace to transfer from employment relations into undesirable ostensible self-employment. The cause lies in the financial advantages that this solution provides, both for the individual and for the employee. On the other hand, this “solution” is fundamentally unfavourable for the state which thus loses any additional earnings from taxing personal income. It would therefore seem advisable to utilise the experience from the approaches adopted in the Netherlands or Italy, where specific mechanisms have been established in order to support the employment of the senior population.

Keywords

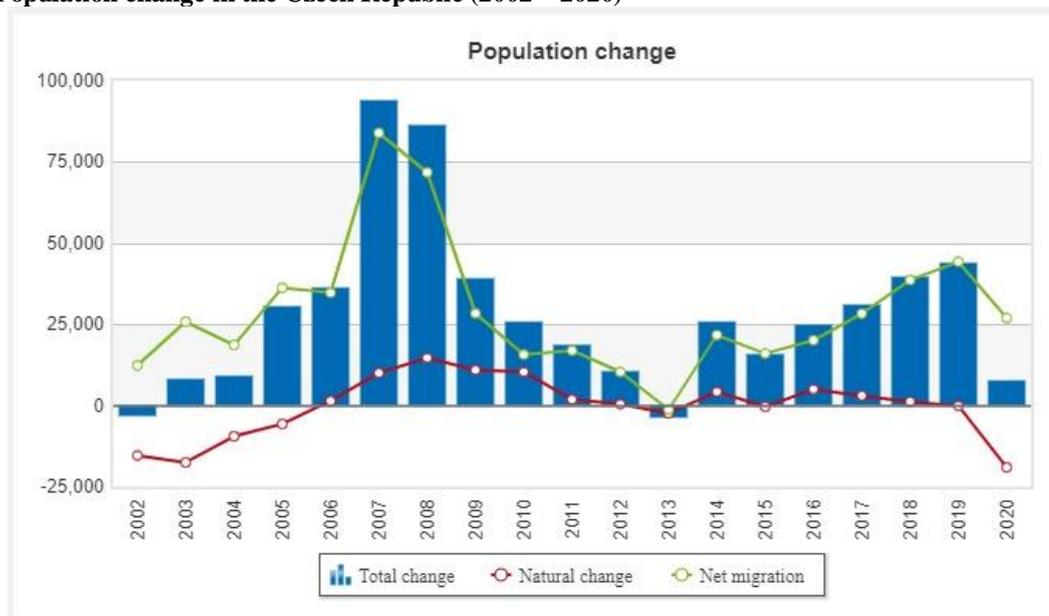
Cross-Generation Cooperation, Workplace, Oldest Generation, Retirement

I. Introduction

The identification, recruitment and retention of employees with a high degree of potential and the development of their talent in favour of both the individual and the organisation constitutes an integral part of the activities undertaken by most human resources departments (Armstrong, 2020). However, we are gradually arriving at the situation where we have several specialised tools to help identify and develop employees, but the size of the working population, from which potential employees can be drawn, is shrinking.

The increase in the number of inhabitants in the Czech Republic has mainly occurred due to migration, as figure no. 1 clearly shows. A deeper problem then becomes apparent when taking a closer look at the age structure of the population. For example, according to the data of the Czech Statistical Office (2021), 63.6% of the population of the Czech Republic was economically active in 2021. However, the share of the economically active population will fall to 56.8% by 2050. It is also necessary to mention that the aforementioned migration has been included in this prognosis. The outlook is therefore not overly positive.

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Figure 1 Population change in the Czech Republic (2002 – 2020)

Source: Czech Statistical Office (2021a)

The aforementioned aspects do not only apply to the Czech Republic. Similar problems in the labour market can also be found in other European Union countries, such as Germany. From the point of view of countries outside the EU, it is possible to mention Japan, for example. Rainer Strack speaks of a workforce crisis in Germany in 2030 due to a lack of employees. According to his prediction, more than 8 million employees will be lacking in 2030 (Strack, 2014). Given the proximity of Germany and the Czech Republic and the interconnectedness of these countries, a crisis in the labour market in Germany would further expand the possibility of a crisis in the labour market in the Czech Republic. This workforce crisis has further escalated in individual economies as a result of the ongoing covid-19 pandemic, as has been shown by the first studies, for example in Romania (Cindrea, 2020). Poland has also gradually revealed a lack of people in the labour market (Eugeniusz Niedzielski, 2019). This therefore involves a problem that applies to several advanced economies.

Answering the question of **how to secure enough workers in the market** has therefore become a fundamental challenge for individual economies. One of the options involves motivating the population's older generation to remain in employment even after reaching the statutory age for collecting a (old age) pension.

The objective of this paper is to use a model situation to ascertain which forms of work cooperation have the potential to keep workers in the job market in the Czech Republic after reaching retirement age and furthermore to recommend measures that would maximise this desired effect based on findings from areas in selected EU states. The findings of the analysis will therefore not only be of benefit to the Czech Republic, but also to other European countries that are facing problems in the job market caused by the ageing of their populations.

The key thing is to find a solution that would simultaneously:

- motivate the senior population to participate in the job market,
- involve acceptable costs for companies,
- provide the state with additional income or be fiscally beneficial and responsible in the long-term.

Here too, it is necessary to state that it is not possible to find an ideal solution for all three parties, as the interests of the individual parties are sometimes at odds with one another. On the other hand, the endeavour is to find the kind of solution that would satisfy all the involved parties at least partially.

A combination of an empirical and theoretical scientific approach will be used in order to achieve the objective (Ochrana, 2013). A model individual will be defined, whose options for engagement with a company will be mutually analysed and compared. The benefits of the individual options will be evaluated from the point of view of the given individual, then from the point of view of the employer and last but not least the state.

The motivation to prepare this paper is based on the expectation that the maximisation of the use of human potential in the job market will lead to increased competitiveness for the given economy, in this case that of the Czech Republic (Farkačová, 2020).

II. The significance and role of senior workers – the oldest generation of employees

The importance of the oldest generation of workers/employees who have had many years of experience in a given organisation or branch is certainly significant, especially in cases where so-called intergenerational cooperation in the workplace is achieved. A company can secure the strategic transfer of tacit know-how thanks to the cooperation of several generations (i.e. individuals, between whom there is an age difference of at least 20 years). Tacit knowledge is bound to a specific individual and its transfer primarily occurs during cooperation. Even though work procedures and technology are developing at an unbelievable pace, the tacit know-how of the previous generation is still valuable. Intergenerational cooperation and the use of age management principles ensure the long-term stability of an organisation, as several individual authors have shown (Farkačová, 2020 and also Tokarčíková, 2019).

The maximisation of the innovative potential of an organisation/company can also be designated as a further benefit of intergenerational cooperation. In other words, the ability to come up with a new and more effective working procedure, a better product solution or, for example, a draft solution for a corporate client. Intergenerational teams can use a combination of the experience of the oldest generation and the killer instinct of the youngest generation. An undoubted advantage of the youngest generation in the workplace is its ability to realise ideas, often thanks to its greater ability to use new technology. The combination of several generations in a single workplace can lead to the ideas of the older generation being implemented thanks to the application of the knowledge of the youngest generation, which can lead to a new solution. This is a typical example of the complimentary nature of intergenerational cooperation. This effect can be used across all branches and individual company departments.

For that matter, the importance and positive benefit of age management for an organisation in the Czech Republic has been demonstrated using a sample of 1271 companies by the collective of authors Urbancová, Vnoučková, Linhart, Ježková Petřů, Zuzák, Holečková and Prostějovská (2020).

In order to understand the overall context and significance of the oldest generation in the labour market, it is advisable to support the idea of the importance of this group of employees and their impact on competitiveness. In the 1980s, two fundamental approaches were formulated for achieving a competitive advantage in organisations (Prieto-Sandoval, Jaca, Santos, Baumgartner and Ormazabal, 2019). The first was based on being active in an attractive branch and acquiring a better standing in it than the competitors. The second was based on the ownership of resources that are unachievable for other competitors (Teece, 2007). The passage of time has shown that resources that are rare, valuable, inimitable and unsubstantiated acquire a competitive advantage (Yang, 2019). An organisation must be capable of identifying these resources and at the same time be able to use them to achieve a competitive advantage, as has also been confirmed by the findings of the collective of Mahoney and Qian (2013).

III. Motivating senior workers – the oldest generation of employees to remain in work

Regarding the aforementioned, it is possible to state that the oldest generation of employees, the bearers of know-how, who are willing and able to share their tacit knowledge with other employees

and colleagues, also constitutes a competitive advantage for organisations. It is, however, important to realise just what motivates such workers to remain at work.

As has been shown by the findings of the recent study by Říhová et al (2019), it is important to take the specific demands of these individuals into account. Not only may they be limited by their health, but there may also gradually start to give preference to time spent with their families and grandchildren. It is therefore necessary to avoid underestimating the care for these employees and to find a path for them that will enable them to achieve a balance between their private and work lives. It is precisely this finding that constitutes the key starting point for this paper. As has been shown by the aforementioned study, a certain degree of relaxation of the work relationship and more time spent with the family, on hobbies et cetera is desirable. However, just what any such relaxation or adjustment of the relationship with the employer should look like remains an open question and the answer to it will be contained in the analytical section of this paper.

IV. An analysis

Defining the model situation and the model individual

With regard to the chosen objective of this paper, i.e. to ascertain which forms of work cooperation have the potential to keep workers in the labour market in the Czech Republic even after they have reached retirement age using a model situation and individual and furthermore to ascertain how this desired effect could be maximised on the basis of experience acquired in selected EU states, it is first necessary to refine the model individual and the situation in which they find themselves.

The model individual is 65 years old, has fulfilled the necessary period of insurance in order to qualify for an old age pension and has utilised this entitlement. The individual's gender is irrelevant in this case. The individual's average income is **35,611 CZK**, which was the average monthly wage in the Czech Republic in 2020 (the Czech Statistics Office, 2021b). The model situation is set in 2021.

The model individual works as an employee in an organisation, where the individual in question is necessary. With regard to their situation, the model individual wants to remain in the organisation, but requires the relationship to be relaxed in the form of less hours and a greater degree of temporal and situational flexibility. Therefore, the time demands for this illustrative example are approximately **20 hours/week** which in the case of the illustrative individual means remuneration at the amount of **17,800 CZK/month** (rounded up). The model individual's employer is interested in maintaining the employment relations or wants the model individual to continue to be actively involved in the given organisation for as long as possible.

The following solutions may be applied on the basis of a mutual agreement between the model individual and the employer and they will be analysed in the further sections of this work:

- a) reduced hours on the basis of an employment contract;
- b) the termination of the employment contract and further cooperation on the basis of an agreement to perform work/specific work activities;
- c) external cooperation as a self-employed individual.

An analysis of solutions to the model situation

This section of the paper analyses each of the individual solutions to the model situation.

a) Reduced hours on the basis of an employment contract;

The first option that is available to a model individual who has concluded an employment contract with a company is to continue in the given relationship. In other words, to remain in the position of an employee. As such, the company would continue to perform the role of the individual's employer. The change which may occur involves the set number of working hours and it is also possible to commensurately modify the individual's job description.

In this particular solution to the given situation:

- gross wage (the base for calculating the tax instalment) = **17,800 CZK**
- income tax at the rate of 15% = 2,670 CZK
- tax rebate = 2,320 CZK
- deducted tax = 350 CZK
- social security and health insurance (the payment for the employee) = 1,958 CZK
- **social security and health insurance (the payment for the employer) = 6,017 CZK**
- **total payments to the state = 8,325 CZK**
- **the amount of the net monthly wage for the employee = 15,492 CZK**

The use of this option involves costs for the model worker associated with the payment of income tax and furthermore expenditure associated with the payment of social security and health insurance contributions. The income tax rate for natural persons is 15% in accordance with Income Tax Act no. 586/1992 Coll. Of course, the application of the tax rebate means that the monthly tax payment is relatively low. The payment of social security and health insurance contributions constitutes a more noticeable deduction for both the employee and the employer. For that matter, the payment of income tax even after reaching retirement age or when simultaneously collecting an old age pension and other earnings is also common practice abroad, for example in the Netherlands (the Government of the Netherlands, 2021).

The payment of the social security and health insurance contributions is defined by Act no. 589/1992 Coll. on insurance contributions for social security and the contribution to the state's employment policy, as amended. The paid contributions constitute income for the state.

The insurance contributions for social security include payments for:

- sickness insurance,
- pension insurance,
- a contribution to the state's employment policy.

Given the fact that the illustrative worker is already collecting an old age pension, it would be possible to polemicize as to whether it is necessary for them to still pay social security insurance contributions in full. It is admittedly true that the concurrence of the employment relations with the entitlement to an old age pension mean that the individual may achieve a slight increase of the old age pension, but this involves a minimal increase that will hardly motivate workers to remain in employment. It would therefore seem to be more suitable to accede to the argumentation and approach of other European Union states which endeavour to motivate the preservation of employment relations by means of rebates on insurance contribution payments and so on. At the same time, however, it would also be necessary to de facto terminate the aforementioned increase, i.e. by choosing this status the insured individual would no longer be entitled to an increased pension on the basis of their ongoing employment relations. This modification can be technically realised either in full, i.e. stop paying insurance contributions and don't take account of the given work activity in the entitlement (similarly to as if the employee had already retired and was not involved in any other activities in the job market), or partially, i.e. pay and offset, for example, half the insurance contribution. It would also be necessary to consider these modifications from the point of view of the social pension insurance balance, because from the point of view of the government if large social groups would pass into the regimen with this relief (especially the full relief), it could destabilise the income of this system.

An example of this can be found in the approach of the Netherlands, where the employer no longer must pay individual contributions for any such employees (the Government of the Netherlands, 2021), specifically:

- the Unemployment Insurance Act (WW);
- the Sickness Benefits Act;
- the Disability Insurance Act (WAO);

- the Work and Income according to Labour Capacity Act (WIA);
- the General Old Age Pensions Act (AOW).

As such, the individual is no longer insured against unemployment or incapacity to work. Of course, they will continue to collect their old age pension, if their employment relations are terminated which means that benefits during any incapacity to work no longer make sense. On the other hand, the individual is still entitled to a sickness benefit, even if the insurance contribution is no longer paid. Precisely this approach seems to be a suitable motivator for individual companies, and it can also be recommended that the payment of sickness insurance should be preserved under Czech conditions, as its rate is very low.

Another example can be found in Italy, where the government is endeavouring to motivate employers to employ older workers over the age of 50. The Italian government sees the group of unemployed people over the age of 50 as one of the most vulnerable groups according to Law. no. 92/2012 (the Monti-Fornero Reform). In compliance with Article 4, paragraphs 8 to 11, tax relief applies to companies that hire/employ workers over the age of fifty who have been unemployed for more than twelve months. Even though these bonuses are subject to many limitations, these tools can still be considered to constitute a positive step on the part of the government aimed at motivating the extension of the period of active inclusion in the labour market.

In conclusion, it is also worth mentioning here a step recently taken by the Czech government, although it does not involve any motivation to extend the period of participation in the labour market. The measure in question involves the cancellation of the super-gross wage as of 1.1.2021. As a result of the abolition of the super-gross wage, all the net wages/salaries of employees increased across the board. At the same time, however, it is also necessary to point out that this is intended as a temporary measure for the period of two years, i.e. until 2022, as stated by the Ministry of Finance of the Czech Republic (2020). The tax regimen and the amount of the rates in the following years will be decided in accordance with the current economic and fiscal development. Given the current situation, it can therefore be expected that the tax rate will rise. From the point of view of this article, it is also not possible to speak of this as support aimed at motivating workers of retirement age, because it is not targeted specifically at the researched age category and therefore does not work to provide them with an advantage over the others.

b) The termination of the employment contract and further cooperation on the basis of an agreement to perform work/continuous work activities;

The second variant involves the termination of employment relations and the use of further cooperation based on an agreement to perform work or an agreement to perform specific work activities.

An agreement to perform work (known as DPP in Czech)

An agreement to perform work is primarily designated for the case of occasional employment and is therefore also circumscribed by an upper limit. The extent of the work may not exceed 300 hours in a calendar year in compliance with section 75 of Act no. 262/2006 Coll., the Labour Code.

In the case of our illustrative worker, this agreement could therefore only be concluded for a period of 3.75 months ($300 / 80 = 3.75$). Neither the employee nor the employer are required to make any deductions for social security and health insurance contributions, if the earnings from the agreement to perform work do not exceed 10,000 CZK/month. Regarding the calculation of personal income tax, an important fact is whether the employee has signed a tax declaration for the employer and has applied their taxpayer's rebate with the given employer.

In the case of our model worker, it would therefore not make sense to transfer to an agreement to perform work, because the amount of the deductions and the personal income tax would be same as in the case of a classic employment contract.

An agreement to perform continuous work activities (known as DPČ in Czech)

An agreement to perform specific work activities is not limited by the upper limit of 300 hours, but it is limited its weekly scope in line with the Labour Code. Specifically, an employee may not work more than 20 hours a week based on an agreement to perform specific work activities. The situation concerning deductions for social security and health insurance contributions is the same as in the case of a classic contract.

A transition to a DPP / DPČ would mean increased administrative costs for the employer in the form of the creation of new contracts. Furthermore, it is also necessary to point out that the termination of the existing employment contract may give the employee the impression that the employer is not particularly interested in them. The employee could thus get the negative feeling that the transition to a DPP /DPČ is an indication of the future termination of cooperation. The fact is that this transition also means that the individual loses the protections arising from the employment contract and can therefore be easily made redundant.

c) The external cooperation of a self-employed individual

The third variant involves the transition from the employer-employee relationship to a company-external co-operator (expert) relationship. In other words, the outsourcing of work. As of 31.12.2020, 1,051,179 self-employed individuals were registered in the Czech Republic (the Czech Social Security Administration, 2021). The number of self-employed individuals in the Czech Republic is therefore unusually high, if we consider the fact that the population as of 31.12.2020 was 10,701,777 (the Czech Statistical Office 2021a). At the same time, the popularity of self-employment is rising, albeit that in several cases this involves hidden employment relationships, especially when the given self-employed individual only works for one company. The self-employment rate in the Czech Republic has been above average in comparison with the EU28 for a long time (OECD, 2021).

What lies behind the popularity and excessive use of the self-employed status? The aforementioned indices corroborate the incomplete nature of the restructuring of the Czech economy and employment. Moreover, this large group has a special standing in relation to the amount of collected income tax.

Let us now focus on the model example of our worker. If they decided to terminate their employment and commence cooperating as a self-employed individual, they would have the choice of two options for taxing their earnings/profits:

- **a flat rate tax payment**
- **costs designated as a percentage of their earnings**

The flat rate of tax for self-employed individuals in the Czech Republic is relatively new and is subject to Act no. 540/2020 Coll. which has amended Income Tax Act no. 586/1992 Coll., as amended, and some other Acts in association with the flat rate of tax. If our model individual had a single source of income, i.e. the income from their former employer at the amount of **17,800 CZK/month**, they could pay the so-called flat rate tax, the amount of which was set at **5,469 CZK** for 2021 (the Ministry of Finance of the Czech Republic, 2021a).

The second option involves the designation of costs as a percentage of earnings. The self-employed individual's monthly earnings would once again be 17,800 CZK, meaning that this would involve an amount of 213,600 CZK per year. The self-employed individual would be able to deduct 40% from the total amount in the form of costs. The total amount of the thus-calculated costs is 85,440 CZK.

- the base for calculating personal income tax = $213,600 - 85,440 = 128,160$ CZK
- personal income tax at the amount of 15% = 19,224 CZK
- the taxpayer's rebate for 2021 = 27,840Kč

It is apparent from the aforementioned that the self-employed individual would not pay any personal income tax to the state. This individual's tax obligation would be lower than the taxpayer's rebate.

- the minimum instalment for health insurance (VZP, 2021) = 2,393 CZK
- the minimum instalment for social security = 2,588 CZK
- total = 4,981 CZK

There is also a third variant, namely not to use the option of designating the costs as a percentage, but to maintain records of the actual costs. Of course, this variant is impossible to model without knowledge of the cost entries for the given individual and, given the favourable nature of both previously mentioned regimens, it does not make sense to consider it.

V. A summary of the analysis findings

Table 1 A summary of the key points for the individual solutions

SOLUTION	DEFINITION OF THE TAX SOLUTION	ASSESSMENT OF THE SOLUTION ACCORDING TO THE INDIVIDUAL PROTAGONISTS		
		EMPLOYEE	EMPLOYER	STATE
a) reduced hours	The amount of the net monthly wage for the employee = 15,492 CZK	Pays personal income tax, as well as social security and health insurance contributions	Pays social security and health insurance contributions	The state has income from both personal income tax and insurance
	An employment contract			
b) DPP/DPČ	DPP	Pays personal income tax, as well as social security and health insurance contributions (limited to 3.75 months); possible loss of trust in the employer	Pays social security and health insurance contributions in the case of earnings in excess of 10,000 CZK; increased demands for administration	The state has income from both personal income tax and insurance
	DPČ	Pays personal income tax, as well as social security and health insurance contributions; possible loss of trust in the employer	Pays social security and health insurance contributions; increased demands for administration	The state has income from both personal income tax and insurance
c) self-employed	Flat rate of tax	The payment of monthly amounts of 5,469 CZK	Without any costs	Income at the amount of 5,469 CZK
	Designating costs as a % of earnings	Tax return = administrative costs; monthly payment of social security and health insurance instalments at the amount of 4,981 CZK	Without any costs	Administrative costs for the state when processing tax returns; zero personal income tax income

Source: own working

As is apparent from the analysis of the model individual, the option of becoming self-employed would appear to be the ideal path for both the individual and the employer. This status enables tax optimisation by *means* of the use of so-called false self-employment. This involves a situation where an employee acts as a self-employed individual in relation to the state's administrative bodies, but in reality, displays signs of employment, for example the employee acts under the employer's name, works because of a relationship of subordination rather than partnership, works exclusively for one "customer" and so on (Šafrová Drážilová, 2019). Despite the fact that this type of relationship, i.e. variant c), would appear to be ideal for the individual and the company from the point of view of the costs for tax payments and social security and health insurance contributions, it is fiscally unsustainable for the state. From the point of view of the state, it would be ideal to find a kind of solution that would motivate both the individual and the company to maintain their employment relations – variant a). Of course, variant a) is financially more costly, especially for companies/employers, and they will not be inclined to choose it. It would therefore be advisable for

the state to look for ways of supporting the employment of workers over 65, for example using forms of relief as is the case in Italy or the Netherlands.

It is necessary to point out that it is not only the Czech economy, but also the economies of a number of other countries that have been negatively impacted by the restrictions invoked in the fight against covid-19. The quarterly fall in the Czech Republic in the 1st quarter of 2021 amounted to -0.3%. At the same time, the year-on-year fall in the 1st quarter of 2021 was -2.1% (the Czech Statistical Office, 2021). The number of senior workers or the proportion of individuals receiving a retirement pension who are also self-employed is not known. Although the Czech Social Security Administration regularly publishes extensive Statistical Yearbooks (ČSSZ, 2021 b), this information is not provided.

Even though the unemployment rate has not yet indicated any extreme swings, it is clear that once the subsidies to companies that have been restricted in their commercial activities end, the real condition of the economy will manifest itself not only in the GDP, but also in the labour market. The most endangered group includes senior workers. If the state were to create a framework of support for the employment of this group of the populace in advance, it could minimise any negative impact of a further fall in the economy.

VI. Conclusion

Even though the significance of work for a person as an individual has changed over time (Eugeniusz Niedzielski, 2019), the significance of human capital for the competitiveness of companies and entire economies is undeniable. Without human work that creates innovative solutions, companies cannot produce and as such entire economies cannot prosper.

It is advisable to make use of the activities of intergenerational teams where knowledge is mutually exchanged in order to maintain the innovative potential and knowledge within an organisation over the long term. The key area given the demographic development of the populace involves the matter of motivating the senior population to participate in the labour market even after reaching retirement age, as well as motivating companies to employ them. The goal of this paper has therefore been to use a model individual to ascertain what forms of cooperation have the potential to keep workers in the labour market in the Czech Republic even after they have reached retirement age and furthermore to recommend measures aimed at maximising the desired effect based on experience gained from selected EU states.

A comparison of the individual options for cooperation between the company and the model individual has ascertained that the current tax system and system of levies for social security and health insurance in the Czech Republic motivates this group of the population to transfer out of employment relations and into undesirable ostensible self-employment. The cause of the transition into ostensible self-employment is the economic advantage that this solution gives both the individual and the employer. On the other hand, this “solution” is fundamentally unfavourable for the state, because it loses its ability to acquire any additional income from personal income tax and social security and health insurance contributions. Regarding the current economic situation in the Czech Republic and the growing budget deficit, it would be advisable to find the kind of solution that would not only motivate individuals to remain involved in the labour market but would also motivate companies to create job opportunities for the senior populace. Only then can the state strengthen its budgetary income and thus secure its obligations towards the citizenry.

Moreover, it is apparent that the advantageous nature of being self-employed is given by the general level of taxation and participation in social systems and as such it does not involve a specific form of support for older individuals, which this paper is specifically interested in. In other words, if we want to support the employment of older individuals, it is necessary to choose tools that are targeted by age or based on their entitlement to an old age pension and in doing so to support the specified social group. It would therefore seem advisable to utilise the experience acquired from the approaches adopted in the Netherlands or Italy, where they have established more targeted mechanisms aimed at supporting the employment of the senior population.

One possible direction for modifications in the area of social pension insurance could involve reducing part of the insurance payments for employees that are entitled to an old age pension (or ceasing the payment of the insurance contribution altogether) in exchange for a reduction of the inclusion (or non-inclusion) of the given work activities in the person's pensions entitlement. This would thus only involve those individuals who have met the criteria for the provision of an old age pension or are already receiving one. The specific calculation of any such proposals, including with the use of experience from abroad, is a subject for further research.

Another option regarding the adequate setting of personal income tax (higher than it currently is) would be to differentiate the amount of the tax relief for the taxpayer by age or to introduce a tax relief for employed old age pensioners. However, such an approach would first require an adequate general increase in the income tax rate based on the principle of sliding tax progression for any differentiation to make sense and for it to be realistic within the given budgetary limits of the government. The existing income tax setting, as is apparent from our analysis, is so low that it does not constitute a de facto problem for the employment of older individuals, unlike the social security and health insurance contributions. This is, however, also given by the fact that the social systems include fiscally integrated segments of benefits, which could be paid from general taxation; for example healthcare for citizens who are not in productive age and the basic (flat rate) old age pension benefit.

It should be pointed out that the state budget of the Czech Republic ended up with a deficit of 367.4 billion CZK in 2020, i.e. 338.9 billion CZK more than in 2019 (the Ministry of Finance of the Czech Republic, 2021b). The deficit and the state budget will probably continue to grow in connection with the ongoing covid-19 pandemic. Likewise, the pension system will also make higher demands for funds not only as a result of the ageing populace, but also due to the necessity of pension reform, as Vostatek (2020) has pointed out. It is therefore admittedly tempting, but fiscally unsustainable to apply across-the-board tax changes under the header of employment support, because any such development will by necessity lead to deficits in the state budget and subsequent fiscal difficulties. A certain limitation to the proposal to reduce the amount of payments made by the senior population can also be found in the fact that the entire income tax system has been found to be inadequately attuned after the covid-19 epidemic and as such requires an overall review.

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Zákon č. 540/2020 Sb. Zákon, kterým se mění zákon č. 586/1992 Sb., o daních z příjmů, ve znění pozdějších předpisů, a některé další zákony v souvislosti s paušální daní.