

MUTUAL LEARNING PROGRAMME: PEER COUNTRY COMMENTS PAPER - SLOVENIA

Activation of elderly – searching for right solutions.
Mission impossible?

Peer Review on “Activation of elderly: increasing participation, enforcing employability
and working age until the age 67”

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A paper submitted by Dr Miroljub Ignjatović
in consortium with GHK Consulting Ltd and CERGE-EI

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1 LABOUR MARKET SITUATION IN THE PEER COUNTRY

This paper has been prepared for a Peer Review within the framework of the Mutual Learning Programme. It provides information on Slovenia's comments on the policy example of the Host Country for the Peer Review. For information on the policy example, please refer to the Host Country Discussion Paper.

Slovenian labour market, economy and society as a whole experienced two major economic crises in the last two decades. In the beginning of 1990s, following the independence in 1991 (and with this related events) and the restructuring of the economy, Slovenia experienced a sharp drop in the activity and employment rates (by approximately 10%) as well as correspondent increase in the unemployment in very short time period. One of the measures used to reduce the number of unemployed registered at the Employment Services and to alleviate the social tensions in the society was early retirement scheme. It, in the short run, prevented even higher unemployment, especially among the older population, but in the long run, it contributed to dramatic increase of pensioners¹ and set a pattern of relatively early exits from the labour market that is still evident.

Above mentioned trends, accompanied with the demographic challenges of an aging population (and workforce) are influencing the relation between the number of pensioners and the employed population². This, additionally, has already dramatic negative impact on the Slovenian pension system and its long term sustainability.

Such trends were also detected by the European Commission which, since 2006, is suggesting to Slovenian authorities to adopt "stronger measures to ensure the sustainability and adequacy of the pension system and to promote active ageing" in order to improve the long-term sustainability of its public finances.

On the other hand, after experiencing its first economic crisis in the 1990s, the Slovenian labour market and economy continuously improved. An especially favourable period was from 2005 until the fourth quarter of 2008, when the global financial and economic crisis finally reached Slovenia. The crisis altered positive trends in the Slovenian economy and labour market, manifesting themselves in the record high activity and employment rates (60.5% and 58.2%, respectively in the 3rd quarter 2008)³ as well as the lowest unemployment (registered – 6.5% and LFS – 4.1%) rates (also in the third quarter of 2008) from the beginning of Slovenia's independency.

As already stated, one of the greater problems in the otherwise relatively successful labour market is the low activity of the older Slovenian workforce. It is among the lowest in the EU. Especially, that is true for the age group 60-64 year old (only 20.0% still active in the 2nd quarter of 2009) and for the women in that particular group (only 12% still active in the 2nd quarter of 2009).

¹ In 1985 there were 274,752 pensioners, in 1991 the number increased to 431,016 and in 2009 the number was 538,455 pensioners in the registry of the Institute of Pension and Invalidity Insurance of Slovenia.

² In 1984, the ratio between pensioners and employed was 1:3, and just 1:1.66 in 2009, with predictions that it will reach 1:1 ratio in few decades.

³ Both for population old 15 years and over.

Table 1: Slovenian and EU27 activity rates (participation rates) for 55-64 olds (LFS, 2nd quarters)

	2004	2005	2006	2007	2008	2009
EU27 Total	45.4	45.5	46.4	47.4	48.2	49.4
Slovenia Total	31.1	32.5	34.5	36.0	35.1	37.7
EU27 Male	55.8	55.4	56.2	57.1	58.0	58.8
Slovenia Male	42.7	45.0	46.4	48.0	48.0	49.9
EU27 Female	35.3	36.0	37.2	38.3	38.9	40.6
Slovenia Female	20.0	20.2	22.5	24.3	22.3	25.6

Source: Eurostat 2010

Table 2: Slovenian and EU27 activity rates (participation rates) for 60-64 olds (LFS, 2nd quarters)

	2004	2005	2006	2007	2008	2009
EU27 Total	28.2	28.4	29.2	30.8	31.7	32.6
Slovenia Total	16.4	16.0	16.0	20.0	18.0	20.0
EU27 Male	37.6	37.2	38.1	39.9	41.0	41.4
Slovenia Male	21.5	22.7	22.0	25.3	23.2	29.1
EU27 Female	19.4	20.2	20.9	22.5	23.0	24.4
Slovenia Female	11.9	10.2	10.5	15.4	13.5	12.0

Source: Eurostat 2010

2 ASSESSMENT OF THE POLICY MEASURE

It seems that low activity and employment rates of the older population (although on the very different levels) and particular problems with women above 60 years of age (see Table 1 and Table 2 above) characterise both Slovenian and Dutch labour markets.

Furthermore, there are some similarities in key areas detected for policy development in both countries. One is the area of education, training and lifelong learning (LLL). Important characteristics of the elderly workforce in the Slovenian labour market are (Zupančič 2007): i) low average educational attainment level – it decreases markedly with the age of the workforce; and ii) low involvement of older population in the LLL processes. Although Slovenia ranks relatively high according to the overall enrolment of the Slovenian adult population in the LLL (13.9% in 2008; EU27=9.6%), the situation is radically different when only older population (in this case over age of 40) is concerned. The participation quickly decreases with the age. Thus, the participation of the 55-64 age group in LLL in 2008 was only 5.4%. The difference between Slovenian and the Dutch cases is in the number and quality of measures already implemented. The introduction of the sectoral Training and Development funds could be an interesting solution and the opportunity for additional training and improving the employability of older workers. Furthermore, the introduction of instruments and institutions for individual assessments could raise the awareness of the LLL importance for improving the employability and chances for retaining present jobs or getting better ones.

The second similarity is the detected need for age aware HRM policies. In the Slovenian case, a survey on companies' attitudes towards older workers, performed among Slovenian companies in 2008, showed that age management is not wide spread among Slovenian companies. According to the survey, 46% of companies do have retirement plans for their workers, and only 29% stated that they are trying to preserve their older workers and that they developed special measures for doing so. Furthermore, 86% of companies do not anticipate implementing special programmes for older workers in the near future. Such results, accompanied with prejudices and stereotypes about the working ability of older workers, make promotion of the age aware HRM policies even more important.

In 2006, following EC suggestions and determined problems in practice, Slovenian authorities announced preparation of the Slovenian Active Ageing Strategy as one in the series of documents produced in the recent period. Although this particular document has not been published yet, some of the measures anticipated to be the part of the Strategy, have been already incorporated in the Active Labour Market Policies and were presented in the governmental document *Measures for stimulating active ageing*⁴, published in December 2009. While still quoting objectives set before the crisis⁵, the document is a compilation of ALMP measures in which older (mostly unemployed) persons have already participated⁶ in 2008 and measures which should be implemented in the near future. It should be also pointed out that Slovenian expenditure on labour market policies (passive and active) was low (approx. 0.8% of the GDP in 2009) regardless of the substantial recent increase, which is making implementation of envisaged measures more difficult.

In addition to the above mentioned similarities and differences, there are some similarities (and differences – especially in the suggested statutory retirement age: 65 in Slovenia, 67 in the Netherlands) in attempts to reform current pension systems in both countries.

The current Slovenian pension system was introduced in January 2000 and is based on intergenerational solidarity – the present working population provides pensions for existing pensioners by paying contributions on gross wages. It is consisted of three pillars: first and most important is the compulsory pension and disability insurance – employees together with employers contribute into the pension coffers of the Pension and Disability Insurance Institute (ZPIZ), while second and third pillars are intended as mostly voluntary supplements to the first one. Despite the relative efficiency of the current system, it is envisaged that until 2020 it will not be able any more to sustain the burden of increasing number of pensioners and decreasing number of active population.

Thus, at the end of March 2010 Slovenian government and Ministry of Labour, Family and Social Affairs offered to public debate a draft version of the new Pension and Disability Insurance Act (ZPIZ-2) which should replace the old act in order to modernise the pension system. The main objectives of the new act are to increase the actual retirement age⁷ (to 65 years for men and 63 years for women, at 40 and 38 years of working (insurance) period, respectively) until the year 2016, system's transparency, pension's dependency on the paid contributions, extraction of social transfers from the pension system and consequently to increase activity and employment rates of older population. The new act still allows early retirement, introducing penalties in such cases, and bonuses when a person stays active after completing 40 or 38 years of work, respectively.

Despite the facts presented and general awareness of the difficulties related to the current pension system, the new proposal was not accepted with the same attitude by all three social partners. The governmental proposal to increase the retirement age was rejected by the trade unions' representatives claiming that such an increase means also an increase in

⁴ This should, according to some sources, replace the above mentioned strategy.

⁵ From the document Operation programme for human resources development for the period 2007-2013, which among others, sets the objective of raising the employment rate of 55-64 age group to 43.5% in 2013.

⁶ For example: employment subventions (with 72% of participants older than 45 years), self-employment subventions (46.4%) and public works (40.8%). Moreover, recently the government offered to public debate draft version of new Mini work Act which should enable pensioners to be more active through occasional and temporary work arrangements.

⁷ The actual average retirement age in Slovenia in 2009 was 59 years and 11 months.

the working period over 40 years for those workers who started working young. Furthermore, trade unions' representatives expressed their concern for those workers in industry who are working in poor working conditions and in work intensive sectors. It is claimed that such workers could not endure such conditions working for more years.

The lack of information about the number of workers subject to such conditions as well as the lack of criteria for detecting such working places is detected in the debate. Here, the introduction of Work Ability Index as one of the possible solutions for detecting those workers who, due to the different factors, could not perform at the same level until the end of their working career could be important.

The fate of the proposal is still unknown. The negotiations are continuing with possible changes to the original proposal – the government has already offered some minor concessions to the trade unions, but trade unions are still threatening with the general strike.

3 ASSESSMENT OF THE SUCCESS FACTORS AND TRANSFERABILITY

Regarding the introduction of new pension reforms, both governments (Dutch and Slovenian) introduced their versions almost simultaneously, although the circumstances and “intensity” of the measures are somewhat different.

In particular, all three new measures proposed by the Dutch government⁸ (especially second and third) could be very interesting and potentially useful for the implementation in Slovenian environment as additional measures for increasing sustainable employability and activity rates of the Slovenian workforce.

While some characteristics are similar in both countries (global demographic trends, economic crisis), the majority of characteristics are quite different. As already mentioned the characteristics of the subject of the analysis (generation old 55-64) are different as well as the other factors that are in the background of the current situations in both countries.

Those factors are:

- 1) The attitude towards work – most recent survey commissioned by the Ministry of Labour, Family and Social Affairs (published 4.5.2010) is showing that the majority of respondents would like to retire from the labour market between the ages 55 and 60 (61.5%). On the other hand, the same respondents are likely to retire themselves fulfilling all required criteria for full pension (52.7%), and “only” 22.6% would retire at the minimum criteria, even though the pension would be lower in this case. Announced changes of the Pension and Disability Act (especially increase of retirement age) have already increased the number of still active persons who would like to retire before a new act is adopted.
- 2) The structure of the economy is different – the Slovenian economy has, according to the LFS data for 2008 (Eurostat 2009) one of the lowest shares of persons in employment in services (56.3%) in EU - comparing to the EU27 average of 66.2%, EU15 (71.6%) and the share in the Netherlands (73.8%). Such structure – relatively high shares of persons in employment in industry and agriculture with which poor working conditions, lower wages and higher work and time intensity are commonly related – is producing strong opposition among the workers and trade unions representatives against any proposal for prolonging the working life.

⁸ a) the introduction of new forms of funding to encourage individual workers to participate in education and training throughout the life course; b) incentives for employers to develop age aware human resource management policies; and, c) the implementation of instruments, such as the Work Ability Index, which will facilitate the preventive diagnosis of the ability to continue working.

- 3) The Slovenian economy does not create enough new jobs (vacancies) to enable further development of the flexicurity concept. On the other hand, the Slovenian workforce, especially older individuals, are not mobile enough to take the advantage of vacancies that are open in neighbouring regions.
- 4) The situation of public finances is quite different – the overall GDP and GDP per capita. Both influence the possibility for: (i) investing more in the development of ALMP measures, other programmes and additional institutions on the systemic level; (ii) investing in further education, training and LLL on the level of an individual.
- 5) Beside the above mentioned financial situation, the efficiency of ALMP measures is probably low and lacks thorough evaluations. This is the consequence of relatively underdeveloped measures and institutions for labour market and jobs analyses.
- 6) The social dialogue and the role of social partners are also different. In Slovenia, relatively low feeling of trust between the social partners, especially between employers and employees representatives is making difficult any form of cooperation between them (on local, regional or national level), let alone making any more radical step towards the changes (reducing) of workers' rights (especially those employed full time on open ended contract). In such environment, recent statements from the government side, that the act will be introduced into the parliamentary procedure without reaching the consensus between social partners only add new sparks to the fire of mistrusts between social partners.

4 QUESTIONS

Regardless to the fact that there are important differences between Slovenia and the Netherlands, some of the measures (already implemented or proposed to be) implemented in the Dutch labour market are interesting enough as solutions for the Slovenian situation as well.

While reading the discussion paper some questions have been raised:

1. In the area of VET and lifelong learning the author of the discussion paper has mentioned sectoral Training and Development Funds that are funded by employers. It would be interesting to learn more about the status of such funds (voluntary, based on the collective agreement or obligatory, based on the governmental Acts) and who is responsible for the curricula introduction and implementation of training programmes (social partners or VET experts)?
2. Furthermore, regarding the breaks in the careers of employees for retraining or studying, what are guarantees in practice (if any) for such employees that they would be taken back on the same or similar job positions in the company?
3. In the relation to the introduction of the Work Ability Index to the Dutch labour market – what are reasons for taking this particular tool instead of any other employability assessment tool? Advantages and disadvantages?

ANNEX 1: SUMMARY TABLE

Labour market situation in the Peer Country
• Mass use of early retirement schemes in the beginning of 1990s with short term positive and long term negative effects, especially for sustainability of the pension system. • Continuous improvement of the labour market situation in the present decade until the current economic crisis. • Simultaneously, one of the lowest activity and employment rates for the 55-64 population, especially for the 60-64 group. • Current ALMP measures have some positive impact on both rates, but the increase is relatively slow.
Assessment of the policy measure
• The Slovenian Active Ageing Strategy is still missing as an official document which would set the objectives and measures for achieving them. • There is a new proposal of pension reform as another attempt to make the pension system sustainable in the long term. • Several measures adopted by the Dutch labour market system could be interesting for Slovenian practice. • Introduction of the Work Ability Index (WAI) in the Slovenian labour market analysis could improve (self) awareness of the individual and society about areas that, at the moment, are not in the focus.
Assessment of success factors and transferability
• Factors that could hinder the transferability of measures to Slovenia: ○ Attitude towards work ○ Structure of the economy ○ Lack of new jobs ○ Financial restrains ○ Underdeveloped labour market analyses ○ Strong social partners and lack of trust between them
Questions
• What is the status of sectoral Training and Development Funds? • What are guarantees in practice (if any) for employees taking the breaks for retraining or studying that they would be taken back on the same or similar job positions in the company? • What are reasons for taking WAI instead of any other employability assessment tool? Advantages and disadvantages?