



# PROLONGED EMPLOYMENT AND DELAYED RETIREMENT

## Work package 3

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# 1. Introduction

Because of the ongoing decline in fertility, reducing mortality or longer duration of life, especially in the developed world, we are being faced with the accelerated process of population ageing, and accompanying changes and challenges. Slovenia is also a subject to accelerated population ageing. This is influenced by demographic factors such as fertility, mortality and migration, which together determine the movement of the population. Because of this, we witness a rapidly increasing proportion of the population aged over 65 years and the reducing proportion of the working age population. Demographic projections (EUROPOP2013 – basic variant) suggest a further increase of life expectancy at birth. Thus, women's life expectancy at birth should increase from 83.1 years in 2013 to 85.4 in 2030 and further to 88.9 in the year 2060. For men it should increase from 77.2 in 2013 to 80.0 in 2030 and further to 84.3 years in the year 2060. In the period from 2013 to 2060, life expectancy at birth for women should increase by 5.6 years and for men by 7.2 years. The number of people in the course of the projection period will grow slightly but will fall back by the year 2060 to approximately the same level as it was in 2013. As regards the movement of population, projections by Eurostat predict only minimal changes.

Great changes are expected in the age structure of the population in terms of the proportion of the working age population (20 to 64 years) and the proportion of older people (aged 65 and over). In 2013, the working age people accounted for almost two-thirds (63.4%) of the population, and this proportion is expected to decline in 2050 to only one-half (50.5%) of the population and stabilize at this level. On the other hand, the proportion of older people (aged 65+) should increase from 17.3% in 2013 to as high as 29.9% of the population in 2050 and then stabilize at this level. The proportion of older people will therefore almost double in the coming 35 years, which will have a number of consequences on the increase of needs and expenditure on pensions, health care, long term care and other ageing-related expenditure (raising the question about the sustainability of social systems), negative could be also the impact on the relations between the generations.

Population ageing brings significant challenges at the level of individuals, enterprises and society as a whole. The population ageing will also have a major impact on the Slovenian economy, because the ageing of the workforce and other societal changes will influence organisations, employees and all social partners, raising many challenges of adaptation (ageing workforce, labour shortages, intergenerational differences, new ways of doing business, new markets). The ageing of the population, taking into account other social changes (e.g. climate change, disruptive technologies, political changes), requires raising the employment rate for older people (aged 55 to 64 years, or even in the group of 55–74 years), which requires activities in the areas of:

- prolonged employment and
- delayed retirement.

While the activities related with the prolonged employment deal with measures on the labour market, as well as good practices on the corporate, sectoral and territorial level (regional/local), the activities of the delayed retirement are largely related to changes of the pension system. This raises many questions:

- Which measures are appropriate (required): content, target group, duration of the measures, necessary resources, synergies with other measures?
- Where the intervention of the state is necessary, what to leave to the employer or the employee?
- Do we need comprehensive (level of companies, sectors, regions) or individual actions?
- Must older people be the only target group of an individual measure (targeted measures for older workers/unemployed) or does it make sense to solve the problems of older people through integrated actions?
- Is it possible to make a priority between the measures and the relevant target groups (the unemployed older people, older workers)?
- At which level does it make sense to implement measures: national, regional, sectoral?
- What other areas are the most connected with the labour market policies (multi-sectoral approach)?
- How to eliminate negative stereotypes about older people among employers, older workers/the unemployed and in the society as a whole?
- How to connect prolonged employment (labour market measures) and delayed retirement (pension scheme)?
- What pension reform is needed to encourage delayed retirement (parametric reform or reform of the system itself, measures to ensure the long-term sustainability of the system, an appropriate pension, the role of solidarity in the scheme, the incentives for the employers and for the employees to maintain older employees)?
- Would it be necessary to keep the possibility of early retirement?
- Is the Slovenian society properly informed on demographic trends, the characteristics of the pension system, social challenges?
- Do we have an adequate professional basis for a timely response to the challenges?
- Does positive discrimination (protection of older employees) lead to dismissing people and are older workers employed, because of the salary system, too expensive for employers?

Within the framework of the "Active and Healthy Ageing in Slovenia" project we prepared an analysis of the situation of older people on the Slovenian labour market and identified areas where action is needed to improve the situation of the elderly on the labour market. We analysed the existing measures in Slovenia and in comparable countries (Austria, Finland and Netherlands) and proposed measures which will increase the employment rate among people aged 55–64 years. This document does not contain proposals to reform the pension system, as this is the responsibility of the Government working group, which will prepare a White Paper on the reform of the pension and disability insurance. The White Paper will provide the basis for a public debate on possible measures for the sustainability of the pension system and will be ready in 2016. In the context of "Active and Healthy Ageing in Slovenia", we prepared demographic projections (scenarios) and assess their impact on the sustainability of the existing pension system. In addition, we suggest ongoing activities in order to improve the process of preparation and implementation of the pension system reform.

The preparation of the document involved a number of stakeholders, such as social partners as well as experts and the general public. We organized four conferences, where we presented the results of

our work and the proposed measures, which we tested with the participants at the workshops. We also organized workshops/meetings with young people, precarious workers, pensioners, trade unions (Association of Free Trade Unions of Slovenia) and employers (Chamber of Commerce). We regularly informed the subscribers (Ministry of Labour, Ministry of Health) about the results; the final document was also evaluated and positively assessed by an external evaluator.

## **2. Definition of activities of prolonged employment and delayed retirement**

The activities of the prolonged employment encourage employers, employees and the state to provide adequate working conditions and promote the use of, as well as maintain and upgrade labour skills (knowledge, skills and competences) of the employees and thus prolong the period of employment. With the activities in the field of delayed retirement we encourage postponing retirement decisions in favour of a more active participation on the labour market. We speak about:

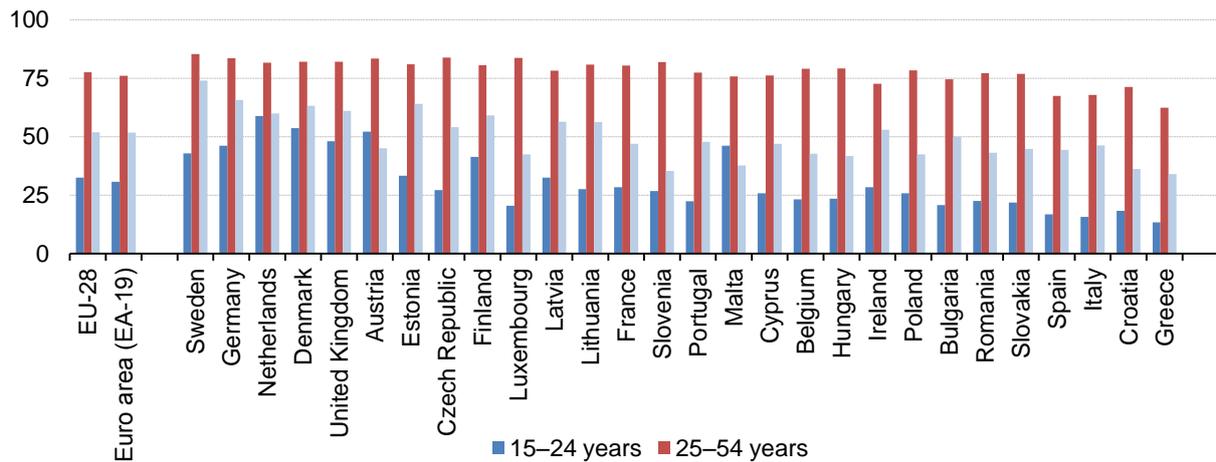
- the elderly, employment, working conditions, a later exit from the labour market, higher employability, but also about young people (entering the labour market, student work, precarious forms of work) and the middle generation (25–54),
- the health of older employees, the reconciliation between work and private life, education, training, work conditions, intergenerational cooperation etc.,
- the employers, the employees and the state,
- the pension system (adequate pensions, retirement age, solidarity etc.) and
- about the responsibilities of key stakeholders in the planning and implementation of the necessary reforms and the links between them.

## **3. Argumentation of the problem**

Slovenia is among the countries that were most affected by the economic and financial crisis over the period 2008-2013. In the EU-28, the employment rate for persons aged 15 to 64 years was, according to the Labour Force Survey in the EU, 64.9% in 2014. In Slovenia, the latter in 2011 was above the average of the EU-28, while in 2014 it amounted to 63.9%, which is one percentage point below the EU-28 average. During this period, job opportunities for men have particularly deteriorated in the EU-28, which is largely related to a decrease in the volume of activities that predominantly employ men with lower levels of education (e.g. construction). Similar trends were recorded in Slovenia. Thus, the growth of the percentage of unemployed men, unemployed young people seeking their first job and the long-term unemployed, where the duration of unemployment extends with the age of the unemployed. Older and less educated people are less and less competitive on the labour market. In comparison with other EU member states, Slovenia is characterized by a very late entry into the labour market (long education, a high percentage of the generation in tertiary education, inadequate coordination between the education and the economic system, lack of jobs) and a quick exit from the labour market (low average retirement age, compared with other countries, the

average age of receiving pensions is extending, the ratio between insured persons and pensioners is extremely low and continues to decline, the ratio between retirement pensions and wages is lowering). The employment rate for older people (aged 55 to 64 years) had been increasing at a very rapid pace despite the financial and economic crisis (like with women). This rate reached 51.8% in the EU-28 in 2014, while it increased every year since 2002 (the beginning of the time series for the EU-28).

Figure 1: Employment rates in the EU-28 in 2014 by age group



Source: Eurostat.

In 2014, the employment rate for older people in the twelve Member States of the EU-28 was higher than 50%, and by far the highest rate was recorded in Sweden (74.0%), while in Slovenia it was 35.4%, which is the second lowest among all EU<sup>1</sup> Member States and calls for appropriate action. The employment rate among the Slovenian population aged 55-64 is distinguished by:

- Sectors: a high proportion of people in employment aged over 55 years is recorded in activities of "Agriculture, forestry and fishing", "Electricity, gas and steam, and water supply," "Sewerage, waste management and remediation activities" and "Real estate". We observe also a growing proportion of older people in manufacturing, particularly in the subsectors C11 (Manufacture of beverages) and C17 (Paper production).
- Form of employment: a higher proportion of people in employment aged over 55 years among the self-employed than among employees.
- Regions: the existence of considerable differences between the regions where the high proportion of people in employment aged over 55 stands out in the Coast-Karst region, Pomurje and Podravje region.

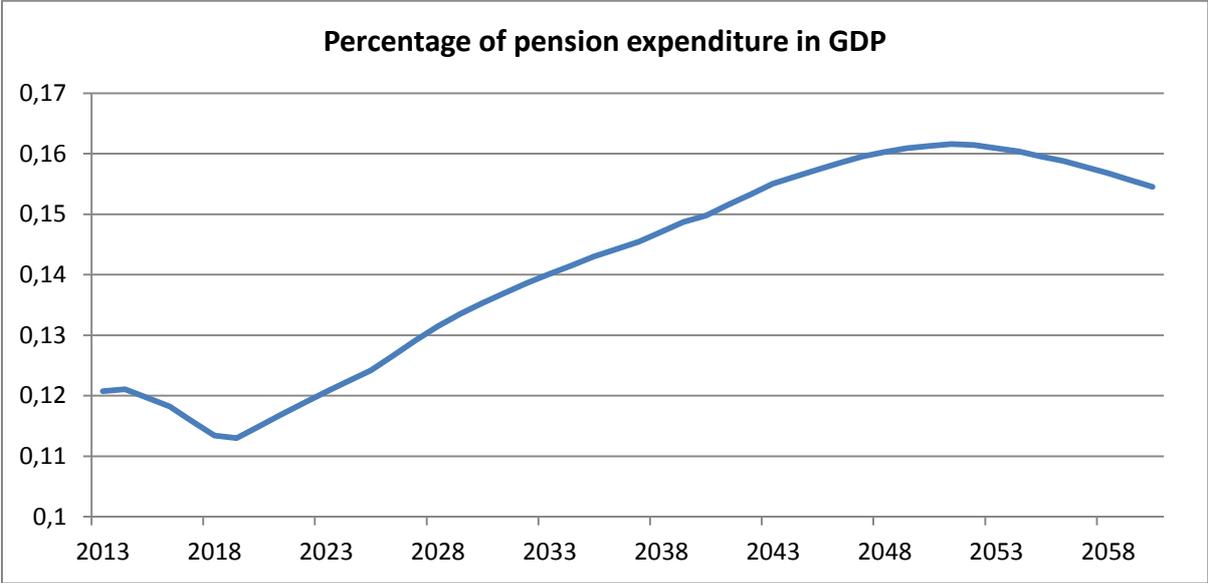
Due to the rapid ageing of the population in Slovenia, which will, considering the demographic projections, even intensify in the future, the long-term sustainability of systems, funded on the principle of current coverage, is problematic. This applies to the sustainability of the pension system,

<sup>1</sup> In 2013 the employment rate of older people in Slovenia was the lowest, in 2014 only Greece had a lower rate.

health system and long-term care. Projections of revenues and expenditures of the pension system were designed with the appropriate customized version of the dynamic pension model in the form of scenarios with different assumptions of demographic parameters, retirement conditions and macroeconomic variables, which are to the greatest extent possible based on the recommendations of the European Commission<sup>2</sup>. The results or the projections cover the period up to 2060 and are expressed as a percentage of gross domestic product each year in that period.

The results show that the pension expenditure as a share of GDP shall increase over the period by 3.4 percentage points; from 12.06 percent in 2013 to 15.45 percent of GDP in 2060. Already in 2013, the Republic of Slovenia provided from the state budget, due to low collection of contributions (or assessment and recognition of rights from pension and disability insurance under certain conditions), funds for the payment of pensions in the amount of 3.41% of GDP. This percentage will, assuming that the pension law will not change, amount to 7.31% in 2060. In practice, we cannot afford these developments and we can expect that the new pension reform will eliminate or at least significantly mitigate the expected deterioration of the pension fund. Without further changes in pension legislation during the 2020's the percentage of public pension expenditure would start, expressed as a percentage of GDP, to surge, while the revenues of the pension fund would be approximately constant.

Figure 2: Percentage of pension expenditure in GDP until 2060



Source: Analytic report DP3 of the project AHA.SI, 2015.

<sup>2</sup> The microsimulation pension model is based on a sample-related statistical and administrative databases of 112,000 individuals living in 40,000 households. It is calibrated to 2010, which reproduces the actual value of each of the key variables. For the purposes of preparing the projections, we used the latest available assumptions of EUROSTAT and the European Commission (demographic projections, labour productivity growth, unemployment rates, activity rates).

The results imply that the existing pension system is not fiscally sustainable in the long term and a new pension reform must be established within a reasonable time (until 2020). At the same time, we must be aware of the fact that the deficit of the pension fund already represents a problem today and will only continue to grow without adequate emergency measures in the pension system. This raises the question of what constitutes a sustainable pension system, how to ensure and at the same time to achieve the objective of adequate pensions. The preparation, introduction and full implementation of the pension reform, in addition to calculations and consensus of the stakeholders, requires time. We have the following options available:

- Raising the retirement age and longer employment.
- Increase in contributions.
- Reduction of the pension (in combination with the additional investment saving schemes).
- Combination of the above-mentioned measures.

Irrespective of the reform direction, we need to increase the employment rate for older people (aged 55 to 64 or in the future to 74 years), which will require prolonged employment and delayed retirement<sup>3</sup>.

The performed analysis and activities (conferences, workshops) have shown that the low employment rate among the Slovenian population aged 55-64 is due to:

- Early retirement: Slovenia's independence from the former Yugoslavia has led to the collapse of companies and early retirement; in the past, a lot of early retirement was due to work conditions (benefited seniority); alternative forms of early retirement (e.g. disability pensioners).
- Corporate bankruptcies: frequent transition from unemployment to retirement. Companies are "exploiting the system" by sending older workers to the Employment Service two years prior to their fulfilment of conditions for retirement (also three or even four years before, but after two years they get only contributions, without compensation). This is mainly a requirement of the employers, but sometimes the wish of future retirees.
- Low educational structure of the older people: in the recent years, it is improving due to adult participation in secondary education and demographic effects (transitions of young people, which tend to be better-educated, to higher age groups).
- Lack of modern competencies: low participation in education and training, reducing the involvement of older people in lifelong learning. The problems are both at the employers' side, since employers do not send older employees to do further training, and at the side of older

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<sup>3</sup> A Eurobarometer survey in 2011 shows how much the definition of the terms "young" and "old" vary by country. Malta, Portugal and Sweden consider as "young" people under the age of 37 years, in Cyprus and Greece young people are aged up to 50 years. In average, Europeans believe that we are old just before 64 years, and after the age of 41.8 years we are not young people any more. Opinions also vary by age and sex - women feel that old age begins slightly later than men think (at 65 years, according to the first and 62.7 years, according to the latter). The Economist Intelligence Unit, OECD reports that in the Scandinavian countries, Switzerland, Iceland, as well as in some non-European countries (USA, Japan, New Zealand, Chile, Israel) employment rate in the period from 65 to 69 years is very high and it is increasing, which indicates that the person's medical condition is still relatively stable and allows labour activity. Increasing is also the employment rate in the period from 70 to 74 years.

employees that are not interested in additional training. Also in recent years, a reduction in public funding for adult education is an additional issue.

- Negative attitude of employers towards older employees (prejudices), because the contribution of older people is estimated through age and not through the actual activity (experience, loyalty) also in the public sector (e.g. ZUJF).
- Inadequate working conditions for seniors: inappropriate or unmodified working environment for older people; inadequate organisation of work; negative impact on the health of the elderly.
- Insufficient incentives to prolong employment after the fulfilment of the minimum conditions for retirement.
- Non-flexible labour market for older people: when selecting new employees, as a rule, employers are favouring younger candidates; dismissing of older people in the process of restructuring, precarious employment of younger people.
- Lowering the inclusion of older people in active employment policy.

Additional problems are:

- Intergenerational conflicts: lack of confidence among the elderly and young employees; widespread belief that older people are taking jobs away from the young.
- The public sector represents a negative appearance of the treatment of older employees ("forced" retirement; employee as an expense).
- The participation of retired persons in the informal economy: unfair competition for employees and jobseekers; damage to the state budget.

Additional challenges are:

- New ways of working: disruptive technologies that require proper qualification of employees, reduced need for employees, the disappearance of certain professions, jobless growth.
- Societal challenges: climate change, political turmoil, including political/economic migration, the lack of natural resources, globalization.
- Regional differences: the highest proportion of older people is generally in the regions, which are economically less developed (Pomurska, Podravska, Koroška, Notranjska-Karst region, Zasavska), economic problems are often concentrated in certain locations (e.g. Bela Krajina and Kočevje, Posočje).

## 4. Defining the purpose and strategic objective

The purpose of the measures of active and healthy ageing is prolonging employment and ensuring the financial sustainability of public pension systems with appropriate pensions.

The main two (strategic) objectives are:

- **The increase in the employment rate among people aged 55-64 years.**
- **Public finance sustainability of the pension system and an adequate pension.**

Raising the employment rate of older people provides at least three benefits<sup>4</sup>:

- It reduces the impact of demographic change on economic development.
- It reduces the impact on the volume of public funds intended for the payment of pensions and increases tax revenues.
- Provides employers with the needed time to adjust their own business.

Raising the employment rate has an indirect effect on the national, organisational and individual level. In order to achieve a rise in the employment rate of older workers, it requires significant social change, which includes public intervention, companies (private and public), science and mainly individuals. In the recent years, most developed countries invest significant efforts in raising the employment rate of older people. Some countries are more successful (e.g. Germany, Sweden, Netherlands) than others, but in these countries, we can observe a gradual increase in the employment rate, which is also associated with the reforms of the pension system, where the state closed the exits into early retirement and raised the statutory retirement age.

The main two (strategic) objectives will be achieved by measures that will pursue the following specific objectives:

- **Improving the employability of older people<sup>5</sup>.**
- **The inclusion of older people in the employment.**
- **Strengthening of intergenerational cooperation and coordination of work/life balance.**
- **Informing the population about the characteristics of the labour market and the pension system (state reform) and the establishment of a regular dialogue on the reform of the pension system and the preparation of expert bases.**

## 5. Proposed measures and activities

Among the EU Member States, there are major differences in the implementation of active aging strategies, but most countries are aware of the importance of active ageing as part of a comprehensive approach to raising labour market participation of older people. Countries that devote most attention to this issue are the Netherlands, Finland, Great Britain, Spain, and Poland. Even some small new EU Member States, such as Estonia, Latvia and Slovakia, have adopted active ageing strategies. It is important that the active aging strategy involves employees in different age groups; important is also the involvement of the social partners, and the involvement of employees

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<sup>4</sup> Hasselhorn, Apt et al. Understanding employment participation of older workers: Creating a knowledge base for future labour market challenges. Berlin: Federal Ministry of Labour and Social Affairs, 2015, pp. 16.

<sup>5</sup> Employability includes the ability to work (health, physical fitness, education, skills, values, motives) and the ability to obtain work and to keep it. It also includes job changes within the organisation and obtaining a new job, if necessary. It requires competences, skills, abilities that need to be presented to employees. Employability also depends on external factors (demand), which are beyond the control of the worker and include working conditions, the complexity of the work, stereotypes related to work, job quality, career guidance and labour market conditions. Work ability and employability are closely linked with the health of the employee (healthy aging), as poor health is the biggest obstacle for extended employment.

in the decision-making process (Netherlands). Comprehensive strategies for active and healthy aging involve a number of steps, as shown in Table 1.

The Republic of Slovenia does not have a comprehensive strategy for an active and healthy ageing, but it is already implementing measures under the active employment policy: The training and education of employees; Mentoring for young people; Training at the workplace; Promoting employment of older people; Reimbursement of contributions to employers employing older workers in certain areas.

In addition to the measures of active employment policy, the Republic of Slovenia included in the legislation provisions that pursue an objective of prolonged employment and delayed retirement. These are:

- The Law on Employment Relations Act (ERA-1): the age of the workers, who are guaranteed special protection against dismissal, is increasing; reduction in statutory labour costs for older workers.
- The Pension and Invalidation Insurance Act (ZPIZ-2): institute of partial retirement, partial exemption from employer contributions for older workers, bonuses for work after fulfilling the retirement conditions for the individual.

Table 1: Approach of the EU Member States to take an active and healthy ageing, a comparison with Slovenia

Measures	EU Member States	Slovenia
<b>A comprehensive approach to active aging</b>	National strategies: Netherlands, Finland, Great Britain, Spain, Poland, Estonia, Latvia and Slovakia	NO
<b>Lifelong learning programs, education, training and skills development</b>	National strategies: Finland, Sweden, Austria and Slovakia	YES, but relatively low participation of older people
<b>Policies and measures that promote healthy working conditions and health of the employees</b>	Mainly legislation: Portugal, Ireland, Slovakia, France, Belgium	YES
<b>Age management</b>	Austria, Germany, Netherlands, Finland. Significant differences between companies.	NO
<b>Services for older workers</b>	All EU States, different accents (financial incentives, guidance, individual planning, recruitment, preferential treatment of the elderly, training) and the various territorial (national, regional, local) and sectoral approaches (eg. Netherlands).	YES
<b>Older employees friendly tax advantage: making work pay</b>	Germany, Austria, Belgium, Sweden	YES
<b>Incentives to employers for employment and prolonged employment of older workers</b>	1. Reductions in social security contributions for employment and re-employment of older workers	YES, with particular emphasis on problem areas (Pomurje,

	(Luxembourg, Belgium, Sweden, Greece, Spain, Poland, Portugal, Romania) 2. Subsidies to cover the costs of older employees: various forms of wage subsidies, subsidies of unemployment benefits, subsidies to fixed (Germany, Belgium, Croatia, Austria, Greece, Poland)	Zasavje, Pokolpje, Maribor with surroundings)
<b>Measures to transfer knowledge and experience</b>	Countries have different ways of transferring knowledge and experience from older to younger workers (France, Latvia, Portugal, Spain) Support: subsidies, tax breaks	YES (Mentoring schemes), but limited resources available
<b>Measures to combat discrimination against the elderly</b>	Some countries have introduced appropriate legislation to prevent age discrimination (e.g. The United Kingdom, Sweden, Estonia) and introduce positive discrimination (Slovakia)	YES

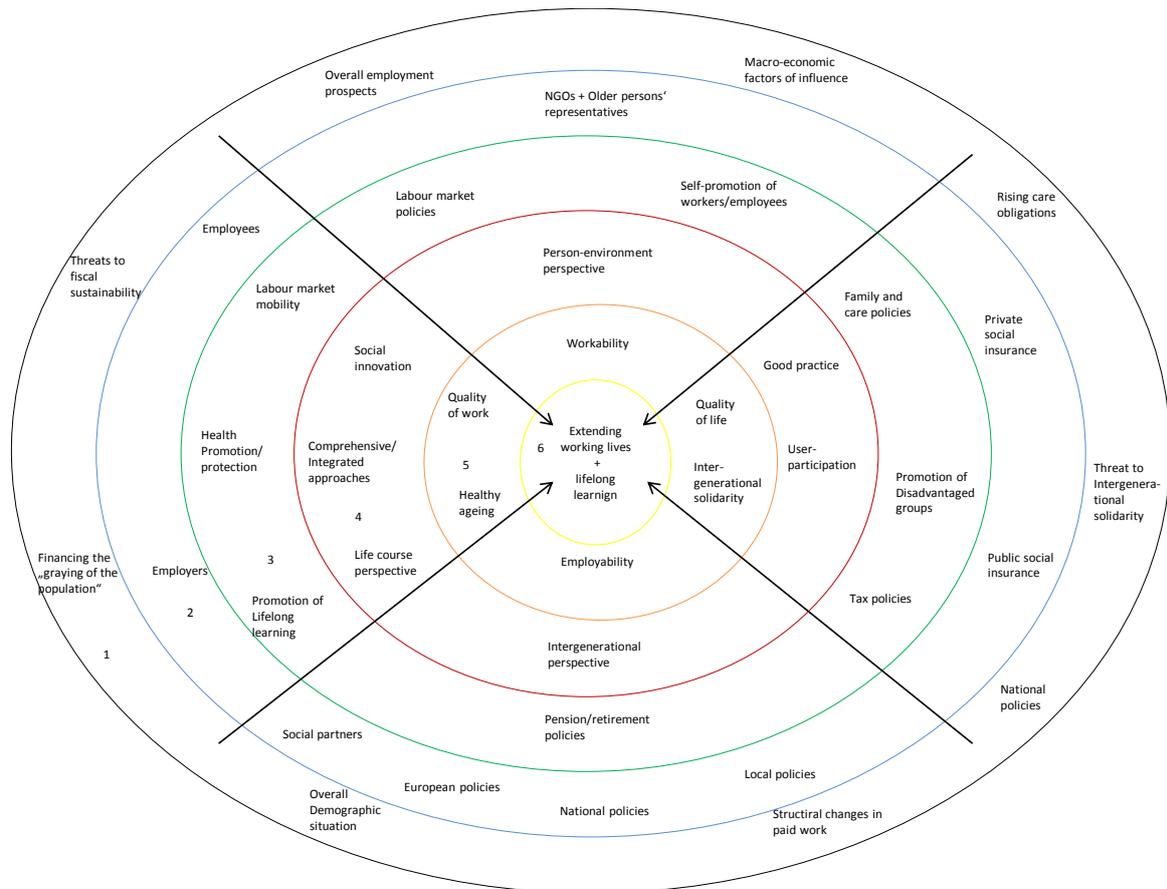
Source: "Employers' practices for Active Ageing": Final synthesis paper of the European Employers' organisations project on age management policies in enterprises in Europe, 2012 and evaluations of the authors.

The measures, which aim to encourage prolonged employment, are crucial to cope with demographic changes. The proposed measures and activities are based on an integrated approach, which has been prepared within the project "Mobilising the Potential of Active Ageing in Europe" (MOPACT).

Prolonged employment and lifelong learning is based on (Naegele, Bauknecht, 2013, pp. 8-11):

1. External factors (Round 1): external factors work together to influence the achievement of goals, some factors are more influential than others, some are the result of microeconomic decisions, some are primarily dependent on the external environment.
2. Key stakeholders (Round 2): their behaviour and activities are very often under the influence of external factors (financial crisis, pension scheme, labour market conditions, law), although it is often difficult to determine which activities are the result of external influences and which activities are the result of their own decisions.
3. Activities (Round 3): includes the various activities of stakeholders from Round 2. They may have different policies (pension, social, health, tax, labour market) and other activities such as health promotion, support for vulnerable groups, promotion of lifelong learning etc. These activities are carried out by different key stakeholders, sometimes in synergy, often incoherent.
4. Concepts and approaches (Round 4): includes the implementation of activities from Round 3, with the aim of providing key conditions to achieve the overall objective. In this group, we include life-cycle approach, a comprehensive approach, social innovations, age management, the intergenerational aspect, user involvement, good practice.
5. Key conditions for achieving the objective (round 5): intergenerational solidarity, healthy aging, quality of work and employment, employability, ability to work, quality of life.

Figure 3: The approach to the prolonged employment and lifelong learning - project MOPACT



Source: Naegele, Bauknecht, 2013.

The employment rate of older people is influenced by many factors. Particularly important is the state of the economy, since public policy measures cannot compensate for the impact of negative economic trends (Okun's law). The best cure for raising employment rates is economic growth. Negative economic trends also affect the demolition of intergenerational solidarity, because in times of crisis in many countries it is widely believed that older people take jobs away from the young, although the analyses (OECD, academic papers) do not support this. Sadly, this belief is widespread in Slovenia as well, which is also a result of restrictions in public sector employment.

Therefore, we need a comprehensive approach that takes into account the intergenerational aspect, the lifelong perspective, the individual, the individual's environment and is based on best practices at home and abroad. Experience shows that the prolonged employment and delayed retirement can be achieved if the following conditions are met<sup>6</sup>:

- It is necessary to prepare a comprehensive reform that covers all aspects of social security (disability, sickness benefits, and unemployment benefits) and wider (education, labour market,

<sup>6</sup> Adapted from Sigg in De-Luigi. The success of policies aimed at extending working life. Geneva: International Social Security Association, 2007, pp. 7.

occupational safety, health promotion). Demographic change is a global problem and it is not enough just to reform the pension system.

- A combination of measures, which encourages prolonged employment and limits early retirement, is needed, i.e. the combination of incentives and restrictions. This does not make important only the financial aspects.
- They must have long-term goals, since it is necessary to take into account demographic projections and life-cycle approach.
- It should be noted that older workers represent a very heterogeneous category (age, occupation, education, health, family status).
- Businesses have an important role in the prolonged employment and employment of older people, so it is important that companies are involved in the preparation and implementation of activities.

Below we list the measures related with the labour market measures and policies for reforming the pension system (content of work package 3) and would be implemented in the period 2015-2022.

Measures to support **specific objective 1: Improving the employability of older people:**

- **Training and education programs for older people (unemployed, employed), skills development (unemployed, employed): *Adult education (informal/formal), training and education for work (institutional/workplace)*.** Research on adaptability of businesses<sup>7</sup> confirms the strong correlation between lifelong learning within enterprises and complementary factors on the one hand and achievements on the other side. Training (on and off the job) has the greatest effect in companies when it is supported by changes in organisational structure, job structures and in some cases through technological innovation. Training is more effective when it is generally available to workers. It is important to forecast the demand for skills in the future, with the aim of creating opportunities for timely training and education of the staff for the upcoming new tasks (individual career plans). It is necessary to educate and train the unemployed as, similarly as abroad, in Slovenia training programs and education of unemployed people show positive and statistically significant long-term effects<sup>8</sup>. The included companies and contractors have positively assessed the inclusion of the measure ***Lifelong guidance for employers and employees***, which was funded under the Operational Program Human Resources Development for the period 2007-2013, as it has changed the way of thinking, strengthened the HR department and the companies got the feeling that they are doing well and work in the right direction<sup>9</sup>. Since the personnel management is very weak in a number of Slovenian companies (lack of knowledge, awareness, lack of information), it would be necessary to include the measure in the period 2015 to 2022 mainly in those companies that do not yet know exactly how to make the HR process in the company (particularly small and medium-sized enterprises). The problem of human resources and the relevant competences are often bound to a specific industry (sectoral approach). ***Competence centres for the development of human resources***

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<sup>7</sup> E.g. Adecco: Demographic Fitness Survey 2008.

<sup>8</sup> Evaluation of the largest programs of active employment policy, including measures against the economic and financial crisis. Ljubljana: EIPF, EKONOMSKI INSTITUT, d.o.o., 2012, pp. 5.

<sup>9</sup> <http://www.sklad-kadri.si/si/dogodki/ostali-dogodki/posvet-rezultati-in-priloznosti-programa-vsezivljenjska-karierna-orientacija-za-delodajalce-in-zaposlene/>

represent a significant investment to encourage the employers to use training as a tool of business and corporate development. In the period 2007-2013, we have some successful practices (e.g. glassware, chemical, wood industry and others), where funds had a major impact in the form of co-financing of training, which can be much cheaper than only a subsidy for companies. Due to the inclusion in the partnership the industry is integrating, sharing knowledge through internal training, a lot more is invested in staff, and, in some cases, employers sent for the first time their staff to do the training, which is not legally required. Therefore, the above-mentioned selective approach should continue in the financial perspective 2014-2020, but with greater emphasis on older employees. Taking the trend of extending the period of employment of older people the advisability of maintaining their competencies and investing in their education is becoming less and less questionable. The period of "reimbursement" of investments in education is shorter for all employees, and it is therefore reasonable to nurture the specific competences and plan to invest in education of (also older) employees<sup>10</sup>.

- **Measures to change the attitude of employers and the general public towards older people (promotion of employment of older workers) and the importance of active and healthy ageing.** The *activities* (information campaigns, guidelines, certification) want to influence the awareness and attitude of employers to be more in favour of older workers, improve self-esteem of older workers, to influence the awareness of the general public on the extent of the problem/the advantages of employing older workers and to prevent discrimination. Special emphasis is put on small and medium-sized enterprises. In the next two years, we propose the introduction of a *certificate* "elderly-friendly employer", which should be developed along the lines of the certificate "Family Friendly Company". In some non-European countries (USA, New Zealand, Australia) they have already developed such a certificate, it is awarded also in Austria (Nestor Gold Plus), where it is the responsibility of the Ministry of Labour, Social Affairs and Consumer Protection (Bundesministerium für Arbeit, Soziales und Konsumentenschutz). An alternative solution is to establish a Slovenian award "elderly-friendly employer". An important role is also seen in the *projects of the social partners*, enabling to locate and encourage various forms of intergenerational cooperation, create better conditions for work (occupational safety, health promotion), development of innovative approaches, promoting the age management, to change the attitude of employers and employees towards ageing, the development of appropriate tools that contribute to the implementation of activities in companies (e.g. training) as well as at the level of countries/sectors (e.g. the exchange of information on labour needs).
- **Promoting programs to ensure the safety and health at work, including health promotion programs at the workplace, for all generations at the company/organisations level.** "Good health and safety of the employees are essential for a sustainable working life and active and healthy ageing, in particular with regard to the ageing of the labour force and prolonging working life. This requires the creation of a safe and healthy environment throughout their working life, which is more and more diverse. Promoting a culture of prevention is essential in order to achieve those objectives. Successful prolongation of working life is strongly dependent on appropriate adjustments of workplaces and work organisation, including working time, access to

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<sup>10</sup> Žnidaršič. Maintaining and developing the competencies of older people - a cost or an investment? In Vidmar, Lampe, Sattler. With the development of people - we prosper. Ljubljana: Public Fund of the Republic of Slovenia for Development and Scholarship, 2015, pp. 47.

jobs and interventions at the workplace aimed at older employees<sup>11</sup>. The proposed measure contains an analysis of safety and health at work, support for the deployment of tools for risk assessment in the field of health and safety at work, and training of employers to work with such tools and promote a culture of prevention. In the EU-27, approximately 30% of men and women in the age group of 50-64 years need the necessary adjustments in the workplace to prevent the risk of early retirement and incapacity due to health problems. The most common health problems are musculoskeletal disorders and mental disorders<sup>12</sup>. The situation is similar in Slovenia, which is shown by an analysis of sick leave<sup>13</sup>. Many examples of good practice and experience from abroad show that it is possible, through appropriate action, to reduce or eliminate the negative impact of the work and the working environment on health, and to encourage workers and employers to design health-friendly lifestyle (health promotion). Supporting an adjustment of workplaces for older people is designed to prevent the risk of early retirement and incapacity. In addition to the adaptation of the working environment older people stress the importance of a respectful attitude. After a long absence, it is important that older employees are re-integrated in the work process. In this context, we see the important role of rehabilitation programs, as well as the creation of jobs. There is evidence that work has a favourable effect on the recovery of people on sick leave. Conversely, long-term sick leave can lead to mental health problems, isolation, social exclusion and premature exit from the labour market. Increasing employment rates and extending working life, while reducing early retirement and limiting the increase in the number of disability pensions, are important priorities. This means that more than ever we must help people with health problems to remain professionally active. Important is also the rehabilitation and return to work after sick-leave due to illness or injury<sup>14</sup>.

- **Promoting the integrated age management in organisations (public/private).** A single definition of age management does not exist. It is important that the age management includes a number of related activities ("*comprehensive/integrated approach*"): lifelong learning, career development, knowledge management, health promotion, organisation of work, guidance, transition into retirement, employment. Although the majority of Slovenian employers are already experiencing the problem of ageing and are also facing a shortage of labour, concrete measures to deal with people at work – with the emphasis on keeping older workers in employment – are more an exception than the rule. We propose to set up pilot projects in the private/public organisations. Based on the experience, appropriate guidance and tools can be made and counsellors trained, we should also enable the exchange of experience between the "pilot" enterprises (e.g. organisation of consultations). In the coming years, we should give special attention to medium and small businesses. An overview of good practices in promoting the prolonged employment of older people, carried out under the project MOPACT, shows that it is not possible to make a single model for all EU members. Some countries have a lot of good

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<sup>11</sup> COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on an EU Strategic Framework on Health and Safety at Work 2014-2020 (COM/2014/0332 final).

<sup>12</sup> Ilmarinen. Promoting active ageing at the workplace. Bilbao: European Agency for Safety and Health at Work, 2008, pp. 1.

<sup>13</sup> <http://zrnnozdravja.si/asset/9KKfmdjcbHhsZHJCb>.

<sup>14</sup> [http://www.beswic.be/sl/priority\\_groups/ageingworkers/index\\_html](http://www.beswic.be/sl/priority_groups/ageingworkers/index_html).

practice (Belgium, Denmark, Germany, Netherlands, United Kingdom), which are often dominated by intergenerational or lifelong view. Good practice is mainly a characteristic of large enterprises, which are characterized by long-term employment, while the situation is much worse in the medium and small enterprises, even in the most developed countries. For SMEs, they are developing measures to promote prolonged employment. The problem is the lack of specialized HR personnel (a combination with the measure Lifelong employment guidance for employers and employees), which would systematically focus on the development of human resources. Since the majority of Europeans are employed in small and medium sized enterprises, it is necessary to pay special attention to SMEs. Therefore, we would introduce 'vouchers' for SMEs.

- **Employment projects at the regional level.** Comprehensive employment approach at regional level (Regional employment pact or Regional/local partnership) promotes strategical dialogue between key players in the field of employment, labour market and education: ESS, educational organisations, local communities, associations of employers, trade unions, businesses, foundations for improvement of employment opportunities, development agencies, research organisations, etc. Foreign experience shows that addressing unemployment of specific groups of the population is the most effective at regional/local level<sup>15</sup>. A strategy should be prepared by the regional/local partnerships, in which an important role (co-ordination, implementation) is played by foundations for the improvement of employment opportunities (where present) and ESS (regional units). Foundations for the improvement of employment opportunities may be important in the segment of employment of the elderly, as well as in promoting active ageing in companies/organisations. In Slovenia, there is good practice in regional approach, but would require a more stable financial support (e.g. Foundation Prizma).

#### Measures to support **specific objective 2: The inclusion of older people in employment.**

- **Incentives to employers for employment and prolonged employment of older workers.** Incentives are partial exemption from payment of contributions for older workers, tax relief for the employment of older unemployed persons for an indefinite period, repayment of the contributions for the employment of the unemployed in Pomurje, Pokolpje, Maribor and Posavje/Zasavje, and subsidies for employing older unemployed people. The purpose of the above incentives is to promote employment and increase employment opportunities of unemployed persons from the target group. The added value of the incentives is to reintegrate people into the working environment, reduce social exclusion and poverty, and to contribute to the achievement of rapid, stable employability of target groups. Some measures also have a regional dimension, therefore, it would be reasonable to connect them to the measure of Employment projects at the regional level.
- **Public Works.** Public works are designed to activate long-term unemployed people and to enable their social inclusion. Since long-term unemployment is more connected to the older unemployed, public works are a very important part of employment of older unemployed people.
- **Promoting social entrepreneurship and self-employment** (subsidies, social enterprises). Social

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<sup>15</sup> European Commission. Practical handbook on the development of strategies for local employment in Slovenia, 2009, pp. 7.

entrepreneurship opens up the possibility of a joint creation of an added value and an opportunity for an innovative employment of vulnerable target groups in the labour market, including the elderly. Social entrepreneurship is an ideal environment to older people and the opportunity for their own business with a relatively low input. OECD<sup>16</sup> notes that in Slovenia inhibiting factors of the development of social entrepreneurship are also the lack of ability of the social economy organisations. For the development of social entrepreneurship in Slovenia we do not have proper supportive environment. A large part of the obstacles for the social entrepreneurship development is a result of the shortcomings of general business skills and lack of financial resources<sup>17</sup>. Social enterprises can provide solutions to increase access to social services, particularly those related to population ageing and long-term care, in the framework of the process of deinstitutionalisation, as well as other services with a view to ensuring better social inclusion at the regional and particularly at the local level. They can also enable training and employment of persons who have been involved in social activation programs, but in spite of the progress made cannot yet be integrated into the labour market as well as other disadvantaged persons who for various reasons cannot be directly integrated into the labour market. In Slovenia, *the self-employment of older people* is relatively low, while abroad the proportion of self-employed among the elderly is growing and self-employment is also often promoted by public policies. The motives for self-employment are very different: some want to continue with the work activity after terminating their career; some opt for self-employment, because otherwise they do not get a properly paid job. Nevertheless, it should be remembered that the self-employment of older people often means a form of hidden unemployment (Great Britain), so this is not a measure that would drastically solve the unemployment problem of the elderly. The role of older self-employed will be important in meeting the needs of the silver economy<sup>18</sup>.

- **More active role of the Employment Service of Slovenia (ESS).** Older unemployed need an individual approach, it is therefore necessary that the ESS focuses on individualized services/approaches that will promote their early entry into the labour market. Services of the ESS should encourage the relevant competence (knowledge, skills and competences), information and self-confidence of older unemployed. An important role of the ESS is in identifying the needs of the labour market, in the development of training programs in view of the specific needs of employers, and in identifying potential unemployed. ESS should also play an important role at the regional level (collaboration/coordination in the preparation of the strategy; activities such as job fairs, conferences, quick dating etc.; info points). At the regional level, in partnership with the local/regional actors, and, where they exist, the Foundations for the improvement of employment opportunities ESS should have a more active role in designing and implementing comprehensive programs to promote employment of older people. It would be necessary to establish intensive work with employees during the notice period, as the reintegration of unemployed is very difficult (expensive). The ESS should strengthen the

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<sup>16</sup> Strategija razvoja socialnega podjetništva za obdobje 2013 – 2016, 2013, str. 25.

<sup>17</sup> Abroad, the importance or interest in innovative forms of financing is increasing due to limited public funds. We speak about the financing of social innovations where payments are based on the achieved social impact («Social Impact Investment«).

<sup>18</sup> The expression “Silver Economy” is designed to describe new market opportunities arising from public/private expenditure related to the rights, needs and demands of the population over 50.

cooperation with employers: strengthen the activities of employers' offices where the ESS provides services primarily to small and micro employers without their own personnel departments, strengthen mobile units in the field<sup>19</sup>, and cooperation with employers in training and employment.

Measures to support **specific objective 3: Strengthening of intergenerational cooperation and reconciliation of work/life balance.**

- **Intergenerational cooperation.** Employees need to connect with each other between the generations and take advantage of each of the generations: mentoring schemes and job rotation or replacement at the workplace, job-sharing. With these measures, we are becoming increasingly aware of the importance of intergenerational solidarity and dialogue between young, middle and older generations; they promote the effective transfer of knowledge and experience between generations and encourage older employees to wait with the exit from the labour market. For employers, it is important to identify the differences between the generations, try to understand and organize the working process so as to benefit from the positive side of intergenerational differences. Gradually (e.g. within 5 years) we would cease to co-finance the proposed activities with public funds, as the exploitation of intergenerational diversity must be an integral part of public/private organisations.
- **Reconciliation of work and private life of older employees.** It is also necessary to introduce measures to promote the balance of work and private life of older workers, notably measures that allow care for elderly family members. Reconciliation of work and care for the elderly members of the family is becoming increasingly important due to longer life expectancy and an ageing population. On the one hand, there is a growing need for time investment of informal family caregivers and carers of aged and disabled persons, and on the other hand, we encourage and laws require longer working lives. The sick and disabled parents in their 80s are taken care of by their children in their 50s and 60s, which is the time when in Slovenia the majority of employees decides to retire. Care is generally organized and/or carried out by women, so many decide for early retirement with permanent disincentives for pension, particularly in cases where there is no adequate assistance or it is too expensive. It is necessary to develop a holistic approach to the individual who recognizes that the active participation in the labour market and family care are complementary in all stages of life. For this reason, measures are needed to facilitate the reconciliation of work and private life. Balancing work and private life allows two groups of measures in the labour market: ***rights under labour legislation and other acts in the labour market field (e.g. collective agreements) and the additional measures, which are introduced voluntarily by the employers.*** In many countries, measures to reconcile work and care for the elderly people evolved from measures that have been traditionally targeted at working parents. In the beginning measures were mostly just upgraded or the target population was expanded, while in the recent years the companies introduced special measures for employees with caring responsibilities. Also in Slovenia, we have a proper basis: the certificate "Family Friendly Company", where some employers are already putting in place additional measures. In the case of company Zavarovalnica Maribor, such measures are time accounts, i.e.

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<sup>19</sup> Within the framework of the project »Za Pokolpje – aktivno in dejavno« the ESS has secured mobile units in the field.

flexible use of excess hours, in combination with holidays. For example, excess hours may be benefited for the purpose of accompanying an elderly family member during normal working hours. Employees who take care of a handicapped family member are entitled to extra five days of paid leave. In addition, flexible working hours are enabled (one hour delay in the arrival at and from work) and, if possible, to accede to the employee's request to work at home. These activities are an integral part of the certificate "elderly-friendly employer".

- **Organisation of working time for older people:** flexible working hours, part-time working time, work from home. This measure would have a positive impact on the reconciliation of work and private life of older employees, as well as to improve the employability of older people. There is an urgent need for innovative models for extending the working life of individuals and the increase in the effective retirement age. Some examples of good practice suggest that the provision of more free time or reducing the workload with age extended the actual retirement age for about three years<sup>20</sup>.

Measures to support **the specific objective 4: Informing the population with the characteristics of the labour market and the pension system (state reform) and the establishment of a regular dialogue on the reform of the pension system and the preparation of relevant expertise.**

- **The establishment of a regular dialogue between stakeholders.** The current pension system is not sustainable in the long term, it is therefore necessary to make a new reform, which must also provide the appropriate level of pensions, solidarity and feasibility in practice (proper adjustment of the labour market to enable greater employability and maintaining employment for the elderly). It should be remembered that the ignorance of the pension system, demographic change and its consequences, and the late engagement of the public and relevant stakeholders in the process of preparing the necessary reform measures lead to conflict situations, lack of normal dialogue and the common search for solutions. This leads to delays and even rejection of laws prepared, with the lower quality of the solutions proposed. ***Urgent is therefore a timely establishment of a broad public debate which should be based on prior knowledge of the basic features of the systems on which to decide, appropriate information, different scenarios and their analysis, and previously established and conducted regular dialogue between economic policy makers and key stakeholders in planning strategies and their implementation in practice.*** In this case, we are talking about the Quality ageing strategy and the challenges of an ageing society (the strategy; the holder is the Ministry of Labour, Family, Social Affairs and Equal Opportunities). The establishment and maintenance of a regular dialogue between economic policies makers and key stakeholders in the planning of the strategy and its implementation in practice, as a crucial and urgent context for public discussion and the achievement of a minimum still acceptable consensus on the basic/key issues of each of the systems (for example, in the case of delayed retirement, a consensus on: a) the amount of eligible pension, b) solidarity, c) parametric reform and/or reform of the system itself, d) actions to ensure the sustainability of the system within only the first or also the second pension pillar and e) incentives on the part of employers and employees to maintain/delay employment/retirement. Especially the issue of

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<sup>20</sup> Ilmarinen. Spodbujanje aktivnega staranja na delovnem mestu. Bilbao: Evropska agencija za varnost in zdravje pri delu, 2008, str. 6.

adequate pensions should stimulate a wide public debate, which would have the operational and technical support of the group for active and healthy aging - SAZS).

- **Establishment of a permanent information system of Slovenian society.** In the public, the basic demographic concepts, such as average lifetime and life expectancy, are very poorly known. Similarly, the public is not aware of the operation of the pension system, and it is often seen as an investment. Thus, questions arise, such as where the contributions that people were paying during their working life go to. Similarly, the public does not have a clear picture of what proportion of the tax burden is represented by contributions for pension and disability insurance and what is the expected present value of expected future benefits. Extremely rarely we emphasize solidarity, which is built into the pension system with a minimum pension base, invalidity pension, widow and family pension. At the same time, few people know the future demographic trends of the population of Slovenia and the consequences on the pension system itself as well as in health care, long term care, education and the labour market. Therefore, it is necessary to continuously inform the public on all of the key challenges of an ageing population, which would be conducted by an independent professional organisation, which would be established jointly by the social partners (the example of the Norwegian Centre for Senior Policy). Such organisation would also direct the activities that would promote a change in the attitudes of employers and the general public towards the elderly (promotion of employment of older workers).
- **Preparation of relevant expertise.** Research on prolonged employment (situation, trends, policies, measures, analyses, evaluation, models, forecasting etc.) and of the pension system.

**It would be necessary to consider if the special care of the elderly (positive discrimination) is adequate.** This is the reason why companies do not want to employ workers who enjoy special protection. Thus positive discrimination of older workers often has a negative impact on older workers' chances of keeping a job and the employability of unemployed older persons. Similar issues are noted by the OECD. Although the work in old age is a human right, the question is how, for example, to persuade the employer to employ older workers, since the prevailing opinion is that the cost of labour and the efficiency of older workers compared to younger workers is inversely proportional. The OECD also notes that the scope of protection of older workers and the increase in wages with age negatively affect the employment rate of older people.

## 6. Priorities on the field

Surveys of employers (KAD), population (Eurobarometer) and stakeholders (project AHA.SI), analyses, as well as activities (conferences, workshops) show the presence of relatively negative attitude towards older employees, both on the part of employers as well as among population. This indicates that employers as well as the population are not aware of the problems of an ageing society. Finding a new job is hard for older people, so they are exposed to long-term unemployment. Among the employers, they are considered less desirable because of less adaptability, flexibility and,

in many cases, inadequate education and unwillingness to acquire new knowledge<sup>21</sup>. In addition, employers avoid hiring older employees due to the high costs of their employment (additions to working life, older people are a protected category)<sup>22</sup>. Only a few organisations give practical expression to the measures of age management and therefore do not take advantage of the positive attributes of older people, such as experience and skills, greater loyalty and loyalty to the employer, reliability and accuracy, knowledge of the work process, insight into the needs of customers, good relations with business partners, social competence. While Slovenian companies practice generational mixed teams, mainly due to the transfer of knowledge from older to younger workers, most companies are not considering the introduction of special programs (recreation, education) for older workers<sup>23</sup>.

Population ageing strongly modifies the age structure in companies. Not only the share of employed persons aged over 55 will rise, but companies will increasingly face a shortage of younger workers (demography, emigration). Therefore, the age management means not only managing older employees, but intergenerational cooperation. For organisations, it is of strategic importance to systematically develop and promote intergenerational cooperation in their working environment. Intergenerational cooperation and knowledge transfer must come from active cooperation and communication between generations with necessary mutual trust and respect and the acceptance of differences between different generations of employees, particularly through mutual cooperation and teamwork<sup>24</sup>.

Other proposed measures include the following elements:

- The measures for changing the attitude of employers and the general public towards the elderly (promotion of employment of older workers) and the importance of an active and healthy ageing.
- Promoting programs to ensure the safety and health at work, including health promotion programs in the workplace for all generations at company/organisational level.
- Training and education of older people (at work, informal/formal): general adult education, raising levels of education, training and education for work.
- Incentives to employers for employment and prolonged employment of older workers.
- Intergenerational cooperation.
- Pilot approaches to integrated age management in organisations (public/private).
- Pilot approaches to employment projects at the regional level.
- Establishing a regular dialogue between the stakeholders.
- Establishment of a permanent information system of Slovenian society.
- Preparation of relevant expertise.

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<sup>21</sup> These characteristics are only valid for some older workers, and there is scientific evidence that oppose the generalization of these properties across the majority of older workers.

<sup>22</sup> Dolgotrajno brezposelne osebe. Ljubljana: Ljubljana: Zavod RS za zaposlovanje, 2015, str. 3.

<sup>23</sup> Staranje prebivalstva: izziv in odgovornost države, podjetij in posameznikov: Razlagalno gradivo za okroglo mizo. Ljubljana: Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d., 2008, str. 8.

<sup>24</sup> Karničnik in Žunko. Starostna raznolikost na delovnem mestu: Kako upravljati s starostno raznoliko delovno silo. Maribor: eim, Center razvoja človeških virov, 2013, str. 12.

## 7. Indicators

The above list represents only a list of key indicators, a comprehensive set of indicators will be prepared during the preparation of the strategy.

Impact indicators (strategic objective):

- The employment rate for older people (aged 55 to 64 years): ***the value of 53.4% in 2020 (model-based estimate).***

Result indicators:

- Number of employed older workers (aged 55 to 64 years) after 24 months.
- The reduction in sickness absence duration of older employees in the supported companies.
- The proportion of older employees who are willing to work longer (poll).
- Number of social enterprises, where the proportion of employees older than 55 years is more than 50%.

Indicators of impact:

- Number of participants (in the incentives to work).
- Number of older participants (unemployed/employed) in training programs.
- The number of companies, which have introduced the concept of age management.
- Number of regional employment pacts.

## 8. Proposition of a timeline

With the new measures, it would be necessary to use a pilot approach. Upon the completion of pilot projects, a quantitative and qualitative evaluation activities would be implemented to assess the relevance, efficiency and effectiveness of the proposed measures.

Table 2: Timetable of implementation of the measures proposed

A (2016-2017)	B (2018 – 2022)
↑	↑
Priority measures Existing programs	Full implementation of all the measures

## 9. Conclusion

The analysis shows that in Slovenia in the coming years/decades, we will face a necessary increase in employment rates in the age group 55-74 years, which is further more pronounced for women. If we want to legalize delayed retirement, prolonged employment should be provided. Although the number of people in employment will not increase, the age structure of the workforce will change, which brings significant challenges at the level of individuals, enterprises and society as a whole that together can achieve the objectives of prolonged employment and delayed retirement. Thus, individuals should be aware that ensuring greater employability in higher age requires involvement in the process of lifelong learning and a healthy lifestyle. In businesses, the employers must be aware of the ageing of the employees and the significance of the so-called "Age Management" or engaging with age (collaboration between younger and older workers, adapting working conditions, reconciliation of work and private life, training, mentoring etc). The country needs to use a strategy for active ageing for properly informing individuals and businesses to be able to make the right decisions (the transparency of the pension system, the consequences of the extension of employment), to encourage the elderly to prolong their employment, promote the employment of older workers as well as their involvement in education and training, and encourage companies to timely address the challenges of a long-living society.