Aktivno in zdravo staranje v Sloveniji

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Promotion of older workers` employability and postponed retirement: Good practices and suggested measures from Austria, Finland and the Netherlands

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Introduction

In this study, we present good practices from Austria, Finland and the Netherlands focusing on government policies, programmes and initiatives that promote older workers' employability and postponed retirement. We also aim to identify and recommend potentially transferable policies and measures for Slovenia.

Of the three countries selected for the study, Austria and Slovenia face some similar demographic and economic challenges and use a number of comparable social policy instruments and programmes from which lessons can be drawn. Finland and the Netherlands have introduced a series of significant policy reforms with one notable outcome of these being the closure of early retirement pathways resulting in a significant rise in the labour market participation of older workers aged 55-64 since the mid-1990s. These changes in the labour market participation of older workers had been observed despite other adverse labour market factors, such as the steep age-wage profile that continues to characterise the Dutch labour market, and the employment protection that older workers enjoy in general. This makes the two countries a good example for successful older worker activation in Slovenia.

Finland and the Netherlands also share some similarities regarding the labour market situation of older workers; in both, the employment rate among the 55-64 age group is relatively high with around 60%, which is well above the 51.8% EU-28 average (Table 1.). The level of unemployment for those aged 55-64 is the same in the two countries (7%), but the share of long-term unemployed (i.e. unemployment spells longer than one year) is considerably higher for the elderly in the Netherlands (58.8%). While Austria is a clear laggard in terms of older workers' employment, the unemployment rate is one of the lowest in the EU (3.8% in 2014). Data on the average exit age indicate that Dutch older workers are more likely to stay longer in the labour market than their Austrian and Finnish counterparts.

Table 1: Summary of information on labour market characteristics

	Austria	Finland	Netherlands
Employment rate (15 to 64)	71.1	68.7	73.9
Employment rate (55 to 64)	45.1	59.1	60.8
Employment rate women, (55 to 64)	36.4	61.4	50.8
Part-time employment (55 to 64)	28.2	17.3	49.0
Unemployment rate (15 to 64)	5.7	8.8	6.9
Unemployment rate (55 to 64)	3.8	7.3	7.1
Long-term unemployment (55 to 64)	51.0	43.5	58.8
Average exit age from the labour force	60.9	61.7	63.5
Statutory retirement age	60/65	63-68	65
Partial retirement	no	yes	no

Source: EU-LFS (Eurostat online database), MISSOC
Notes: Data refer to 2014 except for the average exit age (2009 for Finland and the Netherlands, 2007 for Austria). We use the term 'partial retirement' according to the definition given by ILO, referring to "combining of part-time employment with receipt of a reduced pension" (http://www.ilo.org//thesaurus/defaulten.asp).

Incentives for older workers to continue working and employers to employ older workers

Good practices

Austria

The turnaround to better employability of "older" workers and postponing retirement, which began in the OECD world in the early 1990s and has been in full swing since the Millennium, started in Austria with about 20 years of historical delay only, after the year 2010. But as in Finland in the beginning of its turnaround phase more than a decade earlier, labour force participation of population groups 50 plus increased significantly, whereas the effective retirement age stubbornly stagnated around 58 years for more than a decade after the Millennium in Austria. As in Finland, politics focused on labour market participation as an alleged success, ignoring the failure to raise the actual retirement age and that is real labour market and retirement behaviour.

Scientifically speaking, policy-makers mixed-up, in a voluntaristic way, age and cohort effects, or labour force composition by age and actual retirement behaviour. As a result, together with the continued increase in residual life expectancy at all ages throughout the life cycle (on average more than 3.5 years lifetime gained since the year 2000), Austria which was only 1 to 2 years behind the OCED average around the Millennium is now 4 to 5 years lagging behind the OECD standards, which can be seen as a moving target for member countries' goals and objectives.

A glance at pension statistics and forecasts illustrates the risk quite tellingly: over the next 45 years till 2060, expenditures of the pension insurance in the private sector alone will rise from 10,1% to 12,7% of the BIP (not yet taking into account pension expenditures for civil servants and public employees), necessary federal funds ("Bundeszuschüsse") in order to keep the chronically underfunded system viable will almost double from 2,8% to 5,5% (2060) of the BIP. The average pensionable age of direct pensions amounted to 58,5 years (men 59,6; women 57,5) in 2013, it has risen by somewhat more than 1 month compared to the previous year.

Old-age pensions at 62.8 years for males and 59.2 years for females continued to be dragged down by a big share of invalidity pensions at much younger age (53.5 for men and 49.7 for women) during the last year of the old IP regime. From 2014 onwards, women in particular (whose average IP retirement age was already below the new acceptable minimum threshold for invalidity pensions) were expected to see a significant increase in effective retirement age – if only or mainly as a statistical artefact due to new labels and classification systems between health and pension insurance institutions.

Because of a series of reforms in the pension system over the last years, the disadvantageous long-term trend has actually been reversed already in the first half year of 2014. The actual retirement age among the people in dependent employment was clearly rising immediately after the introduction of the APG pension account system and disability benefit regime, so that (measured against the same period of the year before) an impressive increase in postponing retirement of 9.5 months has been achieved within an extremely very short period of time of a few months only – more than over decades of ineffective efforts before.

In its Work Programme 2013-2018, the Austrian Federal Government has defined a path towards increasing the actual retirement age, which should rise to 60.1 years by 2018. This is the first time ever in history that a specific operational goal and timeframe to reach it has been defined by the government, allowing for an independent assessment of success or failure. But the award of invalidity pensions (IPs) below the age 50 has been completely terminated and consequentially around 27% of all previous IP beneficiaries are now counted in the health system as recipients of "Rehabilitationsgeld" instead of invalidity rents in the pension system. By implication, an automatic and significant increase in the effective retirement age of all direct pensions is to be observed, apart from any change in retirement behaviour at all. A yet undetermined share of this rise in effective retirement age is undoubtedly a statistical artefact and lends itself to political controversy.

The "Sozialversicherungs-Änderungsgesetz"/SVÄG 2014 also defined steps in the direction of working longer. Inter alia, the bonus for later old-age pension commencement ("Aufschubbonus" or delay bonus) of previously 4.2 % was increased to 5.1 %. It is now closer to actuarially neutral and fair standards.

The necessary number of compulsorily insured months for the claim of an early old-age retirement pension because of a long insurance period ("Vorzeitige Alterspension wegen langer Versicherungsdauer" /VAPL) respectively a corridor pension ("Korridorpension" between 62 and 68 years of age), will be gradually increased, beginning with 2013 until 2017. Contributory months will have to be raised from 420 to 450, insured months from 450 to 480. The actuarial discount when claiming a corridor pension will be increased to 0.425% per month – or a maximum of 15.3% for three years. In addition, a reduced actuarial discount for the long-term insured regulation ("Langzeitversicherten- oder Hacklerinnen-Regelung") for those women born before 1959 has been introduced. This increases the barriers to but does not completely eliminate this heavily criticized "Hackler"-scheme, which subsidized the on average twice as high pension entitlements of long-term insured employees by an average sum of around 200.000 Euro per capita. An absolute no-go for any rational pension policy-making.

For women in particular, the complete unsustainability of the current labour market and pension systems is all too obvious. While the average lifetime earnings period for women is 33.9 years (as against 39.9 years for men in paid work), the average contribution period is 27.3 years only (as against 36.7 years for men). But pension contributions of 22.8% of gross income paid over 27.3 years entitle (with at least one child raised for the overwhelming majority of females) to pensions payments of 69.2% of the calculation base for more than 28 years, thus a pay-off more than tripling the contribution base. Generally and in a gender-unspecific way, one in three pension rights in Austria (and one in two "Ruhegenüsse" in the public sector) are not covered by respective social security contributions and in need of public support by the tax-payer - roughly 15 billion Euros of chronically unfunded pension promises, annually.

Austria is also the laggard in EU-Europe when it comes to equalize retirement age in a gender-neutral way as required by the European Court of Justice, and it has the biggest 5-year gender-gap in pensionable age.

A next intended step by the Austrian government is the introduction of a partial pension ("Teilpension"), to be paid against a reduction of work income and working time. It has been on the political agenda for quite some time by now and still not yet been designed, conceptualized and legislated, not to speak of implementation and later evaluation. This may help to keep more people in gainful employment for a longer working life than before, as the Finnish good practice of part-time pension provisions shows, but it will in itself certainly not rescue the Austrian pensions systems from the risk of underlying unsustainability.

The currently available part-time allowance serves to maintain the employment of older people with shortened working time at partial wage compensation. The wage compensation must be at least 50% of the difference between the wage paid before and paid after the reduction in working hours. Employers also have to continue paying social insurance contributions based on the hours previously worked. Part of these additional costs is then reimbursed to employers by the public employment service. The compensation amounts to as much as 90% of the additional costs incurred by the employer if the reduced working hours are consumed continuously over an agreed period of part-time work, and 50% if the part-time work is taken in a block time arrangement (i.e. period of full-time work followed by a period of leave) (BMASK, 2014). The entry age has been defined at 53 years for women and 58 years for men, i.e. up to seven years before the legal and gender-specific pensionable age.

Entitlements to the part-time allowance have been revised in the year 2013. Namely, as a contribution to the increase of the actual retirement age, the possibility has been created to make use of part-time for older workers upon continuous reduction of working time not only until the earliest possible retirement but until the legal pensionable age (60/65), at the most, however, for five years. Where there are block time arrangements, take-up is only possible until completion of the requirements for a retirement pension. Furthermore, from 2013, the use of the block model is conditional on the recruitment of a previously unemployed person.

Whereas short-time work as a publicly supported solidaristic work-sharing exercise is seen as an effective and successful temporary adjustment measure in times of crises by most experts, “Altersteilzeit” (and in particular the prevailing “Blockvariante”) has been heavily criticized by professionals as a wasteful highly subsidized early retirement for only a privileged and extremely small group of 0.7% of the whole labour force (mainly in the protected sector of state- or public enterprises). Though counter-productive in its real effects, it eats-up a third of all special employment expenditures and may be seen as an almost classical case in point a misallocation of scarce resources of the public purse – something better not to be done by Slovenian authorities. This even applies taking into account the recent modifications of the part-time allowance, trying to mitigate its worst effects.

Austrians spend between 13 (men) and 18 (women) years out of work during working age, after 22 years of childhood and education and before they retire for more than a quarter of a century (men 22, women 28 years of pension duration, on average). While unemployment is the second lowest in the EU-28 and belongs to the great achievements of the “Austrian model” (people spend “only” 1.9 years involuntarily out-of-work due to job losses, with an unemployment rate of around 5%), absenteeism due to sickness and above all to long-term illness and chronic invalidity belong to the highest in Europe and world-wide.

The incapacity period of invalidity pensioners is 10.8 years on average (men 12.6 and women 9.8 years), with an average invalidity period for the whole population of 3.9 years during working age. 75% of all men claim invalidity benefits as their preferred track to early exit, and while the majority of them are not granted their request, almost none of them (less than 5% of those who have been refused invalidity pension) ever returns to gainful employment again. In branches like farming, for instance, only 5% of male farmers retires at legal retirement age, 24% are in early retirement, and 71% are awarded an invalidity pension (as against 39% in the overall national economy).

In the context of the new regulation for invalidity pensions, since 2014 people with health restrictions have the possibility of a professional reboot: on the basis of medical and professional rehabilitation measures, a re-entry with current vocational qualifications stands in focus. In order to reduce the cases of invalidity pensions, the AMS intensifies its efforts to support the (re-)integration into the labour market by means of qualitatively high-value and future-oriented re-training for less health-incriminating occupations respectively activities.

The philosophy behind these efforts is the strengthening of the core principle „Rehabilitation before Pension“ (“Rehabilitation vor Pension”). This i.e. implies an abolition of temporary invalidity pensions as of 2014 for birth years as of 1964, i.e. below the age of 50. As the birth year has been fixed with the cohort born in 1964, the regulation produces a ascending age threshold below which temporary invalidity pensions will not be granted any longer: 54 years be the end of this legislative period in 2018, 56 years in 2020, and 65 years in 2029, a complete phasing-out of any invalidity “pension” at any working age to be foreseen. This functional differentiation of health-related impairments and invalidity from old-age provision and a corresponding shift of incapacity benefits from pension to health insurance within the social security certainly is a best practice and highly recommendable device for any social insurance institution.

Simultaneously, there is an introduction of rehabilitation money (“Rehabilitationsgeld”) for temporarily invalid people to the extent of at least six months, while granting measures of medical rehabilitation by the administration of the Health Insurance in the amount of the sickness benefit, but at least in the amount of the equalisation supplement reference rate (“Ausgleichzulagenrichtsatz”), a kind of poverty threshold for old-age security. In addition, a legal entitlement to medical rehabilitation for temporary invalidity in the amount of at least six months has been introduced.

Furthermore, a retraining allowance (“Umschulungsgeld”) as a new service-cum-transfer of the unemployment insurance upon participation in measures of vocational rehabilitation has been provided. People with health restrictions are entitled to this cash & care service as of 2014 in order to increase their chances for becoming employed or re-employed. An appropriate existence insurance is warranted for people with vocational protection, ready to participate in vocational rehabilitation measures. The eligibility requirements are based on a notice of the pension insurance administration. It states that vocational rehabilitation measures are appropriate and reasonable, and that willingness to actively participate in the selection, planning and implementation of the measures is given. In case that a person does not comply with this obligation without good reason, (s)he loses the entitlement to the retraining allowance for six, in case of recurrence for eight weeks.

The Labour Market Service AMS is obliged to seek for agreement with the persons concerned regarding their vocational rehabilitation measures. In addition to the envisaged vocational rehabilitation measures as part of the legal pension award process, also equivalent other vocational rehabilitation measures come into consideration when these are more appropriate, for example with regard to better employment opportunities. In the preparatory phase to the beginning of the first measure, the retraining allowance is paid in the amount of the unemployment benefit. While participating in measures and in the time between individual measures 122% of the basic amount of the unemployment benefit is paid, but at least EUR 33.33 per calendar day (2014).

Transitional allowance (“Übergangsgeld”) as paid by the pension insurance is only due in those cases any longer, in which there is no entitlement to the rehabilitation allowance (“Rehabilitationsgeld”) as part of the medical rehabilitation (“medizinische Rehabilitation”) or to the also newly introduced retraining allowance (“Umschulungsgeld”) as an integral component of the vocational rehabilitation process (“berufliche Rehabilitation”). In order to provide for a uniform assessment, a competence centre of assessment ("Kompetenzzentrum Begutachtung") had to be established at the pension insurance ("Pensionsversicherung"), the social insurance administration of the business economy ("Sozialversicherungsanstalt/SVA der gewerblichen Wirtschaft"), together with the social insurance administration for farmers ("SVA der Bauern"). Main tasks of this competence centre of assessment are the creation of medical, vocational or labour market reports. A renewed application for invalidity pension is permissible again only 18 months after validity of the negative decision.

Persons having completed their 57th life year are also then considered as invalid when they, due to illness or defects, are unable to further pursue the work that they have done for at least 10 years during the last 15 years – the famous or notorious Austrian corporatist occupational protection ("Berufsschutz"). Despite strong criticism of almost all experts of this historical remnant as being outdated and counter-productive, it has been grimly defended by the Trade Union Confederation and maintained ever since – with minor attenuations. In particular, the respective age limit for this professional protection is being lifted gradually from the completed 57th life year (until 1 December 2012) to the completed 60th life year (as of 2017), with by all means tangible effects, as will be seen.

The stock of invalidity pensioners should continuously shrink because of the newly regulated invalidity pension and other reform measures (e.g. tightening of job- and vocational protection). But no operationalization of these expectations exists at all. While it is true that reforms of complex systems such as invalidity benefit schemes require extensive preliminary lead time of at least five years, no specified goals and objectives – and no time frame whatsoever - have been formulated which would allow to assess success or failure of government initiatives in this respect.

The turnaround with invalidity pensions to shrink started already a year earlier: the stock started to shrink from 208.300 in 2012 to 204.072 in 2013, the inflow of newly granted invalidity pensions has gone back by 12.2% - even before the phasing-out of invalidity pensions below the 50 years of age threshold (eliminating around 27% of the inflow statistically) came into operation. The main cause for this was the increase of the minimum age for vocational protection ("Berufsschutz") from 57 to 58 years in 2013, demonstrating imposingly that sometimes changes in supposedly marginal parameters such as qualifying conditions may bring about relevant effects.

It also shows a kind of iron law of social eigendynamics, a kind of autopoetic, self-referential, self-reinforcing process: once set into motion, virtuous as much as vicious circles may unfold, whereas stagnation in terms of immobility is hardly compatible with a dynamic social order such as capitalist market economies. Applied to the case in point of a probably irreversible turnaround or shift from expanding to a falling share of invalidity pensions among overall retirement forms, not just stocks and flows of recognized invalidity awards having been reduced, but also the sheer number of new claims dropped by 11.4% in the first half year of 2014 – as well as the granting rate declining from 42.5% in 2013 (M 45.1%; F 38.7%) to 39.7% in the first half of 2014.

The whole process resembles gear-wheels now set into the right direction and new motion, as if an automatic switch of mindset would have been achieved. Whether this very first promising plants will unfold into full blooms such as the Dutch invalidity pension reform succeeded within a few years only must nevertheless remain doubtful and will be seen not before 2017/2018, towards the end of this legislative period. The residual scepticism is due to the rapid shift of the main causes for new invalidity pensions, were (in 2013) previously leading diseases of the skeleton, the muscles and the connective tissue have now been reduced to 25.4%, whereas psychiatric diseases have become the single most important cause of new invalidity pensions (35.3%), with steep increases as major determinants of new inflows.

Finland

Finland has gone from being an older worker activation laggard in Europe in the mid-1990s to being a success story by the mid-2000s. Back in 1996, long-term unemployment among 55-64 year olds was as much as 76 percent, exceeding the EU15 average by a full ten percentage points. But by 2004, Finland had managed to fully turn this around, and had achieved a significantly higher employment rate (56 percent) and labour market participation rate (60 percent) for older workers of both genders than other non-Nordic EU countries including Slovenia (Werder and Thum 2014). Altogether, employment for those aged 55-64 went up by 17 percentage points between 1996 and 2004 (compared to six percentage points for those aged 25-49). The Finnish older worker activation success is most strikingly the case for women. For instance, since the mid-1990s, the group of tertiary educated females aged 60-64 has seen an 18 percentage point increase in its employment rate. More generally, across all educational levels women are better integrated in the labour market in Finland than in the EU-15.

Because job-search requirements for unemployed older workers were weak and limited in Finland, older unemployed Finns could remain essentially inactive and receive a benefit for up to ten years before then transferring to the old-age pension system (OECD 2006, 2009). While about one in five older workers have been self-employed in the early 1990s, relatively few older Finns were in part-time employment according to Eurostat data. Another key barrier to better activation is the fact that Finland used to be a clear example of too many policy pathways towards early labour market exit. These various pathways included, notably, unemployment benefits, unemployment pensions, disability pensions and early retirement pensions. Already at age 50, 18% of Finns received either unemployment or disability benefits in the 1990s, and this share increased to over 46% by age 60. Moreover, in the age group 60-64 most unemployed Finns transfer to the unemployment pension, while an additional 20% rely on disability benefits and about 10% rely on the individual early retirement pension (OECD 2006; 2009).

Since then, the country has implemented a series of significant policy reforms to change also these stylized facts above. These reforms have come in two main waves. The first reform wave is generally held responsible for the great success of older worker activation since the 1990s until around 2005. This wave started in 1996. It included a number of measures, most notably the ‘degradation’ of the National Pension (which until then had been a guaranteed, equal and universal pension for all 65plussers) to a mere minimum pension that was granted only when earnings-related pension benefits were below a certain minimum threshold. Moreover, indexation of the earnings-related pensions was reduced and the wage base for pension calculation was changed from the last four to the last ten years of each employment relationship. Compared to the 1990s and before, elderly Finns today have a number of incentives for working longer. For instance, they have the possibility of additional earnings while retired.

But it is the so-called part-time pensions that deserve special attention from the point of view of older worker activation in the first wave of reforms. While it is not possible to take old age pension as a partial pension (as it is the case in Sweden, for instance), old age pensions also provide the possibility for elderly Finns to remain (partially) employed longer, as they can take a part-time pension which can be granted to persons aged between 61 and 67 (the lower age limit is 60 years for those born before 1954). People born in 1947 and later can switch to a part-time pension up until the age of 68 when it automatically converts into an old age pension (for those born before 1947 the upper age limit is 65) (Ilmarinen, 2015). Further conditions to obtain a part-time pension include that the person has been in full-time employment for at least 12 months during the last 18 months and has earned an employment pension during the last 15 years for a minimum of 5 years (Finnish Centre for Pensions, 2015). The change from full-time to part-time work and retiring on a part-time pension has to be agreed on with the employer. While changing to a part-time pension it is not necessary to continue working for the same employer (the person may change jobs or become a part-time self-employed person). It is also possible to change jobs while already on a part-time pension. The reduction in working hours corresponds to the decrease in earnings, which has to be 35-70% of the earlier full-time earnings averaged over the past five years. The amount of the part-time pension is calculated as 50% of the difference between the full-time and part-time earnings, but cannot be more than 75% of the earnings-related pension that has been accrued by the start of the part-time pension. While on a part-time pension, recipients cannot receive any other pension based on their work history.

Table 2: Impact of working part-time and receiving a part-time pension

Impact on old age pension	The pension accrues from the earnings from the part-time work (for those born before 1954, the pension accrues both from the part-time earnings and from the difference between the full-time earnings and the earnings from part-time work, i.e. from the reduction in earnings). The annual rate of accrual is the same as for full-time work: the pension increases at a rate of 1.9% until the age of 63 and then by 4.5% until the age of 68.
Impact on social security	Health insurance: in case of illness, the amount of sickness allowance is calculated on the basis of earnings from part-time work and is paid for a maximum of 300 days. Unemployment insurance: in case of becoming unemployed, the part-time pension is terminated. Eligibility for receiving unemployment allowance depends on meeting the conditions. If belonging to an unemployment fund, the earnings-related unemployment allowance is defined on the basis of earnings from full-time work.
Impact on taxation	Both the part-time pension and the income earned from part-time work are subject to taxation, but the tax and contribution burden of pension income and earnings from work differ due to various tax deductions and social insurance contributions.

Source: See www.tyoelake.fi

First implemented in the private sector in 1987 and then in the public sector in 1989, these part-time pensions massively increased in incidence in the late 1990s, when the age limit was reduced from 58 to 56. Take-up of the part-time pension was very low in the few years following its introduction (between 1987 and 1993 around 3,500 persons started receiving the pension). The number gradually increased from 1994 onwards when the lower age limit was reduced from 60 to 58 years, and then to 56 years in 1998. In 2002, before the age-limit was increased again (back to 58 years) the number of persons retiring on a part-time pension was the highest (more than 14,000). Since 2003, volume has been decreasing and inflow in 2009 was down to below the 1999 level (Finnish Centre for Pensions Database). Between 2002 and 2004, these part-time pensions even accounted for no less than 85 percent of all part-time jobs that were created in the Finnish labour market (OECD 2004). Overall, between 1996 and 2004 the share of 55-64 year olds working part-time went up by seven percentage points to 23 percent of the age group (Werder and Thum 2014). In fact, part-time pensions alone are estimated to have been causally responsible for extending the working life of about 50 percent of those elderly Finnish workers who chose to take this option (Hakola 2002).

Findings of a more recent paper by Salonen and Takala (2011) that uses data from pension registers indicate that the part-time scheme is particularly attractive for those with a longer working carrier and with a higher income. Those who retired from a part-time pension between 2005 and 2009 had a more solid and longer working carrier behind them than others who continued in full-time employment (the difference being 1,5 years). Also, their earned income prior to retiring was around 30% higher compared to others in the same age group who carried on working full-time. The analysis also shows that in the overall majority of the cases the part-time pension is directly converted to an old age pension. Among those whose part-time pension ended before 2009, 73% chose this option, while 15% transferred to a disability pension, 6% to unemployment pension, and almost 4% continued in full-time work after drawing a part-time pension.

While they are the main instrument used to guarantee flexibility in the pension system and the elderly worker labour market in Finland, some have criticized the Finnish part-time pension system for reducing the effective labour supply based on the findings of a study proving that about 50% of part-time pensioners would have continued in a full-time work in the absence of a part-time pension scheme (OECD 2006). Yet one half of the total increase in elderly workers' employment can be attributed to part-time pensions (Hytti and Nio 2004). Part-time pensions also explain why the 17 percentage point increase in activation of Finns, aged 55-64, between 1996 and 2004, (mentioned above) was not correlated with a significant decrease in the share of pension recipients (Werder and Thum 2014).

After 2005, a second major wave of policy reforms further contributed to increase the incentives for working longer and employing older workers in Finland. Restricting the possible pathways to early retirement was an important goal of this reform wave. Accordingly, unemployment pension were abolished, while the individual early retirement pension had already been phased out in 2003. While it is still possible today to retire early at the age of 62, the pension will then be reduced by 0.6 per cent for each month it is taken earlier. The 2005 wave further included the introduction of a flexible retirement age for earnings related pensions (freely decided between age 63 and 68), the further extension of the wage basis for calculating pension benefits from the last ten years of each employment relationship to the entire working career, and the lifting of the required age for entering part-time pension. Fourth, and most radically, a steep new accrual formula of pension rights was introduced that strongly incentivized longer working life. As part of the 2005 reform wave, the earnings-related pension benefits were now calculated on the basis of lifelong income, instead of the income received during the last ten years before the pensionable age. Moreover, the calculation of pensions was adjusted in line with developments in mean life expectancy.

And crucially, in an effort to improve older worker employment incentives this reform wave couple the new also flexible retirement timing between the age of 63 and 68 with strong new incentives for later retirement, through much higher accrual rates at later retirement ages. Specifically, from age 18 to 53 a right to 1.5 per cent of pension carrying wages/salaries is acquired each year. This percentage increases by 1.9 per cent up to age 63. At the age between 63 and 68 it is possible to receive old age pension, but the accumulation rate increases to 4.5 per cent annually creating a strong incentive to remain on the labour market for a longer period. If old age pension is further deferred after age 68 then the pension amount is increased by 0.4 per cent per month – that is 4.8 per cent per year. Yet, despite these significant incentive changes, effective retirement age of Finns remained largely unaffected (Werder and Thum 2014: 23).

While the 2005 Finnish pension reform introduced a number of elements that provide strong incentives for older workers to defer retirement, the disability pension was not reformed to the same degree. This resulted in a slightly increased use of disability pension as an early retirement pathway. More than half of new disability pensioners are aged between 55 and 64 and the average age of those retiring on an earnings-related disability pension has also remained stable over the years (52.1 years in 2009). But while the total yearly number of new disability pensioners has gone up between 1999 and 2009 from 22,000 to 26,000, the total number of new 55-64-years-olds has gone up somewhat less, from 9,000 to 13,000 (Finnish Statistical Database of the Finnish Centre for Pensions).

Although, as mentioned above, the invalidity pension scheme has not gone through an extensive reform, some specific measures, aiming to reduce inflow into invalidity pension, have been implemented over the years. This included increasing the legal age for disability pension from 55 to 58 years and decreasing the accrual of pension benefits in case of disability. Recipients of the full earnings-related disability pension may also have an income from work, however this cannot be more than two-fifths of the pensionable income otherwise the pension will be converted into a partial disability pension (the partial disability pension is discontinued when the recipient's income from work exceeds three-fifths of the pensionable income). Another related measure concerns the implementation of experience rating, similar to that introduced in the Netherlands. In Finland, employer contributions are partially experience-rated for private sector employees. This only applies to larger firms (with more than 50 employees). Employers pay a basic contribution and a so-called category contribution. There are a total of 11 contribution categories; in each, the level of the disability contribution is different. Employers are divided into contribution categories according to their risk ratio, which is calculated on the basis of the disability pension cases for two consecutive years (the age distribution of the employer's insured employees are taken into account when calculating the risk-ratio). The category contribution is then calculated by multiplying the basic contribution by the contribution category coefficient. Category 4 means an employer whose employees have an average disability risk, while those in categories 5-11 have higher disability risk and consequently pay a higher contribution. The risk ratio limits as well as the contribution category coefficients are determined annually by the Ministry of Social Affairs and Health. Findings for Finland indicate that experience rating did reduce the flow from sickness to disability pension, while it did not appear to have an effect on the flow into sick leave (Korkeamäki and Kyyrä, 2009).

Netherlands

Although in the Netherlands, there still remains a considerable untapped employment potential in the more senior age groups, there has been a marked increase in their employment rate. Eurostat statistics show that in 1999, 71% of people at working age (15-64 years) were in employment, but by 2009 this rose to 77% (in 2012, 75% of the working age population was in gainful employment). The increase has mainly been driven by higher participation among the older age groups and in particular by the growing number of women entering the labour market over the last decades. The strongest increase occurred among women in the 55-59 and 60-64 age groups: female employment in the first age group almost doubled in the last ten years or so while in the 60 to 64 age group the increase was close to three-fold. The upward trend in the employment rate of older workers, aged 55-64, continued during the crisis from 51% in 2010 to 62% in 2012. The latest results from Statistics Netherlands also show a steady increase in the average age at which employees go into retirement. The average age at which Dutch workers retired in 2001 was 61 and remained at that level up until 2007 when measures to restrict early retirement, introduced in the previous years, pushed up the average age of retirement to 62. In 2011, it has already increased to 63 and continued to rise to 64 years in 2014. There is also some indication that a growing share of employees plan to continue working until the official retirement age of 65. Results from the 2009 National Working Conditions Survey, the latest available for research, show that 26% of all employees surveyed reported that they would be both willing and able to work until the retirement age compared to 13% five years earlier (Houtman, 2012). Among those aged between 45 and 64, 36% said that they would be willing to work until 65 and around 50% that they would be able to do so. While the largest group within this age bracket is still made up of those who are neither willing, nor able to stay in employment till the statutory retirement age, their share has decreased from 53 to 39% since 2005.

Policies aimed at increasing the labour supply of older workers, such as the abolishment of the early old age retirement scheme, the raising of the retirement age and the extensive reform of the disability benefit system, were key measures contributing to these positive trends. Reforms of the old age pension introduced substantial changes to all three pillars of the pension system. The abolishment of the early retirement scheme (VUT) in the public pension system started in the civil service sector in 1997 and by 2006 it has been implemented in all sectors. The raising of the statutory retirement age from the age of 65 to 67 by 2021 is being implemented stepwise also adjusting it in line with the development of life expectancy from 2021 onwards. Changes have also been implemented in the second pension pillar (occupational pension schemes) increasing the minimum age at which occupational pensions can be claimed (min. 62 years) and by actuarially reducing the pension amount if taken before the legal retirement age. The third-pillar provides employees the option for individual insurance (e.g. life insurance). Up until 2012, the third-pillar system also offered individual savings accounts for workers (OECD, 2014). This so-called life course savings programme (*Levensloopsregeling*), which was introduced in the third pillar in 2006, was considered as an innovative savings system and way to rearrange social security in the Netherlands. The programme allowed Dutch workers tax-free saving of up to 12% of their earnings to finance periods of unpaid leave, such as sabbaticals, holidays, care leaves, education and training courses or gradual retirement, while retaining employment (Delsen and Smits, 2014). Participation in the scheme was voluntary for employees and employers had the option to pay contributions to their employees' savings. The life course savings scheme was discontinued in 2012, when the Government decided to replace it with a new scheme, the so-called Vitality Scheme (*Vitaliteitsregeling*). The new scheme was expected to start in 2013, but due to budgetary reasons the Government decided not to introduce it. Delsen and Smits (2014) in their assessment of the life course savings scheme show that if some of the programme's features had been readjusted it could have been made a more efficient and effective tool to improve work-life balance and to extend working life.

In addition to reducing access to early retirement in the old age pension scheme, the reform of the disability pension should also be mentioned as an important policy measure to restrict access to claiming disability as an alternative pathway to early exit. Research has shown that as other benefit schemes (i.e. early retirement schemes in old age pension systems) are becoming increasingly inaccessible due to policy changes and reforms, disability benefit schemes, if not reformed to the same degree, can become a "benefit of last resort" (Prinz and Thompson 2009, p. 44).

The most comprehensive reform of disability benefit in Europe has been carried out in the Netherlands. Policy changes had been initiated as a response to the spectacular increase in sickness and disability rates (by the mid-1990s the Netherlands was a country with the highest population share on disability in Europe). The subsequent reform consisted of a group of simultaneously planned, integrated measures characterised by (1) a shift from passive (paying benefits) to active (supporting work ability) measures; (2) greater emphasis on the responsibility of employers; and (3) an increased focus on prevention and early interventions. Among others, the single measures included stricter examinations, reassessment of disability beneficiaries, and experience rating of employer contributions.

The reassessment of disability beneficiaries (all those born after July 1954) has been implemented in three stages. It started in 1987 with claimants aged between 18 and 35. After this first assessment, 50% of recipients saw their disability benefit taken away or reduced over a period of two years. The second reassessment was initiated in 1993 when all those below the age of 50 were reassessed and according to an interim evaluation it resulted in the withdrawal or reduction of the full disability benefit in 28% of the reassessed cases. Thus, in the majority of reassessed cases the degree of disability remained the same. In 2004, the third reassessment started covering all those below the age of 55, but now based on new, stricter assessment criteria. By 2009, altogether 345,000 persons were reassessed. In 62% of the cases there was no change in the level of disability (and the benefit). For 20%, the disability benefit was withdrawn, and the level of disability was lowered in 12% of the reassessed cases. For the remaining 6%, the degree of disability (and benefit) was increased (this mainly concerned older people who had received benefit for a long time) (Van Der Burgh and Prins 2010). In 9% of all the reassessed cases there was an appeal, a third of which ended in a revised decision. All in all, about one-third of reassessed benefit recipients were faced with a negative outcome (reduction or termination of their benefit). According to administrative data, younger people (aged 20-34), women, those working part-time at the time of the reassessment and benefit recipients with a medically unexplained condition were more likely to have their disability benefit reduced or withdrawn. Information concerning the employment status and reintegration of those whose benefit was reduced or terminated is provided by a survey (AStri 2008, 2009) which followed two cohorts of 5,000 persons (reassessed in 2005 and 2006) for a few years. The results show that 18 months after the reassessment, about one-third were receiving unemployment benefit, another one-third disability benefit, while the remaining one-third did not receive any benefit. On average 56% of the two cohorts were working after 18 months. At the time the reassessment took place, 39% of these were already employed, while 17% was unemployed. The share of persons employed increased over time and 2/3 of those who started work 30 or 42 months following the reassessment had a permanent labour contract. On the other hand, more than 60% of those who remained unemployed during the monitored time reported no possibility of them returning to the labour market.

Analysis of the development of disability outflow rate over time indicates that the reassessment of disability pension recipients from 2004 to 2009 had a considerable immediate effect on outflow (van Sonsbeek 2010). While outflow rates remained more or less stable between 1999 and 2003 (with a slight decline in 2004), from the 1st quarter of 2005 – shortly after the re-examination process started – there was a significant and sharp increase in outflow rates. However, from 2006 onwards outflow rates started to drop. While the considerably decreasing inflow to the new disability benefit scheme is a significant reason for the decreasing outflow, it also seems to indicate that the effects of the reassessment are substantial only in the short run.

Experience-rating of employer contributions in the disability benefit scheme was introduced in 1998 consisting of different premium rates with those employers who have more employees claiming disability benefit paying a higher premium. Experience-rating can provide a strong incentive for the employers to take preventative measures and to help their employees getting back to work, thus reducing their disability risk and consequently the level of premiums paid. In the Netherlands, where similar employer incentives have been introduced in the sickness scheme, employers are expected to take preventative action at the earliest opportunity. Empirical analysis on the impact of experience-rating on inflow in the Netherlands has been done by Koning (2005) who used a longitudinal dataset from administrative records (from 2000 to 2002) covering about 375,000 companies (with nearly 6 million employees). His evaluation showed that experience-rating had a substantial impact on disability inflow (15% reduction). As a reaction to an increase in their premium rates, employers increased their preventative activities.

A possible drawback of the experience-rating system is adverse selection. In order to reduce their premium levels, employers may try to select good risks (i.e. hiring workers without a health problem). This can potentially reduce access of disabled workers to the labour market and lead to their marginalisation (i.e. more often ending up working in part-time or temporary employment) (van Oorschot, 2010). These adverse effects can, however, be mitigated by a careful design of the system and with additional measures. For instance, insurance premiums in the Netherlands do not differentiate across individual workers; risks are pooled across all employees within a company. So-called disability premium discounts are also available for employers when they hire a disabled worker. Hiring and retention of an older worker, aged 50 years or more, (who has a potentially higher risk of entering into disability benefit as a form of early retirement) saves the employer from paying the basic premium for these workers (OECD, 2010).

Besides these reforms in the old age and disability pension systems, changes in the unemployment benefit scheme have also been introduced in 2006, decreasing the maximum duration of unemployment benefits from 5 years to 38 months (OECD, 2012). The reason was to restrict access to long-term unemployment benefit as an early retirement benefit. The previous special rules exempting unemployed people over the age of 57.5 from reporting job-search efforts to the Public Employment Service (PES) have been abolished (although those over 64 are still exempt from job search) (OECD 2014). A part-time unemployment benefit scheme was also introduced in 2008 as a response to the crisis and aimed to help employers to retain employees, mostly older workers. This was, however, a temporary measure and has been abolished in 2011 (Skugor and Bekker, 2012).

The shortening of unemployment benefit period is especially relevant for the older unemployed as the share of long-term unemployed (i.e. unemployment spells longer than one year) is considerably higher among the 55-64 age group (59% in 2012) than the average and is also the highest compared to other age groups.

Suggested measures

A key lesson to be drawn from Austria of what not to do refers various forms of early retirement ("Frühpensionen"). They too, into the opposite direction, have developed their own autodynamics: once established and known in public, they have generated rapid contagion effects and became strong attraction poles around which ever more accordant movements were crystallizing. Till the very last moment (December 2013) before the (incomplete) reform 1st January 2014, "Hackler-Pensionen" for early retired long-term insured persons were increasing (90,522 were paid out as against 88,763 in the previous year). In the very last year before a more significant reform in 2014, another 25,554 "Hackler-Pensionen" were granted. Since 2009 (26,590) annual growth had slowly decreased, but recently risen sharply. Apart from demographic effects, improvements in the eligibility requirements at times have led to pull effects in the past (e.g. the inclusion of sickness benefit- and fictitious qualifying performance periods as of 1 August 2008). This, again, exemplifies how seemingly marginal constraints such as qualifying conditions for social rights may actually drive policy developments into the intended or rather the opposite direction and decide about success or failure of social programmes. The same could be argued with respect to recent increases both in “Korridor-Pensionen” and “Schwerarbeitspensionen” for heavy (manual) and hazardous work.

General key lessons from Austria are not different from those of Finland and the Netherlands: Make working arrangements for older workers and retirees generally more flexible, follow “work first” and “make work pay” principles. Different from the two other countries, Austrian age-wage-curves resemble Alpine slopes with end-of-career salaries up to almost three times (300%) higher than entry earnings (as against 4 to 23% lifetime wage increases for Finnish women and men, for instance). Slovenia would benefit from much less steep age-wage-profiles than Austria, to be reached through collective bargaining agreements in the private economy and via legislative frameworks in the public sector. It would also be well advised to develop an age gradient in the accrual rate formula and incentives for continued working far above the current Slovenian as well as the Austrian formula. Accrual rates should at least be actuarially neutral, if not closer to the strong incentivization of longer working lives according to the Finnish scheme (accrual rates: 1.5% age 18-53 years, 1.9% age 54-63 years, 4.5% age 63-68 years, 4.8% beyond age 68).

Slovenia should avoid the widespread Austrian practice of creating special preferential treatment for people claiming long-time insurance (Langzeitversicherte/“Hackler”), linking length of contribution period to qualifying conditions for retirement age, such as the Slovenian 2010 regulation that after 15, 20 and 40/38 contribution years you could retire at ages 65/63, 63/61, and 58/58. It should also not allow for regionally or occupationally segmented labour market regulations, unemployment benefits and pension entitlements, special pension regimes (Sonderrechte, régimes speciaux, regímenes especiales) for politicians, “Dienstordnungspensionen” in public enterprises or for civil servants, etc.; but if there are such corporatist remnants efforts at rapid harmonization on pro-rata-temporis principles should be taken. It should never deviate in practice by discretionary measures from this formal rule agreed upon and legislated. Though particularly implemented in pre-electoral periods, they create a self-destructive auto-dynamic of their own, difficult to stop once set in motion.

In accordance with the rulings of the European Court of Justice, Slovenia should also not allow for a gender-specific retirement age and equalize gaps in pensionable age, starting as soon and as fast as possible, and phasing it in over clear periods. The Slovenian intention to raise the legal retirement age to 65 between 2013 and 2016 for men and between 2013 and 2020 for women – hopefully irrespective of the contribution period, see above – is clearly superior to the Austrian reluctance and chronic “dilatoriness” till the year 2034, one of the mostly detrimental bureaucratic legacies of its Imperial past and political stalemates today. Regarding women’s pensions, one could envisage replacing generous survivor’s pensions by a system of pension splitting (“Partner-Pension”) plus family assistance in cases of hardship, along the lines of modern North-Western European trends of individualising/personalising social rights and replacing derived entitlements stemming from family status by individual rights based on work and/or citizenship.

Slovenia could benefit from replacing the current “Swiss indexation” regime (pensions indexed each February to 60% of the increase in average gross salary and to 40% of average increase of costs of living in the previous year) by an indexation through the Consumer Price Index only, as legally foreseen in Austria. Here, the Austrian indexation option is less generous but fiscally more sustainable. The current Slovenian indexation regime is not only more lavish than may be affordable in the long run, it is also rather rare in international comparison, whereas Austrian valorization rules are now the prevailing scheme in EU-Europe and in OECD countries.

There are a few other lessons to be drawn for what to make or not to make like in Austria. While elderly part-time and part-time pensions could be recommendable devices in principle, “Alters-Teilzeit” as we knew it is subsidised unduly and its block option (“Blockvariante”) towards the end of career for a long time prevailed as a preferred (and even publicly supported) early labour market exit pathway. Similarly, contributions-free co-insurance in health insurance for partners of spouses and for parents of children above kindergarten or elementary school age should not be admitted, as once permitted it proved too difficult to be undone again despite several such political attempts in Austria during the last 15 years. The same applies to introducing a solidarity contribution by active civil servants equivalent to the unemployment insurance contributions of workers and employees in the private sector, prevented by the resistance of the conservative public sector unions long since.

Austria has also not yet made sure that system sustainability factors as well as inter-generational fairness and efficiency criteria are taken systematically into consideration as much as concerns about pension adequacy and income replacement. In the public discourse, it did not yet succeed in framing pension entitlements not just in terms of monthly (yearly) annuities or replacement rates for active earned income, but always (also) in terms of lifetime pension wealth as well as pension entitlements relative to contributions. Framing pension rights appropriately and not selectively and misleadingly is a crucial prerequisite of necessary pension literacy and democratic life.

A major achievement of recent Austrian pension reforms will turn out to be the functional differentiation of disability benefits and long-term sickness awards from the old-age pension system. De-coupling health-related impairments and invalidity from old-age provision functionally and institutionally and organizing a corresponding shift of incapacity benefits from pension to health insurance within the social security system has been done in many countries before and since 2014 in Austria as well. Implementing this by fixing a given birth year and thus generating an ascending age threshold (e.g. age 50+ upwards) below which invalidity pensions will not be granted any longer, as Austria did 2014 with the age cohort born in 1964, certainly is a very good practice and a highly recommendable device for any social insurance institution.

When, for whatever reason, “big bang” systemic reform is not an option for Slovenia, piecemeal, step-by-step, “muddling-through” parametric reforms could still achieve considerable progress. But such an optimistic outlook is only justified so long as parametric reform measures form an integral part of a more systematic, coherent framework that seeks to approximate (if not mimic) an optimal, self-sustaining type of pension scheme, like in the Netherlands and in Finland, much less so in Austria. In this context, the Swedish type of non-financial or notional defined-contribution (NDC) system is considered more self-sustaining, more efficient and fairer in terms of actuarial neutrality, and is seen as suitable for meaningful social interventions.

A key lesson for Slovenia from the Finnish case regards the importance of introducing flexible work arrangements for elderly workers and/or already retired persons. Second, even though some analysts claim that the results in terms of raising the effective retirement age were lower than expected due to cultural factors, the design of the steep new accrual formula of earnings-related old age pension rights introduced in 2005 is a model for the economic incentivization of longer working lives. As mentioned, the pension amount has been reduced by 0.6 per cent each month that the pension is taken early before the age of 63. In other words, if a person retires on an early old age pension at the age of 62, this will reduce his/her pension by 7.2 per cent. Higher accrual rates apply if retiring later: between the ages of 53 and 63, pension rights accrue at the rate of 1.9 per cent on the earnings each year after which the accrual rate is 4.5 per cent until the age of 68. It is also possible to defer retirement on an old-age pension beyond the age of 68. In that case, the pension is increased by 0.4 per cent for each month for which retirement is postponed. This is especially relevant for Slovenia given that elderly Slovenian workers de facto have no right to work after retirement while maintaining their pension; a status quo that reflects strong trade union power (Guardiancich 2015).

One reason for the seemingly lower than expected effectiveness of the new incentivization policies is cultural – the habits and minds of employees and, especially employers. For instance, surveys show that as many as 70 percent of Finnish employers and 86 percent of Finnish employees find the new lower flexible retirement age limit of 63 acceptable (Tuominen 2013). But not even six in ten employers (58 percent) think that workers can actually continue working until 65 in most jobs, and only one in four employers think this is possible until age 68 (Tuominen 2013). 66 percent of employers and also 44 percent of employees in Finland believe that this upper age limit is too high (Tuominen 2013). This evidence shows the need to combine better design of incentives through labour and pension policies in Slovenia with public campaigns aimed at changing perceptions regarding older workers' employment.

The Dutch case draws attention to the need for more comprehensive reforms which concern not only the public old age pension, but also other benefit systems in order to avoid substitution via unemployment or disability, for example. While the latter provides a necessary and important safety net for those who lose their ability to work before the normal retirement age, it may also be (mis)used to serve as an early retirement pathway. The Netherlands has implemented particularly extensive reforms in its disability benefit system and, following these reforms inflow into disability has decreased significantly in a relatively short period of time. The Dutch reform included a group of carefully planned and integrated policy measures characterized by three major shifts in policy: (1) a shift from passive (paying benefits) to active (supporting work ability) measures; (2) shifting the financial responsibility (i.e. experience-rating of employers) as well as the reintegration responsibility (i.e. the Gatekeeper Protocol) to employers; and (3) an increased focus on prevention and early intervention (i.e. reform of the sickness benefit insurance). These policy changes led to an environment in which both employers and employees had strong incentives to take early preventive actions which reduced considerably the chances of sickness resulting in (permanent) disability.

In most recent policy changes (since the introduction of the new disability scheme, WIA, in 2006), a strong emphasis has also been placed on assessing 'capacity to work' and in making a distinction between 'permanent' and 'temporarily' disabled persons. Employees whose work capacity is reduced less than 35% are no longer insured, whereas for others (viz. a person with greater work capacity reductions) the disability benefit system contains a financial incentive to use his/her remaining work capacity. Such liberal approach in combining benefits and incentives to work is a strong lesson that can be drawn from the Dutch disability insurance policy experiences.

The case of the Netherlands also provides good lessons for reform in other countries, because it highlights the difficult process leading to introducing politically sensitive reforms. It was also a relatively long process that required several attempts and more importantly a shift in public perception of the disability programme. The first wave of disability reforms started in the early 1990s and, while some of the measures implemented during that time had limited effects, helped to change public perception through the use of information campaigns and televised public hearings of the parliamentary committee, which was set up by the government to provide policy recommendations (GAO, 2008). These early reforms also gave rise to a large body of literature and empirical work which have undeniably contributed to reaching a consensus for the need for change. The final reform, implemented in 2006, was prompted by a Commission that was established in 2000 by two ministries with the specific purpose to build consensus among the different political parties and the social partners (the parties in the coalition government were unable to reach an agreement on the path for reform while the trade unions and employers' associations considered developing their own reform proposals as a way of expressing their dissatisfaction with the lack of progress). The Commission was successful in designing a reform that was also effective. The fact that it included members of each of the political parties and also involved the social partners in the drafting of its recommendations has been considered crucial to this. Legislation of the new disability act was eventually passed in 2005 and implemented in 2006 by the succeeding government.

Removing obstacles to the hiring and retention of older workers

Good practices

Austria

The unemployment rate is low in international comparison – Austria (5.1%) is second behind Germany (5%) in the EU-28. Among the 50+, there were 69.227 registered unemployed persons in 2013, +10.015 or +16,9% compared to the preceding year 2012. The registered national unemployment rate was 7.6% in 2013, +0.6 pp compared to 2012, whereas the 2013 unemployment rate according to internationally comparable EU-criteria was 4,9% only, + 0,6 pp compared to 2012 and even underproportional, i.e. lower than the overall unemployment rate for all age groups.

While the public perception and, above all, the public and media discourse is one of widespread "Sozialkitsch" of a pretended "mass unemployment of elderly employees", the sober reality is much more differentiated. Whereas the risk of dismissal and involuntary unemployment is significantly lower in the age groups 50plus in comparisons with younger workers, people above the age of 50 and even more so above 55 years having lost their jobs nevertheless are painfully confronted with much longer job search periods and much lower re-employment opportunities than their younger counterparts on the labour market. There are strong age gradients of labour market clearance and a near collapse of market functioning, reflecting both age-specific insider/outsider-cleavages as well as age discrimination at work in the world of work.

Age-wage curves over the life course belong to the very steepest across Europe, with end-of-career salaries two to three times as high as entry earnings. This in turn makes so called "older" but actually middle-aged workers 50 plus with more than three decades of further life expectancy less attractive and hardly affordable in particular for small-scale business firms (the average company size being below 10 persons).

The Austrian labour market policy for older people is based on three guiding principles or pillars, namely: (1) Determination, preservation and respectively upgrading of work capacity; (2) updating and respectively extension of the necessary qualifications, and (3) re-integration into employment. The main approach is the direct integration into the primary labour market through employment promotion. In case of reduced placement opportunities, specific target group-oriented, coordinated educational and training offers are used.

Labour market policies aim at a promotion of an age-appropriate world of work. Since the year 2014, the Employment initiative 50+ ("Beschäftigungsinitiative 50+") exists, focusing on the labour market integration of people above this age threshold who have been without employment for longer than half a year. In order to reach this goal within the period 2014 to 2016, through the activation of passive promotion means of the Labour Market Service AMS, there will be an additional up to 370 Mio. EUR made available for tailor-made employment- and promotion programmes for so called older people.

Labour market policy instruments such as an integration subsidy ("Eingliederungshilfe", i.e. wage subsidies for companies), combined wages ("Kombilohn"), as well as an extension respectively further development of the Second Labour Market through socially inclusive firms or transition jobs ("Transitarbeitsplätze") in social firms have been used. The inclusion of 76,000 persons is being strived for. For the year 2015, a further increase of the means for the Employment initiative 50+ to 120 Mio. Euro is envisaged.

These measures aim, on the one hand, at highly prevention-oriented forms of employment security and, on the other hand, at the extension of needs-based reintegration offers. The latter applies particularly to the specifically vulnerable target group of unemployed persons with health-determined placement restrictions. The noble principle evoked regarding this population group of special labour market policy concern is one "of prevention, rehabilitation and employment integration before pension".

Prevention represented a new thematic focus of public efforts in recent years. Already since the year 2011 the Work-and-Health-Law ("Arbeits-und-Gesundheits-Gesetz"/AGG) supports the sensitization of society for a health-promoting world of work enhancing the preservation of workability or work capacity. In the context of „fit2work", for the first time information- and consultation services of the Labour Market Service AMS, the Social Insurance (Sozialversicherung/SV), the service of the Ministry for Social Affairs and the labour inspectorate ("Arbeitsinspektion") have been bundled: to prevent premature invalidity respectively unemployment for health reasons, to reintegrate workers after longer sickness leaves, as well as to maintain work capacity for the long term through preventative measures. The programme was prepared by the social partners and government and first implemented as a pilot in three Austrian regions (Styria, Vienna and Lower Austria) starting from 1 January 2011. By 2013 a nationwide coverage has been reached with 40 consultation offices in all nine federal states. It offers free information, consultation and support in the area of work and health for both individual employees and unemployed persons and for companies. It provides basic information, first-time consultation, and case-management, as well as company-related services. In 2013, 17,272 persons received basic information on the programme, 9,319 had a first consultation, 4,353 persons started and 2,324 persons finished their case management, and 265 companies received basic information on the programme (fit2work Jahresbericht, 2013). By August 2014 more than 33,000 persons have contacted this service and 168 enterprises have been intensively looked after. According to the latest annual programme report (2013), the results have so far been encouraging showing high willingness and motivation especially among individual target groups to participate in the programme. Despite the programme being voluntary and free of charge, the involvement of companies appears to be more challenging with take-up among companies remaining below expectations (Lechner et al, 2014).

The Grand Coalition government programme also plans the introduction of an experience rating or so called bonus/malus-system also for companies (beyond the one already existing for workers) in order to prevent them from externalizing all costs related to hazardous business behaviour. As a kind of preparation measure it is intended to observe the employment rate of older people in companies with 25 or more employees in order to implement targeted steering effects. So far, the business community has strongly and successfully opposed any such scheme, with particular reference to the failure of previous attempts in this direction. But while it is true that former similar efforts have fully failed, this was due to the low dosage and inadequate composition of the recipe.

A good practice example from Austria concerns the Territorial Employment Pacts (TEPs) which aim to improve the employment situation through programmes and projects developed, coordinated and implemented in the form of public-private partnerships at the regional and local level. Established in 1997 under the framework of the European Commission's Territorial Employment Pact programme, this partnership model has been considered as a key delivery mechanism for local employment development (LED) activities in Austria (Scoppetta, 2004; Allinger, 2011).

The first TEPs have been developed in four Austrian Federal Provinces (Salzburg, Tyrol, Vorarlberg and Vienna) during the period 1997-2000 (Co-ordination Unit of the Territorial Employment Pacts, 2015). In this early pilot phase, TEPs were supported and received funding from the EU TEP programme. TEPs were expanded to all nine Austrian provinces in the next programme period (2000-2006) with support from the European Social Fund. Between 2007 and 2013 TEPs were financed through the Austrian Operational Programme for Employment (co-financed by the ESF and the Federal Ministry of Labour, Social Affairs and Consumer Protection).

TEPs are generally contracted at the regional level (although some have also been set up at he local level) with the aim to better link employment policies with other policy areas (e.g. education, social policy, regional development); to enhance cooperation between federal, regional and local level institutions, and between different public and private actors (such as the AMS, social partners, enterprises, and research) at the regional level; and to develop and implement strategies and measures in accordance with local and regional labour market needs, and with a particular focus on support for marginalised or vulnerable groups (e.g. the long-term unemployed, persons with disabilities, women, migrants, older workers, NEETs). As also illustrated below (Box 1), TEPs use a variety of instruments and support measures including training and job placement measures, counselling, support for business start-ups, social enterprises and so-called labour foundations (*Arbeitsstiftungen*).

Box 1: Examples of measures implemented by TEPs for older unemployed and employees:

- In Lower Austria, a job placement and training support programme "Job Konkret 45+" was developed especially for older people. It was funded by the province of Lower Austria, the regional Public Employment Service (AMS), the Chamber of Labour and the Economic Chamber of Lower Austria. The project was carried out in a joint public-private partnership whereby the AMS offered help in finding vacancies and provided support while the company took over the training costs of participants.
- The Styrian Pact (STEBEP) implemented a regional job-placement programme for older unemployed people. This was combined with awareness-raising activities which particularly targeted small- and medium-sized enterprises.
- The TEP Salzburg initiated and supported a series of measures (counselling, training, and coaching) aimed to promote the employment of older people. Among these, the so-called Elders Coach (*Älteren-Coach*) was especially successful in helping the re-integration of older unemployed. The coach informs companies about the potential of older people and provides support to older people in job search and application.

Evaluation of the Austrian TEPs that was carried out by the ESF in 2005 indicates mostly positive results in terms of improved cooperation and partnership leading to more effective policy design and implementation. The regional approach (i.e. tailored to regional labour market characteristics and needs) combined with the emphasis on targeted measures for the most disadvantaged groups merits highlighting. In addition, the already established pacts could also be sustained and carried on through the economic recession thanks to the long-term collaboration within the partnerships and to the availability of a fixed funding scheme (Allinger, 2011).

Finland

The Finnish low-wage subsidy has become a flagship measure in debates about older worker activation and might appear suitable for use also in the Slovenian context. Finland implemented a new low-wage subsidy measure on January 1st 2006, aiming to support especially older workers in low income categories. Specifically, to be eligible for receiving the Finnish low-wage subsidy, workers had to be (a) over 54 years old, (b) working full time and (c) earning a monthly wage between 900 and 2000 Euro. The subsidy was paid to employers and amounted to 44 % of the part of wages that exceeded 900 Euro and it could be up to 16 % of gross wages, or 13% of pre-reform labour costs. It had a maximum subsidy floor of 220 Euros a month. Given that the lowest fulltime wages were around 1300 Euros in 2006, the subsidy thus targeted low-wage older workers. However, it is important to emphasize that the level of the subsidy needs to be high enough to make a difference. In one of the few critical evaluations of the Finnish low-wage subsidy, Huttunen et al. (2009) find a difference in employment rates before and after reform of about 3.2% for the eligible workers as compared younger workers, and of hours worked per employee of about 2.3%. However, both these changes are due to a general increase in employment among the older workers. Once such changes are controlled for, the subsidy turns out to have a non-significant effect. Only in the industrial sector did the subsidy appear to lead to significantly more hours worked, mainly by turning some part-time older workers into full-time workers.

Similarly, Huttunen et al. (2009) find that the low-wage subsidy for elderly workers had a small and non-significant effect on re-employment rates of previously unemployed older workers – even when studying only older workers with no more than basic education (the group most likely to be eligible for and to benefit from the subsidy). Lastly, Huttunen et al (2009) also failed to find any significant effect of the subsidy in reducing the job leaving rates of elderly workers. One reason given for this surprising non-effect is that the low-wage subsidy was simply too small, especially in view of the fact that the group targeted was particularly hard to employ or retain in employment.

Finland is also one of the handful of OECD countries which have implemented additional penalties for firms that fire older workers, thereby worsening the likely employability of older workers, in the form of a tax or higher social security contributions (whereas Belgium and Korea actually require such firms to pay all or part of the cost of outplacement services to help workers find new jobs; see Cheron et al. 2011). However, on the plus side, flat age-wage profiles are likely to be a key reason for the comparative high older worker participation rates in Finland. Finland is characterized by extremely flat wage profiles by age by international comparison: men and women aged 60-64 earned respectively 123 and 104 percent higher wages than men and women aged 25-29 in the early 2000s (OECD 2006). Moreover, this 'Finnish flatlands' picture obtains for both private sector workers and public sector workers. There is only one exception to this rule – central government civil servants, who do have steeply upward sloping wage profile especially after age 59 (Official Statistics of Finland 2011).

The Finnish labour market generally has a medium level of employment protection legislation for standard workers on regular contracts, which comprise the vast majority of older workers' contracts. Employment protection levels for such workers in Finland are around 2 on a scale of 0 to 6 in 2013. This is a level similar to Denmark, but is lower than Sweden (2.5) or the Netherlands (2.8). But one of the main motors of older worker retention in Finland in recent years has been the flexibility and incentives provided by the pension systems. In the earnings-related old age pension, the pension amount is reduced by 0.6 per cent each month that the pension is taken early before the age of 63.

In other words, if a person retires on an early old age pension at the age of 62, this will reduce his/her pension by 7.2 per cent. And as mentioned above, steeper accrual rates apply if retiring later: leading up to 4.5 per cent when retiring the age of 68.

Another Nordic flagship practice regarding the retention of older workers comes from next door in Sweden – the widely known LIFO (Last-In-First-Out) rule (see Box 2).

Box 2: The LIFO rule in Sweden

Legislated in the 1982 Swedish Employment Protection Act, the LIFO principle has long been considered as one of the foundational policies to protect the employment of older insiders in the Swedish labour market model, and has also often been suggested to be a main hindrance for the employability of older outsiders (for economic analysis of such protection measures, see Lazear 1990, 2011; Saint-Paul 2002, 2009). LIFO prescribes that in case of dismissal need for reasons of 'lack of work', those employees of a given firm ought to be dismissed who have the shortest employment duration in the firm. Given that older workers on the whole tend to have longer working duration, the LIFO measure thus tends to be a major stimulus for the retention of these workers – or at least at has been widely proclaimed as such. But at the same time, the LIFO rule also means that employers know that they will face a strong restriction in which they can and cannot choose to retain in the firm in (future) times of crisis, since longevity overrules any potential criteria of productivity. While protecting existing older workers inside firms, LIFO has therefore at the same time been seen as an obstacle for the hiring of new older workers. The LIFO principle has acquired strong salience as a core right of older workers and was the cornerstone of recurrent battles between unions and leftwing parties on the one hand and employers' organizations on the other hand in Swedish labour market reform negotiations in the 1990s and 2000s – and it was often the principal reason for the failure of such negotiations to implement far-reaching labour market reforms (Davidsson and Emmenegger 2012).

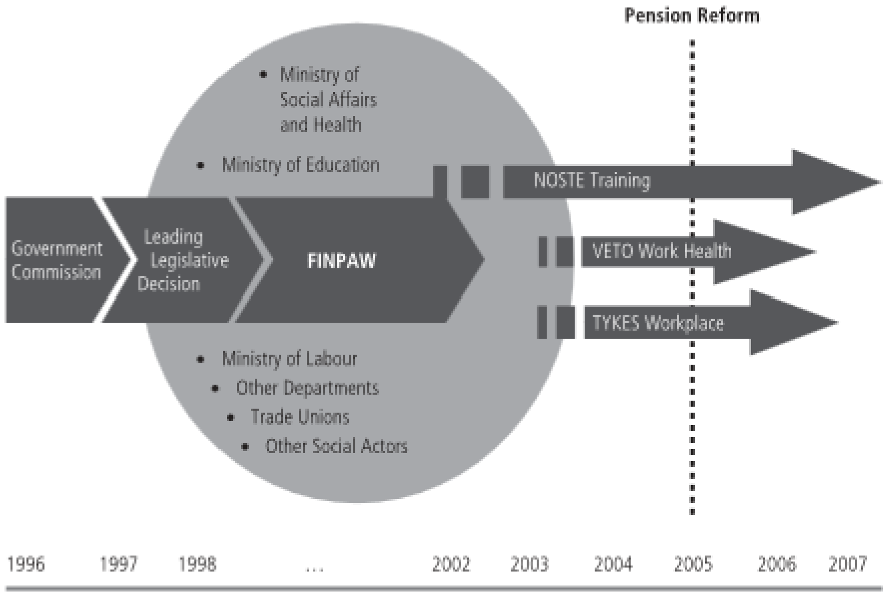
Despite LIFO's central role in debates about older worker retention, the best research to date suggests that LIFO may, counterintuitively, have little or no impact on the employment behaviour of firms towards older workers. This study merits some detailed attention as it highlights the often non-intended effect of labour market policies, as well as the sometimes illusionary nature of 'paper' protection measures based purely on legislative text (such as the OECD's widely used EPL). In an original first-ever analysis of the effect of seniority rules on employer behaviour, von Below and Thoursie (2010) use a recent and limited relaxation in the LIFO principle –the so-called exception of 2001- to test its effects in a quasi-ideal natural experiment setting.

A new law from January 2001 stipulates that only for firms of ten employees or less, the LIFO principle would no longer have to apply in the case of two designated workers. In other words, small firms could exempt up to two young workers from being fired first in case of work shortage. Investigating population data for the periods before and after the 2001 change of law, on all (most-similar) firms with ten, resp. 11 employees, von Below and Thoursie (2010) fail to find any effects of the new law on the small firms' net employment levels and consequently no statistically significant effects on employment behaviour. Specifically, they compare firms of ten employees (who fell under the LIFO relaxation) and firms with 11 employees (who did not).

Interestingly, von Below and Thoursie find that the break in the LIFO law had no effect at all on the size distribution of firms. In other words, ten-plus firms did not reduce their size, or more small firms did not enter the market, as a result of the new law. Moreover, they find that employment changes were the same for both sets of firms after the 2001: there were no differences in either hires of older workers or separations of older workers between these two similar types of firms under different policy settings. To conclude, contrary to the expectation of policymakers and the predictions of economic theory, firms did not react at all to the new and seemingly significant 2001 relaxation in the 1982 LIFO law. These findings were confirmed in statistical robustness tests.1 Von Below und Thoursie (2010) conclude that all political and neo-liberal rhetoric notwithstanding, the LIFO principle is actually harmless as it does not seem to have an effect on the employability of older workers either way.

A good practice from Finland regards the ways in which Finnish governments have tried, through very broad and inclusive programs and through tripartite negotiations and discussions, to change cultural norms and perceptions about older workers. As mentioned before, already between the mid-1990s and 2010 Finland achieved a significant 19 percentage point increase in older workers' activity rates. This increase coincided with the start of a new general strategy for improving the employability of older workers - Finland's National Program for Older Workers (FINPAW) in 1997 (Eurofound 1997). This program's stated purpose was to promote the inclusion of older workers in the labour market, improve working conditions, increase the willingness of employers to retain older workers, and generally to improve the perceptions and attitudes of society towards older workers (Eurofound 1997). The aim was to tackle the issue of older worker participation not through one single policy but rather via a wide set of partners, and a wide array of measures (Figure 1.). During the five-year programme period, which was allocated a 4.2 million budget, around 40 individual projects were carried out relating to age-aware human resources management, adult education and health promotion (Barth et al, 2006). The program also used an extensive information campaign under the slogan 'Experience as a National Asset' and the explicit aim was 'to create a new social culture' in which the automatic expectation would be for older workers to stay longer in employment (Werder and Thum 2014).

Figure 1: Finland's National Programme for Ageing Workers



Source: Barth et al. (2006).

The programme was implemented jointly by the Ministry of Social Affairs and Health, the Ministry of Education and the Ministry of Labour in close cooperation with a wide array of social partners such as the Confederation of Finnish Industry and Employers, the Employers' Confederation of Service Industries, the Commission for Local Authority Employers, and the State Employers' Office as well as the Central Organisation of Finnish Trade Unions, the Finnish Confederation of Salaried Employees, and the Confederation of Unions for Academic Professionals (Eurofound 2002).

Building on the successes of FINPAW, a number of programmes were initiated to compliment the national programme. These included the NOSTE programme aiming at the skills development and training of older adults, VETO (in-company practices to extend working life) and TYKES to improve the work organisation (Barth et al, 2006). As in the case of FINPAW, implementation of the three programmes was supported by interministerial advisory boards.

Netherlands

While most implemented active labour market programmes in the Netherlands are targeted at the general workforce and not specifically at older workers, there are some examples for more age-specific measures that offer incentives for employers to hire and retain older workers. Such is the mobility bonus which aims to stimulate the demand for older workers (reduced employer contributions when hiring a worker aged 50 years and older) or the no-risk policy - if an employee aged above 55, who has previously been unemployed for at least a year, becomes sick in the first five years of the new job then the sickness insurance is paid fully by the Public Employment Service (PES) on behalf of the employer (Bekker and Wilthagen, 2014). Further measures include the extended trial period whereby the standard trial period of three months could be prolonged to six months for workers above the age of 55, or the trial placement – during the first months of work the employer does not pay a salary to the employee still receiving unemployment or disability benefit. The maximum period of trial placement is three months, with the possibility of extension to six months in special circumstances. The measure is applicable to anyone with unemployment or sickness or disability benefit.

With regards to the effectiveness of above measures, Van der Werff et al. (2012) find that the mobility bonus for older unemployed, the doubled length of the trial period for older workers, and trial placement with continued benefits all produced significant positive effects. A recent evaluation of the no-risk policy shows a minor and insignificant effect of the measure on changing employers' hiring behaviour when it comes to older workers (Bekker and Wilthagen, 2014).

Nevertheless, a number of studies have shown (Henkens, 2005; Van Dalen et al, 2010) that age-related negative stereotypes do influence Dutch employers´ decisions to hire and retain older workers. The issue is how to influence employers´ selection behaviour and their hiring policy to employ older job-seekers and what approaches does the PES offer that provide good opportunities to do so.

Speed dates (*Speeddaten*) is an initiative open to job-seekers of all ages, but according to a survey of Dutch PES case workers (Zandvliet et al, 2011), it is extremely suitable and works particularly well for older job-seekers mainly because of the personal contact between employers and job seekers. Speed dates are organized by PES case workers to bring employers and job seekers together. These events can be initiated by the case worker, but also by private job agencies or company advisors and can take different forms. Suitable candidates are pre-selected by the case worker and at the speed dates are matched with the employer. Through an online registration system, which has been set up by the PES, employers and recruiting agencies can register for a speed date with the PES.

Speed dates are also organised for a specific region or sector. These customised events increase the chance of a correct job match (e.g. only those job seekers who are looking for jobs in a specific industry are invited).

Evaluation of PES measures targeted at older job-seekers indicates high satisfaction among both employers and job seekers regarding speed dates. The direct, face-to-face contact between employers and job seekers increases the probability for older people to be considered for a job and also helps them to improve their soft skills (e.g. motivation, attitude) and presentation. Good experience of employers with the selection of candidates by PES is a key success factor. This, however, requires good relationship management on the part of case workers by maintaining regular, personal contact with employers and having sufficient knowledge about the company and company culture.

The Netherlands also has a relatively long tradition in using age management policies which aim to increase age-awareness in firms and promote a positive image of older workers among employers (Gasior & Zolyomi, 2013). There has been a growing interest among employers in these programmes as many sectors and organisations are already facing the challenge of an ageing workforce. This, together with fast changing technological innovations and increased globalisation, poses important issues such as how to transfer and secure their employees skills-set and work experience. Age management policies can assist employers to adjust their strategies to prepare for this. From the early 2000s onwards, the Dutch Ministry of Social Affairs and Labour initiated a series of programmes which provided financial support and information for companies to develop age management policies e.g. the 'Age Mirror' (2005), the programme 'Age-conscious HRM' (2004-2009) or the so-called 'Argument Map for Employers' (2007) which was distributed in the 2007-2009 period under the Dutch national Talent 45+ Programme (ESFAge, 2015).

The age mirror *(Leeftijdsspiegel)* aims to provide an overview of the company in relation to age management. It asks relevant questions to determine where the organisation stands in terms of the age structure of the organisation and offers points of departure for developing and implementing age management policies in the company.

The age mirror is a checklist with 24 questions structured in the following 4 steps:

- Step 1: Determining whether or not the organisation has a problem with 'ageing';
  Step 2: Discussing the problem with relevant people on behalf of the employer or employee;
  Step 3: Developing a vision, devising strategies and executing action;
  Step 4: Learning from experiences.

After completing these steps, employers can, for example, determine that there is no problem or that the problem is easy to deal with or further actions of readjustments may be needed. The tool provides employers with a snapshot of their organisation and work force, is intended to raise the issue of developing company age management policies and strategies, and initiate actions and dialogue within the organisation.

Another good practice example is the regional mobility centres *(regionaal mobiliteitscentrum)* that facilitate job to job transitions in order to prevent employees to become unemployed. Established at the end of 2008, the programme ran as a temporary special programme in the period 2009-2010 and since 2011 it has been mainstreamed into the regular public employment services (ESF Age, 2015). The programme was initiated as a response to the 2008 economic crisis and in anticipation of its negative impact on the Dutch labour market. The approach was to provide timely and tailored support to companies who were laying off staff and to help prevent unemployment by finding new employment for people in danger of dismissal before losing their jobs.

In early 2009, a regional network of 33 mobility centres across the whole country was established. While the primary aim was to facilitate job to job transitions, mobility centres also provided advice on skills and training to companies who wanted to retain skilled and experienced staff but, as a result of a temporary fall in production, offered their employees part-time employment or a reduction in working hours. These, together with other activities (e.g. providing information about the regional labour market and companies looking to recruit, job matching, opportunities for additional training) are now incorporated in regular employment services at the regional level and are organised in the form of projects in joint public-private partnerships that are tailor-made for local needs. Besides the regional focus, so-called sector support desks have also been set-up catering for specific sectoral needs in the given region.

In 2009 and 2010, more than 1,600 companies laying off staff received assistance (8,896 received training) and around 24,000 employees were helped to find a new job before becoming unemployed and it helped 141,000 employees to find new employment within 3 months after the dismissal (ESF Age, 2015; Schaapman, 2011). Between 2009 and 2010, the public employment service provided 13 million Euros annually. Additional funding came from a variety of other bodies, including employers, regional authorities, training funds, the Part-time Unemployment Act funds, as well as from the European Social Fund.

The initiative is carried out in a public-private partnership with different actors including the public employment office (PES), municipal authorities, regions and sectors, educational institutions, temporary and secondment agencies, professional business knowledge centres, reintegration agencies, industry associations, and outplacement providers.

The high degree of satisfaction among employees and employers regarding the services provided by the mobility centres can be attributed to the following features:

- The speed of response
- Utilization of public-private partnerships
- Approach tailored to regional needs
- Autonomy of regional staff to choose and decide about solutions and build partnerships
- Preventive approach i.e. intervention at an early stage when the worker is still employed

Regional mobility centres are a good example of how temporary or emergency measures can have positive non-intended effects: in this case, the method of tackling unemployment before it occurs has now become common practice in regional PES. It also allows for better anticipation and management of change, including future economic shocks and restructuring, through establishing a well-functioning network of contacts. A possible bottleneck of public-private partnerships is that getting funding can be challenging in practice as often many different sources have to be applied for and put together (Schaapman, 2011).

This measure is especially relevant considering the relatively rigid labour market for elderly workers in the Netherlands (Euwals, 2009) where not only do the unemployed elderly have a low probability to find a job - hence the relatively long unemployment duration -, but labour mobility also sharply declines after 55. Although low labour market mobility of older workers is not a Dutch phenomenon as shown by OECD and other literature (OECD, 2006; van Dalen et al, 2009), what makes the Netherlands different in this respect is the relatively high labour costs of older employees as well as the fact that they are well-protected, both resulting in reduced mobility (Conen et al, 2010). This still remains the case even though an age-neutral approach to collective dismissals was introduced in 2005 (Skugor and Bekker, 2012). The Dismissal legislation was amended introducing the “proportionality principle”, (*afspiegelingsbeginsel*) which is to be applied in all business layoffs. Based on this rule, the employees who hold interchangeable positions are divided into age groups within which the number of employees to be selected per age group is determined (ELLN, 2011). For further selection, the seniority principle (last-in-first-out) is applied within each age group. Thus, pursuant to this principle, redundancies must affect all age groups of the employed staff equally, resulting in a more balanced risk across various age groups.

The significant effect health-related factors, in particular psychosocial factors, and working conditions (e.g. strenuous work, work pressure, social support from managers and colleagues), have on Dutch workers´ ability to continue employment in later life have been repeatedly shown in Dutch longitudinal studies (De Wind et al, 2014; Reeuwijk et al 2013; Boot et al, 2014). While the role of health and working conditions appears to be important in all age groups, its influence tends to increase with age and is largest in the older age groups.

In the Netherlands, the vast majority of employees (91%) report their health to be good, very good or excellent, but a relatively high number (38%) report to have suffered from a chronic illness or disability (Houtman, 2012). Of these, half state that their health has had a negative impact on their ability to work. One in three employees mentioned pressure at work and work-related stress as the main reason for taking sickness leave.

Dutch employers are required by law to implement health and safety measures in order to prevent accidents at work and their employees becoming ill. The Working Conditions Act (*Arbowet*) is the main piece of legislation with provisions for employers and employees how to deal with occupational safety and health. Among others, the Act imposes an obligation at the company level to conduct a Risk Inventory and Evaluation (RI&E), and an action plan which forms the basis of policy on working conditions, and gives power to the Labour Inspectorate (*Inspectorate SZW*) to supervise compliance with the regulations. In 2007, important amendments to the Working Conditions Act were introduced substantially reducing the regulatory and administrative burden on companies (e.g. they are no longer required to submit annual reports on health and safety measures) with the aim to give more scope to introduce individual arrangements for which employers and employees should be jointly responsible (OSHA, 2015).

The amended Act also sets out general target regulations that state the levels of protection employers must provide for their employees, but does not provide any stipulations regarding the form and content (Stichting van de Arbeid, 2007).[1] The precise details on the target regulations are to be worked out by the social partners and set down in a written agreement, called the Health and Safety Catalogue (*Arbocatalogus*). The catalogue has to meet some important conditions:

[1] The Working Conditions Act sets out different obligations for the public domain which is subject to specific regulations as opposed to the private domain where the self-regulation by the social partners is applied.

- it has to be a joint and agreed product of the social partners involved, thus the role of employers' organisations and trade unions and their cooperation in its development is crucial (the so-called polder model);
- it should be primarily sector-specific, but can also be implemented in a group of companies;
- should focus on measures that are effective in tackling the risks identified in the catalogue (i.e. based on the latest scientific research and evidence); and
- can only be implemented if the contents are approved by the Labour Inspectorate which checks if there is anything in the contents that is contrary to the law.

The Health and Safety Catalogue is not compulsory, only provides the option for the parties concerned to develop one which will then provide them a certain degree of protection. For instance, sectors and companies covered by a Health and Safety Catalogue can expect fewer inspections than those sectors that have not implemented the catalogue.

Table 3: Comparison of RI&E and the Health and Safety Catalogue

	Health and Safety Catalogue	RI&E
Scope	Mainly at sector level	Company level
Parties involved	Employers' associations and trade unions	Employer and works council/employee representatives or employees concerned
Content	• Solutions to priority risks (as determined) • Choice of approved measures	• All risks plus measures • Implementation of measures indicated
Status	• Frame of reference for enforcement • Option for social partners	Compulsory for employer

Source: Stichting van de Arbeid

The approach of this Dutch policy can be viewed as a thoroughly original and good practice. On the one hand, it allows more freedom and more customisation for employers and employees working in a given sector to determine themselves which solutions and measures are required and desirable to address health and working conditions. On the other hand, they also bear more of the responsibility for health and safety policy-making. Thus, the role of the Government is becoming more of that of the facilitator setting out the legal framework and making sure that the right incentive structures are in place (i.e. as few rules and administrative burdens as possible).

Evaluations show that Health and Safety Catalogues are being implemented in a growing number of sectors and companies (Houtman, 2012). The number of catalogues approved by the Labour Inspectorate was 20 in October 2008 and had risen to 78 by late 2009. According to a recent study by Van Vliet and Venema (2011), the number further increased to 142 by the end of 2010 covering approximately 51% of the total workforce. The authors analysis also reveals that risks related to physical strain were those most frequently covered (30% of all risks) while psychosocial risks were addressed by significantly fewer catalogues (9%).

Besides occupational health and safety measures, the Netherlands has also introduced reforms in its sickness insurance benefit scheme in order to prevent work-related absenteeism and a premature exit from the labour force as a result of sickness or bad health (De Jong, 2008). Sickness insurance was privatised in 1992, requiring employers to pay wages during the first year of sickness absence from 1996 onwards. The benefit period was further extended to two years in 2004, thus, employers must pay wages for the whole two-year period.

In addition, the so-called Gatekeeper Protocol (*Wet verbetering poortwachter*) came into force in 2002, introducing relatively strong employer obligations regarding rehabilitation. The Gatekeeper Protocol is a structured approach to early intervention in cases of sickness lasting six weeks or longer. The concrete activities to be applied by the employer and the employee within a clear timeframe as well as the responsibilities and rights of the sick employee, his/her employer and the company doctor are legally specified in the 2002 Gatekeeper Act. The main steps consist of a recommendation from the occupational health and safety service and the drafting and implementation of a rehabilitation plan by the employer and employee, which should describe the specific measures needed for the reintegration of the sick employee, and which should be ready in the 8th week of sickness and sent to the Social Insurance Agency (SIA). This is binding for both parties. The basic idea is that the employer and employee take the lead and that they take the required action promptly.

An important component of the Protocol is the introduction of a rehabilitation report, which must be written at the end of the first year of sickness and must contain a description written by employers and employees of what they have done to facilitate and accelerate a return to work. Together with administrative and medical information, the report constitutes the reintegration file. Again, this has to be sent to the SIA. Claims for disability benefit, which must be submitted by the employee also before the 92nd week, are only considered admissible if they are accompanied by the rehabilitation report. In case the report is delayed, incomplete or the reintegration efforts are judged to be insufficient, the employer is obliged to continue paying the sickness benefits for up to a further year. For the two years of sickness a maximum of 170% of the wage could be paid. In most collective agreements it is a full 100% in the first year and 70% during the second year. However, if the employee hinders an early return to work - by refusing to do appropriate work or to follow retraining, for example - the employer has the right to suspend payment of salary.

Greater control, as it is with the strict screening of the rehabilitation plan and reintegration report in the Dutch Gatekeeper Protocol, also reduces the attractiveness of the disability benefit programme for potential applicants (De Jong et al., 2006). By shifting the reintegration responsibility to the employers and the employee the measure aims to cut programme costs, reduce sickness absenteeism, and decrease the amount of time beneficiaries spend away from employment. Furthermore, as sickness benefits are a major pathway to long-term disability, the former is also seen as an appropriate place to provide early interventions so as to prevent the shift into the latter (Prinz and Thompson, 2009).

There is some evidence indicating that increased employer obligations may result in employers becoming reluctant to hire persons who they consider to be at a higher risk of sickness (this is particularly relevant in the case of the Netherlands, where employers are not only responsible for the reintegration of their sick employees, but are also fully liable for paying sickness benefits for up to two years). Evaluation studies have shown that people with health and impairment problems experienced greater difficulties in (re) entering jobs and the risk of them being fired increased (van Oorschot, 2010). To address this issue, a so-called 'no-risk policy' was introduced in 2003 and extended in 2005 (see pp. 24).

In light of the increased policy focus on employability and on further improving quality of work in the Netherlands, it can be expected that measures aiming to improve these will play an increasing role in the future employment trends of older workers.

Suggested measures

Age-specific workers protection such as the one embodied by LIFO rules seems, on paper, to be a key measure for strengthening the retention and possibly reducing the hiring of older workers, especially in highly unionized countries such as Slovenia. This would seem all the more relevant to Slovenia given the strong protections against dismissal of Slovenian workers aged 58 and above. However, one of the key policy lessons from the notorious LIFO rule in Sweden is that even drastic and seemingly clear-cut measures need to be accompanied by cultural and cognitive shifts to be fully effective. As we have seen, contrary to the expectation of policymakers and the predictions of economic theory, Swedish firms essentially did not react to the new and seemingly significant 2001 relaxation in the 1982 LIFO law in Sweden (von Below und Thoursie 2010). The likely reason is that economic actors often find many ways to creatively circumvent labour market regulations that reduce flexibility.[2]

In this context it is worth briefly noting the other most notorious case of age-specific employment protection in Europe, as it further provides counter-intuitive evidence regarding the (in)effectiveness of such measures – the French Loi Delalande. This law imposes additional firing taxes on firms who fire workers above 50 years old. But in an interesting policy experiment setting, this Loi Delalande, like the LIFO law in Sweden, was amended in 1992 to exempt firms from paying this extra firing tax if and when the workers in question were older than 50 at the time of hiring, in an effort to reduce or offset the negative effects of the Lalande tax on hiring. In a test of this reform, Behaghel et al. (2008) indeed find that it significantly increased the job finding rate of 50+ workers relative to younger workers, indicating that imposing extra protection on a selected age group can indeed have a substantial impact on their hiring rate. However, there also was a strong and undesired substitution effect. The 1992 amendment to the Loi Delalande not only reduced the gap in hiring rates between workers below and above 50 years old, it actually inverted its sign and hurt younger workers. After the reform, it was easier to find a job for a worker aged 51 than for a worker aged 49 (Behaghel et al. 2008).[3] Cheron et al (2011) similarly find that higher firing taxes for older workers are counter-productive from a wider angle, as they tend to increase the job destruction rates for younger workers.

In a similarly union-dominated and tripartite-experienced country such as Slovenia, a core lesson to draw from the Finnish case would be the desirability to lower, but not to altogether flatten, the wage profiles of workers wherever possible (e.g. in the public sector). This is because the Finnish age-wage 'flatlands' profile has undoubtedly contributed to the higher employability of older workers in recent years (for economic analysis of age-wage profiles, see Lazear 1980). The flip side of this, however, is that these low wage profiles may in part explain why other seemingly well designed recent policy measures discussed above, notably the steep accrual rates for later retirement have not had as large effects as had been expected. That is, on the one hand Finnish older workers may see more financial benefits for remaining in employment through the pension formula, but on the other hand they may at the same time see lesser benefits for doing so given the wage profile. Experts suggest, moreover,

[2] For instance, the LIFO rule can only be applied through negotiations with the firms's unions and is only valid when the task that the to-be dismissed employee used to have in the firm can be taken over by someone else in the firm.

[3] As regards layoffs, even after the 1992 reform, which appeared to make older workers more vulnerable, older workers in France still remained highly protected and still recorded lower job loss rates than in more flexible economies such as the USA, where as the opposite was true for younger workers (Saint-Paul 2009).

that the productivity of Finnish workers aged 60 is no lower than that of workers aged 40. Productivity is estimated to peak at age 50-55 (which implies that dismissing older workers is not economically rational), but wage profiles peak around age 40 (which may deter workers from staying longer in the labour market (Werder and Thum 2014; for an analysis of older worker productivity see also Skirbekk 2008). This would also explain why the effective retirement age in Finland still stands at around 62 today.

Good practices from Austria and the Netherlands suggest that there is scope for Slovenia for engaging labour and business in setting priorities for supporting the retention and hiring of older workers, and for developing and strengthening joint public and private partnerships to improve the delivery of labour market policies and services. Examples from the Austrian employment pacts and the Dutch regional mobility centres can provide useful insights to finding a suitable model for cooperation and partnership that pays attention to the diversity of national and regional/local labour market needs. These two practices also highlight the important role social partners and employer networks (both regional- and industry-based) play in ensuring the success and sustainability of these initiatives.

From the good practices reviewed for the Netherlands, measures which provide incentives for employers to invest in health prevention, such as the Health and Safety Catalogues or the Gatekeeper Protocol that aims to increase the probability of return to the labour market by making employers and employees jointly responsible for the rehabilitation process, could be considered for adoption in Slovenia. Finally, the Dutch case also offers a variety of age management measures and instruments (e.g. the age mirror) which can initiate change in the company´s work organization and its handling of age issues, but also in enhancing and investing in the employability of its work force. These are relatively simple and cheap measures that could be easily transferred to other national contexts, as well.

Improving the employability of older workers

Good practices

Austria

Maintaining and improving the ability to work and the employability of older workers has become an important policy priority in Austria. A special focus has been on the further development and integration of preventive and health-promoting elements in labour market policy programmes. The goal of reducing the number of people who, due to health reasons, end their active working lives prematurely is apparent in several recently implemented measures. These include improving access to medical and vocational rehabilitation for older workers with health problems, and the establishment of a new central occupational health assessment unit ("Gesundheitsstraße" or "Road to Health"), which provides a broad package of services (e.g. counselling, guidance and coaching) (Hofmarcher et al, 2013). This programme started as a pilot programme in two regions (Lower Austria and Vienna) in 2009, and was implemented nationwide in 2011. Another notable, and previously discussed (see pp. 19), example is the "Fit2Work Programme", which offers low-threshold counselling services to prevent early retirement for health reasons.

With regard to the promotion of lifelong learning, an important step has been the adoption of the National Lifelong Learning Strategy (LLL:2020) in 2011. The strategy sets specific objectives to be met by 2020, and covers measures aimed at helping adults maintain basic skills, increasing access to education and training programmes for older people to ensure employability, and promoting work environments conducive to learning (Hofmarcher et al, 2013). The main goal of the strategy is to establish a country-wide resource for education and training services for older people, which are then provided in their local communities.

Within the Austrian National Reform Programme (2014), several measures for so called older workers have been developed to improve their employability. For instance, the programme Mature Performance ("Reife Leistung") provides wage subsidies for sustainable employment possibilities, or needs-based qualification in the programme Advancement ("Aufstieg") (for persons with health restrictions) or in the context of a scholarship for professionals since 1 July 2013. All these measures aim at a higher qualification of employees in order to increase their chances on the labour market. The Sozialbericht (2015) also refers to a post-qualification in case of obsolete knowledge in the programme „New Skills".

Finland

Of the national programmes implemented in Finland during the past fifteen years (see pp. 21), one that aimed at improving the employability of older workers through life-long learning was the NOSTE programme. Initiated by the Ministry of Education in cooperation with the Ministry of Labour and social partners, the programme ran for six years between 2003 and 2009 and was allocated a 124.5 million euro budget (Ministry of Education, 2010). The funding was mainly granted to projects that promoted adult education and training opportunities and related support measures at the local and regional level. Also funded were national projects supporting outreach activities (e.g. road shows, information campaigns, workshops, advertisements in the national and regional media) which played an important role in the dissemination of best practices and in raising awareness of the issue among employees, employers and the general public.

In order to receive funding, local and regional projects had to be organised in the form of a network representing education providers (e.g. vocational adult education centres, secondary schools) and social partners. Involvement of additional partners (e.g. job centres, business centres and enterprises) was decided locally without strict governmental controls. Altogether, 59 local and regional projects were realised under the programme.

A specific aim of the NOSTE programme was to raise the level of education among lower educated older adults. The primary target group included people aged between 30 and 59 with no post-compulsory education, and while the programme was open to everyone within this age category regardless of their labour market status it was mainly to be targeted at those in employment. Accordingly, the programme had a strong working-life orientation connecting the learning needs of individual employees with the needs and views of employers and companies. By the end of 2009, a total of 25,680 older adults (aged 30-59) participated in NOSTE projects. This was lower than quantitative goal set at the start of the programme (39,100 participants or 10% of the target group), but can still be considered as a good result in view of the challenging target group. Evaluations and follow-up on the outcomes of the programme also point to more widespread impacts, such as:

- increased interest and participation in adult education and training and a growth in self-esteem and work motivation among low educated older adults;
- establishing and strengthening cooperation and networking between education providers and employers;
- improved level of service and more flexible and personalised adult education; and
- increased awareness of life-long learning.

According to experiences gained from NOSTE projects, tripartite cooperation and commitment of employers and employees in the educational process were the most influential factors in the success of the programme (Ministry of Education, 2010). Moreover, research on the effectiveness of outreach activities highlighted the important role of personal contacts, attention to the diversity of personal needs and regional characteristics, and of a multi-channel approach.

Netherlands

In the Netherlands, similarly to Finland and Austria, there has been an increased focus on measures which provide incentives and motivate employers and employees alike to invest in employability. In the Dutch case, the concept of sustainable employability is used and covers a wide range of measures at the company/organisation level which aim to mobilize employers and employees to take sustainable measures for long-term, healthy, enjoyable and productive participation in the labour process. Several practical tools have been developed in recent years that provide support to companies and employees to improve employability at the workplace.

A good example for this is the Interactive digital portal, an initiative of three partner organisations (*Stichting Kroon op het Werk, TNO and WerkVanNu*), which is the main instrument tasked to monitoring the Dutch National Employability Plan (*Nationaal Inzetbaarheidsplan*). The digital portal offers an online learning platform/network in which partners exchange ideas and expertise to work on new interventions and integrated approaches through open innovation. In addition, high-quality advanced instruments - The Sustainability Index (*DIX*) targeting employees and the Company and Orientation Scan (*Oriëntatie- en Bedrijfsscan*) for employers- allow customised intervention. Employees can work on their employability through their personal digital portal using the Sustainability Index. It helps them to assess their employability and see at a glance what areas they need to work on (i.e. health, knowledge and skills, motivation and commitment, work-life balance). Based on this they are able to produce a personal action plan and monitor change. In parallel, employers can identify potential improvements within their organizations through their own portal and digital dashboard. Using the Company and Orientation Scan employers can monitor the effect of the measures taken and are also able to present their range of interventions on the portal, allowing actions to be initiated in a simple way.

According to the latest monitoring report by TNO (2012) feedback from both companies and individual users were positive regarding the usefulness of the portal. The customized approach, the information provided regarding sustainable employability and its different dimensions and elements, the interactive nature of the instruments, and the portal's easy accessibility were mentioned. The platform also allows users to share and learn from already implemented company actions and good practices.

Another instrument that aims to facilitate sustainable employability is the Work Ability Index (WAI). In 2008, the Dutch Ministry of Social Affairs and Employment started the Work Ability Index (WAI) project in order to promote the idea of workability as well as the Work Ability Index itself. The main goal of the Work-Ability Index is to encourage employers to tailor work to individuals as they age – and also to improve those individuals' health, skills or knowledge required for the job (Ilmarinen 2005, EC 2006). Originally developed in Finland by the Finish Institute of Occupational Health, it considers several factors that enable a person to function well in a job including physical and mental health, skills and motivations, and the work environment. The index is based on the following seven items (Gould et al 2008):

1. Work ability score: Current workability compared with the lifetime best. It is often used as a separate indicator of workability (0–10 points).
2. Work ability in relation to the demands of the job (2–10 points).
3. Number of current diseases diagnosed by a physician (1–7 points).
4. Estimated work impairment due to diseases (1–6 points).
5. Sick leave during the past year (1–5 points).
6. Own prognosis of workability two years from now (1, 4 or 7 points).
7. Mental resources (1–4 points).

The foundation '*Blik op Werk*' is responsible for providing this tool to organizations and employees in the Netherlands. The index measures the risk people are exposed to at their work place in terms of health and employability. The WAI includes five key dimensions:

1. Engagement/motivation (of workers with their company, management with employees, etc.)
2. Organization
3. Development (training, mobility etc.)
4. Health
5. Check-ups (health check-ups and career check-ups)

Data of the survey is collected and provided to employers for comparison. Similar to life-long learning, it is the organization itself that needs to show interest in its employees' employability. The WAI offers a toolbox to enhance knowledge and to assist employers finding appropriate measures to improve for instance health and motivation at the work place.

The experience certificate (*Ervaringscertificaat*) aims to increase the employability of individuals and employees by recognizing their prior learning and describing these outcomes in a certificate of experience (Duvekot, 2010). It is targeted at persons of all ages seeking employment or (further) training or education, as well as those who already have a job, but would like to improve their position in the labour market. The certificate recognises skills and competences individuals have gained through formal, informal and non-formal learning providing more insight in employees' capacities to create an optimal match with occupational profiles or learning programs on the job. It also facilitates the employability of individuals by shortening the duration of continuing training or education programmes in order to attain nationally recognised qualifications.

Experience certificates can be obtained through an APL provider (APL stands for Accreditation for Prior Learning) or if the individual receives an unemployment or sickness/disability benefit he/she can arrange it through the PES (Kenniscentrum EVC, 2015).[4] In the first case, individuals need to create a portfolio with evidence of their knowledge and skill (these can include education or diploma certificates, references from employers, records of appraisal etc.). The portfolio is then reviewed by the APL provider who might ask for more details or carry out additional testing. It takes approximately 3 months to get the experience certificate. The costs vary between APL providers and depend on the size of the portfolio. Funding for the certificate can come from sectoral training funds and there is also an opportunity to reimburse the cost or to get a tax deduction (it can be deducted as training costs up until 500 EUR). If someone is unsure about getting a certificate an interview with the APL provider can be arranged to discuss if it is potentially useful for the individual in question. If the person is a sickness, disability or unemployment benefit recipient then he/she can discuss with the PES case worker to arrange a test to see if the person qualifies for the experience certificate. If that is the case, then the PES arranges and pays the cost of the certificate. It does not matter if reintegration activities have already been started.

One of the main advantages of the certificate is that it provides employers a broader set of information about the applicant´ skills and competences. Moreover, due to the standardized format and the certified source (i.e. being subject to an official certification process) it is easily recognizable and contains reliable information which is likely to appeal more to employers. Certificate owners, on the other hand, benefit from gaining experience in preparing their portfolio, learning about their skills and competences and how to present these in a job interview. The experience certificate can be particularly helpful for older workers as research among older unemployed showed that factors related to good knowledge of skills on the part of the jobseeker and competency with job interviews and CVs are among the key success factors that contribute to finding employment (EC, 2012).

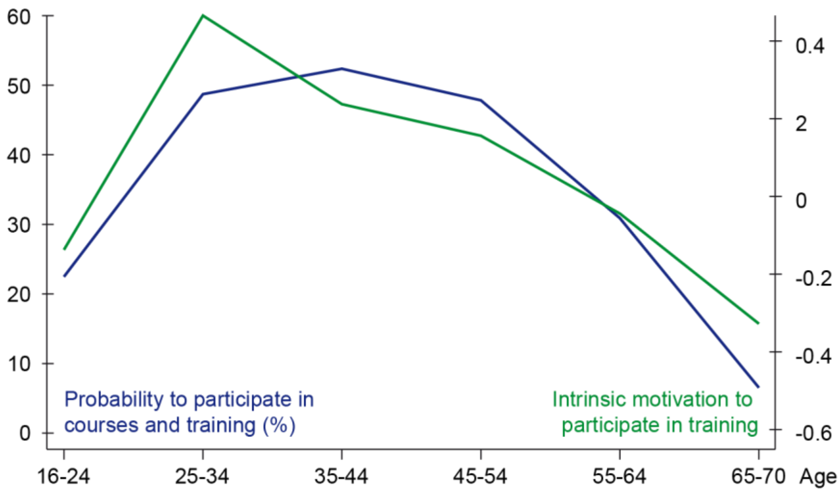
Similar to other countries, Dutch older adults with higher education tend to stay longer in the work force (Euwals, Mooij, & Vuuren, 2009). The Netherlands has experienced an expansion of access to education. Especially the increase of educational attainment of women has led to an increase in employment rate of older adults (Gasior et al., 2011). The higher educational attainment of women had a double effect on the employment rate of older adults. It not only had an effect on the female

[4] In the Dutch system, any organisation can become an APL provider as long as they work according to the APL quality code and are evaluated by an evaluating organisation (currently there are 70 APL providers in the Netherlands). The quality code for APL itself aims to achieve more transparency and comparability and make APL more accessible. The evaluation is demanded every 18 months and for every domain of standards of the APL-provider (for example finance or logistics). The providers that are certified can be registered in the National Register for accredited APL-procedures within a specific domain or sector.

employment rate themselves but also effects on their partners, which tend to stay in the labour market longer if their spouses/female partners are active as well (Vuuren & Deelen, 2009). Recent data shows that the expansion is likely to continue. 38% of those aged 25-34 today has a higher level of educational attainment than their parents, which is above the OECD average of 32% (OECD, 2014).

However, it is not only important to invest in a proper educational foundation before entering the labour market, but also to invest in life-long learning throughout the active life course. In the Netherlands, adult education and training is very strongly linked to employment and employability. This is also legally highlighted by the Adult and Vocational Education Act (*WEB*), which came into place in 1996 and was stepwise introduced until 2000. The WEB act regulates the intermediate vocational and adult education in the Netherlands with the aim to amplify the link between education and employment. It governs the funding of adult and vocational education and the distribution of funding to the municipalities. Although the act is not specifically targeted towards older adults, it does highlight the role of adult education for disadvantage groups such as unemployed persons, migrants and older adults. A study by Borghans et al. (2011) supports the idea of a stronger link between life-long learning and employment. The results show that the probability to participate in training and learning opportunities slightly decreases after the age of 35-44 and steeply decreases after the age of 45-54. On the other hand the intrinsic motivation to participate actually decreases from the age 25-34 onwards (see Figure 2). However, the study shows that the motivation of older workers to participate in training and courses is higher if the employer rather than the public authorities offers the training.

Figure 2: Probability to participate in training and courses vs. intrinsic motivation to participate by age, 2010



Source: Borghans et al. (2011).

The WEB act, furthermore, serves as a good example of how policies are implemented in the Netherlands. Policies are very often governed on three levels: the national, the sectoral and the regional/local level. While the government is responsible for broadly defining the curriculum, the municipalities are responsible for setting up educational institutions and for providing educational programmes (Krüger et al., 2014). The sector plays a crucial role in organising employment specific training. Due to the focus on labour market orientation, life-long learning is very closely linked to the current job. Thus, it is the employer who is mainly responsible for providing and also financing vocational training.

Life-long learning at the workplace is “embedded in a large set of agreements between social partners and governmental facilities” (Krüger et al., 2014, p. 92). Agreements between social partners and governments set out regulations on the tax-deductibility of costs of training and development. These agreements are sector specific and part of the Collective Labour Agreements (CAO). Based on the CAOs, employers (and sometimes also employees) pay social contributions into sector specific training funds (*Scholingsfondsen*) and get partly reimbursed through their sector specific fund if they provide training to their employees. This means that everyone has to contribute to finance training possibilities within the sector but only those who actually also organise programmes benefit from the training fund. In 2005, employers paid on average 0.67% of the overall payroll into these funds but the contribution differs from sector to sector from 0% to 2.57% (Mooij & Houtkoop, 2005). Funds in the public sector are usually directly paid out from the public purse (Van der Meijden & Van der Meer, 2013). The aim of these arrangements is to “keep the skills and competences of personnel in a certain branch at a high level” (Allaart, Bellmann, & Leber, 2009). The idea behind the sector funds is that the specific sectors know best what they need and how to train their personnel.

The funds are very different in terms of structure, some are relatively small and only focused on paying out the reimbursement for training others are larger in size and more active in identifying priorities and developing policies (Van der Meijden & Van der Meer, 2013). Table 4 shows that although the main activity of all funds is to award grants, to payout money and to assess grant applications (94%), most funds also feel responsible for the implementation of policies, meaning that they are executing rules agreed upon in the collective agreements or policies of social partners (93%). The specific goals of the funds are usually set out in the statutes and adjusted over time.

Table 4: Activities and objectives of sector funds, 2007

Activity	% of sector funds
Financing activities (awarding grants, making payments, assessing grant applications)	94
Policy implementation (executing rules decided in the collective agreement or policies of social partners)	93
Individual services (information and advisory activities)	78
Policy development (implementation of own policies within the objectives of the fund)	65
Other activities	14
Goals	
Promoting good labour relations in the sector	68
Maintaining and improving craftsmanship and quality of service	67
Improving links between education and labour market	62
Increasing influx of personnel	60
Developing vocational training and/or courses	56
Encouraging staff retention	54
Promoting mobility within the sector/branch	37
Increasing employment	20
Promoting intersectoral mobility	14
Others	35

Source: Donker van Heel et al. (2008).

Most funds focus on maintaining and improving the skills of the staff. The funds, their activities and main focus have developed in different waves (see Donker van Heel et al., 2008, p. 27). The main target of more recent activities was clearly on schooling (78%). Other policy areas are for example working conditions (61%), labour relations (55%) and vocational training (53%). Especially in the context of older workers, it is also important to mention the policy area “re-integration”, about 31% of the funds have also undertaken activities to re-integrate disabled or unemployed worker by offering alternative employment and adapting working conditions. A study by Berger and Moraal (2012) shows that most training is concentrated on helping the employee to carry out the tasks of the current job (60%), only half of the activities actually focus on improving the skills and knowledge of employees in order to be able to carry out different/new task in the near future. 37% percent focus on “formalisation” of non-formal and informal acquired skills in order to improve the mobilisation of the employee. Some sectors also offer special funds for specific target groups such as women, low-skilled employees or migrants. In recent years, there was also increasing support for employees who switch to another sector (Iller & Moraal, 2013).

In addition to the sector specific funds, there are the so-called education funds (*Oleidingsfondsen*) that provide sector-exceeding funding. These funds are financed by public as well as EU subsidies (ESF). The focus of these funds is on indirect promotion of training, as well as on specific projects. Around 2010, this was for example the case for a project to enhance age-appropriate personnel policy. The umbrella term for all funds is education and development funds (*Onderwijs en Ontwikkeling, O&O*)**.** In 2007, there had been 140 different O&O funds in 116 sectors (Donker van Heel et al., 2008). The number of funds changes regularly due to new funds, the fusion of funds or the termination of existing funds. The study shows that in 2007, 5.9 out of 6.9 employees actually belonged to a fund, which amounts to 86% of all employees.

The experts interviewed for the National Report (Gasior & Zolyomi, 2013) agree that it is on the one hand important to give the social partners the responsibility to agree on life-long learning strategies and to have sectoral training funds because the sectors themselves know best what they need. On the other hand, experts also agree that the government needs to take over some of the responsibility in order to support marginal groups and groups that are not well represented within Trade Unions. Not all branches and sectors have sector specific training funds and not all sectors acknowledge the importance of training their staff. Moreover, unemployed are by definition excluded from benefiting from the sectoral funds. The ascribed relevance of life-long learning also depends on the nature of the tasks that needs to be carried out. While the IT sector relies heavily on skilled and trained staff, others might not. However, Iller and Moraal (2013) highlight that demand and supply of lifelong learning programmes increases if employers as well as social partners, trade unions and chambers play an important role in further education. They also emphasize the role of the O&O funds in the process of institutionalisation of life-long learning in the Netherlands. Allaart et al (2009), who compare the German and the Dutch system with each other, support their findings. They conclude that institutional settings are important and that the framework conditions in the Netherlands enhance the overall participation in training. This is especially the case for SMEs and older employees. At the initial stage of the O&O funds, SMEs did not make use of the funds. This has changed by now, which was an important step as SMEs are the most important employers in the Netherlands (Iller & Moraal, 2013).

Suggested measures

As the above country practices illustrate, there are a number of ways in which governments may try to incentivize older workers and employers to invest in employability. The Finnish NOSTE programme is a good example for a large-scale campaign that aims to influence behaviour by informing and engaging employees and employers about investing in life-long learning, and at the same time offering targeted support for lower educated older workers to improve their skills. Outreach activities similar to those utilised in the NOSTE programme can be suggested for Slovenia in combination with financial incentives targeting SMEs and less-educated workers.

Another measure with potential for successful adoption in Slovenia is Finland's outstanding record on education of older workers. In fact the country scores second best in Europe, after Sweden, in this respect: 38 percent of Finns aged 55-64 participated in educational programs in 2007, compared to just 20 percent in the EU27 at the time. Moreover, 44 percent of 55-64 year olds reported that their training actually led to a higher likelihood of keeping their job, and 32 percent that it increased their chance of being paid more (OECD 2004). Given the strong positive correlation between participation in educational programs and the likelihood of working longer, expansion of lifelong learning programs adapted and fine-tuned to meet labour market needs in Slovenia appear a low-cost way of complementing labour market and retirement incentive design.

The Dutch training fund scheme is an example of a sectoral approach to enhancing employer supported training with somewhat less government involvement than in the Nordic countries like Finland. This is very much in line with the sustainable employability approach adopted in the Netherlands that underlines the responsibility of both employers and employees in this.

Key policy messages

- Restricting access to early retirement and the raising of the statutory retirement age in the public pension system have been key factors in increasing employment among older workers and in extending working life in Finland and the Netherlands.

- Increasing flexibility in the timing of retirement, and between work and retirement can be effective policy instruments to keep older workers longer in the labour market, although the effectiveness of the Finnish part-time pensions is not conclusive in this regard.

- Making the disability scheme more unattractive for employees and shifting greater responsibility for employers to pay for disability can prevent substitution via disability insurance and discourage early exit from employment, as illustrated by the Dutch reforms.

- Combining labour market and pensions policies with public campaigns aimed at changing public perceptions about older workers' employment and at informing and engaging employers/employees about investment in employability and life-long learning can produce better incentive designs.

- Tripartite cooperation and commitment has been central to the success of the policies and programmes implemented in the reviewed three countries.

- Transparency and continuous monitoring and evaluation are important prerequisites to demonstrating the results of reforms in a credible manner.

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