



# Employment and labour market policies for an ageing workforce and initiatives at the workplace

## National overview report: Slovakia

**Introduction**

**Situation of older workers in Slovakia**

**Role of public actors in fostering active ageing in Slovakia**

**Public initiatives for fostering active ageing**

**Measures and initiatives implemented at individual  
company/organisation level**

**Conclusions**

**Bibliography**

**Appendix**

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## Introduction

The problem of aged workers appeared in early 1990s. Deep economic reforms in Slovakia in the 1990s affected the labour market and raised unemployment. Privatisation and restructuring especially pushed older workers out of jobs. To get new ones has been almost impossible, but there are big regional and sectoral differences. However, this problem has been hidden due to high general unemployment. It had an impact on the social system that was not able to cover changing needs. The idea of developing a new social system was already raised during the 1990s. It was necessary to make the labour market more flexible and the social system better accustomed to the new situation. This has been accomplished by the new social system providing incentives for those who are actively looking for a job and the new labour code that allows more flexible hiring and firing while, at the same time, guaranteeing equal treatment for all.

The new pension system as a part of the social system has increased the retirement age, introduced elements of merits and set up a capitalisation pillar. This should provide more fair and higher pensions. The new pension system allows receiving pensions without the necessity to terminate the job. These measures have created a better legislative framework for the employment of older workers.

However, higher retirement age and the possibility of working longer with simultaneous pension benefits have increased the tension between supply and demand on the labour market when there has been high unemployment. The result is that older citizens (mainly people over 50) have almost no chance to get a new job.

In 2004, the employment rate of persons aged 55 - 64 amounted only 26.8 %. Compared to the EU-25 the position of the Slovak Republic concerning the employment participation of older persons is still one of the worst (EU-25: 41.0 %).

The problem of older workers was considered for the first time when UNO launched 'the year of aged people' in 1996, but no specific action was made. It has been treated more consistently since 2000. The accession process to the EU brought the necessity to join European initiatives concerning employment issues, specifically the issue of older workers. Then, there has been already a pressure from the EU. Slovakia has accepted basic commitments towards improving employability of older citizens. Several programmes have been prepared addressing this problem. It is realised that due to demographic changes, employment of older workers will be crucial for keeping the economic growth pace.

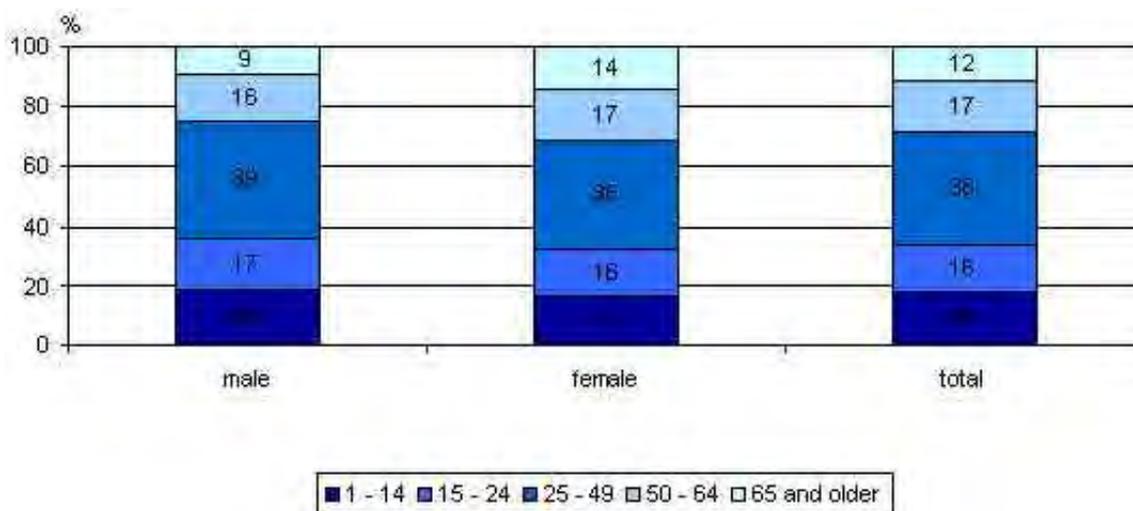
There are several problems related to this issue. The Slovak economy is restructuring towards the knowledge-based economy. This means that there will be a growing need for educated and highly qualified workers. This implies the necessity for broader life-long learning and re-qualification of older workers to keep pace with labour market needs (computer literacy, languages etc.). Low educated workforce has declining opportunities to find a job in restructuring and modernised economy.

Another problem is that working conditions are not generally well suited for older workers. This includes a more flexible time schedule, ergonomics of the workplace, specific opportunities and services for relaxation etc. The culture of work is still not taking older employees into account.

## Situation of older workers in Slovakia

The Slovak Republic is characterised by a population that is comparatively younger than that of the EU-25. Nevertheless, almost 30 % of the inhabitants were aged 50+ in 2004, whereby, in particular, the share of the persons aged 65+ is higher for women than for men (see Figure 1). Between 1991 and 2004 the share of the older population (50+) increased by about 4 %-points for both, males and females which is due to a decreasing number of young people.

Figure 1: Share of the population of the Slovak Republic by age class and gender in %, 2004



Source: Eurostat

The projected development in the demographic indicators for the period 2003 - 2010 shows that there will be a marked increase (by about 1/3) in the population aged 55 – 64 years and only a slight increase in the 20 – 54 age group. The entire increase in terms of age is shifted to the older age period. (Source: MoLSAF, 2005d).

As regards the educational attainments of the inhabitants of the Slovak Republic it can be observed that the younger generations on average dispose of a higher level of formal qualification than the older ones. While, for example among the population aged 65+ the share of those having only completed (pre-)primary and basic education amounted to 61 % and as few as 5 % were academics in 2004, only 9 % of the 25 - 49 year old ones left the formal education system after (pre-)primary and basic education and 13 % completed tertiary education. There are clear differences by gender: whereas older women (45+) are worse educated than older men, almost no differences or even higher educational attainments of women can be found in the younger age groups. An analysis over time shows an increasing educational level (i.e. increasing share of inhabitants with completed tertiary education and decreasing share of those with (pre-)primary and basic education) in all age classes. Still, the share of the Slovak population having completed tertiary education is considerably lower than the European average while the percentage of persons with (post-)secondary education is much higher.

The education level of older persons from the year 2001 shows that by 2010 the education level of the 55 - 64 years old persons will increase in the following manner:

- the proportion of persons with primary education will significantly decrease (from 22.8 % to 13.8 % for men and from 44.0 % to 25.3 % for women),
- the proportion of persons with lower secondary education will increase (from 39.8 % to 45.2 % for men and from 20.6 % to 25.1 % for women),
- the proportion of persons with upper secondary education will rise (particularly in women) (from 20.9 % to 23.4 % for men and from 25.3 % to 35.7 % for women), and
- the proportion of persons with tertiary education will rise (from 13.3 % to 14.8 % for men and from 7.6 % to 11.6 % for women). (Source: MoLSAF 2005d)

In comparison to the EU-25, the Slovak Republic is characterised by a considerably lower disability rate: In 2002, about 8.2 % of the Slovakian population indicated to have longstanding health problems or disabilities (EU-25: 16.2 %) whereby a positive correlation between age and the prevalence of health problems/disabilities can be observed (e.g. 3.2 % of the 25 - 34 year old suffered from health problems/disabilities, while the respective share was as high as 14.2 % in the age class 45 - 54 (slightly higher for women than for men) and 19.5 % for the 55 - 64 year old persons (higher for the male than the female population)). The share of disabled persons in unemployment is almost twice as high as the disability rate among the employed. The highest disability rates can be found in the agriculture sector and among elementary occupations (e.g. sales and services assistants, cleaners and launderers, building caretakers, labourers in agriculture or manufacturing), respectively. (Source: Eurostat, Labour Force Survey 2003) In 2003, about one fifth of the pensions paid by the government were attributed to the recipients due to (partial) invalidity (whereas about 56 % were paid in the framework of old-age pensions and the rest to widows, widowers and orphans). (Source: Statistical Office of the Slovak Republic)

The employment rate (i.e. the share of employed persons aged 15 and over in the total population of the same age) of the Slovak Republic is lower than the European average (see Table 1). For the older age group, this is at least partly to be attributed to the lower average exit age from the labour market (Slovak Republic: 57.8 years vs. EU-25: 61.0 years in 2003). Nevertheless, both, the number of employees aged 45+ and the employment rate of the generation 50+ has been increasing for the last years (particularly with regard to women) which is to be attributed to a general continuing positive trend in employment in the Slovak Republic. The highest incidence of older employees can be found in the agriculture sector (more than one quarter of the employees of this sector was aged 50+ in 2004), followed by transport and communication as well as public administration, education, health and other services (with a share of the 50+ of about one fifth). Comparatively few older employees are active in tourism and trade.

Table 1: *Employment rate (i.e. share of employed persons aged 15 and over in the total population of the same age) of the Slovak Republic and the EU-25 by age class and gender, 2004*

	Male		Female		Total	
	SK	EU25	SK	EU25	SK	EU25
15-24	27.8	39.2	24.7	33.4	26.3	36.4
25-49	80.9	85.9	69.4	69.4	75.2	77.7
50-64	56.6	61.4	34.8	42.8	45.0	51.9
65+	2.0	5.7	0.7	2.2	1.2	3.7
Total	56.2	59.6	42.3	43.6	48.9	51.3

Source: Eurostat

In line with the lower employment rate, the Slovak Republic is characterised by a higher unemployment rate (i.e. unemployed persons as a percentage of the active population of the same age) than the European average (18 % vs. 9 % in 2004) which holds true for all age classes (see Table 2). Thereby, the share of older persons (50+) among the unemployed has been continuously increasing for the last years (e.g. from 10 % in 2001 to 16 % in 2004) - a tendency that can be found for the EU-25, too, even though less markedly (i.e. from 15 % in 2001 to 17 % in 2004). As a result, also the unemployment rate of the 50 - 64 year olds is increasing over time (from 12.6 % to 16.6 % for the Slovak Republic and from 6.3 % to 7.2 % for the EU-25, respectively, between 2001 and 2004). In general, the duration of unemployment increases with age.

Table 2: *Unemployment rate (i.e. unemployed persons as a percentage of the active population of the same age) of the Slovak Republic and the EU-25 by age class and gender, 2004*

	Male		Female		Total	
	SK	EU25	SK	EU25	SK	EU25
15-24	34.8	18.4	19.6	18.7	32.8	18.5
25-49	14.8	7.5	30.4	9.5	16.4	8.4
50-64	16.3	7.1	17.0	7.3	16.6	7.2

Source: Eurostat

Employment forecasts for Slovakia predict a decrease in the unemployment rate of about 4.5 %-points between 2003 and 2010 due to employment growth. Unemployed and economically inactive persons (opportunity for older workers) are the likely sources. It is expected that the economically inactive group will provide about 75 % and unemployed about 25 % to the growth. The prognosis, therefore, expects higher employment of older workers. (Source: Bednarik, 2005)

### Role of public actors in fostering active ageing in Slovakia

To analyse the issue of active ageing, it is necessary to consider the current situation in Slovakia and its changes. Due to the restructuring of the Slovak economy there has been a very high unemployment which is very demanding on the social system. In the last three years the government has launched a labour market reform and a reform of the social system including the pension system. These issues are closely interrelated with an important impact on older workers' position on labour market.

The Slovak Republic has implemented recommendations from the European Employment Strategy and goals of the Lisbon Strategy in the National Employment Action Plan for 2004 – 2006. In this context there were accomplished several structural reforms. Active measures on labour market should be supported by projects elaborated by the Ministry of Labour, Social Affairs and Family financed from the European Social Fund. However, these changes have not yet shown any substantial effects on the unemployment rate of older people.

The Slovak government committed itself to create an effective, sustainable and financially less demanding social system. This means to take and implement measures especially towards the stabilisation of employment, stimulation of its growth, decrease in unemployment, reduction of the poverty trap and towards family support. These activities are under the gesture of the Ministry of Labour, Social Affairs and Family (MoLSAF).

The Ministry of Labour, social Affairs and Family is responsible for labour market policy and coordination of employment policy, legal aspects of labour relations, safety at work, work inspection, social insurance, social support, and legal protection of children and family.

Declared governmental policy is implemented by regional Offices for Labour, Social Affairs and Family (OLSAF).

Regional OLSAFs have been created and are working according to the Act 5/2004. OLSAF provides payments for unemployed people according to legislative framework and also support payments for employers who create new jobs for disadvantaged unemployed. They provide information and counselling services and implement new measures of active policy for labour market.

These services include:

- profession selection for new people on the labour market
- counselling on job selection and occupational mobility for those threatened by losing their job
- hiring employees

and information and counselling in relation to:

- job opportunities in Slovakia and abroad
- abilities for specific jobs
- opportunities in participation at specific active labour market policy measures
- conditions for receiving unemployment payments

Persons older than 50 years are classified as disadvantaged group when they (according to the law) fulfil the additional condition of being registered unemployed longer than 4 months. In 2004, OLSAF payments for unemployed according to legislative framework and also support payments for employers who create new jobs for disadvantaged unemployed were provided by state budget and by the European Social Fund.

OLSAF also provides financial support for re-qualification courses for unemployed persons. Despite that this measure is not specifically designed for older unemployed especially courses focused on computer literacy are mainly visited by older participants what increases their employability on the labour market.

According to the representative of OLSAF in Bratislava region, in the last quarter of 2004 there were 3,313 older unemployed that are according to the valid legislation declared as the disadvantaged group. This represents 26.6 % of all unemployed in Bratislava region and 28.9 % in Bratislava city. It is a very high number. In the whole Slovakia this share is 19.6 %.

The integration of unemployed has been a key task of all governments during the last 15 years. To focus this issue, the law considers disadvantaged groups that include older workers unemployed longer than 4 months, school graduates up to 25 that have not gained their first job during two years, long term unemployed and single persons caring for a child up to 10 years. Despite the positive trend in fighting unemployment the situation for older people is getting worse. One reason is also the new social act that has increased the retirement age up to 62 years.

Despite the severity of this problem, it is not an issue of political or public debates. There is no special official expert body dealing with this problem. Temporary expert groups are created to prepare specific measures or programmes in this area.

### **Challenges and expectations for the future**

Main structural reforms in the social sphere have already been adopted. In a relatively short time some positive trends of the reforms are to be seen, especially concerning higher motivation to work. Any new radical measures are not expected to be introduced in the near future. It is the time to sustain and strengthen positive effects of the reforms, deepen the positive results, monitor and evaluate impacts of the reforms and take necessary measures to improve the current system.

Priorities that were set up for the future are:

- further develop the active labour market policy (support adult education and modernisation of employment services),
- strengthen merits for people who take part in official economy,
- strengthen family friendly policies and
- develop measures to care for specific groups such as older people and people with disabilities.

### Current participation of older persons in the labour market

The measures that have been adopted to boost employment (reducing the tax burden for businesses, simplifying taxation conditions for small businesses, measures adopted for the inflow of foreign direct investments) do not have a direct impact on the older age group. In society the reluctance to employ persons of higher age categories still persists. This was confirmed by the results of a representative survey conducted by the Research Institute of Labour and Social Affairs in May 2002. Almost two-thirds of respondents, representatives of the corporate sphere, deem old age to be a serious factor for turning a worker down.

Currently it is not possible to fully appraise the impact or potential risks of the majority of systemic changes implemented and having implications for older persons since most of them were adopted only a year ago or are presently being put in place (MoLSAF, 2005b). Nevertheless, a positive direction of reform steps suggests declining tendencies in the group of the retired within the economically inactive population, the year-on-year increase in employment of older persons which in 2003 doubled the rate of the total employment growth, and a shift in the use of part-time work by the group aged 50+ (according to the Labour Force Survey Q1 2004, the proportion of the 50 plus population, working part-time (21.1 %) has come close to that in the countries of the EU in 2001 (21.7 %).

According to social researchers, the important limit for older workers is their acceptance by employers. There was an empirical survey, done by the Research Institute for Labour, Social Affairs and Family, among employers in Slovakia (301 questionnaires were completed) about their attitude to employ older people (50+). The survey was focussed on working time organisation for older employees, wage issues, pros and cons of older people's work from the employers' viewpoint, exploitation of skills and experience of older workers, training and education for older workers and employers' suggestions for improving situation in the area of older people employment. Results show the appreciation of older workers by employers (81.4 %), 11 % present an ambivalent view and no employer expressed dissatisfaction. An employer especially highly rates the stability (low tendency for job changes) (60.5 %), good knowledge of the working system (56.5 %), reliability, responsibility and loyalty (49.5 %) and accumulated skills (56.5 %). However, this concerns those they are just employing, not new applicants.

As drawbacks employers consider that older workers are not able to keep pace with new technologies (25.9 %) and computer skills (37.9 %). Only 15.3 % of employers expressed general objections.

An even more problematic situation is related to finding a job for unemployed older workers (50+). The attitude to find a job is very important, but only 19.7 % of unemployed 50+ expect to be successful and 17.2 % are hoping. This attitude is higher for educated people. Lower education and longer term unemployment have negative effects. According to personal experiences of unemployed 50+, employers in about 50 % of cases have not considered their application at all (Bednárík, 2005).

### Medium and long-term objectives for employment of older persons

Based on the targets set down by the European Council in Lisbon with regard to the employment rate the Stockholm European Council set down a specific target to raise the employment rate of older persons (aged 55 - 64) to 50 % which is to be achieved by the year 2010.

With a view to progressively achieving this target, the Slovak Republic anticipates the following development in the rate of employment of persons aged 55 – 64 years, namely in the years:

- 2005 – 28.9 %,
- 2008 – 35.4 %
- 2010 – 40.6 %.

Approximation to the set target calls for a marked increase in the employment of older persons, with emphasis on significant increases in the employment of older women in particular. This assumed significant increase in employment of older persons is related to their ability to enter and remain on the labour market. In the light of the trends of the growing proportion of sophisticated production, older persons are and will be confronted with the requirements of upgrading their education.

Taking into account the fast advancements in sciences and technology and their implementation in practice, the ‘older employees’ will not only be those above 50 years of age in future, but the limit will decrease to a lower age.

The main barriers the older employees encounter on the labour market result from the fact that older people have lower capability to absorb new features of work (new working dynamic stereotype, know-how, pace of work etc.). It is very difficult to generalise working environment issues due to variety of activities. Moreover, they could have problems with commuting to the workplace, a new management style or ways of controlling, structures of working groups, specifically age structure etc.

Possibilities of active participation of older workers beyond retirement age are rather limited and more probable in mental than physical work. However, the Slovak society rarely uses the existing possibilities to involve these workers because just like the younger workers the older ones face insufficient demand on the labour market. The current Slovak labour market is dominated by the demand for a perfect workforce that is moreover willing to accept anything dictated by the employer keen on ensuring the survival of his company, or maximising profits even at the costs of devastating basic work values, including workforce, in a situation of labour oversupply.

It is not confirmed statistically, however, some cases show that there is a pressure by employers in various forms to send older workers into retirement. However, it has to be said that there are also opposite cases. It is expected that in developing a knowledge-based economy, Slovakia should focus on this category of workers not only in white-collar work but also in training new experts who need an individual approach.

Another aspect of the older workforce addressed by occupational health experts concerns working conditions having important effects on health and working ability. Avoiding negative effects of work on health, protection against work related diseases and maintaining health could be achieved by several means. Primarily, it is a responsibility of the individual worker to care about his/her health and maintaining working capacity. Actually, it is necessary to monitor the health of employees with high physical and/or mental stress, especially those over 50.

Furthermore, employers should also consider specific needs of employees and create better working conditions for them. Research shows that age and professional ability are not directly related. Ageing leads to higher incidence of diseases when there are no proper preventive measures. Almost two thirds of people over 50 have at least one musculoskeletal or cardiovascular illness of chronic type. Considering needs of employees pays off to the employer by better using capacity and ability of workers (Šulcová, 2003).

Consultations between social partners and government usually take place within the tripartite system of the Economic and Social Council which brings together representatives of the government, employers and employees. Since December 2004 (in 1990 – 2004, the consultations have been conducted on the basis of the Economic and Social Council Act (106/1999 Coll.)), a new form of tripartite consultations has been introduced. The role and the scope of activities of the Council are defined in the statute of the Council. According to the Council's statute, consultations should be carried out once fundamental issues concerning economic, social, labour or budgetary matters are to be discussed.

According to these rules, the draft act has to be discussed with relevant organisations and bodies (public administrations, other stakeholders, general public) in the framework of the inter-institutional review.

Consultations at an early stage of the legislative process with representatives of those affected by the legislative proposal depend on the internal procedures of the individual ministry.

Systematic impact assessments for all legislative drafts and political measures are not carried out, yet, but the Legislative Rules require the impact analysis to be undertaken for the legislative proposals concerning state budget, employment, business and environmental issues.

Despite the legislative changes, social dialogue in Slovakia at corporate level has an unsatisfactory form and unsatisfactory effects, even though higher-level collective agreements have been concluded in relevant sectors. Employees are often afraid of losing their job. Workers' confidence in collective bargaining is falling; there has been a long-term decrease in the number of trade-unionised workers; and young workers are little inclined to join the trade union organisation. On this account the effectiveness of social dialogue in the area of protection of health and safety at work, work quality, productivity etc. is low (MoLSAF 2005c).

If there is to be growth in productivity, quality and the protection of health and safety at work, it will be necessary to promote that these issues become matters for collective bargaining and are included in the relevant collective agreements, after prior dialogue between social partners.

### Position of trade unions

The Confederation of Trade Unions of the Slovak Republic (in the following text only acronym KOZ for *Konfederácia odborových zväzov*) is one of social partners. Trade unions from individual companies are grouped in sectoral trade union associations. These associations are joined in KOZ. There are 36 associations with totally 500 000 members what is more than 20 % of all employees. The umbrella organisation KOZ has its headquarter in Bratislava and regional (county) councils in all regional centres of Slovakia.

The participation of social partners in the employment/unemployment discussions has become less important due to recent changes in the legislation, related to the employment services and the social dialogue as such. The KOZ stressed its disapproval of the newly established practices according to which employers are no longer obliged to notify all vacancies to the relevant OLSAF. In KOZ's opinion the role of OLSAF is now more focused rather on other services such as counselling than on matching vacancies to unemployed persons. The problem of older people's employment started just after the social and economic change in 1989. Due to a high structural unemployment, it remained hidden.

The question of employment of the ageing workforce has never been a special subject of public discussion in the Slovak society. KOZ as well as the government, especially the Ministry of Labour, Social Affairs and Family, became aware and began to seek solutions for that problem only in 1998 – 2002.

There are no common and comprehensive actions undertaken by the government in cooperation with social partners (in Economic and Social Council), neither in connection with the possibility to leave for an ‘early retirement’ nor in connection with extending the ‘productive age’ when reforming the pension scheme.

Due to a worse employment perspective for older people, the main threats observed are especially the declining living standards resulting from declining revenues, a fall into the social net, degradation of human values due to unemployment, psychical devastation (loss of one’s reason for living) and of course all other negative effects.

KOZ has always submitted comments and statements pertaining to draft legislation and all documents related to these issues. Unfortunately, the competent institutions, in particular the Ministry of Labour, Social Affairs and Family have not accepted any of these comments.

According to the trade union, unemployment in the higher age group can partly be solved by early retirement of the unemployed. It has several dimensions – e.g. economic, demographic, psychological etc. But the early retirement may represent a certain burden on the society.

The trade union is involved in the ageing workforce issues at various levels – international, national, sectoral, and also company organisations. In international terms there are relevant activities mainly in the bodies of the European Confederation of Trade Unions and KOZ tries to cooperate mainly with partners in the Czech Republic.

KOZ comments on various documents and papers, partially addressing the issue of the older workforce on the labour market, and its specialised staff attends various events and activities, but its proposals are rarely accepted.

Labour unions think that the government should take a systemic approach to this issue. It would be pertinent, if the Ministry of Labour discusses a set of analyses and projects within a national reform programme within a real social dialogue with the social partners, to address not only this issue but also other critical employment issues arising on the labour market, its current status, their influence on the living standards of the people and real projections of its further development.

## Public initiatives for fostering active ageing

The legal framework that at least potentially gives chance to guarantee equal rights from the point of view sex, age and others in the area of employment has been implemented. The Slovak Labour Code states:

*Prohibition of discrimination, § 13*

*(1) Employees shall be entitled to rights resulting from labour-law relations without any sort of restriction and direct discrimination or indirect discrimination on grounds of sex, marital status and family status, race, colour of skin, language, age, state of health, belief and religion, political or other conviction, trade union activity, national or social origin, national or ethnic group affiliation, property, lineage or other status, with the exception of case established by law, or in the case of tangible reason for the performance of the work consisting in preconditions or requirements and the nature of work which the employee is to perform.*

Still it is difficult to enforce it effectively especially for aged workers. On the other hand it prevents state and employers to design measures that would explicitly favour older workers.

MoLSAF submitted the report on the National Programme for Older Workers' Protection to the government in June 2004. One of the key achievements presented in the report is the creation of conditions for keeping jobs and the higher employment of aged workers. As the majority of implemented measures for older citizens were adopted last year or are coming in force only these days, it is difficult to assess their effects. However, current positive trends concerning employment of aged workers (50+) are promising.

### Objectives for support of individuals who can work and want to work

The main goal of the new labour market policy is to create stabilisation of employment, stimulation of its growth and a decrease in unemployment. The policy follows from the principle that each meaningful legal work is better than inactivity and that employment growth is the most effective way to fight poverty. Individuals in the productive age are motivated to find and retain jobs and to be active in securing their own social situation. The preconditions to reach the goal are:

- create a flexible labour market (e.g. eliminate obstacles for employers to employ, improve conditions for setting up new employers), motivate individuals to work - e.g. by tax alleviation (tax bonus for working parents per child),
- improve conditions for employment in the public sector,
- improve the social insurance system,
- fight against illegal work.

### Objectives for support of vulnerable groups

To ensure an effective and sustainable social system for those who face problems with employability, e.g. because of their health, age or low education, it is necessary to reach the following goals:

- motivate vulnerable individuals to activity, particularly the long-term unemployed through the tools of the Active Labour Market Policy,
- provide efficient assistance in job-seeking and in increasing employability,
- support social benefits targeting.

The above-mentioned goals should be achieved by a careful implementation of the following principles of the reform:

- ‘making work pay’,
- forward – looking approach instead of judging the past,
- end with discrimination by the middle class,
- common subsistence minimum guaranteed,
- family support and harmonisation of family and professional life,
- separation of solidarity in society from individual insurance and saving.

### **Measures taken within the current reform**

Measures that were taken within the reform of the social system and the labour market going beyond the social insurance reform have been made in the fields of labour law and active labour market policy, state social support and social assistance. Their aim is to make labour market more flexible and motivate people to work. This improves indirectly also the employability of older people. These measures are as follows:

- cuts in overall tax and contribution burden on labour force,
- economic and social activity support and support of employability,
- more flexible labour market through amendment of the Labour Code, new Act on Employment Services, reform of public employment services,
- streamline state administration, labour market and social services,
- cut down the abuse of the social system.

### *Selected acts approved within the current reform*

To meet the objectives determined within the social system reform and labour market reform, several acts have been prepared at the MoLSAF, approved and become effective. The key changes in the social system are briefly described in the following acts:

#### **Act on Material Need and Act on Child Allowance**

The purpose of the act is to change the system of benefits and make it and its contributions more transparent and targeting by modifying the structure and amounts of the social benefit and its contributions, child benefit reform, introduction of tax bonus per child, higher net incomes resulting from the tax reform and record-breaking level of the minimum wage relative to average income.

#### **Labour Code**

The key changes within the current Labour Code that contributed to the creation of a more flexible labour market, what is beneficial especially for older workers, are especially in the field of working time (increase in number of working hours up to 48 including overtime of part time contracts (more flexible and a less time-consuming process of giving a notice within part time contracts), of limits on term contracts (more flexible system – term contracts are allowed in more cases than before), of notices given by employers (less complicated procedure than before) and in the field of setting up overtime (more hours allowed). Another positive issue is a broader framework for collective bargaining at company level concerning working conditions.

### Act on Employment Services

The main purpose of the act is to help jobseekers to succeed in finding employment on the labour market. The active labour market policy funds are in most cases claimable. An individual approach has been introduced; more emphasis is put on individual needs of job seekers. The support is given through the following tools: job matching, information and consulting services, elaboration of personalised action plans for job seekers, allowance for employing disadvantaged job seekers, self-employment allowances (including job seekers with disabilities), sheltered employment allowances, work assistance allowance (work assistance for people with disabilities), activation allowance (minor community services, voluntary work), job mobility allowance.

The active labour market policy is targeted at regions lagging behind and disadvantaged job seekers, including also 50+ unemployed longer than 4 months. The main goal is to maintain and regain working habits and routines of job seekers (MoLSAF, 2005e).

In the area of pension insurance, with effect from 1 January 2004, essential changes were made which, besides ensuring sustainability and stability of the pension system, motivate workers to remain on the labour market and contribute to increasing their pension entitlements:

- the retirement age is progressively extended and unified for old-age pension to 62 years, namely within 2004 - 2006 for men and within 2004 - 2014 for women (i.e. each year during this period 9 months are added to the previous retirement age that was dependent on the number of children and ranged from 53 (5 and more children) to 57 (no child)) and all women will retire at the age of 62 starting from 2015;
- a new mechanism (for old-age pension the amount of pension is increased by 0.5 % of the sum for every 30 days of later retirement and by 0.25 % for those who continue to work with receiving pension simultaneously) is being put in place for appreciation of pension entitlements which gives advantage to persons who upon meeting entitlement conditions for old-age pension do not draw it but continue to work;
- in computing early old-age pension the amount of pension is decreased by 0.5 % of the sum for every 30 days of early retirement, and the right to early old-age pension does not arise where the pension does not reach the prescribed minimum amount (1.2-times the amount of the subsistence minimum), whereby the attractiveness to use the institute is diminished;
- the 'pension or earnings' principle has been dropped; the pension system now allows pension recipients to work without limiting the amount of the pension and achieve income from working activity.

Slovakia ran a pay-as-you-go (hereinafter referred to as 'PAYG') financed system which covered the old-age, disability and survival pensions. Mainly because of high unemployment and high evasions the pay-as-you-go system has generated deficits since 1997. In the future the demography crisis would create further pressure on the balance of the system (MoLSAF, 2005a).

### Pay-as-you-go financed pillar

To ensure the financial stability of the pension system and adequacy of pension benefits, the Slovak government had initiated a major overhaul in the system, combining several modifications to the PAYG system and introduced a fully funded capitalisation pillar. In addition, this reform option creates room for further increases in pension benefits, especially for younger cohorts with a longer saving period.

The reform of the PAYG, or 'first' pillar, introduced by a new Law on Social Insurance, has been approved by the Parliament on September 24, 2003. This Law came into force on January 1, 2004.

Generally, it brings two major innovations:

- Parametric reform: Gradual prolonging of statutory retirement age from the average 55 years for women and 60 years for men to the final 62 years for both genders. All men will retire at the age of 62 since 2006 and all women since 2015.
- Change of the pension formula which depends on the number of years of paying contributions to the Social Insurance Agency (working period) and the ratio of the individual gross wage to the average gross wage in the economy.

Compared to the previous formula, this one gives higher pension to those who earned more and paid higher contributions during their working life and vice versa.

### **Fully funded capitalisation pillar**

The introduction of a capitalisation pillar of country's mandatory pension system was approved in January 2004. The new Act on Old-Age Pension Savings establishes a fully funded pillar of Slovakia's social security system which will exist along the PAYG financed first pillar. The new scheme will be solely contribution-defined and financed from the contributions transferred to the individual pension accounts administered by private pension companies.

The new pension system is compulsory for all individuals who were not participating in the current PAYG pension system administered by the Social Insurance Agency (SIA) prior to the effectiveness of the law. Other persons who had been insured in the SIA prior to the effectiveness of the law would be able to opt as to whether to join the old-age pension saving scheme or not.

Within the new pension system the citizens can choose one pension company that will manage their pension assets. Contributions to individual pension accounts will be paid and transferred by the employer. Thus, the employers will pay and transfer 9 % of individual gross income of their employees to their pension accounts. The contributions for the old-age pension saving scheme will be collected and claimed by the Social Insurance Agency which also cashes in social insurance contributions to the first pillar.

The costs of the new, two-pillar system will be strictly regulated. The fees the citizens will have to pay to the pension management company will be their only costs associated with the two-pillar system. These costs will be limited to 0.96 % of the volume of assets in the pension fund (on an annual basis) and to 1 % from the amount of contributions.

All pension companies will be obliged to create and manage three pension funds with a different portfolio to reflect individual preferences and age of the participants. The younger cohorts will be able to have their pension assets invested in stocks while the older participants will have their savings invested in more conservative and safer financial instruments.

Citizens can choose from:

1. Conservative pension fund. Assets in the conservative pension fund can be used only for bond and monetary investments while they must be fully secured against currency risk.
2. Balanced pension fund. Assets in the balanced pension fund can be used as follows: not more than 50 % can be used for share investments while at least 50 % of assets must be secured against currency risk.
3. Growth pension fund. Total value of share investments cannot exceed 80 % of the value of assets in the growth pension fund while not more than 80 % of the value of assets need not be secured against currency risk.

The capitalisation pillar will only be compulsory for those entering the labour market for the first time in 2005 or afterwards. Other citizens will have the opportunity to decide on pension savings and choose a private asset management company from January 2005 to June 2006. The minimum saving period is set at 10 years. Only persons heading for retirement in ten years or more can enter the capitalisation pillar. If a policyholder is dissatisfied with the selected pension fund management company, he or she has the right to switch to another company once a year.

There has been another change directly related to the possibility to keep jobs for ageing employees. Before the reform a person reaching the retirement age had to decide whether to keep his/her job position or to receive the pension. Those who were receiving pension had to terminate their regular job and were eligible only for temporary job contracts. Now, receiving pension does not affect the permanent job contract. It means that legal conditions have substantially improved concerning employment for people in retirement age.

### Measures and initiatives implemented at individual company/organisation level

Based on data about unemployment, it is clear that the issue of an ageing workforce is not a priority, neither for the government nor for private enterprises.

It is almost impossible to find explicitly formulated measures favouring 'older age employees'. The most positive treatment of older employees observed is giving them the same opportunities as younger people. International companies that have established their branches in Slovakia have brought the culture of 'young employees'. Only later some measures that at least potentially give legal chance to guarantee equal rights from the point of view sex, age and others in this area have been implemented. An example constitutes the Slovak Labour Code. Still it is difficult to enforce it effectively.

According to some surveys, older people are discriminated especially in the case of dismissing and hiring employees. Therefore, any measure ensuring equal treatment or an employer offering preventive medical care and wellness or additional training to all is a success. Nevertheless, it has become a very sensitive issue and employers try to avoid mentioning age at all.

However, there are already some signs of awareness concerning proper approach to all categories of employees in private enterprises. This process started in large international enterprises by adopting corporate social responsibility (CSR) and it has commenced slowly also in SMEs. Many large enterprises publish their CSR activities in annual reports. Measures concerning relations between the company and its employees are also favourable for older employees despite the fact that this specific intention is not usually explicitly declared. There are NGOs that monitor CSR and raise awareness concerning this issue. For example, Donation PONTIS annually organises the contest 'Via Bona Slovakia' of the best achievements in CSR. Case studies are presented also in the publication 'Spoločensky zodpovedné podnikanie' (Corporate Social Responsibility) (Bussard et al., 2004).

### DELL, Inc.

#### *Organisational background*

Company Dell Inc. is a multinational IT supplier which sells a broad portfolio of products and services worldwide. In the Slovak Republic a branch was created in 2002 which serves European, Middle East and African clients. The headquarters are in the UK, manufacturing facilities in Ireland and revenues (last four quarters) amount to \$ 11.8 billion. They are No. 2 on the European market with 12,520 staff members in Europe.

The structure of company is multinational, so the General Manager and Executive Board are abroad. Some activities of the Slovakian branch office are outsourced, e.g. maintenance and cleaning.

The main activities are IT sales and technical support for more than 20 countries. The number of employees at the end of September 2005 was 1,033, with an average age of 27.0. The qualification structure is rather high. The ratio of men to women is 55/45. One of the qualification requirements is a very good language competence as the majority of clients are English or German speaking. Reasons for the specific age profile are the sector in which the company is active – the IT products and support services require profound knowledge of high-tech products, modern working methods and management systems and the short history of this Slovak branch – attracting qualified staff just after finishing studies.

A work council is under preparation in the company to institutionalise previous informal discussions in social dialogue. The social dialogue is not covered by some agreement between employer and employees, but it is smooth and constructive.

### *Practice today*

The company with a very precisely defined corporate culture as ‘winning culture’ strongly expresses (even though the numbers could lead to other impressions) that there are no prejudices regarding age or gender equality in any personnel policy measure or instrument.

The company sponsors a community of networking groups formed by employees with common interest in areas such as ethnicity, gender, nationality, lifestyle and sexual orientation. These groups offer Dell employees the opportunity to network with other employees from the company while providing encouragement and an enhanced sense of belonging through informal mentoring, professional and community events and access to personal and professional development and growth. Additionally, networking groups help foster a more inclusive work environment, improve communication among employees and enhance the understanding of all employees about the value of diversity.

There are training measures designed to increase working abilities in line with company needs offered free of charge for all staff members, taking into consideration only their professional growth and career building.

In addition to the training offered the company grants several benefits to all employees for their health and well being, such as a free preventive medical check-up and other bonuses including regular access to sport and fitness centres as well as cultural events.

Other HR policy measures, like flexible working hours, part time assignments are also available for all employees (the target group for this are mainly students who want to work in the company after their graduation).

The wage policy is strictly focused on the position, responsibility and performance of the individual person.

The company still opens new positions and in this relation they feel a certain shortage in the labour market – especially a lack of highly qualified staff with good language knowledge is experienced.

Despite the wide benefits, there is still a quite substantial rate of employee turnover (fluctuation in the last half year 24 %) but some of the departing staff are not able to fulfil the duties or intensity of work or are not sufficiently committed.

The HR development in this company is considered vital. The free offer of all training events, special courses and manager education are published on intranet and people can take part, if the training fits into their personal development plan. All personnel policy measures have a lifelong learning dimension.

In general, the training and educational activities for own staff results in improved services – in fostering the Slovakian branch within the whole international company.

### *Further information*

Contact persons: Mrs. Michaela Sosenková , Zuzana Hollá, HR department

Sources: web site: <http://www.dell.sk>

### **Knott, ltd.**

#### *Organisational background*

Knott, ltd. is a producer of trailers, lift-tracks, brakes and joint-parts established in 1991 as sister company of a German producer. It started as a trade representation, currently producing several products for all kinds of transport vehicles and exporting more than 90 % of them - mainly to Germany, the UK, Sweden and Italy. The German owner has a 70 % share, three Slovakian managers and co-owners 10 %, each. All three top managers are aged above 50.

The number of employees has grown steadily from 62 in 1997 to 225 in 2005. The character of production - mainly welding and metal processing (50 welders) - and three working shifts is the reason for the low number of women (19) working in the company. The average age is 40.33. The qualification structure is: 23 employees with university degree, 34 with secondary education and the rest skilled or non-skilled manual workers. Seven employees are handicapped.

In the company no work council or trade union is present. Managers cover any question or problems, to be discussed within 'social dialogue'.

The company is located near Bratislava; the majority of workers are commuting from neighbour villages what brings problems mainly in the late afternoon and night shifts which is one of reasons for difficulties with acquiring sufficiently skilled workforce. The fluctuation is not very high; approximately 10 people are leaving per year. The HR manager has concerns about future acquisition of skilled workforce due to a new large company (Peugeot) in this region.

#### *Practice today*

Age barriers are non-existent, on the contrary; the experienced skilled workforce is highly appreciated (as an example, a 58 old welder was recently hired without any hesitation). In particular, the older production workers are highly valued, and in connection to the length of services they get special wage bonuses: To 50th birthday and at least 5 years in service they receive one additional monthly wage, to 60th birthday and 10 years in service additional 150 % of the monthly wage. Once a year, all employees also receive a medical checking free of charge. The company contributes to the complementary pillar of old-age pension to an extent that matches employees' contribution. The HR department does not press skilled workforce neither to early retirement nor to regular one, if the age for it is reached.

All employees are regularly trained to be able to keep pace with growing needs; the company holds ISO 9001. The company has a special training concept and yearly plans based on company's development strategy. The HR department organises and also provides (some of trainings are out-sourced) all necessary training events.

All human resources policy measures connected with training are irrespective of age, there are other measures only in wage policy - the majority of them also irrespective of age. The only 'positive discrimination' of older staff is connected with above described fidelity bonuses.

*Further information*

Content: Mr. Štefan Holubčík - Head of HR department

Sources: web link: <http://www.knott.sk>

**PTK ECHO***Organisational background*

This company with 15 years history is active in several areas of services: education and languages services, publishing, accommodation, restaurants and catering.

The company started as a family business with translation/interpretation services with a staff of two from one family. Now the staff is approximately 130 employees whereby some of these are full time workers and some are part timers or working under particular work assignments - mainly trainers or interpreters. The average age is 40.5 years. The qualification structure differs according to the divisional structure – the highest share of less qualified staff is in catering and restaurants. There are several regional branches of the educational centres of the company - in Košice, Kežmarok, Trenčín, Martin as well as in the Czech Republic, Canada and Australia.

The company has a divisional structure where the different services are divided as follows:

1. Translation/interpretation – language services
2. Education and training
3. Secondary high schools (Slavonic languages)
4. Foreign relations – intermediation of workforce abroad
5. Hotels, restaurants and catering

The only tangible products are published books. The main area of publishing covers the study/training programmes but there are also published books from Slovak novel writers (mainly women).

The main activities nowadays are educational and training activities for adults. Last year they ran 41 accredited educational and re-qualification programmes for unemployed people in courses financed by Labour Offices but there are also language and other educational courses for working audience, like in gastronomy, healthcare and homecare.

*Practice today*

The company with a General Manager – an older woman (of retirement age) – strictly keeps gender and age equality in all policy measures. There are training measures offered free of charge from the company's portfolio of training and education courses for the staff irrespective of age, and the older employees (nearly of retirement age are also invited into educational programmes for starting-up businesses or accountancy or PC knowledge or any other special course according to their wish. The aim is to enable them to establish small own businesses, for example as accountant, or a home career after retirement. Other personal policy measures, such as flexible working hours or part time assignments are in principle available for practically all employees. This is rather due to the particular area of activities (education, training, restaurant, catering) where the shifts are more flexible in their nature rather than due to generous personnel policy.

In addition to the training offer, the company grants to all employees a free preventive medical check-up once a year and a one-week-stay in their own health and well-being facility, situated in High Tatras.

The older employees are valued according to their performance, never underestimated due to age. The wage policy also does not follow age as a criterion but strictly differs for other reasons, e.g. position in top management or less responsible position, and due to the performance of the particular person. Half of the top managers are above 50 years old and some of them are already in retirement age.

A work council was recently created in the company to institutionalise previous informal discussions in social dialogue. The social dialogue is not covered by any agreement between employer and employees, but it is smooth and constructive.

The relatively wide offer of benefits for employees result in very little employee turnover in the company – most staff hired during the 15 years' history is still working with the company. Only those are leaving who are not fulfilling their duties and company aims due to insufficient commitment or quality. A good example of career development is a warehouse employee who went through several educational programmes and now is in a responsible position as a middle manager.

The human resources development in this company is not only the responsibility of a HR unit (1 full time employee, one part time employee), but is always under common approach of the family business owners. The measures do have a lifelong learning dimension.

The General Manager – Owner introduced the specific educational offer also for older employees, inspired during the training and re-qualification courses provided by the Offices of Labour Social Affairs and Family where she recognised the concerns of older people in the uncertain and difficult labour market which is in general not very appreciating the ageing workforce.

In general, the training and educational activities for the own staff resulted in improved services and in higher goodwill of the company. It guarantees also the enforcement of the company's position on Slovak market. The benefits of educational measures resulted in several cases in career growth and in a very low employee turnover, as described above.

### *Hitherto development of the case study*

The company has been steadily growing since the establishment in 1990. The same can be said about the development of personnel policy support measures. Their extent and quality reflect the current position of the company. Compared to the start-up situation when the company could not afford such benefits for employees, its progress is enormous.

### *Further information*

Contact person: Mrs. Elvíra Chadimová, GM

Sources: web site: <http://www.ptkecho.sk>

## **Slovak Telecom**

### *Organisational background*

The regional branch of Slovak Telecom a.s. in Bratislava has a non-age specific personnel strategy. Its majority shareholder is the Deutsche Telekom AG, having 51 % of the shares. The company is under transformation leading to a quite substantial outplacement.

The company employs 5,500 workers by June 2005, where in 1996 the number of employees was 15,378. In 2001, due to technology, the company needed a different qualification structure. Now approximately one third of all employees have university degrees, and only 1/5 of the staff did not finished secondary education. The share of women is growing

to almost 40 %. In 1996 the average age was 43 years, now the most represented age group is 31 - 50 and the average age is 39 years.

The company has following sectional structure:

1. President
2. HR
3. Strategy and regulation
4. IT
5. Trade and operation activities
6. Financial

The restructuring of the company's activities led to changes in qualification of the workforce. The less qualified workforce and older employees from 'analogue technology' suffered from structural changes. But still 65 % of changed job positions have been covered by own human resources, only 35 % were recruited from external sources.

In the company two trade unions are active. This is a heritage of the previous company structure (Slovenské pošty a telekomunikácie). The trade unions sometimes do have different requirements, but in general, a Labour Agreement was signed in the company and sets out several rights and benefits for all employees.

#### *Practice today*

Due to ongoing reduction of the number of staff members (the plan is to outplace further 400 employees until 2006) the company undertakes several initiatives to support employees in the process of redeployment.

For older employees who have more than 7 years to retirement the company grants an amount of 30,000 Sk (€ 790) for their re-qualification during a half-year before the outplacement should take place. This is based on company's restructuring plans. Employees who must leave the company are also supported by HR managers to find a new job outside Slovak Telecom. The company cooperates with labour offices in the regions to specify job opportunities and find a new job for those who are leaving. Seniors who have 7 or fewer years to retirement get financial compensations which is a generous multiple of their monthly wage.

There are several projects for supporting employees in coping with the structural changes. Among trainings for these employees in surplus, there has been a very successful training 'I start my own business'. In addition to professional training there are basic courses concerning the management of a small company.

The trainings offered to employees for keeping up with the new technology and industry structure are available for all staff. In 2004, the company invested about 50 million Sk (€ 1.3 million) last year for education. 2,394 training sessions were held, and each employee spent on average 6 days on competence development.

In addition to the training offers the company grants to all employees several benefits for their health and well-being. The employees may choose from a quite wide social programme with many specific benefits.

Other HR policy measures, like flexible working hours or tele-work are also available (the target group for this is not age specified, but it is used mostly by younger employees).

The wage policy is strictly focused on the position, responsibility and performance of the evaluated person.

Some tensions among young and old generations are observed, especially in such situations when younger employees are dismissed and they feel treated unfairly, if much older colleagues still keep their jobs. Even if there is a qualification difference, it is not taken into account. Also some inter-generation problems are experienced in call centres where the working environment is much more difficult for older staff that is not so flexible any more to cope with the intensive workload.

The other experienced fact is that men are more subject to psychical pressure, resulting from the potential loss of the job. In 2004, 7 male and 1 female staff member died. The average age of dying staff members was very low last year – only 41 years. Some of those tragedies could be related to the thread of the outplacement.

The company opens new positions which generally need highly specialised staff and in this respect they feel a lack of such workforce in the labour market.

In general, the training and educational activities for own staff result in improved services and fostering the Slovakian branch within the whole international company.

### *Hitherto development of the case study*

The company was one of largest state owned companies. After privatisation it was necessary to invest into new technology what has brought large staff cuts and restructuring. The company developed a programme for restructuring that provided re-qualification and training opportunities and the same opportunities also for aged employees to keep their job.

### *Further information*

Contact person interviewed: Mrs. Jana Šalgovičová, Head of the HR department for relations with employees

Sources: website: <http://www.st.sk>

## Conclusions

Despite the positive macroeconomic development in the Slovak Republic (with a high GDP growth of 5.5 % between 2003 and 2004), the total rate of employment (15+) in 2004 (48.9 %) was still below the EU-25 average (51.3 %). Although the employment rate of the older population has been slowly increasing since 2001, it is still lower than on European average. In line with a lower employment rate, the Slovak Republic disposes of a higher unemployment rate (18.0 % in 2004) than the EU-25. Particularly the unemployment rate of older persons (50+) was increasing for the last years.

The development trends of recent decades unequivocally confirm the ‘ageing of the population’, i.e. a demographic development resulting in a gradual increase of the importance of the older group of economically inactive persons, accompanied by a reduction in the number of the economically active population.

According to the Lisbon Strategy targets, a relatively significant increase in employment of persons aged 55 - 64 should be achieved by the end of this decade, with the target being the level of 50 %. Slovakia is currently significantly below the target level. Therefore, significant efforts will need to be made in order to achieve the ambitious target set while only a part of the required impulses is directly related to the social system (such as raising the motivation of people not to opt for early old-age pension, i.e. before reaching the retirement age, review incentives for longer activity on the labour market, change the attitudes of employers to employment of persons of older age categories etc.).

Measures that have been adopted to foster employment (reducing the tax burden for businesses, simplifying taxation conditions for small businesses, measures adopted for the inflow of foreign direct investments) do not have a direct impact on the older age group. In society, the reluctance to employing persons of higher age categories still persists.

Currently, it is not possible to fully appraise the impact or potential risks of the majority of systemic changes implemented and having implications for older persons since most of them were adopted only a year ago or are presently being put in place. Nevertheless, there are already declining tendencies in the group of the retired within the economically inactive population that need to be correlated to the adopted measures.

The changes in the pension system, although relatively recently, are associated with a favourable response also on the labour market. Bringing the merit principle into the system favouring longer active participation in the labour market has brought about a relatively significant increase in the employment of older persons. In 2004, the economic activity of persons aged 55 - 64 years increased significantly. Comparing year-on-year changes, the 55 - 59 age group shows a growth in the rate of economic activity by 2.6 %-points; in the 60 - 64 age group this increase is even more marked – 2.9 %-points. Maintaining the favourable trend described above gives Slovakia a realistic hope to extend working lives by 2010 by five years, in line with the Barcelona objectives.

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