Slovenian Employers and the Challenge of the Longer Working Life

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The goals of this paper are (1) to analyze the attitudes of the Slovenian employers towards older workers within the context of the ageing process and the reforms in the labour market, and (2) to propose policies and initiatives which will both encourage employers to retain older workers and help older workers to stay active.

In order to asses the Slovenian employer perspective on older workers' employment we use empirical data from a sample survey of 200 Slovenian enterprises. The questionnaire design is comparable to similar international surveys. The data are analysed using a number of bivariate and multivariate analytical techniques.

When analyzing perceptions of employee characteristics by Slovenian employers it can be shown that older workers are perceived to perform better than their younger counterparts (in comparison to the company average) when it comes to professionalism, decision making competence, willingness to work hard, reliability, honesty and integrity, attentiveness as well as loyalty. The largest disadvantages of older versus younger workers stem from poorer employer evaluation of their adaptability to new technologies, ability to acquire new skills and knowledge, adaptability to change as well as readiness to learn.

When comparing present employment of older employees and active search for new employees aged 50 to 64, our study shows that Slovenian companies behave in pretty much the same manner regardless of the sector of activity, firm size, respondent age and respondent education: the majority employs a very low percentage of older employees and hardly actively targets new employees aged 50 to 64.

The results of the survey thus to some extent provide an economic rationale for the potential old age discrimination when it comes to the employee selection process. Also, these results show that it is extremely important to stimu-

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late life-long learning (the major weaknesses of older workers as perceived by the employers are related to their knowledge and skills), along with the increased flexibility in hiring and firing, while the wage bill should not include all administratively set age bonuses that further decrease the probability to employ older workers.

Key words*: active ageing, employer attitudes, labour market, older workers, population ageing, survey.*

INTRODUCTION

Over the next few decades, Slovenian population will, similarly to the population of the EU, significantly change in both size and age structure. Demographic change, caused by declining fertility, rise in life expectancy, and low immigration, along with the ageing of the baby boomers (the generations born between 1940s to 1960s), already presents a serious challenge for Slovenian policy makers, firms and people, bringing forth important economic, social and also political challenges. In 2005, the share of the population aged 65 or more represented 15.2% of the total population. According to Eurostat (2008) it is expected to rise to approximately 31% of the total population in 2050.

Under these circumstances the population ageing in Europe and Slovenia is not only a fiscal sustainability question, but also a growth challenge. Literature suggests that in the coming decades the ageing population will severely affect economic and social systems in Europe. It has already been threatening economic growth due to the lack of workforce and its lower productivity (Vegard, 2003; Groezen et al., 2005; Bloom and Canning, 2007; Prskawetz et al., 2007; Werding, 2008), fiscal pressures (Turner et al., 1998) as well as impact on public and private savings behaviour (Park

and Changyong, 2007). Ageing thus demands a thorough assessment and a careful rethinking of the European (and national) economic and social policy framework(s)[1]. But most importantly, in the longer run, a series of economic and social reasons will force governments into developing and implementing strategies to keep older workers in the labour force. These will have to be oriented towards two major goals: (1) development of incentives for older workers to remain in the labour force (the so-called supply side measures), and (2) systematic encouragement of enterprises to take a forward-looking approach and start facilitating better and longer working lives (the so-called demand side measures).

In this paper we primarily focus on the demand side as we believe that employer perceptions of older workers will play the key role in successful design and implementation of reforms to solve the ageing-related labour market problems. The existing literature (e.g. Taylor and Walker, 1998; Loretto and White, 2006; Harper et al., 2006) often mentions the problems of age discrimination among workers, which could pose a serious threat to both the developments in the labour market and the overall economic development in the future. The main objective of this paper is to provide an empirical framework which will form the basis for a systematic development of the

[1] According to The European Older People's Platform AGE (2006), policy developments in many diverse areas such as employment, pensions, social inclusion, health, transport, urban development, housing, research, education and citizenship will be required.

necessary demand side measures targeting the age discrimination issue. Our goals are (1) to analyze the attitudes of the Slovenian employers towards older workers within the context of the ageing process and the reforms in the labour market, and (2) to propose policies and initiatives which will both encourage employers to retain older workers and help older workers to stay active.

The paper contributes to the existing literature in several important ways: (1) it provides an in-depth survey of employer perceptions of the older workers' characteristics compared to those of the younger workers in Slovenia, (2) it thereby provides a company (economic) rationale for potential age discrimination in the employment process in Slovenia, and (3) it gives the employer view of potential reforms and their efficiency to serve as an input when formulating relevant policy measures.

AGE DISCRIMINATION AND THE LABOUR MARKET: AN OVERVIEW

Classes of discrimination models in the labour market

Recent decades have seen a great deal of empirical work explaining different employment mechanism in developed economies, including several types of discrimination. A large group of current theories explains observed discrimination in wages and jobs as the outcome of differences in expected productivity (Phelps, 1973).

The first class of these "statistical discrimination" models assumes there is something wrong with the discriminated group, such as a higher probability of women leaving the labour market (Polachek, 1995), greater difficulty in observing the quality of the workers, or a comparative advantage in a different field of activity (e.g. Lazear and Rosen, 1990; Becker, 1991).

The second class of statistical discrimination models explains discrimination as a self-fulfilling prophesy (e.g. Arrow, 1973; Lang, 1986; Coate and Loury, 1993; Kremer, 1993), whereby low expectations of the average productivity of a group lead individuals to undertake actions which make the expectations come true, such as making lower investments in human capital (Kremer, 1993), or applying for jobs for which one is not suited (Rosen, 1997). Weaker versions of the self-fulfilling prophecy argument suggest that persistence in expectations of differential productivity lead groups to segregate into different occupations or human capital levels, thereby perpetuating initial disadvantages (e.g. Breen and Garcia, 2002).

In the recent years, there have also been some papers that attempted to explain discrimination as a result of group solidarity. Akerlof and Kranton (2000) directly put identity into the utility function, whereby identity then leads individuals to be prepared to suffer loss of income in order to discriminate against other groups. Frijters (1998) models the emergence of group identity itself as the outcome of rational individuals attempting to monopolise rents. Group identity then ex post implies discrimination of the group that lost the competition over scarce rents.

Apart from these general explanations, there also exist theories which explain discrimination in cases of severe market failures, such as monopsonists taking advantage of different labour-supply elasticities of different groups by offering one group a lower wage rate than the other; higher transaction costs occurring for one group; or the existence of segmented labour markets.

The employment approach to discrimination

The employment approach to discrimination can be motivated by Becker's (1971)

seminal model of employer discrimination that focused on women discrimination. This is discussed in some detail because it is also at the core of the test for discrimination based on our survey data. Additionally, this model yields some insights regarding the persistence of discrimination over the longer run; these are discussed later. The assumption in the employer discrimination model is that employers dislike hiring a particular group, such as older workers. The implication is that when an older worker is hired, an employer considers the cost to be both the wage and the disutility from hiring an older worker. Thus, in the simplest case where workers in different age groups are perfect substitutes in production, employers can be thought of as maximizing a utility function (U) of the form

$$U_D = U(\pi, OW) = \pi - d * OW =$$
$$= f(L + OW) - w_L * L - w_{OW} *$$
$$*OW - d * OW,$$

where π is a profit, OL indicates older worker and L the rest of employees, d is a constant > 0, reflecting discriminatory tastes against older worker, and the D subscript denotes a discriminating employer. The first-order conditions are

$$MP_L = w_L - d(OW / L^2); MP_{OW} = w_{OW} + d.$$

Since d is positive, the only equilibrium in which workers are employed in non-discriminative way is the one in which $w_L L = w_{OW} OW + d$, and if $d = 0$ we must have $w_L L = w_{OW} OW$.

If d is not zero but is the same for all employers, then when $w_L L = w_{OW} OW + d$ employers are indifferent between hiring labor in different age groups, so we expect all employers to hire employees in all age groups. In contrast, if, as it seems more likely, d varies across employers (in-

dexed by i), then some equilibrium employment differential between employees in different age groups will be generated such that if $d_i > MP_L - MP_{OW}$, employer i does not hire any older workers, and if $d_i < MP_L - MP_{OW}$ employer i hires only older workers. Thus, one problem with Becker's employer discrimination model is that, in the real world, segregation with almost all firms hiring only specific age groups or the other is generally not observed.

However, this is a result of the specific form of the utility function. If employers do care about the relative number of specific age group employees, rather than the absolute number, then the utility function is

$$U_D = f(L + OW) - w_L * L - w_{OW} *$$
$$*OW - d * (OW / L).$$

In this case the first-order conditions are

$$MP_L = w_L - d(OW / L^2); MP_{OW} = w_{OW} + d / L.$$

Therefore, employers can effectively adjust the cost of hiring older workers by adjusting the relative number of older workers, so that for any equilibrium wage ratio, firms should be willing to hire different proportions of workers in different age groups. Of course, those with smaller d will hire relatively more older workers. Consequently, versions of the employer discrimination model can explain the existence of employment differentials when wages are centrally set by collective agreements without requiring near-complete age segregation of firms. In general, then, in employer discrimination models of this type, the preferences of employers impact hiring decisions, which in equilibrium generate a market employment differential.

Factors determining employer preferences, practices and policies concerning the older workforce

A number of recent empirical studies focus on the issue of employer (non)discriminating attitudes towards older workers using survey methodology. Taylor and Walker (1998) were among the first to carry out a complex analysis of employer attitudes and policies concerning the employment of older workers in Great Britain. They built on Atkinson's (1989) work on employer adjustment to the demographic downturn and upgraded it using in-depth interviews with, and a mail survey of, British employers. They found out that although employers expressed positive attitude towards older workers, this attitude was not translated into positive action: only a tiny minority of employers encouraged employment of older people. This was partly due to a **recession** marking the period under study as well as **age discrimination** inherent to the recruitment process. The most important among the factors discouraging employers from recruiting older workers was the perceived lack of appropriate skills. In terms of industry, one interesting finding of Taylor and Walker's study was that service sector was more likely to be positively oriented towards older workers than manufacturing industries.

Loretto and White (2006) followed in Taylor and Walker's footpath addressing similar issues in the framework of focus groups consisting of Scottish employers. Although most of them had a favourable perception of older workers their practices hardly differed from those established by Taylor and Walker a decade ago. Recruitment decisions were still based on general stereotypes and prejudice. The age mix within individual organisations seemed to be the result of chance rather than policy. The researchers found out that in terms of

training and return on investment an age mix personnel policy could only gain in relevance if longer career and flexible retirement schemes were an option.

The global ageing survey was the basis for Harper et al.'s (2006) comparative research exploring how widespread are the negative attitudes towards, and stereotypes of, older workers among employers; and whether or not they influence employer behaviour towards older employees. The study indicated that attitudes towards older workers are importantly influenced by the **firm size**. Smaller firms tend to have higher levels of negative stereotypes while larger firms are flexible about older workers both already in the workplace and at the time of recruitment. Additionally, the researchers also noted differences stemming from **different levels of country development**. The less developed countries have a stable supply of younger workers which makes their actual and perceived need for older workers obsolete. However, the European countries which are facing the consequences of the general population ageing need to retain older workers yet paradoxically seem to encourage early retirement practices as well as low recruitment of older people.

The size of the firm as the factor influencing employer attitudes towards older workers was also confirmed by Metcalf and Meadows (2006) who investigated employer policies, practices and preferences related to age before implementation of the Employment Equality Regulations in the UK. In 2004 and 2005 they carried out a survey involving more than 2000 British establishments. Another important factor Metcalf and Meadows established was the difference between practices in **public and private sector**; public sector being more prone on recruiting and retaining older employees.

To obtain a better understanding of the employment prospects of older workers,

Munnel, Sasa and Soto (2006) conducted a survey among private sector employers in the USA. Employers were asked to compare productivity of the older with that of the younger workers (both groups being predominantly white collar). Perception on productivity of older workers varied with the **respondent age** and **firm size**. Younger respondents in small start-up organizations were more likely to view productivity of older workers in a negative light. Additionally, very large firms were also less enthusiastic about older workers productivity. The researchers noted two characteristics of older workers which increase their productivity: "knowledge of the procedures and other job aspects" as well as "ability to interact with customers". Although employers see older workers as "more expensive" their overall evaluation of older workers' relative attractiveness is equal to that for younger workers. Researchers concluded that older workers, if willing, have reasonably good prospects for prolonging their working lives.

Another recent survey study from McNair, Flynn and Dutton (2007) demonstrated how employers in the UK are managing an aging workforce particularly in response to the introduction of the Employment Equality (Age) Regulations. This qualitative study, carried out during a period of economic growth among seventy firms, explored in more depth some of the issues identified in the previous research conducted by Metcalf and Meadows (2006). The researchers confirmed that most differences in employer practices could be attributed to **firm size** and **ownership** (private or public). Large and public firms generally had more equal opportunities policies and formal processes which allowed them to more easily implement changes demanded by the new legislation. In general, this study found more positive views of older workers in comparison with the previous one. However, it was established that the

respondent age is a major factor determining the nature of the employer attitudes towards older workers. Awareness of general population and labour market trends among the respondents was generally low; they seemed to be very much focused on catering to their short-term business needs. It was established that positive practice of older employee retention was much more common than active recruitment of older workers.

To summarize: given the findings from the literature review covering the last decade several factors seem to determine employer preferences, practices and policies concerning the older workforce: firm size, ownership (public or private), period in the economic cycle (growth or decline), as well as sector (service or manufacturing). As it would seem that more positive attitudes stem from older respondents, this respondent bias needs to be accounted for in any subsequent research of these issues.

EMPLOYER ATTITUDES TOWARDS OLDER WORKERS IN SLOVENIA

Slovenian labour market and the problem of population ageing

By 2050, Slovenian population is expected to decline by around 100,000 inhabitants and age significantly (Table 1). The share of those aged 65 or more in total population is expected to double, while each person in working age (15-64) will be expected to support 0.78 persons (both young and old), compared to 0.42 in 2005.

The phenomena of ageing and population decline will significantly impact the labour market. In 2005, the share of those over 50 in total working age population (15-64) was 26.7%. Taking into account that the education process holds the majority of the population off the labour market at least until the age of 20, the share of those aged 50 or more in total working age population (20-64) rises to 29.4%.

Table 1.

Demographic developments in Slovenia: population of Slovenia in millions, the share of population older than 65 in total population and working age population, and dependency ratios for the period 2005-2050

Year	Total population	Share of 65+ in total population	Total dependency ratio	Young dependency ratio	Old dependency ratio	Share of those aged 50 to 64 in total working age population (15 to 64)	Share of those aged 50 to 64 in total working age population (20 to 64)
2005	1,999,722	0.15	0.42	0.20	0.22	0.27	0.29
2010	2,014,802	0.17	0.43	0.19	0.24	0.30	0.32
2015	2,018,808	0.18	0.45	0.20	0.26	0.32	0.35
2020	2,016,690	0.20	0.51	0.20	0.31	0.34	0.36
2025	2,014,180	0.23	0.57	0.21	0.36	0.34	0.37
2030	2,005,997	0.25	0.61	0.21	0.40	0.36	0.39
2035	1,989,357	0.27	0.65	0.20	0.44	0.37	0.40
2040	1,965,321	0.28	0.68	0.20	0.48	0.37	0.41
2045	1,935,383	0.30	0.74	0.21	0.52	0.36	0.38
2050	1,900,849	0.31	0.78	0.23	0.56	0.33	0.36

Source: Eurostat, 2008 and own calculations.

The share of the older workers in the total working age population will continue to rise over the next three decades. At the peak, around 2040, those aged 50 to 64 will comprise around 37% of the total working age population (15-64), or even 41% if the working age population is limited to 20-64. Due to the decrease in the generation sizes after baby boomers the ratio can be expected to stabilize; probably below its peak of 0.41 (0.37).

Ageing of the Sovenian workforce is thus a fact, albeit a neglected one because of the current economic situation Howe-ver, several significant problems in the la-bour market already exist and could gain in importance in the coming years. First, the employment rate of older workers in Slovenia has been significantly below the European levels and the EU employment guidelines[2], especially for women (Table 2). The generally low employment of the

Table 2.

Employment rate for older workers: a comparison

Geographic area	Employment rate for older workers – total		Employment rate for older workers - female		Employment rate for older workers - male	
	2000	2007	2000	2007	2000	2007
EU-27	36.9	44.7	27.4	36	47.1	53.9
EU-15	37.8	46.6	28	38.1	48	55.3
Euro13	34.3	43.3	24.3	34.7	44.8	52.3
Slovenia	22.7	33.5	13.8	22.2	32.3	45.3

* The employment rate of older workers is calculated by dividing the number of workers aged 55 to 64 in employment by the total worker population of the same age group. The indicator is based on the EU Labour Force Survey.
Source: Eurostat, 2008a.

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[2] EU member countries agreed on a special employment guideline concerning active ageing (Commission of the European Communities, 2002a and 2002b). Two important strategic objectives which should be achieved by 2010 are: (1) to increase the employment rate of older workers to 50% (Stockholm 2001); and (2) to delay by five years the age at which older workers stop working (Barcelona 2002).

older population is a consequence of transition in Slovenia due to the fact that early retirement was one of the mild approaches to reducing the number of employees in companies, which resulted in a large number of relatively young retired people. But the low employment of older workers is not the only indicator of a specific position of older workers in the labour market. A long term unemployment is also most problematic in this group, indicating the possible existence of discrimination by potential employers.

The weak position of older workers is partially also indicated by the exit age. In Slovenia it is lower than in the EU. On average, a Slovenian worker exits labour market at 59.8 years of age as opposed to the EU-27 (61.2 years), EU-15 (61.4 years) and the Euro area of 13 countries (60.9 years) (Eurostat, 2008). But all are well behind the desired goal of 65 years of age.

Additionally, older workers are also more prone to becoming the long-term unemployed. Among the unemployed aged 50 to 64 there were 54.1% long-term unemployed in Slovenia in 2007 and 60.4% in the EU-27 (Eurostat, 2009). These facts thus also speak in favour of a potential discrimination of older workers in the labour market. In other words, we do not believe there is a lack of motivation to work on the part of older workers. We rather think there is a considerable lack of demand for older workers and strive to prove so in our empirical project.

Research methodology

In order to asses the Slovenian employer perspective on older workers' employment a survey on the attitudes of employers towards ageing workers was conducted on a sample of 200 Slovenian firms in the spring 2008. The questionnaire was designed to match similar international sur-

veys and consists of 45 questions divided into 4 parts:

– Employment of older workers and attitudes towards them (to be answered by companies which employed at least 1 person over the age of 50 at the time of data collection).

– Reasons for not employing people over the age of 50 (to be answered by companies which did not employ any people over the age of 50 at the time of data collection).

– Hiring procedures, retirement age and retirement benefits (to be answered by all companies regardless whether or not they employed people over the age of 50 at the time of data collection).

– Demographic data (to be provided by all companies regardless whether or not they employed people over the age of 50 at the time of data collection).

The majority of attitude items in the questionnaire are of ordinal nature. Variables describing company characteristics have either the properties of the nominal, ordinal or ratio measurement scale.[3]

The survey was carried out partly as a mail and partly as a phone survey via a centralized facility located at the University of Ljubljana's Faculty of Economics. The response rate of 12.4% is quite high given the chosen mode of data collection.

Out of the whole population of 53,189 business entities which existed in Slovenia on December 31st, 2007 (AJPES, 2007), those employing less than 3 employees were excluded. From the rest 1,615 units were chosen making sure to match the population structure by firm size in our sample (60% of targeted sample units were small, 30% medium-sized and 10% large firms). In the small firms the questionnaires were mainly filled in by the Chief Executive Of-

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[3] If interested in examining the questionnaire, please contact the authors.

ficers; in medium-sized and large firms the respondents were predominantly heads of the human resources management departments. The average respondent was female aged 42.4 years with a bachelor degree (for details on the educational structure of respondents see Table A1 in the appendix). Her average total length of employment was slightly more than 19 years; a little more than the last 11 years were spent in the present employment. The average length of the sample company existence is 25.5 years.

When sampling we applied a proportional allocation which means that the relative size of sample strata reflects the shares of employed people in each of the identified three categories of firms in the whole population. Following from Table A2 in the appendix, approximately one tenth of sample firms are large companies; the rest are almost equally divided into small and medium-sized enterprises. The proportion of large firms in the sample is thus almost identical to the proportion of large firms in the population, whereas small firms are underproportionally (45.5% in the sample vs. 60% in the population) and medium-sized firms overproportionally (43.5% in the sample vs. 30% in the population) represented. However, when adjusting the total number of firms in Slovenia for micro firms (as already stated, those with less than 3 employees were excluded from our survey), we get a sample which is representative of the remaining population of firms.

Approximately 85% of sample firms report that they currently employ at least one worker older than 50 years of age, while 14% have no employees older than 50 years. The average proportion of employees over 50 years of age in sample companies is 21.5% and the average proportion of employees over 50 years of age hired last year amounts only to 1.8%.

To compare employer perceptions of older and younger workers' characteristics we first examined differences in the mean

perception scores using the paired samples t-tests. When analyzing the employers' stance towards older workers in relation to company characteristics and human resource manager characteristics we applied contingency analysis. Finally, by using hierarchical clustering and the independent samples t-tests for the arithmetic mean we tried to figure out whether there exist different groups of Slovenian firms concerning their attitudes towards employability of older workers. The results are presented and discussed in the following sections.

Employers' perceptions of older workers: a benchmark analysis

We started our empirical analysis by comparing employer perceptions of older (over 50 years of age) and younger (aged 25 to 40) employee characteristics (both benchmarked against the company average).

In the questionnaire, **older and younger employee characteristics** including items such as motivation, ambition, or loyalty, were evaluated on the following 5-point scale: 1 – significantly less than company average, 2 – slightly less than company average, 3 – company average, 4 – slightly more than company average, and 5 – significantly more than company average. Table 3 shows a comparison of mean values for perceived characteristics of older and younger employees using a simple gap analysis as well as the paired-samples t-tests for the arithmetic mean.

As far as perceptions of employee characteristics by Slovenian employers are concerned, older employees perform better than their younger counterparts (in comparison to the company average) when it comes to *professionalism*, *decision making competence*, *willingness to work hard*, *reliability*, *honesty and integrity*, *attentiveness* as well as *loyalty*. Interestingly, *propensity to have accidents* is larger than average in case of younger employees although they seem to be

Table 3.

Comparison of mean values for perceived characteristics of older and younger employees with standard deviations and gap analysis (N = 200)

Employee characteristics	Old (Mean)	Old (SD*)	Young (Mean)	Young (SD*)	Gap**	t-value	p-value
Adaptability to new technologies	2.43	0.779	4.30	0.690	-1.87	-22.250	0.000
Ability to acquire new skills and knowledge	2.34	0.827	4.19	0.785	-1.85	-19.034	0.000
Adaptability to change	2.52	0.766	4.07	0.748	-1.55	-18.100	0.000
Ambition	2.64	0.797	4.18	0.741	-1.54	-18.171	0.000
Physical strength	2.54	0.788	4.04	0.811	-1.50	-15.125	0.000
Readiness to learn	2.55	1.025	4.04	0.872	-1.49	-12.892	0.000
Good health	2.56	0.767	3.82	0.783	-1.26	-12.804	0.000
Creativity	2.92	0.764	3.79	0.713	-0.87	-10.543	0.000
Motivation	2.98	0.768	3.63	0.800	-0.65	-7.851	0.000
Productivity	3.05	0.741	3.61	0.687	-0.56	-7.043	0.000
Initiative	3.07	0.840	3.54	0.777	-0.47	-5.302	0.000
Propensity to have accidents	2.99	0.694	3.13	0.804	-0.14	-1.613	**0.109**
Willingness to cooperate	3.42	0.809	3.52	0.793	-0.10	-.990	**0.324**
Professionalism	3.70	0.882	3.28	0.811	**0.42**	4.794	0.000
Decision making competence	3.55	0.867	3.10	0.808	**0.45**	4.747	0.000
Willingness to work hard	3.74	0.882	3.20	0.732	**0.54**	6.857	0.000
Reliability	3.68	1.016	3.04	0.721	**0.64**	7.068	0.000
Honesty and integrity	3.90	0.920	3.13	0.673	**0.77**	9.930	0.000
Attentiveness	3.99	0.912	2.81	0.799	**1.18**	11.764	0.000
Loyalty	4.14	0.916	2.79	0.820	**1.35**	14.231	0.000

* SD = Standard Deviation.
** Calculated as the difference between the mean value for the old and mean value for the young.

in much better health than older employees. Apart from *propensity to have accidents* and *willingness to cooperate* all other differences in mean scores for older and younger employees are statistically significant.

Attentiveness and *loyalty* seem to be the characteristics which create comparative advantage of the older versus the younger employees. The largest disadvantages of the older versus the younger workers stem from poorer employer evaluation of their *adaptability to new technologies*, *ability to acquire new skills and knowledge*, *adaptability to change* as well as *readiness to learn*.

The benchmarking process also reveals that according to the perceptions of employers younger workers hold the advantages that are more directly linked to productivity and therefore more directly lead to higher output. This gives the younger a competitive advantage over the older workers when it comes to direct competition for the same job opening regardless of the willingness to work and reliability of their older competitors.

The comparison thus to some extent provides an economic rationale for the potential old age discrimination in the employee selection process. Also, these results show that it is extremely important to stimulate life-long learning, because the major weaknesses of older workers as perceived by the employers are related to their knowledge and skills.

Employers' perceptions of older workers in relation to company and human resource manager characteristics

When examining the employers' stance towards older workers depending on company characteristics and human resource manager characteristics, we attempted to account for the firm size (measured by the number of employees), respondent age, respondent education and length of the firm's existence as **factors which seem to determine employer preferences**, **practices and policies concerning the older workforce**.

Using the contingency analysis we strived to determine whether the following working hypotheses hold (all of them are based on nominal and ordinal variables which is why it is appropriate to use the χ^2-test statistics when testing for the existence of relationship between the selected pairs of variables):

(1) present proportion of employees aged 50 to 64 is related to the firm size,

(2) active search for new employees aged 50 to 64 is related to the firm size,

(3) active search for new employees aged 50 to 64 is related to the age of person responsible for the search (CEO or HR manager – in our case the respondent),

(4) active search for new employees aged 50 to 64 is related to the education of the person responsible for the search (CEO or HR manager – in our case the respondent),

(5) active search for new employees aged 50 to 64 is related to the length of firm's existence in years and

(6) active search for new employees aged 50 to 64 is related to firm's sector of activity (primary – agriculture, forestry, fishing, mining; secondary – manufacturing; tertiary – business and consumer services).

The results of contingency analysis are summarized in Table 4.

In all six cases our zero hypotheses that there is no relationship between the given pairs of variables could not be safely rejected (our p-values were far above the 0.05 level). In other words, as far as the present employment of older employees and active search for new employees aged 50 to 64 are concerned, Slovenian companies behave in pretty much the same manner regardless of the sector of activity, firm size, respondent age and respondent education: the majority employ a very low percentage of older employees and hardly actively target new employees aged 50 to 64.

Table 4.
Results of contingency analysis* (N = 200)

Hypothesis	χ^2-statistic	p-value
H1: Present proportion of employees aged 50 to 64 is related to the firm size.	5.422	0.712
H2: Active search for new employees aged 50 to 64 is related to the firm size.	1.961	0.743
H3: Active search for new employees aged 50 to 64 is related to the age of person responsible for the search.	10.212	0.250
H4: Active search for new employees aged 50 to 64 is related to the education of the person responsible for the search.	3.387	0.908
H5: Active search for new employees aged 50 to 64 is related to the length of firm's existence in years.	9.911	0.271
H6: Active search for new employees aged 50 to 64 is related to firm's sector of activity.	3.417	0.491

* All variables used in the analysis are either of nominal or ordinal scale.

These results indicate that policy makers should focus on changing the mentality of the employers, because active ageing cannot function without (1) an increased number of job opportunities for older workers; and (2) enabled access to life-long learning opportunities for older workers in order to reduce many of their weaknesses perceived in direct comparison with younger workers.

Classifying Slovenian companies according to their attitudes towards the older workers

Using hierarchical clustering and the Ward method, we attempted to find out whether Slovenian companies could be grouped according to the way they assess advantages and disadvantages of the older employees using the company average as the benchmark. We ended up with a two-cluster solution based on 150 included companies (75.0% of our original sample). Cluster 1 includes 65 (43.3%), whereas in Cluster 2 there are 85 (56.7%) companies.

Using the cross-tabulation (see Tables A3 and A4 in the appendix) it can be shown that Cluster 1 contains a majority of medium-sized companies (61.5%) whereas the shares of the small and me-

dium-sized companies equal in Cluster 2 (together they amount to 87.0%). As far as the sector of activity is concerned, Cluster 2 is predominantly formed by companies from the tertiary (service-oriented) sector (63.1%) whereas the share of companies from the tertiary sector in Cluster 1 is only slightly larger than that of companies from the secondary sector (47.6% as opposed to 42.9%). Further employer characteristics are summarized in Table 5.

When profiling the two clusters from the demographic perspective, we noted the following:

– Respondents in Cluster 2 (smaller-sized companies from the tertiary sector) were on average older, coming from companies that have been in existence for a longer period of time; with the longer average respondent period of activity and the longer average respondent period of employment with the present employer. The first two cluster gaps are statistically significant, the second two are not.

– When it comes to the average total percentage of older employees and the average percentage of older employees hired in the last year we could find no statistically significant differences among the two clusters.

Table 5.
Results of cluster profiling: employer characteristics (N = 150)

Employer characteristics	Cluster 1 average	Cluster 2 average	Cluster gap	t-statistic	p-value
Respondent age in 2008 (in years)	**40.77**	**44.24**	**-3.47**	**-2.130**	**0.035***
Total length of respondent employment (in years)	**17.45**	**21.79**	**-4.34**	**-2.371**	**0.019***
Length of respondent employment in the present company (in years)	10.60	12.99	-2.39	-1.488	0.139
Total number of employees (31.12.2007)	249.81	146.73	103.08	0.796	0.429
Length of firm's existence (in years)	30.00	26.30	3.70	0.904	0.368
Percentage of employees over 50 years of age	21.84	20.06	1.78	0.732	0.465
Percentage of employees hired last year over 50 years of age	1.90	1.92	-0.02	-0.025	0.980

* Statistical significance.

What, then, (if any) differences can be ascertained in the way companies from the two clusters assess advantages and disadvantages of the older employees using the company average as the benchmark? Table 6 brings the summary of results.

decision making competence, *willingness to cooperate*, *atentiveness*, *motivation* and *professionalism*. However, as shown in Table 5, no statistically significant differences among the two clusters could be found when it comes to the average total percentage of

Table 6.
Results of cluster profiling: Average perceptions of older employee characteristics using the company average as the benchmark (N = 150)

Employee characteristics	Cluster 1 average	Cluster 2 average	Cluster gap	t-statistic	p-value
Loyalty	**3.51**	**4.61**	**-1.10**	**-8.871**	**0.000***
Honesty and integrity	**3.35**	**4.41**	**-1.06**	**-8.495**	**0.000***
Initiative	**2.58**	**3.46**	**-0.88**	**-7.379**	**0.000***
Decision making competence	**3.05**	**3.89**	**-0.84**	**-6.716**	**0.000***
Willingness to cooperate	**2.95**	**3.79**	**-0.84**	**-7.208**	**0.000***
Attentiveness	**3.52**	**4.33**	**-0.81**	**-5.924**	**0.000***
Motivation	**2.51**	**3.32**	**-0.81**	**-7.582**	**0.000***
Professionalism	**3.29**	**4.06**	**-0.77**	**-5.868**	**0.000***
Reliability	**3.25**	**4.02**	**-0.77**	**-5.035**	**0.000***
Willingness to work hard	**3.40**	**4.07**	**-0.67**	**-5.092**	**0.000***
Creativity	**2.63**	**3.11**	**-0.48**	**-3.963**	**0.000***
Ambition	**2.38**	**2.86**	**-0.48**	**-3.827**	**0.000***
Productivity	**2.88**	**3.19**	**-0.31**	**-2.570**	**0.011***
Adaptability to new technologies	**2.31**	**2.58**	**-0.27**	**-2.130**	**0.035***
Readiness to learn	2.46	2.71	-0.25	-1.445	0.150
Adaptability to change	2.40	2.61	-0.21	-1.654	0.101
Good health	2.43	2.62	-0.19	-1.515	0.132
Propensity to have accidents	2.91	3.05	-0.14	-1.255	0.212
Physical strength	2.49	2.55	-0.06	-0.479	0.632
Ability to acquire new skills and knowledge	2.35	2.39	-0.04	-0.246	0.806

* Statistical significance.
Note: Original scale on which to rate whether a given item characterises older employees: 1 – significantly less than company average, 2 – slightly less than company average, 3 – company average, 4 – slightly more than company average, and 5 – significantly more than company average.

It would seem that companies from the tertiary sector (Cluster 2) evaluate a large number of older worker characteristics much higher than their counterparts in Cluster 1 (companies from the secondary and tertiary sector) which is in line with the results obtained by Taylor and Walker (1998). Special emphasis is given *loyalty*, *honesty and integrity*, but also *initiative*,

older employees and the average percentage of older employees hired in the last year. So although there is some indication of differences among service- and production-oriented companies (Cluster 2 vs. Cluster 1), these could only be ascertained at the declarative level. Furthermore, the age of respondents (being on average higher in Cluster 2) probably also contributes to a generally more

favourable evaluation of older employee characteristics in Cluster 2.

Company attitudes towards reforms in the Slovenian labour market

Apart from employee characteristics and other factors which seem to determine employer preferences, practices and policies concerning the older workforce, we also investigated **employer attitudes towards retention of officially retired workers**. A good half of companies (58.5%) expressed their willingness to keep their male and female employees over the legal retirement age under a regular job contract if legally possible.

What about **other barriers to continued labour market participation of older workers**? In the past decades Slovenia has been facing negative rates of natural increase. As a result, a substantial shift in the age distribution of the working age population can be observed. Consequently, these changes already induced the need for reforming the first pension pillar (the mandatory public pension scheme) and for active promotion of the voluntary second and third pillars. Our research indicates that a strong majority of companies (83%) would be willing to pay additional retirement insurance for employees if considered a tax benefit.

It would seem that personal preferences of respondents played a major role when answering the questions about the **best age to retire**: almost 60% of respondents do not perceive the current legal retirement age as the best age to retire. The perceived average best age to retire is 59.3 years for men and 56.0 years for women. It is probably not too far-fetched to assume that our respondents would personally prefer to retire as early as possible and enjoy life while still in good health. However, quite many respondents used the possibility of further elaborating on their response choices by adding com-

ments such as "the best age to retire depends on the individual in question – some individuals of the same age are much fitter than the others" and "the best age to retire depends on the job in question – there are some jobs which cannot be effectively performed by older employees".

DISCUSSION AND CONCLUSIONS

Given that the ageing problem has not been perceived as acute in Slovenia yet (almost 50% of respondents still view the retirement process more a creation of opportunities for younger people as opposed to the perception of it being more a loss of valuable skills and experience), the topic of older workers' employment prospects still has not entered the public mind. However, with the rapidly approaching official retirement age of the baby boom generation, both public discussions of, and implementation of government actions towards, working life extension remain only a question of time.

Should the Slovenian government continue to neglect the issue, this will end with a severe labour shortage after the baby boom generation starts retiring at the official retirement age in the next 5 to 10 years. However, should the baby boomers be provided with enough incentives to continue working beyond their official (statutory and mandatory) retirement age on one, and their employers be induced to retain and additionally employ older workers on the other hand, this will enable the Slovenian economy to at least remain stable if not continue to grow in a long run (assuming the current economic crisis will not turn into a longer period of depression).

Following from our research we can conclude that at present Slovenian companies employ a very low percentage of older employees, hardly target new employees aged 50 to 64, and provide very little inte-

rest in enabling the older workers access to life-ling learning.

In the first step, policy makers should therefore stimulate companies to enable their older workers access to life-long learning opportunities even towards the end of their official active age in order to remain competitive. Furthermore, stimulation of adaptation in the work environment (like adjustment of work hours and improved working conditions to accommodate the needs of older workers) should be implemented; and, most importantly, raised awareness about the importance of a healthy life-style, because good physical condition is key for active ageing (United Nations, 2007, p. 8) should be promoted. This way, many of the older workers weaknesses as perceived in direct comparison with their younger counterparts could be reduced.

It also needs to be recognised that to keep the older workers employed by implementing the concept of active ageing and thereby ensuring a sustainable growth environment, more than a simple legislative change like a rise in the mandatory retirement age is required. **In the second step**, taking into account the general demographic and labour market trends in Slovenia, we believe that two additional sets of measures are necessary:

(1) In a short term, establishment of employment agencies for retired people who would like to continue to work part time should become the priority for policy makers. Such employment agencies would bring favourable tax treatment and introduce flexible employment contracts similar to student work. Consequently, those who are already retired would be able to mitigate the problems of maintaining the lifestyle they were used to when on salary with their low pensions.

(1) In a long term, more flexibility concerning the hiring and firing procedures should be introduced in the standard la-

bour contracts as at present the very strict labour legislation is most probably one of the reasons for the low employment ratio of older workers. This would considerably improve the employment prospects of those older workers who do not yet fulfil the retirement conditions.

Finally, due to changes in the general population age structure, the policy makers should also focus on positively influencing the general public perceptions about the older population and on all related issues that need to be addressed in order to gain the broad public acceptance for the concept of active ageing.

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APPENDIX

Table A1:
Absolute and relative frequency of sample units by respondent education

Respondent education	Sample size and structure	
	f	%
Finished secondary school	40	20.0
Finished college	45	22.5
Bachelor degree	106	53.0
Master degree	8	4.0
PhD	1	0.5
Total	**200**	**100.0**

Table A2:
Absolute and relative frequency of sample units by firm size

Firm size	Sample size and structure	
	frequency	%
Small (4-49 employees)	91	45.5
Medium (50-249 employees)	87	43.5
Large (250+ employees)	22	11.0
Total	**200**	**100.0**

Table A3:
Clusters according to company size

Company size	Frequencies			Column percentages	
	Cluster 1	Cluster 2	Total	Cluster 1	Cluster 2
Small (4-49 employees)	19	37	56	29.2	43.5
Medium (50-249 employees)	40	37	77	61.5	43.5
Large (250+ employees)	6	11	17	9.2	12.9
Total	**65**	**85**	**150**	**100.0**	**100.0**

Table A4:
Clusters according to sector of activity

Sector of activity	Frequencies			Column percentages	
	Cluster 1	Cluster 2	Total	Cluster 1	Cluster 2
Primary	6	4	10	9.5	4.8
Secondary	27	27	54	42.9	32.1
Tertiary	30	53	83	47.6	63.1
Total	**63**	**84**	**147***	**100.0**	**100.0**

*Sector of activity could not be identified for three companies.

Sažetak

SLOVENSKI POSLODAVCI I IZAZOV DUŽEG RADNOG VIJEKA

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Ciljevi ovog rada su (1) analizirati stavove slovenskih poslodavaca prema starijim radnicima u kontekstu procesa starenja i reforma na tržištu rada i (2) predložiti mjere i inicijative koje bi potaknule poslodavce da zadrže starije radnike i pomogle radnicima da ostanu aktivni.

Kako bismo procijenili stavove slovenskih poslodavaca u pogledu zapošljavanja starijih radnika, koristimo empirijske podatke iz istraživanja 200 slovenskih poduzeća. Upitnik je usporediv sa sličnim međunarodnim upitnicima. Podaci su analizirani uz korištenje niza bivarijatnih i multivarijatnih tehnika.

Analiza stavova slovenskih poslodavaca u pogledu karakteristika radnika pokazuje da oni smatraju da stariji radnici imaju bolji radni učinak od svojih mlađih kolega (u usporedbi s prosjekom tvrtke) kada je riječ o profesionalizmu, sposobnosti odlučivanja, spremnosti na naporan rad, pouzdanosti, poštenju i integritetu, pozornosti i odanosti. Najveći nedostaci starijih radnika u usporedbi s mlađima su prilagodljivost novim tehnologijama, sposobnost stjecanja novih vještina i znanja, prilagođavanje promjenama i spremnost za učenje.

Kada se uspoređuje trenutna zaposlenost starijih zaposlenika i aktivno traženje novih zaposlenika u dobi od 50 do 64 godine, naša studija pokazuje da se slovenske tvrtke ponašaju na isti način, bez obzira na sektor poslovanja, veličinu tvrtke, dob ispitanika i obrazovanje ispitanika: većina zapošljava vrlo mali postotak starijih zaposlenika i gotovo i ne traži aktivno zaposlenike u dobi od 50 do 64 godine.

Rezultati istraživanja stoga u nekoj mjeri pokazuju ekonomsko opravdanje za potencijalnu dobnu diskriminaciju kada je riječ o procesu odabira zaposlenika. Isto tako, rezultati pokazuju da je iznimno važno poticati cjeloživotno obrazovanje (glavni nedostatak starijih zaposlenika prema mišljenju poslodavaca povezan je s njihovim znanjima i vještinama), kao i povećati fleksibilnost u zapošljavanju i otpuštanju, dok platna lista ne bi trebala uključivati sve administrativno određene dodatke koji još više umanjuju vjerojatnost zapošljavanja starijih radnika.

Ključne riječi*: aktivno starenje, stavovi poslodavaca, tržište rada, stariji radnici, starenje stanovništva, istraživanje.*