



Transition from Work to Retirement in the Czech Republic and Slovakia

by Rastislav Bednárík and Jan Škorpík

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The European Union countries have been trying to increase the employment of older workers. In different countries we see various starting positions of the elderly in the labour market and different incentives to employ them. In the countries of the former so-called „soviet bloc“, we find a specific situation – before 1990 a low number of elderly, notably women, participated in the labour market.

Also here the situation has gradually changed and the participation of elderly was raised. The evolution and experiences with respect to the participation of elderly in the labour market in selected countries is discussed in the following paper. The development in this area in two new Member States of the European Union – the Czech Republic and Slovakia – will be compared. The comparative analysis is all the more interesting, because after the division of former Czechoslovakia, from 1993 the evolution of elderly employment and the choice of measures were different in the Czech Republic and Slovakia.

The information ties up with the study of A. Zaidi and M. Fuchs on „Transition from Work to Retirement“, published as a Policy Brief of the European Centre in December 2006, that deals with the specific situation in new European Union countries. The information was prepared by the Institute for Labour and Family Research, Bratislava, of the European Centre's National Liaison Official for Slovakia – Kvetoslava Repková.

I Labour Market Situation of Older Workers

Participation rates as well as employment rates of older workers have risen after 2001 in both republics The participation rates in the Czech Republic of both men and women are relatively high (close to or above 90%) up to the age of 55 years. However, after the age of 55, the participation rate declines significantly for women and later for men (from the age of 58) as individuals approach their statutory retirement ages (see discussion on pension system below).



Compared with 1993, the situation has tended to improve somewhat. The participation rates in the age group 55-64 have increased by 11 percentage points on average (9.5 for men and 11.5 for women) but the situation in 2001 was roughly the same as in 1993. The main change in the participation rates among older people has occurred from 2001 until now.

Figure 1a
Participation rates by age
– men (2005)

Source:
MoLSA CR, SO SR

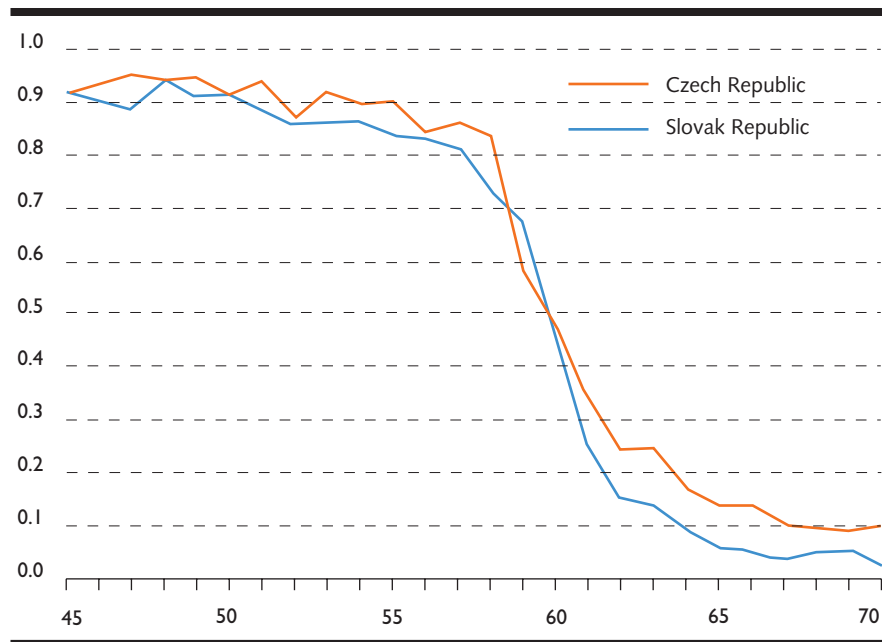
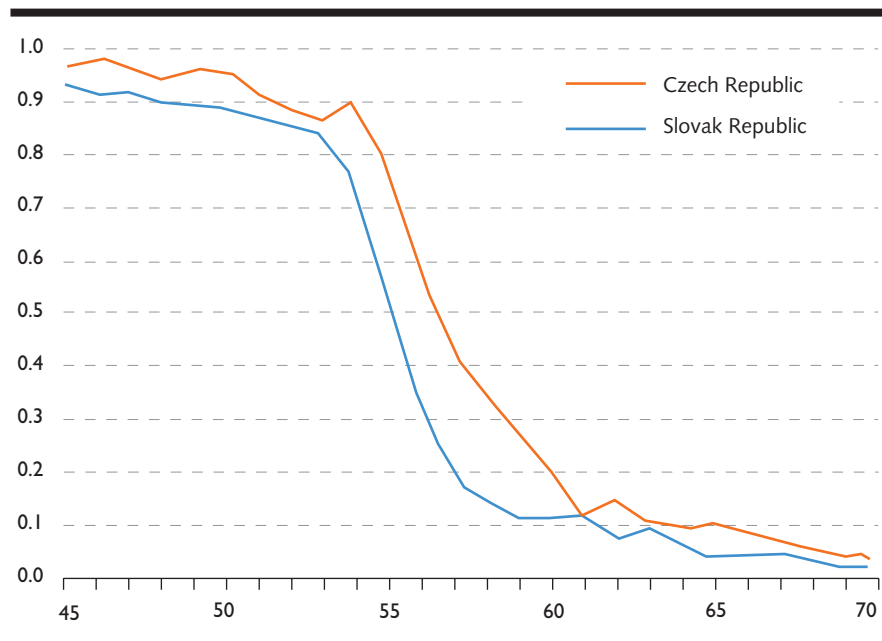


Figure 1b
Participation rates by age
– women (2005)

Source:
MoLSA CR, SO SR



Participation rates as well as employment rates in Slovakia are lower than in the Czech Republic

In Slovakia, the participation rates are somewhat lower than in the Czech Republic. Also the temporal advance of the decline of the elderly participation rate in Slovakia (mostly of women) is evident. The difference is caused by a shorter pension reform period (only from the year 2004 whereas in the Czech Republic, since the year 1996) – with reference to raising the pensionable age.

Regarding the different pensionable ages (men 60 years and women 53-57 years) in Slovakia until 2004, the main attention in statistics will be given to the age group of 55-59-year-old people.

Table I
Participation rates in the age group 55-59, by gender in Slovakia

Source:
SO SR

Participation Rate	1994	1995	1996	1997	1998	1999	2000
Men %	68,2	67,4	67,3	64,5	67,1	64,9	65,5
Women %	15,1	14,1	17,0	15,3	16,1	18,1	17,2
Total %	39,4	38,4	40,0	37,8	39,5	39,6	39,4
Participation Rate	2001	2002	2003	2004	2005	2006	
Men %	71,0	74,3	77,4	78,8	79,8	76,9	
Women %	17,0	17,9	19,9	22,9	26,9	31,8	
Total %	41,8	43,8	46,3	48,9	51,6	53,1	

During the transformation period in Slovakia (from the year 1990 until now), the participation rate of the elderly remained – at first from 1994 until 2000 – at the same level (approximately 40% in the age group 55-59 years and approximately 6-8% in the age group 60-64 years). From the year 2001, the participation rate of persons older than 55 years has increased markedly (in 2006 to the level of 53% in the age group 55-59 years and 15% in the age group 60-64 years). This rise is evident for both men and women, although the number of women is markedly lower than men, given by their earlier pensionable age. The increase in the elderly participation rate is caused both by economic development and pension reform (shift of pensionable age).

A similar picture emerges in the Czech Republic when looking at employment rates. Achieving higher rates of labour force participation among older people is only part of the necessary changes. The extent of the number of people that participate and are employed plays and will play a fundamental role in the process of ageing. The employment rates of older people have improved by nearly 9% (8.5 for men and 10.5 for women). The situation has mainly changed since 2001 (Table 2).

Despite the improvement in the employment rate of older people, it still remains under the Lisbon target (50%).

Table 2
Employment rates in the
age group 55-64 by gender
in the Czech Republic

Source:
CSO

Employment rate	1993	1994	1995	1996	1997	1998	1999
Men %	42.4	40.8	42.5	43.3	41.7	38.9	39.4
Women %	17.2	17.8	18.3	19.2	19.3	17.8	18.1
Total %	29.3	28.9	30.0	30.9	30.2	28.0	28.4
Employment rate	2000	2001	2002	2003	2004	2005	
Men %	38.4	39.6	44.6	46.5	47.8	51.0	
Women %	17.5	18.4	21.2	24.1	25.7	27.8	
Total %	27.7	28.8	32.6	35.1	36.5	39.1	

In Slovakia, the evolution of employment was influenced predominantly by a bad labour market situation. The employment rates of persons in age group 55-59 years circulated around 34-37% during the period 1994–2002. Only economic growth, as a result of entering the European Union and by creating new jobs through massive foreign investment in recent years, raises the employment rate of the total population and namely of the elderly (in the year 2006 to the level of 48% in age group 55-59 years and 14% in age group 60-64 years).

Table 3
Employment rates in the
age group 55-64 by gender
in Slovakia

Source:
SO SR

Employment rate	1994	1995	1996	1997	1998	1999	2000
Men %	63,0	63,0	63,0	60,6	62,5	57,7	56,1
Women %	13,7	12,7	16,3	14,3	14,6	17,0	15,7
Total %	36,3	35,6	37,6	35,5	36,6	35,7	34,3
Employment rate	2001	2002	2003	2004	2005	2006	
Men %	62,0	62,2	65,4	65,8	68,6	68,7	
Women %	15,1	15,1	18,2	19,5	23,6	28,8	
Total %	36,6	36,8	39,9	41,0	44,7	47,7	

Unemployment in the Czech Republic has not played an important role in the age group 55-64. As can be seen in Table 4 the unemployment rate in this age group has been significantly lower than for the whole population. The low unemployment is primarily caused by the wide opportunities to exit the labour market (especially through the pension system) and therefore only a bit more than 40% of people in this age group are in the labour force (almost 60% being inactive).

Table 4
Unemployment rates in the
age group 55-64 by gender
in the Czech Republic

Source:
CSO

Unemployment rate	1993	1994	1995	1996	1997	1998	1999
Men %	1.4	1.5	1.1	1.5	1.3	1.4	1.9
Women %	1.0	0.7	0.7	0.8	0.9	0.8	1.0
Unemployment rate in whole pop. %	4.5	4.5	4.2	4.1	5.0	6.9	9.5
Unemployment rate	2000	2001	2002	2003	2004	2005	
Men %	2.0	1.8	1.6	2.0	2.5	2.4	
Women %	1.0	1.1	1.1	1.3	1.7	1.9	
Unemployment rate in whole pop. %	9.6	8.8	7.9	8.4	9.0	8.6	

Czech Republic: A radically different situation exists in the 50-54 age group in the Czech Republic, where ways to leave the labour market are highly restricted. **unemployment of age group 50-54 is greater than unemployment of age group 55-64.** The unemployment rate in this age group was roughly four times higher than in the age group 55-64 and was close to the unemployment of the whole population in 2005. From this point of view the most threatened age group is 50-55, but the situation could be changed in the future by increasing the statutory retirement ages (see pension), which will limit the possibilities to retire for higher age groups.

Table 5
Unemployment rates in the
Czech Republic

Source:
CSO

Unemployment rate	1993	1994	1995	1996	1997	1998	1999
Age Group 50-55 %	2.1	1.9	2.2	2.3	3.1	4.3	6.4
Total pop. %	4.5	4.5	4.2	4.1	5.0	6.9	9.5
Unemployment rate	2000	2001	2002	2003	2004	2005	
Age Group 50-55 %	7.2	6.7	6.7	6.5	7.5	8.0	
Total pop. %	9.6	8.8	7.9	8.4	9.0	8.6	

Unemployment plays an important role in Slovakia, for the whole population and for the elderly as well. Parallel to the economic transformation, unemployment growth has started from the year 1990, when during one year (1991) the unemployment rate increased from 1% to 12%. During the period 1991–1998, the unemployment rate circulated around the level of 12-14%. From 1998 till 2000 the unemployment rate went up to 18%. During the years 2000–2004 the unemployment rate remained between 18 to 20%, but over the last 2 years it fell to the level of 13% (in the second quarter of 2007, to only 11.1%).

Table 6
Unemployment rates in the
age group 55-59 by gender
in Slovakia

Source:
SO SR

Unemployment rate	1994	1995	1996	1997	1998	1999	2000
Men %	7.7	6.5	6.3	6.1	6.9	11.1	14.4
Women %	9.2	10.3	4.7	7.0	9.1	6.0	8.7
Unemployment rate in whole pop. %	13.7	13.1	11.3	11.8	12.5	16.2	18.6
Unemployment rate	2001	2002	2003	2004	2005	2006	
Men %	12.8	16.2	15.5	16,5	14.0	10.6	
Women %	11.4	15.2	8.8	14.8	12.6	9.4	
Unemployment rate in whole pop. %	19.2	18.5	17.5	18.1	16.2	13.3	

Slovakia: During the period 1994–2001, the unemployment rate of the elderly in Slovakia in the age group 55-59 was about 5-6 percentage points lower than the unemployment rate of the whole population. Later, the unemployment rate of elderly people approached the unemployment rate of the whole population. From the year 1999, the unemployment rate for elderly women is lower than for elderly men.

The experts of the labour offices in the Czech Republic have agreed that employers generally have shown lower interest to employ older people, because they believe that younger workers have more potential. The opinions of employers towards their older workers are negative. They think that older workers are less capable, not able to use new technologies or to speak foreign languages, have bad working habits from their previous jobs, and suffer from health problems. On the other hand, they credit older workers for their more responsible approach to working obligations, for their life experience, as well as their practical acquirements.



The survey among Slovakian employers (performed by the Slovak National Labour Office in 2002) about their interest to employ elderly people, pointed out the advantages and disadvantages of elderly employees. According to employers, their disadvantages are: inability to keep up with new technologies (e.g. PC) and weaker physical condition. But only 15% of employers deem the employment of elderly to be gainless. On the contrary, employers appreciate the dependability, loyalty, liability and know-how of older workers with long-term experience.

The employers' interest for older people, as recorded in the labour offices, is partially influenced by the financial incentives from the state's active employment policy, which supports older people's employment. The real interest, however, depends primarily on an employer's subject of business, the state of labour force demand and the individual quality of the older worker. Also the individual preferences of each employer play a role, as well as their personal relationship to the older part of the population.

II Systematic Changes and Reforms in the Labour Market

The labour law and unemployment benefits in the Czech Republic

The Czech labour law does not involve any special instruments directly addressing older people or workers. All instruments can be used for all workers independently of their age.

A job seeker may apply for unemployment support. S/he must meet the basic condition, i.e. over the previous three years s/he must have been employed for at least twelve months or have performed other gainful activity constituting the basic obligation to pay insurance for old-age pension and contribution to the state employment policy. Support cannot be provided to beneficiaries of old-age pensions.

For the first three months the amount of the support is 50% of the previous income, falling to 45% for the next three months. If the job seeker retrains, the amount of the support will be 60% of the previous income throughout the period of retraining.

Czech Republic: bigger support for elderly unemployed as for the rest of the unemployed population

People from 50 to 55 can draw unemployment support for 9 months, while for people over 55 the support period has been extended to 12 months. The extended support period for older workers was introduced in 2004 with the New Employment Act. Until 2004, the support period was 6 months for all workers.



Unemployment benefits in Slovakia

From the moment of implementation of the unemployment benefit system in Slovakia, the conditions for receiving this benefit have tightened up due to high unemployment rates. Initially, the qualifying period to receive unemployment benefit was at least 12 months of employment during the last 3 years (where the period of professional preparation and receipt of an invalidity pension were taken into account). Receiving an old-age pension excludes one from receiving unemployment benefit.

Before 2003, longer-lasting support for elderly unemployed, after reform equal conditions for all

The amount of unemployment benefit for the first 3 months was 60% and after that 50% of net average monthly earnings, ceiling at 1.5 the amount of the minimum wage. The duration of payment was 12 months, but it shortened and in 1992 it was only 6 months. In 1994 the principle of seniority was introduced, making the duration of payment of the unemployment benefit longest (9 months) for unemployed people older than 45 years. From October 1995, the duration of unemployment benefit payment has been extended, so that citizens older than 50 years may receive this benefit 12 months. The waiting time for the next period of unemployment benefit was 6 months of employment activity.

From 1997, the unemployment benefit entitlement accrued by paying contributions during a period of 12 months over the last 3 years before making an application (also the time of professional preparation and times of care for handicapped persons and children are taken into account). The amount of unemployment benefit was 60% of the assessment base (gross earnings) during the period of the first 3 months and after that 50%, ceiling at 1.8 times the minimum wage. The maximum duration of paying benefits was differential according to the length of the period of paying contributions (or employment): 12 months for persons working more than 25 years. Later (during the period 1999–2003), the amount of unemployment benefit was reduced to 50% of the assessment base for the first 3 months and after that 45% of the assessment base, ceiling at 1.5 times the subsistence minimum (not equal to the minimum wage). The waiting period for the next period of unemployment benefit receipt was 6 months of paying contributions after returning to employment.

From the year 2004, the conditions of unemployment benefit receipt have been hardened. The qualifying period for unemployment benefit entitlement is now 36 months of unemployment insurance benefit contributions paid during the last 4 years. This is valid also for the next period of unemployment. The amount of benefit is 50% of the assessment base (earnings), up to a maximum of 3 times the average monthly wage in the



national economy. The duration of payment is 6 months. The entitlement expires also on the day of rejection from the Job Seekers Register or upon being granted an old-age pension.

Measures on the Slovak labour market

Since the start of the transformation (1990), Slovakia must face high unemployment rates. A number of measures to enhance employment have been introduced. At the beginning, part of the unemployment contributions was assigned to carry out active measures on the labour market that were designed according to government priorities and decisions of the regional committees of the labour offices. These committees were composed of employers, employees and state representatives. They allocated the means into projects creating new jobs (as employment and self-employment), providing public-benefit works, retraining, employment of the disabled, of old-aged and young persons as well as long-term unemployed.

Reduction of contributions **The reform of the labour market** (Law 5/2004 on employment services) has abolished the distribution system of means from unemployment contributions (due to the low collection of contributions, the unemployment fund could only cover unemployment benefits) and financing of employment incentives was transferred to the state. The Employment Fund (established in 1990) and the National Labour Office (established in 1997) have been abolished in 2003 and their competences were transferred to the national Labour, Social Affairs and Family Office as of 2004.

Actual measures stimulating social and professional integration in Slovakia

- Reform of ALMP:** - start-up allowance for the self-employed (up to 24-times the minimum monthly total labour costs),
instead of publicly or socially - wage subsidy for employment of a disadvantaged jobseeker (person up to the age of 25 or over the age of 50, long-term unemployed persons, etc.): payable to employers up to 24-times the monthly total labour costs,
purposeful jobs subsidy for - wage subsidy for employment of a graduate (for up to 6 months),
Activation activities - allowance for commuting to work,
- allowance for sheltered workshop or workplace creation (up to 24-times the minimum monthly total labour costs + up to 24-times the minimum monthly total labour costs for additional costs – e.g. adapted machine equipment),



- start-up allowance for the disabled self-employed (the same as under the aforementioned case),
- subsidy for operation costs of a sheltered workshop and for transportation of employees (up to 7-times the minimum monthly total labour costs per year),
- wage subsidy for job assistant (up to 90% of the total costs of labour of the person helping the disabled person),
- activation allowance for persons in material need (for those in back-to-work programmes),
- allowance for activation activities (10% of minimum monthly total costs of labour): payable to self-governments, to corporate bodies or to physical persons for persons organising an operative activity of the unemployed.

Table 7
Measures on the Slovak
labour market in 1992–1994
(Number of persons)

Source:
Labour market and social policies in the
Slovak Republic, OECD, Paris. 1996

Measure	1992	1993	1994
Retraining	31354	18286	17995
Publicly useful jobs	41964	13331	16084
Socially purposeful jobs	97713	35945	38983

Table 8
Measures on the Slovak
labour market in 2004–2006
(Number of persons)

Source:
Source: Reports on Social situation in
Slovakia, Ministry of Labour,
Social Affairs and Family, Bratislava

Measures	2004	2005	2006
Education	27168	35689	10250
Activation Benefits	219876	137446	129372
Subsidy for Graduates	14462	24838	11291
Subsidy for self-employment	5618	9908	5323
Subsidy for disadvantaged jobseekers	1778	3087	1896



During the whole transformation period, older workers were advantaged. Law 1/1991 on employment (valid from February 1991 till December 1996) stipulates enhanced attention for job applicants, e.g. workers older than 50 years of age. Law 387/1996 (valid from January 1997 till January 2004) provided for the support of employment of special groups of citizens, e.g. older than 50 years of age and a new Law 4/2004 on employment services provides to support the employment of disadvantaged jobseekers, e.g. unemployed persons older than 50 years of age.

III The Pension System and its Reform in the Czech Republic

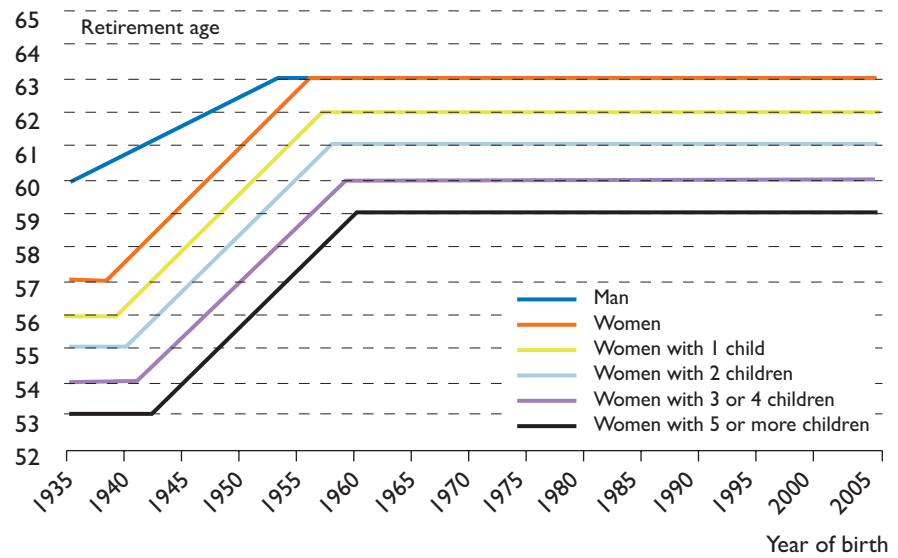
The pension reform process in the Czech Republic started immediately after the political changes in 1989. The principle of universality was introduced to the system, discrimination eliminated, the payment of pension insurance contributions introduced, and the authority in charge of the insurance system transformed. In 1995, a reform act on pension insurance was passed in the Czech Republic, and it was one of the first countries in Central and Eastern Europe to do so. This act introduced the required flexibility of the scheme and an extension of the retirement age for eligibility for the old-age pension; the scheme was harmonized with the rules being applicable on an international basis, and its regular valorization was introduced.

The statutory retirement ages

Czech Republic: the starting year of pension reform – 1996 The main parameter of the pension system in connection with the labour market situation of older people is the statutory retirement age and the possibilities how to leave the labour market before that age. Until 1995, the statutory retirement ages had been 60 years for men and 53–57 years for women (depending on the number of children raised). The 1995 New Pension Insurance Act introduced the process of the gradual increasing of statutory retirement ages both for men and women up to age 62 for men and 57-61 for women. The 2003 amendment of the Act changed the targeting levels of the statutory retirement ages to 63 years for men and 59-63 years for women. The process of increasing the statutory retirement ages is based on a generational approach and these ages have been raised by two months for men and four months for women. Currently, the legislated process will be terminated in 2016 for men and 2019 for women, respectively.

Figure 3
The process of increasing the statutory retirement ages

Source:
Executive team: Final report, Prague 2005



Increase of statutory retirement – proportionally to the previous situation of women

The process of increasing the statutory retirement ages is a reaction to the process of demographic changes in society, especially as regards longevity. This process also helps maintain older people on the labour market and has been a main factor in the changes of the participation rates (see above).

The early retirement scheme(s)

The statutory retirement ages and their increase are only part of the picture. The Czech pension system allows older people to retire before the statutory retirement age. There are two main ways how to do this. The first is through early retirement scheme(s) and the second through invalidity pensions.

Early retirement allowed three years before retirement age

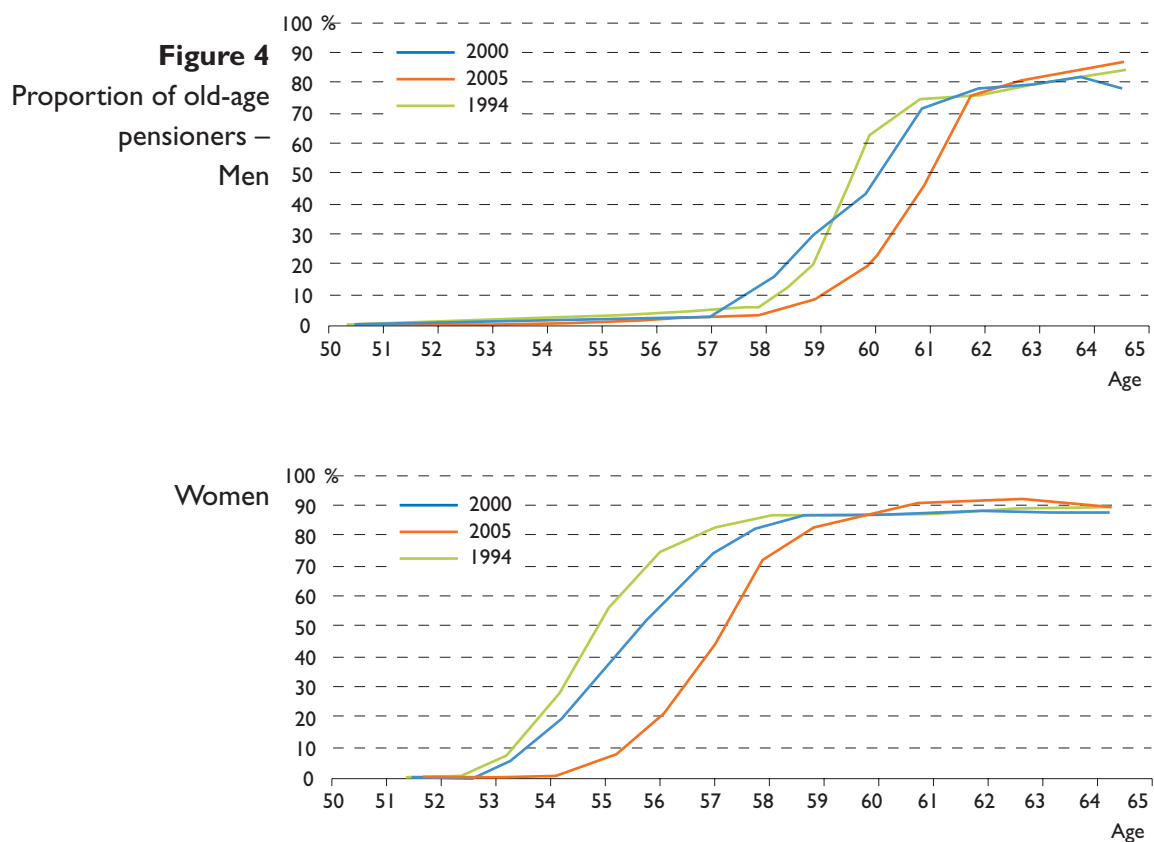
The 1995 pension legislation has introduced two early retirement schemes as compensation for the process of increasing the statutory retirement ages. The first so-called temporarily reduced early retirement was abolished by the changes in 2004. The only early retirement scheme currently exists under the pension insurance act. This is the so-called permanently reduced early retirement pension, which is allowed for all people three years before the statutory retirement ages at most. This type of pension is reduced for each person at least 90 days prior. The reduction is roughly 6 to 7% a year. In combination with deferred retirement (when the pension is adequately increased), the Czech pension system offers a wide range of flexibility in the age of retirement.

In 1995, when the early retirement schemes were introduced, the reduction coefficients were set too low and led to relatively strong incentives for early retirement. By the 2001 reform, the coefficients were adjusted and recent calculations show that the system is set up close to actuarial neutrality. After the coefficient adjustment in 2001, the proportion of early retirees has stabilized at a level around 30% (Table 9), which is adequate to this option.

Table 9
Proportion of early retirees
in the Czech Republic

Proportion of early retirees	1996	1997	1998	1999	2000
Temporarily reduced %	6.0	9.8	10.7	11.0	10.5
Permanently reduced %	12.2	20.2	37.6	41.9	48.7
Total %	18.2	30.1	48.3	52.9	59.2
	2001	2002	2003	2004	2005
Temporarily reduced %	7.5	11.9	23.5	11.1	5.9
Permanently reduced %	50.7	21.9	19.7	26.4	25.5
Total %	58.2	33.8	43.2	37.5	31.6

Changes in retirement behaviour The changes in retirement behaviour can also be seen from the proportion of retirees in given ages. The big change can be observed between 2000 and 2005 when the situation had changed especially before statutory retirement ages. This picture corresponds with the changes in the participation rates (see above) that had taken place in the same period.



The invalidity pensions

Not only do early retirement scheme(s) allow older workers to leave the labour market, there is also the possibility of non old-age pension schemes, especially invalidity pensions. The invalidity pensions can substitute an early retirement scheme especially in a situation where the minimal retirement age has increased. The 1995 reform also included changes in the invalidity pension. The changes mainly focused on medical inspections where the conditions were notably tightened up.

These changes have led to a significant switch from full to partial invalidity in many cases. In spite of the process of ageing the number of people with full invalidity pension decreased or remained relatively stable over the last years. On the other hand, the number of partial invalidity pensioners has rapidly increased as a reaction to tightened conditions.

Table 10
Proportion of early retirees
in the Czech Republic

Proportion of invalidity pensioners							
	1993	1994	1995	1996	1997	1998	1999
Full %	395186	406806	415863	404756	394766	387888	381542
Partial %	116631	113731	113931	120743	134584	140675	146266
Total %	511817	520536	529794	525499	529350	528563	527808
	2000	2001	2002	2003	2004	2005	
Full %	377679	376456	378433	380416	384203	385149	
Partial %	150609	157831	166405	173569	179173	184906	
Total %	528288	534287	544838	553985	563376	570055	

IV Situation of Pensioners in Slovakia and Pension Reform

Slovakia: the starting year of pension reform – 2004

During the transformation period, governmental pension policies were very conservative. Until 2003, governments had direct influence on the amount of old-age benefits. Due to a stagnation of the calculation method, the base amount of all pensions became equal at a very low level. An adjustment of pensions according to the increase of consumer prices and wages was annually implemented and also the maximum level of pensions was adopted. This way, the replacement rate of pre-retirement earnings has rather declined, the ratio between maximum and average pension has also declined and also the inequality between pensions became lower. The pay-as-you-go pillar lost its stimulative effect and the benefits for new pensioners were at a very similar level.

The data in the following table mark the copying of pension benefits towards wages, but at a lower level. Simultaneously, the comparison with the evolution of real wages pointed towards an ongoing bad financial situation of old-age pensioners (while during the period 1993–1999 the ratio of average old-age pension to average net wage fluctuated around 58-59%, later this figure fell to 57% and over the last years to 56%). Hence, here was an incentive for employment in old age. Even though, the employment of pensioners did not increase, as the labour market was characterized by high unemployment and high competition. At such a market, old-aged people had no chance to succeed.

Table II
Data on earnings and pensions in Slovakia (in SKK, monthly period)

Notes:
Average net wage of single individual without children;
Source: Statistical Office of Slovak Republic, Law No. 461/2003, Law No. 100/1988, Social Insurance Agency

	1990	1993	1994	1995	1996	1997	1998
Average net wage		4286	4970	5644	6340	7095	7642
Old-age pension	1673	2532	3049	3320	3727	4124	4490
Maximum old-age pension	3800	4350	4660	5040	5650	6220	6718
Real wage index	100,0	75,1	77,5	80,7	86,4	92,1	93,6
	1999	2000	2001	2002	2003	2004	2005
Average net wage	8152	9376	10022	10821	11417	12446	13579
Old-age pension	4878	5382	5782	6104	6503	7046	7713
Maximum old-age pension	7154	7740	8282	8697	9219		
Real wage index	90,8	86,4	87,1	92,1	90,2	92,5	98,2

Increase of statutory retirement age – equal for men as for women; higher generosity of benefits

Only later, pension reform (from 2004) has opened the course for elderly employment. In the Pay-As-You-Go pillar, pensionable age was raised and the amount of pension not so strictly regulated by government. By law, a new calculation method was set up – it provides for the calculation of the economic activity of a citizen during his/her whole economic life and allows for also higher amounts of pensions. The efficiency principle was established in the pension formula, e.g. for those with higher contributions also higher benefits pertain. The amount of benefit is a conjunction of three modules: number of contribution years, average personal earnings point and current pension value.

The most important incentive for elderly employment was the increase of pensionable age. The new level was set at the age of 62 – both for men



and for women. For men, it represented an increase of 2 years, but for women the increase was 5 and at maximum 9 years (for a specific category, i.e. women that raised 5 and more children – by 9 years). That rise in pensionable age was spread over the period 2004 till 2006 for men, and till 2014 for women.

The next notable incentive for elderly employment was the increase of the benefit amount in case of a deferred old-age pension. It used the calculation formula valid also under the previous system, but not utilizable due to the limited amount of maximum pension. So, it has been increased by 0.5% per 30 days of deferment. Also the converse principle applies – reduction by 0.5% per 30 days missing to retirement age in case of early pension.

The impact of early pension on participation in the labour force and on employment is not apparent at present. This regulation has been in operation only since 2004 and has not been evaluated yet. In 2004, there were 12,668 persons with early retirement, in 2005 there were 16,721 persons receiving early pension and in the year 2006 we have counted 44,693 persons (4.7% of pensioners) receiving early pension.

The impact of invalidity and sickness on participation rates became evident in recent years. We have registered a decrease of the participation rate of men in the age group 55-59 in the year 2006 compared to 2005: it was caused by an increasing number of disabled and sick men in that age group.

Bifurcation of the pension system – introduction of a funded pillar Starting from the year 2005, the pension reform is covered by the funded pillar of old-age insurance. A part of old-age insurance contributions is managed in funds by 6 private pension managing companies and only part of the contributions remain in the first pillar – in the Social Insurance Agency (SIA). The total old-age benefit will be composed of two parts – one part from the SIA and one part from the private pension managing company. The actual participation of elderly people in funded pillars is impossible, because it is necessary to save contributions in the funded system for a minimum of 10 years.



Summary

In Slovakia, the pension system remained practically outside the labour market context until the year 2003, when the old-age benefit was in many cases only a compensation of income loss after reaching pensionable age. The labour market situation was characterized by a high rate of unemployment that had a negative impact not only on the direct employment of the elderly, but on low old-age contributions and low pension benefits as well. Hence, the incentives of active labour market policies are not applicable for early retirement or for remaining in employment while the situation under the pay-as-you-go system is unchanged. Until the last 2 years, the indicators of employment and productivity have gained and that is why the changes in the pension system in relation to transition from work to retirement became evident.

The Czech Republic faces the challenges of rapid ageing (one of the strongest in the EU). In this process of ageing, later and smoother retirement play a very important role. The situation in the new millennium (after the economic transformation of 1990) has shown that the main targets for older people set up within the EU Lisbon Strategy could be reached until 2010 (50% employment rate in the age group 55-64). But these have been only a first few steps on a long road and it is clear that many further changes have to be made to eliminate all relevant possibilities or incentives to leave the labour market too early (especially in the pension area and pension law) and also to remove all types of discrimination on the labour market which could lead to problems for older workers in employment or reemployment.

List of Abbreviations

MoLSA CR= Ministry of Labour and Social Affairs of the Czech Republic

SO SR = Statistical Office of the Slovak Republic

CSO = Czech Statistical Office



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