Chapter 32

Slovakia

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Abstract Although ageing is a universal process that concerns most countries, so far there are great differences particularly in relation to post-socialist countries. In Slovakia, population ageing appears to be irreversible in the coming decades at least up to 2050. Therefore, society must prepare to function under changed conditions and adapt to the increasing number and proportion of older people. The ageing of the population brings serious economic, social and political consequences. In addition, the effects of ageing cannot be eliminated or mitigated by isolated measures in a short period of time. They require comprehensive solutions made over time. For this reason, social, employment, health and education reforms are essential. The purpose of this chapter is to provide an overview of such measures in Slovakia. The chapter starts with an introduction which gives a brief socio-demographic context and the rest of the chapter provide a concise overview of pensions, of the employment of older people, of precarious work and of health policies as well as the underlying particular characteristics and challenges in Slovakia.

Keywords Ageing population • Late employment • Pension system • Slovakia • Gender • Health

Introduction

Slovakia belongs to a group of countries, where the increase in the employment rate of older adults is well below the OECD average. A steady increase in the older population, emigration of young people, declining fertility rates, and concerns about the increasing economic burden, brought about national efforts to focus on issues of employment policies and retirement income systems. The older worker cohort

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(55–64 years old) in Slovakia in 2017 represented 13.4% of the population. It is expected to increase to 26.1% by 2040 (European Commission 2015). Over the same period, Slovakia is likely to experience a significant decrease in the total number of inhabitants. In 2017 the employment rate of people aged 55–64 was 53%, which is low in comparison to EU28 countries (57.1%) (Eurostat 2019a). While men employment rate was 56.6% compared to 63.7% in Europe, older women in Slovakia have employment rates close to EU levels (49.6% compared with 50.9%).

Even though Slovakia has had the highest increase in labour force participation of individuals aged 55–59, the rate increased from 34.5% in 2004 to 57.9% in 2014, participation in the labour market was still low compared to other European countries. The average employment rate in the same age cohort across all Organization for Economic Cooperation and Development (OECD) countries reached 67% in 2015 (European Union 2015).

In 2017, the old age dependency ratio (population aged 65 or over in relation to the population aged 15–64) in the EU was 29.9%. This means that the EU had just over 3.3 working age individuals for every person aged 65 or over. The old-age dependency ratio in Slovakia was one of the lowest among all EU countries (21.5%). Even though the ageing of the Slovak population is not yet very pronounced, the evolution of the age structure of the population points to an acceleration of the population ageing process. Baby boomers continue to represent a major part of the working age population, who are now reaching retirement age and there are fewer births than in the first half of the 1990 s (European Commission 2015).

The female employment rate (age category 15–64 years) in Slovakia has not only been lower than the employment rate of men (60.3% compared to 72.0% in 2017) but has also been lower than the average EU employment rate of women (62.5%). Women also have a higher unemployment rate, which in 2017 was at 7.6%, compared to a 7.0% rate for males (age 25–74). There is a persistent gender wage gap and regional disparities in wages. Slovak women earned 80.2% of men's average gross wage in 2017 (lower than the EU proportion of 84%). The main purpose of this chapter is to provide an overview of social, pension, employment, health and education measures that should contribute to mitigate impacts of the ageing population in Slovakia in future.

Pension Policies in Slovakia

The adverse development of demography has been challenging traditional conservative pension systems in many developed and transitioning countries, including Slovakia. As a reaction, reforms of pension systems have been introduced, adopting more liberal schemes, in which complete or partial responsibility for old age well-being is transferred onto individuals. The Slovak Republic inherited a public pay as you go (PAYG) pension system from the old Czechoslovakia, which incorporated significant elements of redistribution within a social insurance system, where contributions from current workers were immediately used to pay benefits to current

retirees. The former PAYG pension system was changed to a three-pillar system in 2003, with a mandatory first pillar being PAYG, a second pillar based on individual accounts, and a third one being for voluntary pension savings.

1. The first pillar is a Social Insurance System comprised of pension insurance and of other types of pension benefits. The retirement age introduced by the Act on Social Insurance, is being extended gradually (until the end of year 2023, by 2 months every year). In 2019, the retirement age is 62.5 years for both men and women and will increase until it reaches 63 years and two months. Additionally, starting in 2017, the retirement age of people born after 31 December 1954, will be linked to life expectancy (men and women taken together). The qualifying conditions for entitlement to the old age pension are 15 years of insurance and reaching pensionable age. According to the Act on Social Insurance, the following types of pension benefits are provided from the pension insurance system:
 - Old age pension: The amount is determined by the average personal wage point (person's salary compared to average salary), the period of pension insurance acquired on the day of occurrence of the claim and the current pension value.
 - Early old age pension: The insuree needs to have at least 15 years of pension insurance and to be within two years of retirement age.
 - Invalidity pension: The qualifying condition is a reduction of the capacity to perform gainful activity due to a long-term unfavourable health condition (more than 40%) and achieving the required insurance period while not qualifying for the old-age pension, or early old-age pension.
 - Survivors' pension: this is 60% of the insured deceased person's pension. An orphan's pension amounts to 40% of the insured deceased parent/adopter's old age or invalidity pension. Sickness benefit: This is provided per day; in the first three days the benefit equals 25% of the daily assessment basis, from fourth day of the temporary incapacity for work, the sickness benefit is 55% of the daily assessment basis up to one year. After this period the health condition must be re-examined. The insuree is entitled to unemployment insurance if he/she had unemployment insurance for at least two years within the past three years before being included into the registry of unemployed job seekers. The amount of unemployment benefit equals 50% of the daily assessment basis for the first six months of unemployment. Slovakia has strict eligibility criteria for unemployment benefits, with the longest required period of insurance contributions in the whole EU.
2. Second Pillar: The Old-Age Pension Scheme. Since 2005, the Slovak private pension provision has included a system of individual retirement accounts, which serve as an important source of income for pensioners. Contributions, which by law may be mandatory or voluntary, are deposited to the personal savings account of the contributor. The amount of compulsory contributions is determined by the percentage of the basis of tax assessment achieved in the deciding period. Benefits are paid to savers who have reached retirement age and saved for at least fifteen

years. People aged up to 35 years old can decide whether they join the second pillar or stay only in the first one. In case a worker is in both, the contributions to first and second pillar pension insurance are equally split and amount to nine per cent. Once joined, it is impossible to quit the second pillar. Nevertheless, the Slovak government temporarily opened the second pillar in 2015 for the fourth time since its creation; consequently, more than 160,000 clients left the pillar. The reason was low private pensions and that the system is not advantageous for older people with lower incomes. The private pension system is beneficial for young people whose monthly income is above the average wage.

3. Third Pillar: This is a supplementary Pension Scheme introduced in 2006, a fully funded defined contribution pension plan, based on the principle of voluntary saving. Payment of contributions to this scheme is voluntary for most participants; the contributions are paid by a participant as well as the employer and under the conditions agreed in the employer's contract. The group of participants for whom an employer is obliged to contribute to the system (employees carrying out so-called risky work) is defined by law. However, even after a decade of existence of the private pension savings schemes (since 2005), the participation rates in Slovakia have remained rather low, slightly above 30% of active population (National Bank of Slovakia 2017).

Since July 2015, a minimum pension was introduced. A person with 30 or more years of pension insurance receives a pension calculated at 1.36 times the minimum subsistence level. The relatively high level of social benefits in Slovakia, especially unemployment benefits, reduces inequality and poverty, however, provide fewer incentives to work, and does not stimulate active job searching of some unemployed people (Leszko and Bugajska 2017). In 2017, 14.2% of pensioners in the European Union were at risk of poverty. Individuals are identified as being at risk of poverty if their equivalised disposable income is less than 60% of the national median equivalised disposable income after social transfers have been taken into account. Slovakia has the second lowest pensioner poverty rate among EU countries accounting for 7.6% in 2017. For women, the pensioner poverty rate is slightly higher than the rate for men (8.6 compared with 6.2). Pensioners with the lowest rate at risk of poverty are in France (7.0%) (Eurostat 2018).

People who have reached retirement age can continue working. Even though they are receiving a pension, they do not have to leave the job and the employer cannot force them to leave for that reason. Slovakia is one of handful countries which does not decrease the pension of working pensioners or increase taxes on the working income of pensioners (on the contrary, pensioners even those working full-time, pay lower taxes). One of the most attractive policies in Slovakia, is the possibility of increasing the pension by working. Working pensioners are entitled to a higher pension regardless of whether they are working on a contract or on an agreement. The amount of the increase depends mainly on the income of working pensioners. Even though early retirees can work, the Social Insurance Company will stop their retirement.

Employment Policies in Slovakia

In the context of increasing numbers of older adults, employment policies have become a prominent issue. Lacking life-long learning is a persistent challenge in Slovakia (Ministry of Labour and Social Affairs of Slovakia 2014). An information system for life-long learning was established as well as the National Institute for Life-long Learning in 2010, but only three per cent of adults (25–64) participate in life-long learning, compared to the 10.7% EU average (Ministry of Labour and Social Affairs of Slovakia 2014). The government recognises the importance of increasing participation in the working age population and providing them with equal workplace opportunities. Therefore, several measures to enhance employment have been introduced by the Ministry of Labour and Social Affairs of Slovakia.

A National Program for the Protection of the Elderly (1999)—based on the analysis of demographic trends, economic conditions in the Slovak Republic and social policy in relation to older people, the programme represented identification with the necessity to apply UN principles for older people in Slovak conditions at all levels (individual, family, commune, etc.). The principles introduced were as follows: the principle of independence, the principle of participation, the principle of care, the principle of self-realisation, and the principle of dignity, all which have been applied in different areas (social policy and insurance, healthcare, education, and so on). Based on the above-mentioned UN principles for older people individual authorities have developed these principles within their sectoral competencies.

National Project on Active Ageing (Balaž et al. 2013)—until 2013, Slovakia did not have a national document in which it would recognise the issue of active ageing as a national policy. Many of the measures and policies that were developed, corresponded to the principles and interests in this field. This document focuses on the detailed development of the demographic ageing context, with a special emphasis on the labour market and the pension system, including the strategic goals in this area and the design of measures to meet these goals. The main goals of the program were to reduce the unemployment rate for people over the age of 50, to attract more people to productive ageing with a lifelong approach to work and to elaborate strategic measures for a policy to increase and improve the employability of older people, especially between the ages of 55 and 64.

The National Program for Active Ageing for the years 2014–2020 (2014)—provides a comprehensive understanding of supports for older adults and is developed based on the lessons and experiences of the implementation of the National Programs for the Protection of the Elderly (1999) and Active Ageing (2013). The program goes beyond employment policy, focusing on the rights of older adults, support policies, lifelong learning, social and civic rights, outside of the formal labour market, promoting their independence, dignity, economic security, and social development, including protection against mistreatment in all spheres of social life. The program ensures the right to employment of individuals aged 50+ and introduces antidiscrimination policies based on age. In addition, the National Program draws attention to the low awareness of age-management for not recognising the benefits of employing

older people. The implemented program emphasises the necessity of special support for individuals aged 50+ who remain disadvantaged in the labour market.

A document has been published by the government outlining the definition of age management and the creation of age management principles for employers (in private and public administration) (Ministry of Labour and Social Affairs of Slovakia 2017). This document was published in January 2018. It was created in a joint effort by the Ministry of Labour, Social Affairs and the Family of the Slovak Republic in cooperation with all relevant entities, *i.e.* the Ministry of Health, the Ministry of Interior, the Associations of Employers, the Confederation of Trade Unions of the Slovak Republic, etc. It defines what age management is and its benefits for different stakeholders, the principles of its application and different models as well as good practices. Flexible employment options are explained as well as their benefits for employers.

Women's employment rates in Slovakia has been steadily rising faster than the average for the EU. However, there is one group of women which is much lower than the EU average. That group is women with children under the age of six (43.5% for Slovakia and 62.4% for EU) (Eurostat 2019b). Therefore, the Ministry of Labour and Social Affairs of Slovakia has promoted the employment of mothers with small children with flexible forms of work, through the National project 'Family work for the regions outside Bratislava' since 2015. Flexible forms of work have been implemented—shorter working hours, job sharing and telework. At the same time, 33 childcare facilities have been supported as well, which have provided flexible forms of childcare. The main aim of the program is to improve conditions for work and family life and to increase the employment of women with parental responsibilities.

The other option for flexible employment policy presented by Ministry of Labour, Social Affairs and Family is entrepreneurship. In Slovakia, there is a very low level of senior entrepreneurial activity (6.7% compared to 10.3% of the overall population in 2017) (Pilková et al. 2018) due to a lack of skills in this group. A course launched by the Faculty of Management, Comenius University in Bratislava can be taken as an example of good practice. The course 'Development of Entrepreneurial Skills in Cross Generation Teams' was prepared by lecturers in the Department of Strategy and Entrepreneurship, with the aim of creating a cross-generational environment for the students. Senior volunteers came from the University of the Third Age and joined a group of undergraduate students. Their role was threefold: (1) to develop their enterprising spirit and entrepreneurial mindset; (2) to learn the basic techniques applicable to new venture creation to cover their missing skills and (3) to advise young students in areas where seniors have expertise during the process of new micro-business development. Young students contributed particularly with their I.T. technology skills, enthusiasm and energy. The project is unique in Slovakia and surrounding Central and Eastern European countries as it combines mentorship of seniors while also improving their own knowledge about the latest techniques from entrepreneurship. All participants together are also part of a team that is assigned to create micro-businesses during the semester. Some of these micro-businesses were successful and continued well after the semester finished and are currently on-going (European Commission 2016).

Health Policies

While the average European is healthy up to the age of almost 64, and only then begins to develop ill-health, in Slovakia this occurs more than seven years earlier (Eurostat 2016). The indicator Healthy Life Years at birth measures the number of years that a person is expected to live in a healthy condition. A healthy condition is defined by the absence of limitations in functioning/disability. The average life expectancy in Slovakia is 77.3 years. Healthy life years are only 56.7, which means that an average Slovak would not retire in good health. Considering that the retirement age is slightly above 62 now, people have to keep working for more than five years before they can retire. There is a large gender gap in Slovakia. Women live more than seven years longer than men (80.2 compared with 73.1 years). There are also large disparities between socioeconomic groups. People with a low level of education live on average 10 years less than those with a university education. The most common cause of death for both men and women are cardiovascular diseases followed by cancer. Both account for almost three-quarters of deaths in the Slovak Republic (OECD/European Observatory on Health Systems and Policies 2017). According to the latest available data from Eurostat, in 2011 there were more than 31,000 unemployed people aged 55 to 64. Out of those people 22% had difficulties in working caused by a health condition or difficulty in basic activities.

The aim of the government's health policy is to improve the health status of the population, to build a health system that faces the changing needs of the population and to protect socially weaker individuals from the high cost of healthcare. It will be necessary to ensure that the healthcare system develops in line with demographic developments. This will ensure the effectiveness of healthcare, while maintaining its availability and to support prevention measures. Demographic developments must be reflected in legislation; it is therefore necessary to continue adjustments in order to improve the health status of the population (not only the ageing population) and to achieve a prolongation of life expectancy while reducing the health problems of the population. These tasks are embedded in the national programmes that the Ministry of Health of the Slovak Republic has provided since 2008.

Precarious Work

In Slovakia, the legally stipulated standard employment contract is an open-ended contract with full-time working hours (40 h per week). These contracts cover social security and health insurance deductions and entitlements, with remuneration exceeding the statutory minimum wage. In contrast, precarious employment has characteristics, which include uncertainty in job security, low levels of wages and lack of sufficient social protection. Precarious work in Slovakia mostly takes the form of legal employment rather than illegal employment, which differs from standard employment contracts mainly in labour rights and social security entitlements. Industries

which are traditionally characterised by the highest level of precarious work are metal, construction, healthcare and retail (Kahancová 2016).

The Labour code is the most important piece of legislation in Slovakia, regulating employment conditions and labour relations. It is also the most important regulation tool for precarious work. The only relevant legislative change has been the introduction of obligatory social security and health insurance contributions in work agreements (in 2015). This measure has produced a decrease in the use of work agreements as well as allowing retirees to increase their pensions. It also made work agreements less precarious than they were before 2015. These changes affected labour costs of employers. Other forms of flexible employment, temporary agency work, and self-employment have started to increase. However, after 2011 most regulatory stipulations were geared towards decreasing precarious employment and stabilising working conditions.

Debate on Extended Working Life

All pension system reforms in Slovakia were more or less coercive, and although the pension system is a matter that affects and influences the entire society in the long-term, there has been no attempt to find a social consensus.

The main Slovak pension reform was launched in 2004. It was a process of changing the rules on pension security, the Social Insurance Act and the adoption of a completely new act on retirement pension savings. The goal of pension reform has been to create higher and fairer pensions, which citizens can decide upon themselves. Until then, everybody had approximately the same pensions regardless of how much they have earned and what they had paid during their lives. The Social Insurance Act of 2003 unified the retirement age for men and women to 62 years from 2024. The unions were against its introduction because the health of the citizens was poor and only a minority of employees would reach the pension age in good health. This is also due to the fact that Slovaks work during nights, on shifts and have the most overtime work in Europe. However, their comments have not been taken into account. The minimum pension has been introduced into the pension system since 1 July 2015, which contributes to raising the standard of living of low-income retirees while ensuring that people who have worked all their lives have no material need after retirement. At the end of May 2018, a group of deputies of the National Council of the Slovak Republic delivered a draft of Constitutional Act to Parliament which sets the upper limit of the retirement age at 64 years (the so-called pension age ceiling). Opposition parties blame the plan for populism, and state that the proposed steps are aimed at gaining votes from older groups of voters. OECD Secretary-General José Ángel Gurría visited Slovakia in February 2019 and has identified the Slovak pension system as one of the biggest challenges for the country. The OECD points out in the latest economic report on Slovakia that the introduction of a pension age ceiling would significantly weaken the whole system. The Association of Entrepreneurs of Slovakia also disagrees with the pension age ceiling and promotes the return of

pension funding to the family level. In addition to the pension age ceiling and the minimum pension there is also a discussion in Slovakia about Christmas contributions for retirees or the so-called thirteenth pension. These changes do not stimulate people to remain active at the labour market.

Conclusion

Slovakia has introduced public policy changes due to an ageing population, low fertility rates and rising social security costs, which significantly affect older adults. Such changes have included raising the retirement age. Although increasing the retirement age seems to be inevitable, many older adults are dissatisfied, and those changes are met with strong resentment from many people. According to the leader of the trade union for heavy industry around 200,000 of their members are opposed to the increase of the retirement age. Another measure introduced is to raise the participation levels of the actively unemployed labour force. It seems that it is necessary to implement strategies used in developed countries such as subsidising wages, creating additional jobs, introducing vocational training, lifelong learning programmes or programmes for the reintegration of the unemployed, taking additional measures to address long-term unemployment by improving activation measures, second chance education and introducing high-quality training tailored to individuals' needs, improving incentives for women to remain in or return to employment by improving the provision of child-care facilities. In Slovakia senior entrepreneurship as a means of active ageing which brings both social and economic benefits is neglected and deserves special attention particularly from policy-makers and national strategies. Slovakia is ageing and the number of people reaching retirement age is increasing. Many changes need to be made in the form of national programmes or strategies, and additional reforms may also be needed to sustain the pension system. Further research on extended working life in the local context is necessary.

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