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Article

Elderly population and labour market stabilization in Europe: The case of Slovenia

Naše gospodarstvo / Our Economy

Provided in Cooperation with:

Faculty of Economics and Business, University of Maribor

Suggested Citation: Ovin, Rasto; Divjak, Marko; Čič, Živa Veingerl; Maček, Anita (2021) : Elderly population and labour market stabilization in Europe: The case of Slovenia, Naše gospodarstvo / Our Economy, ISSN 2385-8052, Sciendo, Warsaw, Vol. 67, Iss. 2, pp. 40-48, <https://doi.org/10.2478/ngoe-2021-0011>

This Version is available at:

<https://hdl.handle.net/10419/290494>

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ORIGINAL SCIENTIFIC PAPER

RECEIVED: JANUARY 2021

REVISED: MAY 2021

ACCEPTED: MAY 2021

DOI: 10.2478/ngoe-2021-0011

UDK: 331.5-053.9(497.4)

JEL: M50

Citation: Ovin, R., Divjak, M., Veingerl Čič, Ž., & Maček, A. (2021). Elderly Population and Labour Market Stabilization in Europe – The Case of Slovenia. *Naše gospodarstvo/Our Economy*, 67(2), 40-48. DOI: 10.2478/ngoe-2021-0011

**NG
OE**

**NAŠE GOSPODARSTVO
OUR ECONOMY**

Vol. 67 | No. 2 | 2021

pp. 40–48

Elderly Population and Labour Market Stabilization in Europe - The Case of Slovenia

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Abstract

The growing share of the retired population in Europe worsens the balance of the social costs as social consensus in most European countries rests on extensive social transfers for this population group. With its 25% share in GDP and 50% share in social transfers, the European (continental) model is indeed not sustainable when compared globally. The current prevailing model of "rejuvenation" of the labour market through immigration did not prove as a sustainable solution. The same is valid for the perspective of fast technological change. It is based on filling the labour market with low-paid jobs enabling host economies to leave aside the imperative permanent change in the labour market structure. This paper discusses the case of Slovenia and tries to search the reasons for the absence of elderly population in the labour market in this country. Based on the data comparison and disposable studies, authors try to identify the main issues when endeavouring to keep elderly population in the labour market.

Keywords: elderly population economic activity, labour market, HRM gap in Slovenia

Introduction

We will briefly expose main facts defining labour market's environment to introduce the background of the Slovenian labour market issues related to population ageing, discussed in the first two chapters of this paper. Therefore, after briefly describing the essential developments on the German labour market we will broaden the discussion to the consequences of ageing population for the European labour market. Afterward we will discuss the developments and practice, proving the

importance of leadership development in Slovenia to catch up with its EU partners in this field.

Unlike after World War I (WW I), when the winning powers impoverished Germany with their reparations' requests, the winning states changed the style after World War II. Except from the Soviet Union that again implemented this practice in the German Democratic Republic (GDR), the other occupation powers had focused on including Germany in the reconstruction of Europe. In the years after Germany's capitulation, two big projects initiated by the USA supported the Germany's fast path of reconstruction: the inclusion of Germany in the Marshall Plan and the Dodge-Goldsmith-Colm plan (Clay 1950, p. 209), which resulted in the introduction of „Deutsche Mark“. The later has abruptly changed the economic landscape of Germany, at the same time bringing all disposable factors on the market. A successful reconstruction campaign also caused a huge need for labour. The highly problematic big refugees flow from Soviet occupation zone and expatriated German nationals from Eastern European countries – in the period between 1944 – 1950 their number is estimated between 12 million (Statistisches Bundesamt, 1958) and 14.6 million (Federal Ministry for Expellees, Refugees and War Victims, 1967) – also supplied highly needed workforce.

With fast-growing economy needs for labour force, this push on the labour market has already, after ten years of peace turned into a German government's labour pull policy. So, after mid 50's the international invitation contracts (Anwerbeverträge) were closed with Italy (1955), Spain, Greece (1960), Turkey (1961), Morocco (1963), Portugal (1964), Tunisia (1965), Yugoslavia (1967) – (BPB 2012). Following them, up to now, additional new push processes have been founded – all of them based on widespread information on German governments' labour market and social transfer policies as well as enabled through general development of transport and information technologies. This formed an attractive option for people facing disturbances and insecurities in less developed countries, thus stimulating them to migrate to Germany. Here we firstly mean the labour leaving the former GDR after 1989 unification, as mismanaged and obsolete East German state and economy could not offer them economic and political freedom. Similar were the consequences of the war in Yugoslavia (1991 – 2001) and especially the war in Syria (after 2011). One should additionally consider the free labour movement within the EU, bringing additional labour force flow to Germany.

Such developments quite changed the German demographic landscape (see Statistisches Bundesamt, 2016; Statista 2019). So, from 1964 when Germany employed 1 million foreign workers, their number in 2013 grew to 4 million. As demography is concerned, that meant 16 million people

with migration background, which represented 19.7% of the entire population. One would expect that such developments would, at the same time, mean the rejuvenation of the labour force through migrations. However, the figures tell a different story. According to Eurostat (2017), in the year 2016 the share of the population aged 65+ in Germany reached 21.1%, which placed this country only second after Italy (22.0%). The EU average amounted 19.2%.

It seems, however, that the need for labour on the German labour market remains strong since despite the reservations presented above, introduced in January 2020 and valid since March 2020, is a new law on skilled labour force immigration – *Fachkräfte-einwanderungsgesetz* (Deutscher Bundestag, 2020). Focusing on skilled labour is selective; however, it continues with the dependence of German labour market on the foreign workforce.

Brief Literature Review

Despite hurdles felt with elderly workforce participation, such as generally fast technology changes, since 1990's elderly workforce participation in the OECD labour markets is constantly developing. This is the consequence of improvements achieved by higher inclusion in education and labour market policies bringing in tax benefits and pension reforms, combined with urbanization and growth of the service sector (Grigoli et al., 2021). These developments may also be supported by the elderly workforce's decisions to change jobs in the years preceding their retirement, aiming to achieve easier working conditions (Hurd, 1996).

Lower performance, difficulties in adapting to the changing working environment and new conditions, especially automation (Grigoli et al., 2021), together with the poor motivation for permanent education are typical push factors that prevent stronger elderly workforce participation in the labour market (Krajnakova & Vojtovič 2017, 325). Here also typical hurdles felt in a workplace is present, in the form of “age discrimination, based on stereotypes and myths about the limitations of older workers”, as discussed in Radović – Marković (2013). However, the fact is that average ageing of the workforce has a negative effect on labour productivity and total factor productivity, as shown in Aiyar et al. (2016) study.

Using the data collected in the longitudinal Survey on Health and Ageing in Europe (SHARE study) with the sample of 11,462 participants in the age of 50–64 years, Alavinia and Burdorf (2008) found reasons not directly related to respondents' jobs. These individuals are primarily of poor health, topped with lower education, single, physically inactive, and high body mass. The study by Kalwij and Verleuen (2005)

supports the importance of health for elderly labour market decisions. Using the data of individuals aged 50-64 in 11 European countries, the SHARE Survey found that better health conditions influence higher participation rates for elderly workforce and the opposite - declining health condition with age accounts considerably for the decline in participation rates.

We should not forget institutional environment influence on elderly workforce's participation level. As Brugiavini et al. (2005) and Börsch-Supan (2021) studies show, more accessible welfare systems reduce the elderly workforce's motivation for adjustment and participation and thus influence earlier retirement.

Ageing Population to Define Public Policies in Europe

This chapter brings some basic figures referring to ageing population in the EU concerning labour market. Relevant to our topic is the data on the share of population aged 65+, old-age dependency ratio (65+ years / 20 – 64 years), economically active population between 65 – 75 years of age, and young population unemployment rate. Of course, the country in focus remains Slovenia. If not quoted otherwise all data come from the Eurostat (2017, 2019) and refer to 2016.

With the share of population aged 65+ the youngest in comparison is Ireland (13.2%), followed by Luxembourg (14.2%) and Slovakia (14.4%). Below the EU average are also Poland (16.0%), Norway (16.4%), Romania (17.4%), Austria (18.5%) and Slovenia (18.4%). The EU average (19.2%) essentially exceeds Germany (21.1%) and Italy (22.0%). The 2018 numbers for the USA are 16% (PRB, 2019) and for China 11% (World Bank, 2020). As for our observation period, leaving their problems in the field aside, the other two leading world economies have a better starting situation than the EU.

Concerning the old-age dependency ratio – the ratio of the number of elderly people at an age when they are generally economically inactive (i. e. aged 65 and over), compared to the number of people of working age (i. e. 15-64 years old), — the most favourable situation seems to be in Ireland (coefficient 24.4) and Norway (29.1). With the coefficient 31.0 Austria is just a bit worse off than Belgium, which coefficient 32.5 equals the EU's. With a value 33.5 Slovenia is still in a better position than Croatia (35.0), Germany (36.1) Greece (37.1) and Italy (39.0). Because in the USA, old age support, more than in other countries, derives from the

investments in assets during the working age, the coefficient has been 27.6 (United Nations, 2019a).

Regarding the share of the economically active population of 65 – 74 years of age, the data in the EU strongly differ among the countries. With 26.0% Spain is on the top. Among the group exceeding the EU average (9.5%) are also Norway (18.9%), Sweden (16.1%), Ireland (15.7%), Romania (15.0%), and Denmark (14.3%). Below age, we are mentioning Poland (7.7%) and Austria (7.5). Slovenia (4.8%) belongs to the tail, together with Hungary (4.2%) and Belgium (3.6%) (Statistisches Bundesamt, 2016).

The last decade has seen divergent developments in the field of the young population unemployment rate. So, in Greece, it deteriorated from 21.9% in 2008 to 39.9% in 2018. While the EU demonstrated slight improvement (15.9%; 15.2%) unlike the countries where the situation has deteriorated (Finland – 16.5%; 17.0%; Austria 8.5%; 9.4%). Slovenia (9.4%; 8.8%) was among the countries where the economic growth after 2014 was off-set in youth employment (Poland – 27.2%; 11.7%, Sweden – 20.2%; 16.8%; Germany 10.4%; 6.2%).

Although is a global problem, the presented figures prove that the ageing of the population represents a special challenge for European countries. Apart from being a problem "per se" for the labour market, in the EU it also brings pressure for public finances. For instance, in the USA or the UK, financing of elderly population rests predominantly on public transfers. Their share typically ranges from 60% in Poland, 66% in Slovenia, 68% in Germany, over 83% in Austria, up to 83% in Hungary and 87% in Sweden. Because of different pension financing systems, essential share of financing of elderly population in the USA or the UK to a greater extent rests on asset-based reallocation. In the USA the public transfers' contribution to elderly financing is 26% compared to asset reallocation – 57%. Also, in the former EU member UK this relation is untypical compared to the EU – 44% vs. 48% (United Nations, 2019b).

Sharing the ageing population problem with other countries in Europe could mean a certain relief for Slovenian policy as there will always be a certain room for best practice sharing. On the other hand, there are some issues when Slovenia seems to be clearly in less favourable position if compared with other EU countries. The share of elderly population economic activity is evident from the data presented above. Therefore, in the following chapter we are focusing on this issue.

Slovenian governments have well recognized the issue. Therefore, Slovenia has been actively participating in numerous programs and projects in active ageing, financed mainly from the EU Social fund. Considering that these programs are quite synchronised in the EU and having no

systemic doubt about them in Slovenia, we must assume that the reason for elderly population in Slovenia to participate on the labour market lies far less than in most EU countries outside the facts that can be influenced by labour market policy. Using concepts of psychological agreements and studies dealing with management/leadership development in Slovenia we will try to prove that the resilience of elderly population to stay on the labour market can be derived to the management/leadership quality and respectfully their development stage.

The Sources of the Resilience of Elderly Population to Stay on the Labour Market – the Case of Slovenia

The facts presented in the previous chapters point to a disproportion that apart from ageing is also causing unfavourable relationship with economic dependence of the elderly: the youth unemployment. To a certain extent, improvement in this field would ease the ageing population issue, but for sure not erase it.

According to above presented data with 4.8% economic active population in the age group of 65 – 74 years, Slovenia acts as a caboose among the member states regarding the activity of elderly population. When we consider the 55 to 65 years' population, after being caught around 35% in 2009 – 2016, the share has approached 45% at the end of 2019. Comparing this data with Sweden which has stabilized its share under 75% or Denmark (70%), the gap is clearly seen. In this way Slovenia is staying behind comparable states such as Poland (50%).

The structure of Slovenian economy does not differ from other EU countries to have any economically conditioned reason for being in such as arrears. Using results of some comparison studies, we will try to prove that unlike most political measures dealing mostly with educational projects for this part of the deprived population the focus should rather be to enlighten the leadership of Slovenian companies.

Before finally entering this discussion, let us turn to a universal reason, which defines the ageing labour force's resilience to stay on the labour market. Fast technology change and digitalization pose a great stress on the labour market and thus on the policy makers. Reluctance to accept the changes they bring is documented. As an example, presented below are the study results among Slovenian and Croatian employers on characteristics they ascribe to two different groups of employees: young and elderly (Vehovec, 2008).

The survey on employers' attitudes towards ageing workers was conducted on a sample of 216 Croatian and 200 Slovenian firms in 2008. In Table 1 we present selected results for Slovenian companies. Valued from 1 (no importance) to 5 (high importance), their answers show rather typical differences in employers' perspectives regarding different employee generations.

Table 1. Comparison of mean values for perceived characteristics of older and younger employees in Slovenia (2008)

Variable	Old	Young	Gap
Loyalty	4.14	2.79	1.35
Good health	2.56	4.07	-1.51
Adaptability to change	2.52	4.07	-1.55
Physical strength	2.54	4.04	-1.50
Adaptability to new technologies	2.43	4.30	-1.87
Readiness to learn	2.55	4.04	-1.49
Ability to acquire new skills and knowledge	2.34	4.19	-1.85

Source: Vehovec 2008, 124

Regarding loyalty, it is normal to expect that it will be ranked quite higher with elderly employees than with younger ones. Typically, adaptability to change and ability to acquire new skills demonstrate quite a gap between two chosen generations and explain their sentiments when changes are expected and introduced.

As already mentioned, fast technology change represents an additional problem for not-too-distant labour market policies based on filling the labour supply gap of low-skilled work with migrants. Low-skilled work will have to catch up with new skills and competencies requirements, where due to different cultural backgrounds, the immigrant labour force will catch it harder.

The data presented above support the opinion that the transition in learning will have to be carried on, supported by corresponding measures in legislation, administration, financing, the public network of organisations and programs for adult education, public services, and an adult education infrastructure (OECD, 2018). Due to the speed of change that digitalization is causing in working environment, an entirely different thinking and operation will be required from learners and students. In this respect, McKinsey (2012) emphasizes the capability of education providers and employers to step into one another's worlds and to work with their students early actively.

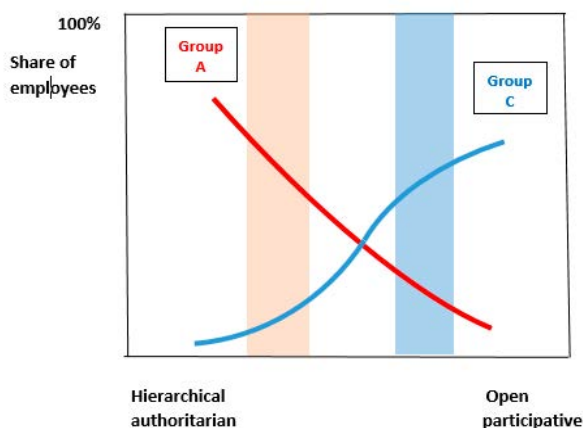
The psychological agreement, work environment, and leadership

Let us now focus on the management/leadership issue of the absence of elderly generation from the labour market in Slovenia. The topic on leadership we are starting with the discussion on psychological contract/agreement. Here we lean on the theory by Handy (2004), according to whom the psychological contract means the relationship between an individual worker and the organization (meaning embedded leadership in the organization). The ideal situation would be that the leadership and individual worker share essential imaginations and expectations with the "opposite" side. Using Handy's interpretation, here we will concentrate on three types of psychological agreements:

- Group A – forced agreement – the worker has no alternative than to comply with the leadership style in the organization.
- Group B – calculative agreement – knowing his/her market price, the individual worker adjusts her/his contribution to the organization strictly from financial/promotional reward.
- Group C – co-operative agreement – the individual worker identifies himself with the organization on essential points.

Figure 1 presents the position of different psychological agreement groups according to the work environment formatted by corporate culture as defined by management/leadership stages of development.

Figure 1. Psychological agreement in a different work environment



Source: Adopted from Handy (2004)

In Figure 1 we did not consider the group with type B's psychological agreement as their acting derives more from

their characteristics than from the conditions in the working environment.

Figure 1 shows that the closer we are to the hierarchical and authoritarian working environment, the bigger the share of employees with less or no chances to change and find work in a better environment. So, we will accept the existing working conditions (typically for the amber pillar). According to the presupposition of this paper, the bigger will be the difference between the common sense experienced outside the company in comparison to the real experience in the company, less the employees will wish to stay in the company longer than necessary (e. g. after fulfilling the official conditions for retirement). On the other hand, closer we are to the environment that overlaps with what we denote as the common sense (forming open and participative working environment), greater will be the stimulation of the employees to do so (typically for blue pillar).

We should also consider the typical difference between generations of workers. One would expect that the elderly workforce would be more sensitive to the working environment and would be focused on other labour environment characteristics than younger generations.

Differences in the expectations with jobs among generations

To underline statements in the former subchapter, we will now face them with the findings of the global study by ManPower (2020), where expectations from the working environment of different workers generations are compared. In Table 2 below, the data from this study is interpreted in the form of average rankings. They demonstrate the attitude of different generations regarding the chosen characteristics of the workplace, which are attracting or retaining them with their workplace. We considered together both genders, while the study distinguishes results for men and women.

When certain characteristic of interest for this article did not make it among first five, we assigned it the rank 6 and considered it with average ranking calculation. Interestingly the characteristic "good place to work" only made it among first five (although typically) just with men over age of 65 (rank 3 though) and is therefore not shown in the Table 2. "More pay" clearly made it to the top for all of considered generations, although with the eldest generation of boomers it had to share its top position with "challenging work". The falling trend when we follow the average ranking of this item clearly demonstrates the change of motivation for work with different generations and in this way along the time. Practically opposite trend shows the item "flexible hours" which surely implies the conclusion that the nature of loyalty to a

Table 2. What is attracting and respectively retaining workers at work (average rankings)

Generation	More pay	Challenging work	Flexible hours	Good boss
Generation Z (age 18 – 24)	1.0	4.5	3.75	.../5.75
Millennials (age 25 – 34)	1.0	3.25	2.25	.../5.25
Generation X/1 (age 35 – 44)	1.0	3.25	2.0	.../5.75
Generation X/2 (age 45 – 54)	1.0	3.5	3.0	.../6.0
Boomers/1 (age 55 – 65)	1.0	2.5	4.0	.../5.5
Boomers/2 (age 65 +)	1.5	1.5	5.0	4.5

Source: ManPower, 2020

firm (working place) has also changed essentially along the time/generations. The fact that “good boss” made it into the applicable ranking only with the boomers over 65, implies the fact that with conditions for retirement fulfilled they react to this item unlike any other generation. Together with characteristic “good place to work”, which appeared only in the group of men over 65 years of age, these results could imply higher sensitivity of elderly work force to the work environment where they should stay if decided to prolong their economic activity.

Human resources management in Slovenian companies

In the field of measurement of management/leadership efficiency in the field of human resources management (HRM) in Slovenia recently no study has been made. So, we are commenting on the results of the study by Slovenian Manager Association (Ložar, 2008). According to this research the Slovenian companies demonstrated a certain gap when modernity of their management/leadership model is concerned. We followed the division of management models/theories as presented by Enock and Beynon (2017) and applied average values as acquainted through poles in top international companies compared to the average of Slovenian firms. The “generations” of management models were used as points (from 1 – 4, 1 representing the classical and 4 system theory models). The levels achieved by the average Slovenian firm with the use of contemporary management models were generally 2.88/4 and in the HRM field 2.58/4. At the same time, the comparability with the best companies in the industry were in general achieved by 20.9% Slovenian companies, while in the HRM field just 15.7% of companies achieved top standards.

When considering the attitude of a typical employee in Slovenia when the option of retirement is offered, one cannot ignore the gap in management modernity as a possible reason for the reluctance of employees to pursue their career

after fulfilling the official conditions for retirement. This gap is shown in Figure 1 by using blue and amber coloured columns.

The reasons for the deficiencies regarding psychological contract in Slovenia lie in the general development of interpersonal relations connected with the culture and historical experience that clearly differ from full-fledged industrial nations. While modern management schemes and models/theories can be promoted, interpersonal relations can only be developed in the course of development and positive experience. Like other European transition states Slovenia will have to discover a way to catch up with developed societies of the West. This will not be easy as these countries missed the learning processes that developed societies went through last centuries when national states, industrial revolution and citizenship emerged in the West.

Conclusions

Comparing our results with international studies exposes additional dimensions of the problem that we are addressing. As seen from the results presented above, remaining on the labour market is related to the treatment that workers are being subject to before fulfilling the conditions for retirement. Our study concentrates on Slovenia, while in open labour markets such as the USA, studies prove another dimension. Apart from being the fact during their mid-career period (Browne & Misra, 2003), pathways to retirement demonstrate differences according to ethnicity, thus adding to the inactive elderly labour force. According to Flippen and Tienda (2000) Black, Hispanic, and older women face more involuntary job separation in the years immediately before retirement, the worst situation being experienced by Black men and Hispanic women.

The results of our and other studies would also improve by considering differences in art of jobs that elderly workforce

is exercising. The importance of this perspective can be seen from the Tomioka et al. (2020) clinical study. It proved, that men who spent most of their careers in a white-collar job reported much less decreased subjective cognitive functioning than the men with blue-collar jobs. With the women the same fact was related to longer working years.

Positions and attitude towards elderly workforce presented above is often supported by acting of their working environment – younger co-workers. This attitude gets back to general treatment of the elderly as members of the society. Using the pool of 112 participants from the University of Wyoming psychology department, Ragan and Bowen (2001) found that the negative perception of elderly can be managed towards more positive results through targeted information to younger respondents. This would show the necessary path of the company policies wanting to profit from elderly workforce participation. As discussed above, psychological factor influences the elderly workforce motivation to stay active. Although not proved by a wide margin, in this respect, Welsh et al. (2016) stress that “older workers who had worked in good quality jobs reported marginally better self-rated health”, which again can be related to their motivation to stay active in their profession.

As presented above and using the case of Germany, the typical Western European solution of cherry-picking on the open labour market is now showing growing unsustainability in different areas. So, instruments and measures to (re)activate elderly active population is becoming a must (Bijak et al., 2008). In this respect, an initiative for the EU to promote inter-generative learning (IGL) in businesses (Radović – Marković, 2013) as well as age management practices (CEDEFOP, 2012) surely is a step in the right direction.

On the other hand, one creating a policy response, one should beware the essential differences only between individual

European countries when reasons for age gaps are concerned. For instance, OECD statistical data (UNECE, 2019) show a significant but comparable gap for Luxembourg and Greece. Also, the similarity of the gap size in countries with relatively small gaps, such as Iceland and Switzerland, requires better insight since the labour market in both countries differs significantly. Therefore, it is not hard to judge that such statistics can represent a minimal base for any national or even EU labour market policy.

Undoubtedly, acting to keep people longer at work in Slovenia will require a transition in management and leadership in human resources. In this respect, it is worth mentioning the initiative of the Slovenian Public Stipend Fund (2017) who had come up with a Handbook for employers. To our knowledge, after then, there has been no other direct initiative to try to change the prevailing management/leadership attitude towards (elderly) workforce.

From the EU, there has been quite some guidance in this field but are from the point of a member country with less developed democratic principles and personal integrity not sufficiently exposing the role of the leadership with enabling the working environment friendly to (elderly) workforce. Typically, 2012 Guiding Principles for Active Ageing and solidarity between generations (Council of the European Union, 2012) address main fields where an adjustment in the EU societies will be needed to retain the elderly workforce in the economic activity, while none of them refers directly to management/leadership.

Therefore, the arrears in management/leadership culture development will still cause the active aging policies in transition countries like Slovenia to be costlier for a certain period. One could not expect that the EU could modernize the management/leadership approach in the European transition countries. Only time is needed, which will hopefully pass the free flow of ideas and experience.

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Acknowledgment

This article presents a part of research financed by the Slovenian Research Agency entitled: Krepitev digitalnih kompetenc ranljivih skupin za izboljšanje zaposljivosti in višjo dodano vrednost na trgu dela (Strengthening of digital competencies of deprived groups for improving their employability and their higher value added on the labour market, CRP-2019, No. V5-1927).

Starejše prebivalstvo in stabilizacija trga dela v Evropi – primer Slovenije

Izvleček

Rastoči deleži upokojenega prebivalstva v Evropi slabšajo bilanco socialnih stroškov, saj družbeni konsenz na našem kontinentu temelji na obsežnih transferjih temu delu prebivalstva. V primerjavi z ostalim svetom, kjer EU prispeva približno četrtno svetovnega BDP in dosega polovico socialnih transferjev, takšen model ne more biti ekonomsko vzdržen. Doslej prevladujoči model pomlajanja trga dela s pomočjo migracij se je pokazal kot nevzdržen iz številnih razlogov. Tako pa je tudi s perspektive hitrih tehnoloških sprememb. Sedanja realna politika trga dela temelji na polnjenju trga dela z nižje plačanimi delavci iz tujine, kar le podaljšuje čas, ko bo moralo priti do velikih sprememb v strukturi trga dela. Prispevek izhaja iz primera Slovenije in raziskuje vzroke za slabšo participacijo starejše delovne sile na slovenskem trgu dela. Na temelju podatkov in rezultatov razpoložljivih študij avtorji poskušajo opredeliti razloge za relativno slabe rezultate pri zagotavljanju trajajoče aktivnosti starejše populacije na trgu dela.

Ključne besede: gospodarska dejavnost starejše populacije, trg dela, HRM vrzel v Sloveniji