

# Active Ageing Strategies to Strengthen Social Inclusion

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## Introduction

Similarly to other European countries, Estonia has an ageing population which leads to a disturbing increase in the demographic old-age dependency ratio. The birth rate is predicted to increase in comparison to current levels, but that is not enough to ensure the level necessary for population reproduction. This leads to a deterioration of the employed/retired ratio. Therefore it is necessary to implement the measures that supports general activity as well as active ageing and attracts people to prolong the working life.

Latest developments in labour market are quite promising. However, unemployment, in particular long term unemployment, remains the main reason for poverty and social exclusion in Estonia.

Estonia has prepared National Report on Strategies for Social Protection and Social Inclusion 2006-2008 that points out the prevention and reduction of long-term unemployment.

It is therefore intended in the following years to implement the measures that support labour market target group's integration into labour market and reduce inactivity.

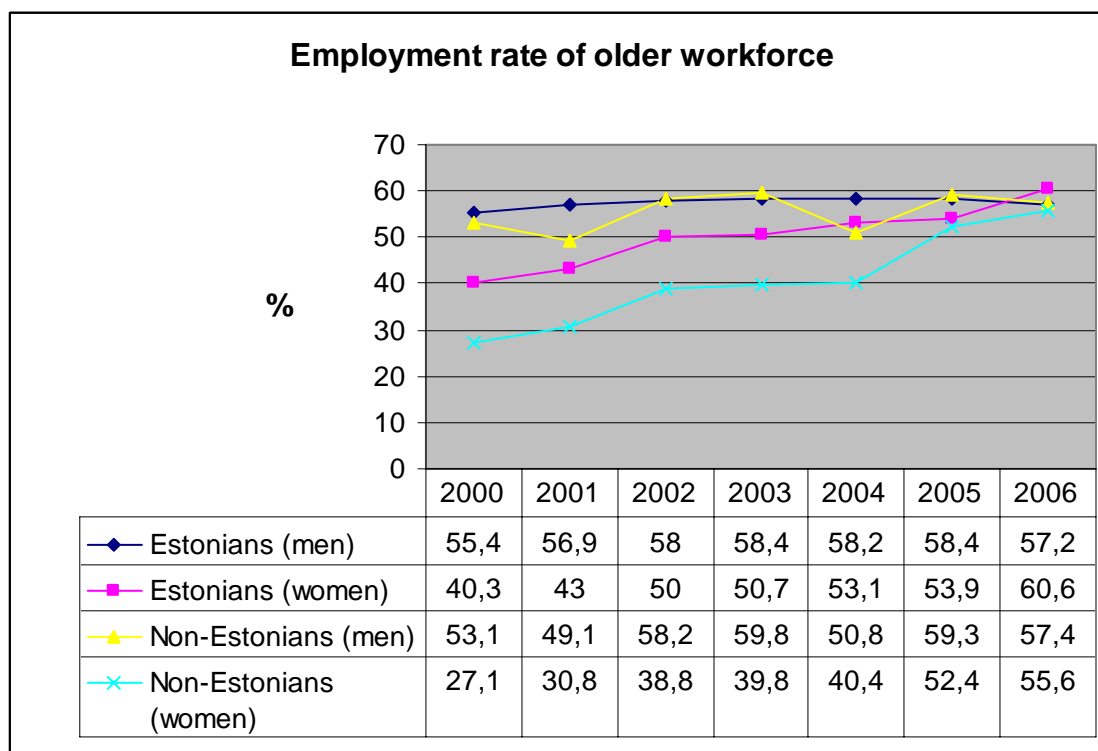
The discussion paper will give short overview of Estonia's labour market concerning older workforce. Second, it will compare two approaches, at the same time looking up to Finnish approach and trying to introduce the steps that will support active ageing in Estonia. The third part will try to give overview about the actions Estonia needs to take in near future.

Though active ageing should consider people at all ages and different target groups the discussion paper concentrates mainly on older workforce as well as of disabled people.

## 1. Context

### 1.1 General development on Estonian labour market considering older workforce

In Estonia the employment rate of people at age 55-64 increased to 58.6% in 2006 (56.1% 2005) as the result of the rapid economic growth (10.5% in 2005, 11.4% in 2006). This consists of 80000 employed people of whom 50000 are women which is the result of poor health and lower life expectancy of men (according to Statistics Estonia the average estimated life expectancy at birth in 2006 was 67.3 years for men and 78.5 years for women).

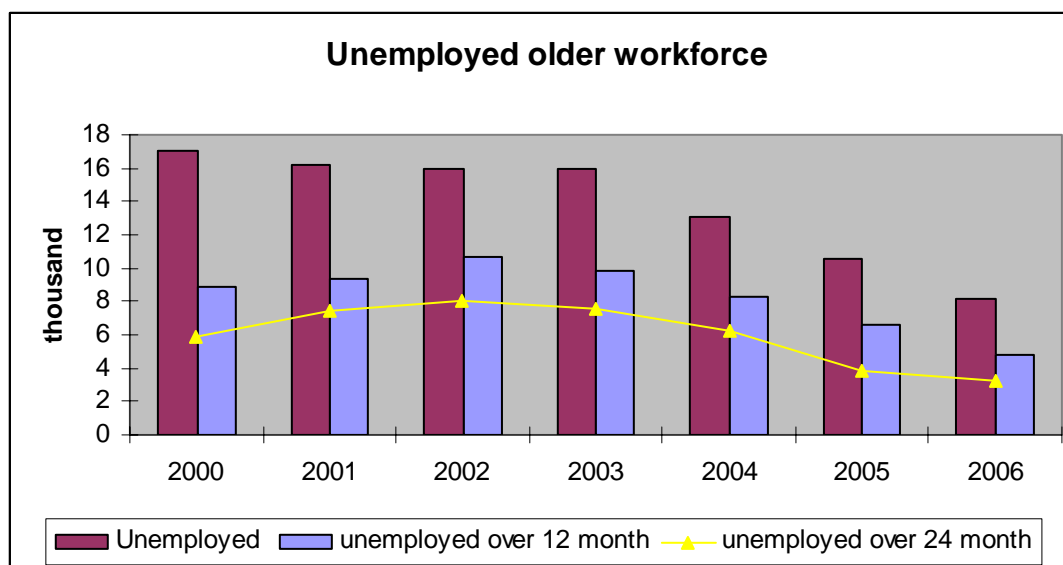


Source: Statistical Office of Estonia, Labour Force Survey

EU Member States have also set a target to increase the average age of exit from the labour force to 65 years by 2010. In 2005, the average age of exit from the labour force in Estonia was 61.7 years that is above the EU-25 average 60.9 (Eurostat). Considering that the retirement age for women will increase to 63 years by 2016, labour force supply in the age group of 60-63 is expected to increase further during the next decade. Over the last seven years, the employment rate of retired people (at age 65-74) has continued to increase, reaching 22% in 2005.

As a result of this, unemployment rate of older workers and inactivity have been decreased since 2003.

However, it is particularly distressing that the percentage of long-term unemployed among unemployed is steadily growing. This trend is especially marked among older workers - 66.7% of older workers who were long term unemployed had searched job over 24 months in 2006 (59% in 2005).



Source: Statistical Office of Estonia, Labour Force Survey

The best way to prevent unemployment and ensure longer working lives is to contribute into qualification. According to statistics of Labour Market Board (2006), there were 13546 registered unemployed having secondary education compared with 2804 registered unemployed, who had bachelor degree. With the ageing population, investments into the training of the unemployed, particularly low qualified unemployed, and job-seekers must be accompanied by investments made into the continuing training and retraining of the adults either on the labour market or re-entering the market after being away for some time. The expenditures of lifelong learning (incl. labour market training) have augmented during recent years. The costs of labour market training, for example, were over 70 million EEK that is approx. 4.48 million EUR (including resources of European Structural Fund) in 2006 (62.7 million EEK that is 4 million EUR in 2005).

## 1.2 Legislative background

To support active ageing the legislation should cover employment (including occupational health and safety), education, lifelong learning, social insurance, social welfare and public health. This discussion paper gives short overview of the legislation that supports employment of older workforce, social insurance and life long learning.

### Employment

Estonia's employment strategy aims to raise employment levels among older people, as well as to develop policies to retain older workers in the labour market.

The first serious step, considering the active ageing, was the changes made into Employment Contract Act in February 2006. The Estonian parliament repealed the articles of the Employment Contracts Act that legally permitted the dismissal of employees aged over 65 years on the basis of their age. In October 2007 articles of the Public Service Act that were discriminative to the age were invalidated by the parliament as well.

The new Labour Market Services and Benefits Act that entered into force on 1<sup>st</sup> of January 2006 brought considerable changes in the principles of providing labour market services to registered unemployed. The Act contains 13 labour market services including 6 new ones (work practice, coaching for working life and 4 special services for disabled people). All labour market services are provided according to individual action plan. The Act establishes new labour market target groups one of which are people at age 55 till retirement age (women retire at age 60 and men at age 63). Risk groups are entitled to case management approach together with more individual attention paid to clients needs. The new Act also stipulates that the person who attends work practice or labour market training (with duration at least 40 hours) is eligible for a stipend as well as for transportation and accommodation benefit.

Since 2008 labour market services provision will be piloted also among ageing job seekers with the aim of support active ageing as well as of support life long learning.

In addition, registered unemployed are also entitled to monthly unemployment allowance (1000 EEK that is approx. 64 EUR since 2007) and since the beginning of 2007 all registered unemployed are also covered with health insurance. Latter is believed to be an incentive for long term unemployed to register at Labour Market Board.

Moreover, the registered unemployed could receive unemployment insurance that reference period was extended at the beginning of this year. This leads to extension in coverage as people with alternating unemployment and short employment spells are now able to meet the eligibility criteria for income-related insurance benefits.

### **Social Insurance and active ageing**

The pension reform in 2002 brought changes to retirement age of women that will increase to 63 years by 2016 and will be equalised with men retirement age.

The current State Pension Insurance Act provides for the receipt of a salary and pension at the same time, enabling workers to continue working when they become eligible for a pension. It is also possible to postpone the pension that enables to earn higher pension. Deferred old-age pension increases the pension by 0.9 per cent for every month which has passed after the person has attained the pension age.

### **Lifelong learning**

To improve lifelong learning levels, in particularly among low qualified job seekers, an updated model for financing work-related training has been prepared by the Ministry of Education and Science in cooperation with the Ministry of Economic Affairs and Communication and the Ministry of Social Affairs of Estonia.

To support life long learning, career counselling and labour market training, provided by the Labour Market Board, will be made available to some risk groups (e.g. older workforce, disabled people) who are in employment.

## 2. Potential transferability and application to Estonia

The Finnish approach of active ageing seems to be ideal guide to follow. There are similarities between two approaches, yet Estonia is at the beginning of implementing the policies that support activity, social inclusion and longer working life.

Latest efforts made into (social) policymaking process concern mostly disabled people. According to the study made by Ministry of Social Affairs of Estonia (in 2006) only 17% of disabled people at age 16-64 are at work. Only 1/3 of this target group who want to find work, search job actively. According to the study, disabled people are pessimistic about finding suitable job as well as they are afraid of employer's negative attitudes. The reason of pessimism could also be the lack of knowledge about the services and benefits. Therefore, in addition to varied service supply it is necessary to spread the knowledge about different possibilities. Social system will be changed, so it would be more efficient facing the actual needs of the person and supporting the active lifestyle. With the aim of improving the labour market target group's (foremost disabled people, older workforce) access into active labour market, vocational and occupational rehabilitation will be developed more.

To support active ageing and prolonged working lives, it is necessary to make work more attractive by, for example, using different working forms or contributing into workforce competitiveness. Flexible working forms (incl. part time job) are slightly used for various reasons though there is interest among disabled or retired people as well as other target groups to work part time. Also there are yet quite few possibilities to provide alternative work forms to them who for various reasons will not be capable to enter into active labour market. The competitiveness will be supported by the measures of life long learning mentioned above.

Attention should also be paid to public as well as occupational health. Therefore, there will be more promotion made to notify about the healthy lifestyle. In addition, it is necessary to develop better cooperation between different interest groups as employers, employee's, occupational health doctors, labour market board's consultants etc to guarantee healthy working life.

## 3. Important issues relevant to policy areas

In 2004, the Centre of Policy Studies "Praxis" published the study of "Older workers in the labour market and in working life in Estonia" ordered by Ministry of Social Affairs of Estonia. The study contained different recommendations that support active ageing. Several suggestions have been already taken into account. However, there are still proposals that are relevant.

Similarly to Finnish experience, the study pointed out that as the share of older people will increase it is already important to pay attention to the health and working environment of today's youth. The study suggested that more attention should be paid to population's health behaviour and to analyse the impact of alcohol and other harmful activities to individual's work ability.

The study also included several recommendations to pension system, one of which concerns early retirement pensioners working that is not allowed today. Also it is necessary to reduce the possibilities to receive special pensions. This presumes political decision of the government.

There is lot of incentives available already today, that stimulates active ageing. The question remains whether these opportunities are used enough. Since 2008, there will be even more various support opened. Therefore it is very important to spread the knowledge to different interest groups about provided possibilities. However, Estonia needs more cooperation between different stakeholders to make the incentives work and meet at least part of the success that Finland has had in active ageing.

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