

## Active Ageing Strategies to Strengthen Social Inclusion

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The Federation of Pensioners' Associations of Slovenia (ZDUS) is a not-for-profit, voluntary civil and charitable association of Slovenian pensioners, organised in pensioners' societies and regional federations. The ZDUS brings together over 470 societies, of which approximately 250,000 of Slovenia's 530,000 pensioners are members. The purpose of the federation is to help pensioners' organisations link and work together to exercise and coordinate the interests of pensioners and other elderly people from an intergenerational point of view, and to represent them before the authorities and other organs of the state. The ZDUS operates in the spirit of the welfare state, social partnership, social dialogue and social consensus.

### Reform of the pension and disability insurance system

The second phase of a very wide, deep-rooted reform of the system of compulsory pension and disability insurance has been underway in Slovenia since 2000, based on the law adopted after lengthy debate and coordination (lasting several years) at the end of 1999. The ZDUS was actively involved in shaping this law, which for pensioners is one of the most important laws affecting their social security. The reform was carried out with a large consensus. There was a prevailing awareness that, given the adverse demographic prognosis in the years ahead and the scope of the entitlements that the system provides, changes were vital in order to maintain its financial sustainability in the long term. The population in Slovenia is ageing dramatically, with the anticipated rise in life expectancy bringing a rise in the number of people receiving payments from compulsory insurance, while the number of insurance contributors cannot keep pace, particularly given the low birth rate in the country, even in the past. Here it should be emphasised that pension reform in Slovenia has been designed expressly for the long term, and that one of its key aims was maintaining financial sustainability in gradually changing socio-economic and demographic conditions. As the financial consequences and other implications of the reform of the system of compulsory pension and disability insurance are long-term in nature, the majority of the changes providing for such effects are being made gradually, over a long timeframe. These include tighter conditions on retirement, changes in the way the pension base is defined, and a different valuation of the retirement period.

The key question asked in connection with a reform is whether it is providing satisfactory and predicted results. Our answer is that it is doing so. The effects are evident in the change in the number of new claimants, and in the gradually changing material circumstances of the recipients of pensions and other benefits. This conclusion is clearly supported by the figures released in the annual reports of the Pension and Disability Insurance Institute. They also provide reasonable grounds for concluding that the amount of money required for implementing the system in a particular calendar year during the reform period is smaller than it would otherwise have been had the reform not been carried out. We can further conclude that the most effective lever for regulating the amount of money required for providing the entitlements from compulsory pension and disability insurance is the system for adjusting pensions and other benefits. This system, which was designed anew in the 1999 law, has been modified five times. The most recent update of the law from 2005 provides for greater correlation between pensions rises and wage rises than in

previous arrangements, but as a result of changes in tax legislation, which are far more evident in wages than in pensions, the gap between growth in gross wages and net wages is being reflected in lower ratios of pensions to wages. Under the current arrangements, pension adjustments are made twice a year:

- In February, when pensions are increased by no more than the percentage by which the average wage (paid to employees of businesses and institutions) increased in the previous calendar year over the average wage in the calendar year before.
- In November, when pensions are increased by the percentage by which the average wage between January and September of the current year increased over the average wage in the previous year. Here it should be noted that this increase may be no more than a percentage where the average monthly increase in the lowest pension base applying to the current year, after the February and November increases, when compared with the monthly average for this base applying to the previous year, does not exceed the autumn forecast of the increase in gross wages for the whole of the current year when compared with the average for the previous year.

Given these legal arrangements, it can be concluded that growth in pensions will be much more in line with growth in employees' average wages, and that gaps between the forecast and actual increases in average wages during the prescribed periods will be minimal. The reform also introduced a special pension adjustment aimed at establishing an equal position among pension recipients from different periods. This is also made in February, and the result of the two simultaneous adjustments is that the pension increase on this basis is lower than one based entirely on the movements of average wages alone. The ratio of pensions to average wages will also decline slightly each year, and pensioners are already asking how far this will be allowed to go until there is a threat to the survival of the generation that did not have the legal option of voluntary supplementary pension insurance, which the reform and other measures are increasingly encouraging, something that we see as positive.

That the implementation of the reform is genuinely giving the anticipated results, thus contributing to the financial sustainability of the system, is confirmed by the figures for the ratio of the average pension to the average wage from 1999 onwards. This ratio has declined for all types of pension, a trend I will demonstrate using the example of old-age pensions. The ratio of the average old-age pension to the average wage stood at 77.2% in 1999, but had fallen to around 66% by 2007.

Finally, I would like to mention the Coordination of Transfers to Individuals and Households Act of 2005, which entered into force on 1 January 2007, with the noble aim of standardising the deadlines and methods for coordinating various transfers, and that has also affected many pensioners, particularly those entitled to the welfare benefit. This law also changed the way in which some benefits from compulsory pension and disability insurance are adjusted, these no longer being increased as pensions are with regard to wage movements, but rather on the basis of consumer prices. The ZDUS believes that it is necessary to re-examine the suitability of these arrangements, so that they do not hit the financially most-afflicted section of the population.

Given all of the above, we believe that there is no need for another fundamental reform, which some neo-liberal economists have been calling for increasingly vocally, encouraged by misunderstood warnings (in our judgement) from various European Union institutions. This does not mean

that we are opposed to changes indicated by practice that can contribute even further to the realisation of correctly set objectives.

## The Strategy of Active Ageing

The ZDUS has always endeavoured to be treated as a partner by the government and relevant ministries in shaping a document of paramount importance to older people, namely the Strategy for the Welfare of the Elderly to 2010. By constantly insisting on “nothing about us without us”, we succeeded in having our voice listened to, and now the document more realistically reflects the interests and needs of Slovenia’s elderly. Adopted by the government in the autumn of 2006, the strategy is based on three fundamental principles: solidarity, coexistence, and quality of life for the elderly. Its aims are as follows:

- maintaining and developing existing social welfare services for the elderly in keeping with the objectives of the resolution on the national social welfare programme for the 2006 to 2010 period (adopted by parliament in the spring of 2006)
- developing the existing social welfare programmes and introducing new programmes aimed at intergenerational cooperation and the elderly. In this context I should particularly draw attention to the establishment of regional and intergenerational centres to combine all the public and civil potential for quality of life in ageing and the solidarity-based coexistence of generations in a specific region, and the promotion of the existing systems of organised intergenerational voluntary work and the expansion of contemporary forms of intergenerational association
- strengthening the social awareness that the elderly are an irreplaceable part of society as a whole, a functional and active part that has a great deal of potential at its disposal (wisdom, experience, knowledge) and that should be exploited
- devoting particular attention to quality of life in the ageing of people with special needs

At the ZDUS we are aware that the rising lifespans in Europe, and in Slovenia, are one of the most important achievements of European welfare states from the second half of the 20<sup>th</sup> century. We should be proud of this achievement, and should discuss it and value it appropriately. We therefore need a new social culture of all generations. Both in Slovenia and in other European countries, the make-up of the elderly population is changing. The elderly are becoming healthier and better-educated, and working lives are lengthening, not just in employment, but also in pastimes and voluntary work. Pensioners and other elderly people are not active only in pensioners’ societies, but also in other societies and associations, as Slovenia is well-known for the diverse and rich activity of its societies in all areas and in all realms of social life.

The long-lived society and the new structure of ageing in this society in the 21<sup>st</sup> century requires a paradigm towards this phenomenon that differs from that of the 20<sup>th</sup> century. It is essential to allow the elderly quality of life in their own homes, that is in the environment that they are used to and bound to, and with which they most easily remain in touch. Because ageing increases the likelihood that an individual sooner or later will need the help of others in performing basic life tasks, a vital component of this paradigm is social concern for the organised long-term care of the

elderly at home. There has been much talk of this recently in Slovenia, but sadly it is difficult to go from word to deed. Therefore we at the ZDUS (with the support of public funds) have embarked on a project entitled The Elderly for the Elderly, in which elderly people themselves provide support, help, care and attention for their peers. The project already involves over 100 pensioners' societies, and is based primarily on voluntary work. As volunteerism is a very well-developed form of activity in Slovenia, including at other NGOs, we have long been trying to have a law passed on voluntary work by which the government would recognise this valuable work that is irreplaceable to the development of society. We will also endeavour to amend tax legislation on the remuneration of voluntary work, as the current arrangements, which tax even modest remuneration, are adversely affecting its development.

We are happy to have been able to see the Finnish model for a strategy of active ageing. We will be delighted to use its findings and experiences in our own work, naturally with suitable adjustments to our own circumstances.