

Reluctance Towards Older Workers In Slovenia

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ABSTRACT

The population ageing that goes hand in hand with ageing of the workforce is no longer an issue for a distant future, its impact is already felt on European labor markets – including Slovenian – and will manifest itself more prominently in the next years. These profound demographic changes come at a time that developed countries are increasingly involved in globalization processes, accompanied with the trend of becoming knowledge economies, and all these at a time of economic crisis, which puts those challenges into new dimension. Trying to find solutions that would mitigate possible negative consequences of population and workforce ageing – one of the most discussed policy options is to promote that older employees work longer, even after the age of 65. Keeping workers longer in the workforce is an increasingly popular labor market policy in European (developed) countries to combat demographic trends such as the ageing of its workforce. We live longer, we have fewer children, so we have to work longer seems to be the current policy motto. But this scenario is not an easy one. Skepticism can be found on both sides, either between older employees or between employers. The aim of this paper is to highlight the development of age management within Slovenian companies where the practice of age management is still in its early stage. Thus, we also shed light on some relevant reasons for reluctance towards older employees from the viewpoint of employers. However, the main contribution of the paper lies in offering some reasonable suggestion – how the skepticism concerning older employees can be reduced. This can only be done by enabling older workers to remain productive, innovative, flexible, and willing to invest in advancing their knowledge, skills and competences. By implementing active aging policies at workplace, the employers can play an exceptional role in maintaining or even enriching human capital of older employees.

Keywords: ageing workforce, age management drivers, reluctance towards older employees, human capital, active ageing approach within Slovenian enterprises, age management.

INTRODUCTION

The population ageing that goes hand in hand with ageing of the workforce is no longer an issue for a distant future, its impact is already felt on European labor markets – including Slovenian – and will manifest itself more prominently in the next years. These profound demographic changes come at a time that developed countries are increasingly involved in globalization processes, accompanied with the trend of becoming knowledge economies, and all these at a time of economic crisis, which puts the challenges into new dimension.

The implications of population ageing are not only present on the macroeconomic level (pensions, later retirement, health problems, etc.) but are more and more approached by the companies due to the aging workforce. However, it seems that on the macroeconomic level, the responses (including different policies) on population ageing are easier to develop and implement than it goes for microeconomic level, where either attitudes or actions are often not harmonized with one another.

One of the most discussed policy options is to promote that older employees work longer, even after the age of 65. Keeping workers longer in the workforce is an increasingly popular labor market policy in European

(developed) countries to combat demographic trends such as the ageing of its workforce. We live longer, we have fewer children, so we have to work longer seems to be the current policy motto. But this scenario is not an easy one. Skepticism can be found on both sides, either between older employees or between employers.

During the nineties many countries massively encouraged (or forced) older workers into early retirement – a policy that turned out to be quite successful. Especially in Slovenia the effect of early leaving employment has been even more present since Slovenia has gone through its transition period in which early retirements seemed to be the most elegant way of reducing employees. The consequences were that work after the age of 50 became less common and that in general older workers in Slovenia are still inclined to early retirement.

Besides promoting later retirement between people – the policy that can indeed be successful – changing mental models of HRM and managers in general is of crucial importance when striving to prolong the working life. However, managers are not stupid and they would remain reluctant towards older workers unless they see them as company potential, as indispensable part of total human capital that company possesses.

The paper highlights the necessity for prolonging working life, presenting the most visible age management drivers. Besides, it sheds the light on some relevant reasons for reluctance towards older employees from the viewpoint of employers. However, the main contribution of the paper lies in offering some reasonable suggestion – how the skepticism concerning older employees can be reduced. This can only be done by enabling older workers to remain productive, innovative, flexible, and willing to invest in advancing their skills and competences.

The structure of this paper is divided into sections, starting with introduction, then presenting crucial age management drivers and following up with providing some basic findings we got them within broad empirical research between Slovenian enterprises, concerning the attitudes and policies that employers implement with the aim to adapt to older employees. One of the sections is dedicated to the possible reasons which hinder employers from being more willing to employ older workers. Logically, this section is then supplemented with some suggestions how to overcome the reluctance towards older employees. The main conclusions are outlined at the end, thus reasonably closing the paper.

LOW PARTICIPATION OF OLDER WORKERS ON SLOVENIAN LABOR MARKET CALLS FOR ACTION

Almost all European countries encounter low and declining birth rates, a rise in life expectancy and low migration inflows of younger people. Slovenia obviously shares common demographic trends and consequently, it faces a trend of aging population and aging workforce and it is even characterized by a comparatively older population if compared to the European average: EU-25 (Eurostat, 2005). However, the proportion of older people in the workforce is only around 25%. An extremely low participation of older workers on Slovenian labor market urgently calls for immediate action.

In year-group 55-64, there was only 23.5 % people employed in the year 2004 (Kajzer, 2004), which was much faraway from Lisbon strategy – planning the 50 % employment by the year 2010 in the same age-class, and even far from EU-15 average, which was 41.7 % and EU-25 with 40.2 %. In Slovenia the employment rate of older people increased by 6.3 p. p. in 2004, compared to 2000 (Jouhette, Romans, 2006). However, in 2005 the share of those being employed in the year-group 55-64 was still low, 30.7 % (the last data from 2006 is 33 %; European Commission, 2007), with only 18.5 % of women being employed (Jouhette, Romans, 2006).

We can perceive the complexity of reasons, however, one reason for the low employment rate of the elderly population can be found within the transition processes in the 1990s. The majority of workforce redundancies were older workers; however those redundancies were hidden behind the early retirements. Eighteen years ago, at the beginning of the conversion of the socialist economy to a market economy, the number of pensioners increased significantly. Amongst them, numerous pre-pensioners served the purpose of buying social peace.

Besides transition, there are many other reasons that hinder older workers from staying active, such as: (1) bed labor market flexibility, which is one of the most significant reasons for early retirements, since Slovenia has less than 10% of working-population, being part-time employed (Kajzer, 2005); (2) the employers' perception of

older workers in our country is actually very influenced by different stereotypes and myths – the age group around 50 years and over seems to have quite limited job opportunities and it is widely deemed unattractive as a source of labor due to following reasons: a perceived lack of flexibility and initiative; a poor grasp of foreign languages; a reluctance to take part in training; limited adaptability to new working conditions; a lack of knowledge of new technologies or production processes; and a greater tendency towards taking sick leave. Only a few employers are aware of the fact, that (early) dismissal of the older population as a potential workforce represents a premature and permanent loss of human capital, as older people could represent a rich source of skills and experience.

Despite new institutional and legal possibilities have been adopted, they do not seem to be efficient very much in solving the problem of the employment of seniors, since the employment rate of old people is still very low. This fact pinpoints the necessity of specific public and private initiative aimed at improving the integration of older persons in the labor market. It also pinpoints the necessity of further developing active aging within Slovenian companies.

AGE MANAGEMENT DRIVERS IN SLOVENIA: MACRO AND MICRO ASPECT

The age management drivers are more or less the same within European countries. One of the main reasons that force employers to combat age barriers is age discrimination, which has been called the last unrecognized discrimination, including both open and hidden forms (Walker, 1998). For example, older workers are experiencing more long-term unemployment and get less training than younger ones. At the same time there is a plethora of scientific evidence to show that older workers are no less effective than younger ones – though of course there are variations between jobs. Older staff also has fewer accidents than younger ones and are less likely to leave an organization. Their average net cost to an employer is similar to that of younger staff or very often cost-benefit analysis talks in favor of older employees (Brooke, 2003).

In addition there are pragmatic reasons why the social partners are beginning to look for ways of removing or reducing the impact of age barriers. Some employers have even begun to articulate a ‘business’ case in favor of older workers. Some main reasons – why tackle age barriers include (Walker, 1998): (1) the age structure of the workforce is changing rapidly in all countries. That fact implies a radical change in human resource strategies and a new approach to managing age at the workplace. Future competitiveness will rest partly on the performance and productivity of aging workforces and, therefore, on the efficient utilization of older workers; (2) at plant level employers are reassessing the consequences of early exit. It is being seen by some as a waste of experience and human resources and of the investment they have made in the workforce. Others see roles for older workers in training younger people or in preventing skill shortages; (3) there is growing awareness among employers and trade unions that, by artificially limiting the field of candidates, age barriers prevent an organization from maximizing its recruitment potential; (4) some enterprises are recognizing that the organization with a diverse age base – a mixture of youth and maturity – is likely to be able to respond best to rapidly changing circumstances. In the service sector in particular, employers are seeing the benefits of adjusting the age range of their employees to better reflect the age composition of their customers; (5) there are widespread government concerns about employment rates and the financing of pensions.

With certain delay, Slovenia became aware of some problems, connected with aging population and aging workforce – more present at company level. It seems that the impact of ageing on public expenditure and economic growth rates were the leading drivers for age management development in Slovenia, underlining the need to extend working life, which goes hand in hand with inevitable fact that employers will have to employ more, both in absolute and in relative terms, over-50s and over-55s in the future. Accompanied with some other principal reasons, such as tackling age barriers and discrimination, age management started to be seen as an economic and social necessity.

A pioneer research that was recently done in the field of age management within Slovenian companies (Žnidaršič, 2008) provided us with some important findings concerning age management drivers on the company level¹.

From Table 1, it is understood that HR managers have given the highest values to reasons, such as: (1) special knowledge and experiences retention – possessing by older workers; (2) the need to transform expertise on successors; (3) benefiting from older workers' characteristics – strengths, such as: having experiences, responsibility, loyalty etc.; and (4) general labor shortages on the labor market (shortages of younger candidates).

Table 1: Potential reasons or problem-situations that drive HRM to work on retention of older workers

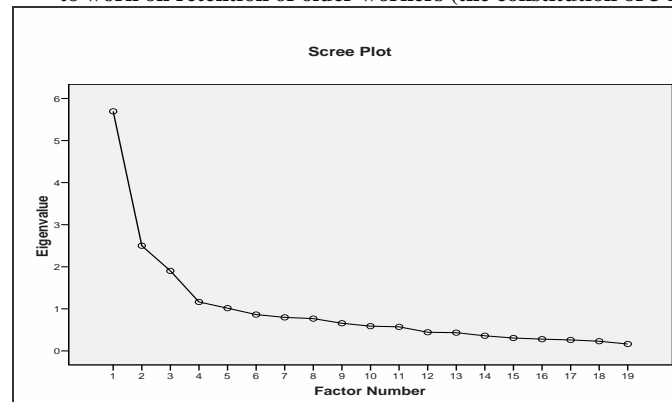
Potential Reasons (Problem Situations), That Drive Hrm To Implement Actions Aiming At Older Workforce (50 Years Or More) Retention		Importance (mean values)
1	General labor shortages on the labor market (shortages of younger candidates)	3,6471
2	Preventive action against potential labor shortages in future	3,1144
3	Cost saving (saving recruiting and candidate-development costs)	2,3448
4	Succession management difficulties: shortage of candidates to replace positions held by older workers	2,9257
5	Mentoring, coaching and tutorial roles needs	3,0788
6	Talent retention	3,4080
7	Retention of special knowledge and experience possessed by older workers	3,8818
8	The need to transfer expertise to successors	3,8267
9	Keeping good contacts with customers	3,2915
10	Better adaptation to customers' age profile and their special needs (customers age getting older, too)	2,4700
11	Getting competitive advantages from age-mixed workforce	3,0945
12	Organizational culture retention and development	3,0347
13	Keeping high work ethics among employees (commitment, loyalty etc).	3,4901
14	Benefiting from older workers' strengths including experience, a sense of responsibility and loyalty	3,6485
15	The need to finish the projects led by older staff	3,0396
16	The increased need for workforce during holiday seasons	2,2462
17	Building a reputation of a socially responsible company; becoming an "employer of choice", employing different workers, regardless of age	2,7871
18	Changing labor legislation	2,8480
19	New trends in planning retirement – gradual retirement pathways.	2,7921

Source: Žnidaršič, 2008.

An interesting question on that point is whether the drivers that influence older workers retention for individual organizations can be grouped into different dimensions. In other words, do certain "problem situations" that call for implementing age management actions occur in concert, and do companies differ from one another in this respect? For example, whereas certain types of organizations might emphasize the business reasons for older workforce retention, other types of organizations may attach greater importance to the labor market shortages. The existence of dimensions can best be studied with the aid of **factor analysis**. Factor analysis studies how the answers with respect to the drivers can be grouped into categories on the basis of the relationship found between the various answers given. The results show that the drivers that call for aging workforce retention can be grouped into three dimensions (Chart 1): business purposes, external drivers and labor market problems – mostly concerning labor shortages (Table 2). These three dimensions will be briefly described below.

¹ To get the answer to the research question »What do employers see as the main drivers for working on retention of their aging workers?«, we proposed a variety of ideas and asked HR managers to rate the importance of certain reasons (problems), using a five-point Likert scale (from 1 - not important at all to 5 - very important).

Chart 1: The results of factor analysis for potential reasons or problem-situations that drive HRM to work on retention of older workers (the constitution of 3 factors)



Source: Žnidaršič, 2008.

Table 2: The results of factor analysis (rotated factor matrix) for potential reasons or problem-situations that drive HRM to work on retention of older workers

Potential Reasons (Problem Situations), That Drive Hrm To Implement Actions Aiming At Older Workforce (50 Years Or More) Retention	Factor		
	1	2	3
General labor shortages on the labor market (shortages of younger candidates)	,048	,043	,847
Preventive action against potential labor shortages in future	,115	,182	,678
Cost saving (saving recruiting and candidate-development costs)	,319	,247	,211
Succession management difficulties: shortage of candidates to replace positions held by older workers	,133	,093	,598
Mentoring, coaching and tutorial roles needs	,501	-,032	,224
Talent retention	,635	,023	,138
Retention of special knowledge and experience possessed by older workers	,770	-,161	,049
The need to transfer expertise to successors	,757	-,089	,091
Keeping good contacts with customers	,632	,266	,078
Better adaptation to customers' age profile and their special needs (customers age getting older, too)	,488	,477	,080
Getting competitive advantages from age-mixed workforce	,487	,280	-,102
Organizational culture retention and development	,574	,291	,014
Keeping high work ethics among employees (commitment, loyalty etc).	,575	,277	,029
Benefiting from older workers' strengths including experience, a sense of responsibility and loyalty	,642	,103	,046
The need to finish the projects led by older staff	,480	,148	,184
The increased need for workforce during holiday seasons	,034	,430	,305
Building a reputation of a socially responsible company; becoming an "employer of choice", employing different workers, regardless of age	,355	,641	,042
Changing labor legislation	-,057	,831	,081
New trends in planning retirement – gradual retirement pathways.	,058	,739	,135

Extraction Method: Principal Axis Factoring; Rotation Method: Varimax with Kaiser Normalization;

a Rotation converged in 5 iterations.

Source: Žnidaršič, 2008.

Drivers that constitute the first dimension – named “*internal business purposes*” are as follows: (1) costs saving (saving recruiting and candidate-development costs), (2) mentoring, coaching and tutorial roles needs, (3) talent retention, (4) special knowledge and experiences retention – possessing by older workers, (5) the need to transform expertise on successors, (6) keeping good contacts with customers, (7) better adapting to customers' age profile and their special needs (customers age getting older, too), (8) getting competitive advantages from age-mixed workforce, (9) organizational culture retention and development, (10) high work ethics retention among employees (commitment, loyalty etc)., (11) benefiting from older workers' characteristics – strengths, such as: having experiences, responsibility, loyalty etc. and (12) the need to finish certain projects, that are led by older staff.

The second group, entitled “*external drivers*” that influence on the organization from outside includes the following drivers: (1) the need for more workforce during seasons or holidays, (2) building the reputation as socially responsible company; it means being an “Employer of choice” – employing different workers, regardless of age, (3) changing labor legislation and (4) new trends in planning retirement – gradual retirement pathways.

The last dimension – named “*labor shortages*”, consists of: (1) general labor shortages on the labor market (shortages of younger candidates), (2) preventive action against potential labor shortages in future and (3) succession management difficulties: shortage of candidates that would replace older workers’ positions.

However, the Regression analysis has not revealed any statistically significant differences between companies, when testing possible correlation between each dimension within factor analysis and variables within companies, such as the number of employees, the percentage of employees aged 50 and older, the sector in which they operate, the field of activity etc. The results showed that companies did not differ, considering the importance of certain group of drivers that influence older workers retention.

AGE MANAGEMENT MEASURES BEING IMPLEMENTED TO ENGAGE RETAIN OR RECRUIT AGING LABOR FORCE

After identifying age management drivers that drive HRM to work on retention of older workers, we were interested in further investigating if and how managers respond on those drivers. Thus, the second research question about which measures are employers taking to recruit, retain or simply to meet the special needs of older workers was answered with the aid of proposed actions upon them the employer had to choose whether certain measure: a) is being implemented; b) is considered to be implemented or c) would not be considered for implementation (Table 3).

The results in the Table 3 indicate that the most widely implemented measures, starting with age-neutral advertising of job vacancies (86.6% of organization are already implementing this measure), were found to be those aimed at accommodating older staff with multigenerational team-building (67%), preventive medical checks (64%), risk identification at workplace (58.4 %), communicating about retirement plans (62.4%), communicating options to prolong working life (56%), knowledge identification and transformation (53.3%), exemption from working overtime for older workers (50%).

Whilst some of the respondents did not implement any of these age-conscious policy measures (or at least they have not provide us with any answers), employers were found to implement an average of ten of the measures mentioned.

The least implemented was promotion of active aging strategies (3.6%), prolonged career interruptions – sabbaticals (7%), educating managers about age management (6.2%), reducing older workers to lower ranks and a loss of salary (9.5%), flexible working practices, such as working at home, compressed working week, working during seasons etc. (10%). The empirical analysis, providing us with those results confirms the fact that age management is very poorly developed within Slovenian companies. Only 30.8 percent of organizations say they are going to consider promotion of active aging strategies and 65.6 percent say that specific measure would not be even considered.

As for the measures that employers said they were considering, or said they might consider implementing in the near future, succession planning topped the list, at 39.3 percent, followed by career development (planning) with older (38.7%), and role changing for older workers: mentor, coach (32.2%). These relatively high percentages indicate that many employers expected that their aging workforce, or the prospect of an aging workforce, would necessitate adjustments to their personnel policies, with the emphasize on succession and knowledge management in the context of aging workforce.

However, it should be noted that there are several age management measures that companies obviously do not pay any attention, since there are very high percentages of companies which do not even consider about the implementation of specific measure. Prolonged career interruptions were not seen as an option by many employers, 84.9 percent will not consider implementing that measure. Some results even leave us with fearful feelings, proving

that not only individual company but the whole society is facing unpreparedness for aging society. 78.1 percent of companies said they did not intend to implement any programs covering the need to care for the older relatives or children. Demotion is also a measure that a majority of the employers said they did not intend to implement (76.1%) and 73.1 % would not consider to implement reducing workload for older workers.

Table 3: Percentages of Slovenian employers implementing measures – targeting older employees

Measures Targeting Older Employees	Being implemented	Considered to be implemented	Not to be considered
No age-barriers in job advertising	86,6	1,5	11,9
Introducing awareness programmes combating age stereotypes	14,4	19,5	66,2
Promotion of active aging strategies	3,6	30,8	65,6
Educating managers about age management	6,2	27,3	66,5
Forming additional market value on behalf of older staff	29,6	21,9	48,5
Career development (planning) with older staff	44,2	38,7	17,1
Succession planning	47,8	39,3	12,9
Communicating about retirement plans	62,4	19,8	17,8
Partial (gradual) retirement options	34,3	25,4	40,3
Additional leave/increased holiday pre-pension	19,3	9,9	70,8
Prolonged career interruptions (sabbaticals)	7,0	8,0	84,9
Age limits for irregular work (holidays, weekends)	22,6	7,7	69,7
Exemption from working overtime for older workers	50,0	9,0	41,0
Exemption from working in shifts for older workers	34,7	9,0	56,3
Flexible working hours	25,9	15,4	58,7
Flexible working practices (at home, compressed working week etc.)	10	18	72
Adapting work (job) to person	20,6	27,6	51,8
Reducing workload for older workers	11,9	14,9	73,1
Placing older workers to a lower rank with a loss of salary (demotion)	9,5	14,4	76,1
Programs covering the need to care for the older relatives or children	11,4	10,4	78,1
Continuous assessment of (older) workers	11,5	16	72,5
Training programs for older workers	17,5	19	63,5
Knowledge identification and transfer	53,3	27,6	18,6
Role changing for older workers: mentor, coach	43,7	32,2	24,1
Multigenerational team-building	67	19,5	13,5
Ergonomic measures	39,5	23,5	37
Communicating options to prolong working life	56	19	25
Paying additional health insurance	31,2	8,4	60,4
Risk identification at workplace	58,4	13,9	27,2
Preventive medical screening	64,5	15,3	20,2
Promoting healthy living	29,6	25,1	45,3
Fitness and wellness facilities.	16,8	14,4	68,8

Source: Žnidaršič, 2008.

There are more measures, such as: continually accessing the results at work (72.5%), flexible working practices, such as working at home, compressed week etc. (72%), additional leave/increased holiday pre-pension (70.8%), age limits for irregular work – for example on holidays, weekends etc. (69.7%), offering fitness and wellness facilities (68.8%), that were not seen as an option by many employers either.

Moreover, as high percentage as 63.5 % stays for training programs for older workers, that organization are not concerned about. Similarly, 66.5 % of companies are saying they would not intend to consider about educating managers about age management, introducing awareness programmes, combating age stereotypes (66.2%) and promotion of active aging strategies (65.6%).

After examining the measures companies are implementing with the aim of targeting older workers, we cannot avoid focusing on the potential results companies associate with their age management policies (Table 4).

Table 4: Potential results (aims) of age management measures implementation

Potential Aims Of Age Management Measures Implementation		Importance of certain aim (mean values)
1	Meeting specific needs of older workers better and thus enabling them to remain employed and to perform well at the work place	3,4020
2	Taking measures against employee defection to other employers and preventing early retirement	3,1089
3	Retention of older employees – stimulating them to postpone their retirement	2,5941

Source: Žnidaršič, 2008.

In Table 4, we can see that the majority of companies are introducing age management to better meet the specific needs of older workers and thus enable them to remain employable and able to perform well at the work place. The second reason was prevention against going to another employer or deciding about early retirement. It is somewhat surprising, that the retention of older employees – stimulating them to postpone their retirement was not a very common reason, even though many employers are already facing labor market shortages. That fact tells us that Slovenian employers do not see older employees as a good alternative to young employees. Moreover, they seem to be reluctant about retaining older employees. Thus, our paper proceeds with discussion about some possible reasons for reluctance towards older employees.

RELUCTANCE TOWARDS OLDER EMPLOYEES: ARE (SLOVENIAN) EMPLOYERS CRAZY, LAZY OR ONLY RATIONAL?

As we have already discussed, the status of strategic responses and implementation programs being delivered to engage retain and recruit an aging labor force by Slovenian employers is far from enviable. Actually, the research results were not optimistic, since they suggest that employers in Slovenia are not taking the aging workforce seriously and are failing to seek out and implement sufficient strategies for the retaining, retraining and recruitment of mature workers.

Despite many drivers that foster age management initiatives, recent research (ex. Mandl, Dorr, Oberholzner, 2006; Dimovski, Žnidaršič, 2006; Žnidaršič, 2008) showed that managers can still be somehow skeptical about age management implementation as a sound business opportunity, especially in a global crisis period. Consequently, Slovenian employers are still often reluctant to employ older workers. And on this point a reasonable question appears: Why? Are employers crazy or too lazy to develop and implement age management policies on company level?

Within our research (Žnidaršič, 2008), the Slovenian employers provided us with the main reasons for reluctance towards older employees, which are presented in Table 5.

Table 5: Potential reasons for expressing the reluctance about employing or retaining older workers

Potential Reasons – Expressing Reluctance About Employing Or Retaining Older Workers		Importance of certain reason (mean values)
1	No compelling business purpose	3,2267
2	Retaining all employees – regardless of age – is of equal importance	3,3026
3	More pressing need for young blood	3,9481
4	The nature of work (hard workloads, unsuitable for older workers)	3,8896
5	Greater affordability of younger workers	2,7616
6	Abundant supply of workers under current arrangements or even the need to reduce the staff	2,0915
7	Actual and/or anticipated opposition from workers and/or managers	2,4067
8	Legal obstacles	2,3904
9	Have not considered it	2,2069

Source: Žnidaršič, 2008.

Of course, many reasons for certain reluctance can be also found within broad pool of biases and age stereotypes, however, there exist some very reasonable ones, mostly concerning an economic aspect of employing older workers.

In economic crisis, the reluctance towards older employees does not mean that employers are either crazy or lazy while they do not turn massively to older workers. Especially in crisis, when redundancies of workers on the labor market are very common fact, it is necessary to shed light on some crucial economic dilemmas that come on the surface when active aging policies are being considered to be implemented in the company.

When the problem of aging and age management is discussed, we need to take into account the economic effectiveness of organizational policies and organizational goals. A reasonable manager would only keep older workers in the company, when they are still productive, innovative, flexible, and willing to invest in advancing their knowledge, skills and competences.

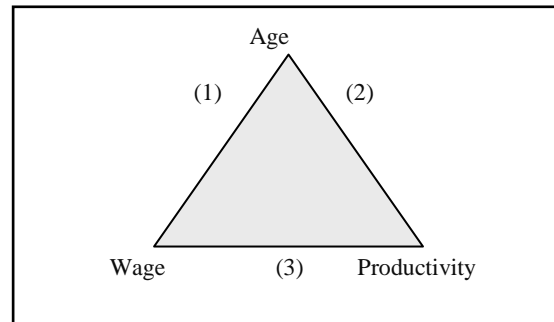
Within the context of economics of implementing age management policies aiming at older workers retention, Ester and Kerkhofs (2007) discuss the following pressing questions that need to be addressed: (1) how are older workers doing in terms of human capital; (2) do they invest in updating and maintaining their skills; (3) what about their productivity – is it considerably below that of younger workers; (4) is the age-dependency of human capital and productivity time-invariant, or are human capital and productivity of older workers higher in more recent cohorts than in previous cohorts of older workers? etc. All these questions are about why employers' reactions towards proposed age management policies are (often) skeptical. These questions can also explain that employers are not either crazy or lazy when they are reluctant towards employing older workers.

The employers simply act rationally, since it is believed that in terms of *human capital* younger workers are doing better than older. Human capital theory presumes that knowledge and competences are mostly accrued during the initial educational period, however, an additional human capital can be gained during the career through experience and training. In the meantime, there is also a constant erosion of human capital. Just as the physical individual ages, the obtained human capital also ages. During periods of participation this aging – and usually until late in the career – is compensated through additional experience in the form of tenure (Román, 2006). According with human capital theory, it seems rational for individuals to strongly invest in human capital accumulation at the start of their working career in order to maximize the monetary gains of this investment. The implication of the model is furthermore that older workers will be reluctant to invest in acquiring additional human capital as the payback period is relatively short (i.e. until their retirement). This payback rationality also holds for the firm, which consequently results in excluding older employees from getting additional education, training or skill updating² (Gilbert, 2001). This fact, in turn, negatively affects the knowledge of older employees that becomes more and more obsolete. Such human capital erosion of older workers is of course a bad thing in the current situation when developed countries need to promote longer working and later retirement by older employees.

The problem of potential obsolete knowledge of older employees has further implications. From economic aspect, an important starting point for any firm is the *productivity* of any given employee (including older workers), in relation to their respective wage. Evers & de Lange (2006) call this problem »the Bermuda Triangle« and the main idea is that if there is no balance between these three dimensions, an economic sense concerning the employment of older workers will disappear (like planes and ships do in the real Bermuda Triangle).

² However, longer working by older workers may also change the training payback calculus by both older employees and firms (Ester and Kerkhofs, 2007): the longer older employees will stay in the workforce, the more it pays to update their skills and competences. As retirement age increases, so do the expected returns of investing in human capital of older workers.

Chart 2: The “Bermuda Triangle”



Source: Evers & de Lange, 2006.

The triangle shows three important relationships (Evers & Ester, 2008): (1) the relation between *age and wage*; this is called the age earnings profile – older workers are more expensive than younger workers, from the average earnings point of view (Lazear, 1998); (2) the *age-productivity* relation that points out the relative importance of wages in a sense of correlation with productivity of older workers – age-productivity profile is commonly expected to be graphically depicted as an inverse U-shaped curve³; (3) the relationship between *wage and productivity* – if higher wages are offset by equivalent higher productivity we may face the simple economic sense, however, we know that there is normally an imbalance between wages and productivity. At younger and older ages, employees have productivities below their wage level, and in their mid-ages, they make up for this by rendering far higher productivities than their respective wages would account for. If there is only limited external mobility, there is no big problem with this system. Over a life-time basis, the net productivity revenues will cover up the wage-expenses. However, as external mobility decreases with age, the firm-internal basis can be disrupted and employing older workers would seem »out of any economic sense«. From economic perspective (is it a nation or an organization); there should be a correspondence between wage, age and productivity. Only then, stability is guaranteed. Until three corners of the triangle are out of balance (in economic sense), retaining or employing older workers would definitely not be seen as sound business opportunity, but rather the opposite. In the future, there will be of crucial importance especially for older workers (and their comparative advantages) and for their equal opportunities on labor market to better balance wages and productivity within each age group⁴.

When it is about employing older workers or retaining older employees, it is of vital importance for HRM and management in general to associate keeping older employees as sensible act from economic aspect, too (besides following the interest to act as socially responsible employer). In short, a reasonable manager would only keep older workers, when they contribute to the company and its well-being equally than their younger counterparts do. That simple economic fact poses many sound challenges towards contemporary management, which should enable older employees to remain productive, workable and employable.

Today – despite of many research that bring forward numerous pluses of employing older workers (ex. Brooke, 2003) – it often looks like the cost-benefit analysis talks against older employees, or at least many employers believe that it is more reasonable to replace older workers with younger counterparts. On the other hand, employers are very well aware of the fact that when older workers leave the company, they usually take away irreplaceable knowledge,

³ Empirical evidence for this relationship – and particularly for the falling human capital levels at later ages – is however mixed (ex. Gelderblom, 2006; McEvoy & Cascio, 1989; Skiold, 1998; Skirbekk, 2004;2006; Waldman, Avolio, 1986; Warr, 1994). First of all there is some studies pointing out that for particular skills no negative relationship with age can be found. But even if for some skills, such as the ability to perform physically demanding tasks, a negative relation with age can be established this may be compensated by acquiring other skills and more work experience.

⁴ A number of case studies show that companies dealing with aging reduce the importance of seniority rules in pay systems and put more emphasis on performance related elements, so that wage increases with age become less “automatic” (Gelderblom, 2005).

especially in a sense of specific human capital that was obtained through experience and tenure. Older workers can be a viable asset for companies, if only the employers would enable to maintain their workability.

In future, it may happen that European employers cannot afford anymore to be “lazy” with implementing age management initiatives. The general labor shortages may appear and consequently the need for employing older workers will intensify. Besides, for many macro-economic reasons longer working life seems inevitable, which means that the age structure will change in future – there will be several older workers at workplace and employers will need to adapt to them. Thus, those employers who will proactively respond on those challenges are going to have a big competitive advantage in comparison with those, who will remain “lazy”.

The EU needs employers that are willing to invest in workplaces that keep older workers productive, innovative, flexible, and with up-to-date skills. Companies need to economies need, in other words, is a larger number of older workers with substantial human capital. That can be achieved by substantial investments in human capital maintenance of older employees (ex. by encouraging training and lifelong learning for older workers).

RELUCTANCE TOWARDS OLDER WORKERS: DIRECTIONS FOR COMPREHENSIVE SOLUTIONS

There appear many challenging questions that are addressed to employers in the context of aging workforce, such as: (1) what are the reasons for not being inclined to employ or retain older workers; (2) do they invest in human capital maintenance of its older employees; (3) do they encourage training and lifelong learning for older workers; (4) do they adapt working environment and demands of certain workplace to capabilities that older workers possess; (5) which measures in general are they taking to retain older workers; (6) what are the main aims of implementing HRM measures targeting older employees; (7) can they actively improve productivity of older workers, so they will better match their higher earnings etc.

Actually, from motivation perspective, rather than putting great efforts into methods for decreasing wages (when balancing them with potential lower productivity), employers should think about how to raise productivity⁵ (motivation, commitment etc.) of older workers or at least how to sustain their quality and employability. Keeping or even forcing more older workers to remain in the workforce is not enough. If we want older workers to work longer, we need to proactively adapt to their needs and ensure the sustainable level of their human capital – be it general or firm-specific. Thus, employers should be willing to invest in workplaces that keep older workers productive, innovative, flexible, and with up-to-date skills. Consequently, firms are challenged to develop an ‘older workers policy’. This is defined as the policy by which older workers keep working during a longer time in good health, highly motivated and highly productive (Evers & de Lange, 2006). Lately, the older workers policies are gathered together within new term – *age management*, which is of enormous importance and also a big challenge for companies (managers) if they want their prosperity and sustainable growth to be assured for today and also for the future.

As we discussed previously, as long as some economic categories are out of balance (ex. wages vs. productivity of older workers), we cannot say employers are either crazy or lazy (while not employing older people), but simply rational. The promising fact is that the employers themselves have many tools in their hands to change the mentality considering older employees. The first step in age management implementation process definitely involves combating age barriers, especially those that are based on certain negative attitudes and stereotypes. However, to change mentality, older workers need to change – in a sense to somehow prove, that they really are an asset (and not a burden for a company). Older workers as well have to take care of their physical and mental fitness. They need to proactively and constantly invest in advancing their knowledge, skills and competences not to get obsolete.

At this point, employers have to give a hand to employees and help them staying »fit« (be it physical, mental and emotional) and thus employable and also interesting from the viewpoint of employers. Moreover, when

⁵ Productivity can be highly influenced by HRM policies; it can be reinforced by appropriate wage systems. It also improves, for instance by increased training programs, by (preventive) implementing health management activities or by improved working conditions. Productivity can be raised also by combining different generations where knowledge sharing takes place.

feeling capable to work longer, older employees themselves are often willing to prolong working life. By working on some crucial fields of action a significant improvement on older workers' productivity and workability in general can be made. Thus, we propose the conceptual frame for common age management model formation, consists of six main fields of action⁶ (Dimovski, Žnidaršič, 2006): (1) changing mental models and attitudes within organizations; (2) HRM in the light of aging workforce; (3) knowledge transforming management; (4) health management; (5) workplace management: ergonomics/job design, and (6) managing different generations.

A vital prerequisite to the development of good practice in the field of age management is *changing mental models and attitudes within organizations*. Certainly it is essential to achieve a comprehensive 'age awareness' strategy. The introduction of any age management actions rests on the commitment of key personnel in an organization. It is well known that, in large organizations, sometimes the desire of senior managers to create equal opportunities for older workers is thwarted by line managers with direct responsibility for recruitment and training. Older workers are often the victims of stereotyping, unfair policies, biases and prejudices, which affect older workers by premature termination of their services, denying them promotions, excluding them from learning and training opportunities, neglecting appropriate rewards for their performance etc. (Leibold, Voelpel, 2006). This is why, a positive approach to combating ageism is very important and may include presenting evidence to line managers, supervisory staff and the workforce in general that demonstrates the benefits of employing and investing in older workers. The key elements of a new managerial mindset about the aging workforce are (Leibold, Voelpel, 2006): (1) discarding of age bias in hiring mature workers; (2) creating a culture that embraces older workers and honors experience; (3) offering flexible work opportunities; (4) offering flexible retirement options; (5) utilization and publicization of the benefits of an aging workforce due to practical experience.

Simultaneously with changing attitudes of managers, the first step we should take is to change people's mind-set. Procedures of retirement during the past thirty years made it look as if early retirement was an untouchable attainment, but we must finally acknowledge that such is no longer the case. Baby boomers must realize that early retirement is no longer an option (Van de Castele, 2004). It is important for elderly to incorporate the working life into their whole well-being in later phase of life.

The second action field in the light of aging workforce is *HRM* – adapted to older employees. Good practice policies start with recruiting older workers, age aware HRM continues with *training, development and promotion*. Fortunately, recent research (for ex. Brooke, 2003; Rolland, 2004) has found, that investment in training is no more costly for older workers than it is for younger ones: older workers tend to have lower turnover rates and, in addition to this, the term for return on investment in training is getting shorter. Also, contrary to popular belief, older workers also have the ability to learn new technologies as effectively as younger workers⁷. The methods of training simply need to be adjusted to accommodate different learning patterns (Dunn, 2005). Good practice in this field means ensuring that older workers are not neglected in training and career development that opportunities for learning are offered throughout working life that training methods are appropriate to older workers, and that positive action is taken where necessary to compensate for discrimination in the past. Especially promotion opportunities should be open to all employees, who should know that age is not a barrier and that they will not be regarded as 'too young' or 'too old'. Promotion and career development should be based on performance that you can measure and potential that is demonstrated - rather than on age or length of service.

HRM practices targeting older employees inevitably include *flexible working practices*, which mean giving older workers greater flexibility in their hours of work or in the timing and nature of their retirement. HRM also needs to consider *retirement pathways*, aiming to encourage longer employment continuum. More and more employers are getting aware, that compulsory retirement could mean losing skilled people and affects business

⁶ While implementing the elements of comprehensive age management model, we need to keep in mind that the individual differences increase with age, which in turn means that individual arrangements when organizing and modifying the work tasks may be necessary for employees approaching the age of retirement. Sometimes, general age management policies should be adapted to fit the individual.

⁷ It should be noted that older workers are on average less educated than workers in other age categories, which may contribute to their unfavourable position in the labour market. In the future, however, this is likely to change as the current cohorts of prime age workers are on average better educated.

productivity. Why train new staff or pay higher rates for agency workers, when an existing employee, who knows your business, could do the job. Employers only need to make it possible for older workers to perform well at workplace, by maintaining their physical and mental capacity.

The literature generally acknowledges that it is important for all workers, young and old alike, to upgrade their skills on a continual basis, in order to remain productive. Thus, *knowledge management* seems to be one of the bases when implementing age management politics. Skills and knowledge become quickly obsolete in a growing knowledge-economy. Thus the employability of (older) workers can be improved by raising their human capital, be it general or firm-specific. However, traditionally, investments in human capital by training are much lower for the older age groups than for the younger.

Health management at workplace is becoming of central importance in prolonging working life, since health care services should meet the increasing needs of older workers. Many surveys (for ex. Ilmarinen, 2006) showed that work-related health problems are common among men and women older than 45 years of age. Consequently, the prevention of work-related symptoms and diseases is a high priority in all age groups, but new challenges face aging workers: how can they manage at work when they have chronic symptoms and diseases? What can occupational health experts do to prevent the early exit of those suffering from chronic health problems? It is obvious that only treating the diseases is not enough. The new challenge is to find the adjustments needed at work due to the deterioration of health. The challenges of an aging workforce for occupational health services calls for innovation in (Ilmarinen, 2006 a): (1) health promotion, (2) the prevention of work-related and occupational diseases, (3) reduction in the impairment of work due to the diseases, (4) better support for disabled workers and (5) the promotion of workability.

Promoting health, functional capacity and workability in general should be one of the strategic policies that HRM is implementing when striving to prolong the working life of its aging workforce. A comprehensive solution for the aging challenge at the level of enterprise is the promotion of work ability during aging. This concept focuses on both human resources and working conditions. The core dimensions of human resources include health, physical and mental capacities and social functioning, competencies, as well as attitudes and values. The core dimensions of work cover the contents and demands of work, physical, ergonomic and psychosocial work environment, as well as management and leadership issues. Work ability is also connected to the microenvironment outside the workplace (family, relatives, friends, etc) as well as with the macro environment (infrastructure, services and other societal dimensions). The new core concept of work ability emphasizes the balance between human resources and work.

Workplace management with regard to job design and ergonomics may take the form of preventive measures or ones intended to compensate for physical decline. Recent literature on aging and the workforce reveals that older workers experience physical changes that may affect their work performance if their workplace is not accommodating. It has been noted that a “less physically and psychologically demanding environment might help keep older workers on the job longer” and might also increase the productivity of these workers (Chart 3).

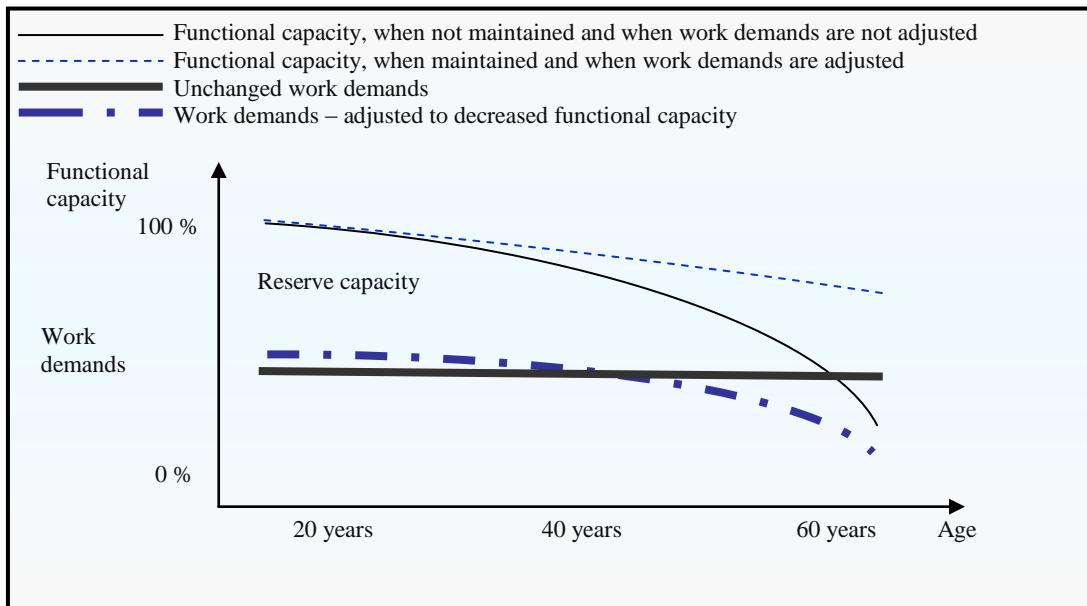
Employees can remain in work life for a long time if their tasks change according to their abilities and the changes caused by ageing are taken into account. Ageing not only deteriorates work ability; on the contrary, it increases, for example, cognitive capacity⁸. Life experience and tools keep senior employees in good shape. Good or adequate functional capacity is a precondition of employability and also of successful ageing in general.

From the point of view of work life, functional capacity⁹ should be adequate in relation to the demands of work. The basic problem stems from the fact that the changes in functional capacity and work demands with aging are not parallel (Chart 3). If the functional capacity of an employee deteriorates but the demands of work stay the same, workload increases, while the resource reserve between functional capacity and work demands decreases (the lineal lines on the graph on Chart 3).

⁸ Functional capacity usually refers to the preconditions and possibilities of a human being to complete different tasks, challenges, and hobbies that are connected to one's life course. Functional capacity illustrates the possibility for an active life that combines environmental demands and personal targets (Ilmarinen, 2006).

⁹ Functional capacity is studied as a part of a human being's health resources, which are the basis of work ability.

Chart 3: Adjustment between decreased functional capacity with age and increased work demands



Source: Adjusted upon Ilmarinen, 2006a

In such cases, work demands an increasing proportion of a person's functional capacity and its reserves and results in an increase in personal strain and fatigue, slows down recovery and possibly lessens productivity. We see that the unused auxiliary resources between functional capacity and work demands, reserve capacity (the space between intermittent lines on Chart 3), are deciding factors for work ability and the worker's continuation in work life. *Recovery* and revival from work become more and more important with age because senior employees are often closer to their maximal performance than younger employees are. There are two possible solutions to this problem, either the premature deterioration of functional capacity should be prevented or workload should be lightened. In practice, this could mean exemption from the hardest work phases, moving to different tasks, dropping one workday a week, or a decrease in daily work time. It is important to understand that people in physically demanding work do not improve their physical fitness in order to be able to do more work, but in order to recover better. Recovery ensures that workers can continue in work life and can maintain of their health and well-being. Adjusting workload by age makes a longer work life possible.

Anyway, there are a wide range of ways in which work induced illness or disability may be prevented by improved job design, for example by the elimination of heavy lifting or violent twisting movements, the provision of beneficial lighting and seating. For aging workers who are experiencing physical decline, it is possible to modify the workplace in order to assist them to maintain their productivity and, therefore, to remain in employment. Restructuring the workplace to accommodate older workers can also include the reduction of physically and mentally stressful tasks and more ergonomically designed work stations.

The last field of action – *managing different generations* – seems to be one of the greatest challenges for contemporary HRM. Very often, managers could organize work in age-mixed working teams, thus enabling the team members to distribute the work tasks between older and younger that better fit to their capabilities. Older employees could also take over *new or additional work roles* in order to enhance person-environment fit. As they are not likely to be interested in further career advancement, increased engagement in non-task activities such as mentoring younger or less experienced colleagues could provide an interesting challenge (Finkelstein, Allen, & Rhoton, 2003). However, either management or employees should not be led by any stereotyping assumptions concerning young and old employees. Such age-bound assumptions, however, lead to misalignments between the actual skills required and the age segmentation of the labor force. This lead to relatively limited opportunities for

skills development among older workers – the perception became a self-fulfilling prophecy, which in turn really makes older workers less interesting for employers (in comparison with younger employees).

One of the most important changes that need to take place to accommodate older workers is that of the *workplace culture*. Ageism in the workplace needs to be addressed, as older workers will make up a larger proportion of the workforce in the coming years. Consequently, the need to manage the relationships between the age groups is pointed out by more and more employers of different generations, who are getting aware of possibility of developing competitive advantages by achieving synergy effects of mixed-age workforce. Aging members of a working team are seen as valuable because they are able to add to the working environment a narrative depth based on experience. Managing different generations at work also adds to the improvement of working culture that may benefit from the members being of various ages and having different experiences. It is a challenge that requires new ways of working and management.

CONCLUSION

Demographic change brings about that future labor markets will be strongly influenced by older employees. The government of the Republic of Slovenia is well aware of the problems arising from the aging of the Slovenian population and its workforce. Consequently, the national strategic and other documents, especially in the field of employment have been implemented. Keeping workers longer in the workforce is an increasingly popular labor market policy in European countries (including Slovenia) to combat demographic trends such as the aging of its workforce. “We live longer, we have fewer children, so we have to work longer” seems to be the current policy motto. But this scenario is not an easy one. Skepticism can be found on both sides, either between older employees or between employers.

Especially Slovenia reports extremely low employment rates for older workers, which is the consequence of complexity of different reasons. It basically reflects a lack of incentives for employers to retain or hire older people and a lack of incentives for older workers to remain in the labor force (European Commission, 2007). Since the research findings show that the majority of Slovenian companies do not implement age management policies, or, if they do – it is more reactive than based on active aging strategy, a logical question appears: Are Slovenian employers crazy or lazy?

Our further investigation into the problem showed that employers are not either crazy or lazy, but they simply act rational way. Actually, retaining older employees often looks like being very unreasonable from the economic aspect. High separation costs may discourage employers from employing older people in the first place. Organizational features, such as employers’ policies, technological division of labor, and fellow workers and managers’ attitudes, are also known to influence the ability of older workers to remain in employment (Taylor, 2002). Besides, labor market regulations, seniority or age related-wages, moral hazard, the attitudes of older workers themselves and skills obsolescence, as well as age discrimination, may help to explain the underprivileged position of older workers in the labor market (Mayhew, Rijkers, 2004).

Older workers are generally considered to be one of the most vulnerable groups in the labor market (others being, for example, youth, women and disabled workers). One reason for this is that they are often viewed as being more costly than their younger counterparts, due mainly to the prevalence of age related remuneration systems and seniority wages, and as having lower productivity due to both outdated skills and more frequent physical limitations resulting from ageing. According to Mayhew and Rijkers (2004), two dimensions of obsolescence relating to ageing are undeniable: (1) the first is reduction of physical strength, vigor and endurance – clearly this is potentially important particularly in manual jobs and in other jobs that have a physical dimension to their performance, and (2) the second is that field specific knowledge acquired in the early years tends to become outmoded as that particular field moves on, unless the knowledge is regularly updated. Older employees are still (seen as) relatively low in the acceptance of new technology and the ability to adapt to changes in the work environment (Guest & Shacklock, 2005). As a result older workers, especially the low-skilled ones, have often been among those employees released first when employers need to reduce staff levels (European Commission, 2007). This was particularly the case during the period of industrial restructuring in the 1970s and 1980s and, more recently, in the new Member States

(including Slovenia) when older workers were encouraged to exit the labor market through redundancy and early retirement schemes.

However, prolonging working life remains one of the biggest challenges, which has to be achieved through providing better and more appropriate employment opportunities for aging workers. Simultaneously, the employability of older people also needs to be addressed, focusing on the improvement of types and levels of skills that are often a major obstacle to hiring older workers.

The possibility for older workers to integrate, and remain, in the labor market, and particularly their attractiveness to employers (or their 'employability'), are key issues. To maintain an increasing number of older people in work and to prevent their exclusion from the labor market, it is crucial to preserve and improve their employability, a term which covers such aspects as their health, skills, motivation, productivity, relative costliness and mobility/adaptability. Even if individual productivity does decline in some dimensions (e.g. physical and mental capacity) this can be reduced by changes to work organization, ensuring older workers receive appropriate training to update skills, preventive health policies and more effective use of work related technologies, and may be partly offset by typical characteristics of older workers such as greater experience, stability and reliability, and better people skills (European Commission, 2007).

The aim of this paper was to highlight the crucial role of employers, who can implement the great variety of age management policies and thus enhance to successfully integrate older employees. The research problem presented in this paper arises from the extremely low participation of older people on Slovenian labor market while the development of age management practice within Slovenian companies is still in its early stage. Thus, we also shed light on some relevant reasons for reluctance towards older employees from the viewpoint of employers. However, the main contribution of the paper lies in offering some reasonable suggestion – how the skepticism concerning older employees can be reduced. This can only be done by enabling older workers to remain productive, innovative, flexible, and willing to invest in advancing their knowledge, skills and competences. By implementing active ageing policies at workplace, the employers can play an exceptional role in maintaining or even enriching human capital of older employees.

In summary, it is very clear, that the aging of Slovenia's workforce is likely to have numerous human resource implications over the coming years. These challenges will be in the areas of: workforce planning; retention of older workers; health, safety and ergonomic strategies; work environment strategies; as well as recruitment and training methods. The paper offers some ideas about the wide pool of possible measures that can be used by HRM to efficiently adapt to the aging workforce, and simultaneously follow the basic principle of personnel economics, so that age management would work to older workers' credit as well as it would work for the good of the company. Scientists and practitioners working in the field of human resource management should prevent disadvantageous consequences of demographic change by further developing, implementing, and evaluating appropriate age management programs (training, health etc.).

The basic idea of our paper is as follows: with age management model implementation into day-to-day business practice, each company would enable its older workers to stay active, to maintain their workability and employability and even going beyond while enriching their human capital with age. An efficient age management can literally transform the role of older workers in organization, from a burden to valuable asset, a benefit.

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